

CHAPTER 7861
GAMBLING CONTROL BOARD
GENERAL PROVISIONS

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7861.0010 DEFINITIONS.

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

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

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

Subp. 3a. **Fund-raising costs.** "Fund-raising costs" has the meaning given it in Minnesota Statutes, section 309.50, subdivision 12.

Subp. 3b. **Gambling bank account.** "Gambling bank account" means all the accounts maintained by an organization at any banks, savings and loans, or credit unions located within Minnesota in which the organization deposits all gambling receipts and over which the organization has any control, including checking and savings accounts, certificates of deposit, and trust and escrow accounts.

Subp. 3c. **Gambling equipment.** "Gambling equipment" means bingo cards and sheets, devices for selecting bingo numbers, pull-tabs, jar tickets, paddlewheels, paddlewheel tables, paddletickets, paddleticket cards, and tipboards.

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

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

Subp. 5a. **Management and general costs.** "Management and general costs" has the meaning given it in Minnesota Statutes, section 309.50, subdivision 11.

Subp. 6. **Master flare.** "Master flare" is used in conjunction with sealed groupings of 100 paddleticket cards. The master flare must describe the paddletickets in the group, state the first paddleticket card number in the group, state the price per play of a paddleticket in the group, describe the wagers that may be placed with a paddleticket in the group, and have a state registration stamp affixed to it bearing the number of the first paddleticket card in the group.

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

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

A. an organization other than a fraternal, religious, or veterans organization, whose nonprofit status is evidenced by a current letter of exemption from the Internal Revenue Service recognizing it as a nonprofit organization exempt from payment of income taxes

or which is incorporated as a nonprofit corporation and registered with the secretary of state under Minnesota Statutes, chapter 317A; or

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

Subp. 9. Paddleticket. "Paddleticket" is a preprinted detachable ticket on a paddleticket card that has preprinted on it a paddleticket card number and either (i) one or more numbers corresponding to the numbers on a paddlewheel used without a paddlewheel table, or (ii) every available wager for a paddlewheel used with a paddlewheel table.

Subp. 10. Paddleticket card. "Paddleticket card" means a card to which is attached either (i) paddletickets bearing all the numbers on a paddlewheel used without a paddlewheel table, or (ii) paddletickets which each bear every available wager for a paddlewheel used with a table. A paddleticket card must have a stub attached that has preprinted on it a paddleticket card number, the price per paddleticket, space for the date played, a facsimile of a state registration stamp with the license number of the card's manufacturer, and a space in which the winning number is written.

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

Subp. 11a. Paddlewheel. "Paddlewheel" is a mechanical vertical wheel marked off into sections containing numbers and which, after being spun, uses a pointer to indicate the winning number.

Subp. 11b. Paddlewheel table. "Paddlewheel table" is the table described in part 7861.0100, subpart 9, and used in the game of paddlewheels governed by part 7861.0100, subparts 2 to 7 and 9 to 16.

Subp. 12. Religious organization. "Religious organization" means a nonprofit organization, church, body of communicants, or group gathered in common membership for mutual support and edification in piety, worship, and religious observances.

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

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 17 SR 1279; 17 SR 2711; 17 SR 2712*

7861.0020 LICENSED ORGANIZATION.

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

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

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

B. an organization which has not established a permanent location in Minnesota where the gambling records required to be maintained by this chapter will be kept and which has not established a gambling bank account within Minnesota;

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

D. an organization whose conduct of lawful gambling is or would be inconsistent with Minnesota Statutes, sections 349.11 to 349.23, as indicated by (i) lack of financial responsibility, (ii) demonstrated lack of control of lawful gambling, or (iii) consent order requirements that have not been completed;

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

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

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

- A. the official legal name of the organization and any other names used;
- B. the business address and telephone number of the organization;
- C. a Minnesota tax identification number, if any;
- D. the full names, titles, dates of birth, and business telephone numbers of the organization's chief executive officer, treasurer, and other members of the organization's governing body;
- E. the home address of the organization's chief executive officer;
- F. a designation of whether the organization is a fraternal, veterans, religious, or other nonprofit organization and the number of years the organization has been in existence;
- G. the name and home or business address of the gambling manager;
- H. the class of license for which application is made;
- I. the number of active members in the organization;
- J. the current status of the organization's license, if any;
- K. a list of lawful purpose expenditures for which the organization proposes to expend net gambling funds;
- L. a list of the organization's other sources of income and income activities;
- M. the day and time of the regular meetings of the organization;
- N. an acknowledgment that a membership list of the organization will be available within seven days after it is requested by the board;
- O. an acknowledgment that the organization will file an appropriate license termination plan in the event the organization terminates lawful gambling; and
- P. such additional information as is necessary to properly identify the applicant and to ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

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

- A. a copy of its internal control system on a form provided by the board;
- B. proof of Minnesota or Internal Revenue Service income tax exempt status or a current certificate of nonprofit status from the secretary of state;
- C. a copy of a charter of the parent organization, if chartered;
- D. a compensation schedule identifying duties and rate of compensation for each duty in the conduct of lawful gambling on a form provided by the board;
- E. a registration form and current photograph for each employee receiving compensation for the conduct of lawful gambling;
- F. a statement listing the permanent location within Minnesota of the organization's gambling records and the bank in Minnesota where the organization will maintain a separate gambling account; and
- G. a signed, notarized affidavit of the chief executive officer, treasurer, and members of the governing body of the organization on a form provided by the board.

Subp. 5. Changes in application information. If any information submitted in the application changes, the organization must notify the board within ten days of the change.

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

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

- A. The director shall issue a license to an organization which submits the information required by subparts 3 and 4 and is eligible to receive a license pursuant to subpart 2 and Minnesota Statutes, section 349.16. The license must be issued at the same time as any premises permits being renewed or applied for at the time the organization is applying for a li-

cence. Licenses issued by the director pursuant to this part are effective on the first day of a month.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. An organization that the director determines has failed to submit a complete renewal application at least 75 days before the expiration of its existing license may appeal that determination by filing a written request for a contested case hearing with the board before the expiration of the organization's existing license. The director shall schedule a contested case hearing before an administrative law judge pursuant to Minnesota Statutes, chapter 14. The hearing must be held less than 30 days after the service of a Notice and Order for Hearing

if allowed by the chief administrative law judge pursuant to part 1400.5600, subpart 3. The board must issue its final decision within 30 days after receipt of the administrative law judge's report and subsequent exceptions and argument under Minnesota Statutes, section 14.61. The sole issue at the hearing is whether the applicant submitted a complete application at least 75 days before the expiration of the applicant's existing license.

An organization whose renewal application has been denied may appeal that denial by requesting a contested case hearing pursuant to Minnesota Statutes, chapter 14. The request must be made in writing and received by the board no later than ten days after the organization receives the denial of its renewal application. Upon receipt of the request, the director shall schedule a contested case hearing before an administrative law judge pursuant to Minnesota Statutes, chapter 14. The hearing must be held less than 30 days after the service of Notice and Order for Hearing if allowed by the chief administrative law judge pursuant to part 1400.5600, subpart 3. The board must issue its final decision within 30 days after receipt of the administrative law judge's report and subsequent exceptions and argument under Minnesota Statutes, section 14.61.

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

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

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

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*

7861.0030 GAMBLING MANAGER.

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

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

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

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

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

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

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

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

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

Subp. 4. Length of license. The gambling manager's license expires one year from the effective date of the license. If a licensed gambling manager discontinues employment with

the licensed organization, the gambling manager's license expires on the date that the employment terminates.

Subp. 5. Contents of gambling manager application. The application must contain the following information with respect to the applicant:

- A. the applicant's full name, date of birth, and social security number;
- B. the applicant's full home or business address and business telephone number;
- C. the date the applicant became a member of the organization;
- D. the name, address, and telephone number of the organization;
- E. the current status of the gambling manager's license and the dates of attendance at the gambling manager's seminar;
- F. the name of the insurance company and the bond number for the gambling manager's \$10,000 fidelity bond; and
- G. the signature of the gambling manager.

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

- A. has never been convicted of a felony;
- B. has not committed a violation of law or board rule within the past five years that resulted in the revocation of a license issued by the board;
- C. has never been convicted of a criminal violation involving fraud, theft, tax evasion, misrepresentation, or gambling;
- D. has never been convicted of assault, a criminal violation involving the use of a firearm, or making terroristic threats;
- E. agrees that suits and actions related to the gambling manager's license, or acts or omissions, may be commenced against the gambling manager; and
- F. authorizes the department of public safety to conduct a criminal background check.

Subp. 7. Changes in application information. If any information submitted in the application changes, the board must be notified within ten days of the change.

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

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

- A. determining the product to be purchased and put into play;
- B. reviewing and monitoring the conduct of games;
- C. supervising, hiring, firing, and disciplining all gambling employees;
- D. verifying all receipts and disbursements;
- E. verifying all inventory;
- F. supervising all licensing and reporting requirements;
- G. assuring that the licensed organization is in compliance with all laws and rules related to lawful gambling; and
- H. assuring that illegal gambling is not conducted at any premises where the organization is permitted to conduct lawful gambling.

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

A. The director shall issue a gambling manager's license to a person who submits the information required by subparts 5 and 6 and pays the \$100 fee pursuant to subpart 8 if that person is eligible to receive a license pursuant to subpart 2 and Minnesota Statutes, section 349.167. A license issued by the director pursuant to this part is effective on the first day of a month.

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

C. A person who has never been licensed as a gambling manager or a person whose application for renewal of a gambling manager's license was submitted after the expiration

of the license may appeal the denial of a gambling manager's license by notifying the board within 15 days of the date the person receives notice that the application has been denied. The appeal must be in writing and must contain a complete copy of the application and a statement describing the reasons the license should not be denied. The appeal is not a contested case under Minnesota Statutes, chapter 14.

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

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

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

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

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

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

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

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

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

D. Appeals:

(1) A gambling manager whom the director determines has failed to submit a complete renewal application at least 75 days before the expiration of an existing license may appeal that determination by filing a written request for a contested case hearing with the board before the expiration of the gambling manager's existing license. The director shall schedule a contested case hearing before an administrative law judge pursuant to Minnesota Statutes, chapter 14. The hearing must be held less than 30 days after the service of a Notice and Order for Hearing if allowed by the chief administrative law judge pursuant to part 1400.5600, subpart 3. The board must issue its final decision within 30 days after receipt of the administrative law judge's report and subsequent exceptions and argument under Minnesota Statutes, section 14.61. The sole issue at the hearing is whether the applicant submitted a complete application at least 75 days before the expiration of the applicant's existing license.

(2) A gambling manager whose renewal application has been denied may appeal that denial by requesting a contested case hearing pursuant to Minnesota Statutes, chapter 14. The request must be made in writing and received by the board no later than ten days after the gambling manager receives the denial of a renewal application. Upon receipt of the request, the director shall schedule a contested case hearing before an administrative law judge pursuant to Minnesota Statutes, chapter 14. The hearing must be held less than 30 days

after the service of a Notice and Order for Hearing if allowed by the chief administrative law judge pursuant to part 1400.5600, subpart 3. The board must issue its final decision within 30 days after receipt of the administrative law judge's report and subsequent exceptions and argument under Minnesota Statutes, section 14.61.

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

A. An assistant gambling manager is a person who performs the duties specified in subpart 9, item C, or performs three or more of the other duties for which a gambling manager is responsible in subpart 9.

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

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

(2) each assistant gambling manager is an active member or employee of the organization; and

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

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

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*

7861.0040 PREMISES PERMITS.

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

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

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

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

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

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

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

E. the current status of the premises permit;

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

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

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

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

J. either or both of the following:

(1) the amount of monthly rent;

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

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

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

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

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

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

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

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

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

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

- (1) the name, business address, and telephone number of the lessor;
- (2) the name, business address, and license number of the licensed organization;
- (3) the name and street address of the leased premises;
- (4) the term of the agreement, which must be one year;
- (5) the type of gambling activity to be conducted;
- (6) the monetary consideration, if any, expressed in terms of number of dollars per month or number of dollars per bingo occasion, whichever is applicable;
- (7) the dimensions of the leased premises and the total number of square feet leased;
- (8) the days and hours of each bingo occasion, if any;
- (9) all obligations between the organization, its employees or agents, and the lessor and its employees or agents;
- (10) an irrevocable consent from the lessor that:
 - (a) the board and its agents, the commissioners of revenue and public safety and their agents, and law enforcement personnel have access to the permitted premises at any reasonable time during the business hours of the lessor;
 - (b) the organization has access to the permitted premises during any time reasonable and when necessary for the conduct of lawful gambling on the premises;
 - (c) the owner of the premises or the lessor will not manage the conduct of gambling at the premises;
 - (d) the lessor, the lessor's immediate family, and any agents or gambling employees of the lessor will not participate as players in the conduct of lawful gambling on the premises;
- (11) a clause that provides for the termination of the lease if the premises is the site where gambling, liquor, prostitution, or tax evasion violations have occurred;
- (12) any other agreements between the organization and the lessor.

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

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

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

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

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

- A. A class A permit, bingo, raffles, paddlewheels, tipboards, and pull-tabs, is \$400.
- B. A class B permit, raffles, paddlewheels, tipboards, and pull-tabs, is \$250.
- C. A class C permit, bingo only, is \$200.

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

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

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

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

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

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

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

Subp. 9. Issuance and denial. The following items apply to the issuance or denial of premises permits:

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

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

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

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

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

C. An organization that has never obtained a premises permit for the proposed site or whose application for renewal of a premises permit was submitted after the expiration of its permit may appeal the denial of a permit application by notifying the board within ten days of the date it receives notice that its application has been denied. The appeal must be made in writing and must contain a complete copy of the application and a statement describing the reasons the permit should not be denied. The appeal is not a contested case under Minnesota Statutes, chapter 14.

The board shall refer the appeal to the executive committee which shall review the appeal within ten days of receipt. The executive committee shall issue a written decision within ten days of its consideration of the appeal. If the committee reverses the director's decision, it shall instruct the director to issue a premises permit to the organization effective the first day of the month following the committee's written decision. The executive committee's decision is a final agency decision.

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

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

Complete applications received by the board less than 75 days before the expiration of the applicant's existing permit will be considered pursuant to this part but the permit will not

be renewed by the director until the first day of the month following the expiration of 75 days after the board has received the complete application. An organization shall not conduct gambling at a site where an existing permit has expired unless and until it receives a renewed permit.

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

C. An organization that has had a premises permit renewal application denied pursuant to item B may reapply for a renewal of its permit once it has remedied that portion of its renewal application which resulted in its denial. A reapplication must be accompanied by an additional fee as provided in subpart 7 and new local approval pursuant to subpart 8.

D. Appeals:

(1) An organization that the board determines has failed to submit a complete renewal application at least 75 days before the expiration of its existing premises permit may appeal that determination by filing a written request for a contested case hearing with the board no later than 30 days before the expiration of the organization's existing premises permit. The director shall schedule a contested case hearing before an administrative law judge pursuant to Minnesota Statutes, chapter 14. The hearing must be held less than 30 days after the service of a Notice and Order for Hearing if allowed by the chief administrative law judge pursuant to part 1400.5600, subpart 3. The board must issue its final decision within 30 days after receipt of the administrative law judge's report and subsequent exceptions and argument under Minnesota Statutes, section 14.61. The sole issue at the hearing is whether the applicant submitted a complete application at least 75 days before the expiration of the applicant's existing premises permit.

(2) An organization whose renewal application has been denied may appeal that denial by requesting a contested case hearing pursuant to Minnesota Statutes, chapter 14. The request must be made in writing and received by the board no later than ten days after the organization receives the denial of its renewal application. Upon receipt of the request, the director shall schedule a contested case hearing before an administrative law judge pursuant to Minnesota Statutes, chapter 14. The hearing must be held less than 30 days after the service of a Notice and Order for Hearing if allowed by the chief administrative law judge pursuant to part 1400.5600, subpart 3. The board must issue its final decision within 30 days after receipt of the administrative law judge's report and subsequent exceptions and argument under Minnesota Statutes, section 14.61.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*

7861.0050 ILLEGAL GAMBLING.

Subpart 1. **Prohibition.** Illegal gambling may not be conducted at a premises for which a licensed organization has a premises permit to conduct lawful gambling.

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

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*

7861.0060 CONDUCT OF LAWFUL GAMBLING.

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

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

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

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

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

- (1) a current inventory list of gambling equipment;
- (2) a sketch with dimensions of the leased premises available for review;
- (3) a clear, physical separation or a tangible divider between the organization's gambling equipment and the lessor's business equipment; and
- (4) the invoices or true and correct copies of the invoices for the purchase of all gambling equipment at the premises.

Subp. 2. Restrictions for gambling on leased premises. The following items are restrictions for gambling on leased premises:

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

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

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

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

- (1) \$1,000 per month for all forms of lawful gambling other than bingo;
- (2) for bingo and all other gambling activities which occur during that bingo occasion, \$200 for leased premises of not more than 6,000 square feet, \$300 for leased premises of not more than 12,000 square feet, and \$400 for leased premises of more than 12,000 square feet; and

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

E. An organization shall not permit the lessor's business activities to be conducted on the leased premises.

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

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

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

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

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

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

- A. the name of the licensed organization;
- B. the license number of the licensed organization and the premises permit number;
- C. the expiration date of the premises permit;
- D. the notice of compulsive gambling information which must at a minimum include the toll-free telephone number established by the commissioner of human services for the Minnesota hotline for compulsive gambling; and

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

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

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

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

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 17 SR 2711*

7861.0070 BINGO.

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

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

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

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

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

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

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

Subp. 3. **Numbering of cards.** Each set of disposable bingo cards or sheets must be consecutively numbered from the first card to the last card, or from the first sheet of cards to the last sheet of cards, or be consecutively numbered through the set. Each card or sheet must have printed on its face both its individual card or sheet number, and the series and individual face number of the card number assigned by the manufacturer to that set of disposable bingo cards.

Subp. 4. **Cards not preprinted but completed by player.** Bingo cards must contain five horizontal rows of spaces with each row, except the central one, containing five figures. The central row must have four figures with the word "free" marked in the center space. The remaining spaces must be of uniform color and size.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Q. A prize receipt form prescribed by the board must be completed for a winning prize of \$100 or more. The prize receipt form must include the following information:

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

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

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

(4) the name of the gambling premises.

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

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

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

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

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

A. the total number of players in attendance;

B. the total amount wagered;

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

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*

7861.0080 PULL-TABS.

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

A. Pull-tabs must not be dispensed from any coin-operated or mechanical dispensing device.

B. A gambling employee of an organization shall not purchase pull-tabs at the site of the employee's place of employment. For purposes of this subpart, the term "employee" includes a volunteer.

C. An organization may not change the flare or use a flare that it receives in an altered or defaced condition. A pull-tab deal may not be placed out for play when the value of the prizes or the cost of the pull-tabs differs from the flare.

D. The pull-tab seller shall not assist players in the opening of purchased pull-tabs.

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

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

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

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

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

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

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

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

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

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

G. The organization must clearly identify the play of pull-tabs as a single deal or a commingled deal.

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

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

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

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

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

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

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

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

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

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

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

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

(2) each deal must have a separate flare displaying the state registration stamp and manufacturer's serial number; and

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

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

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

D. The board may prohibit an organization from commingling deals of pull-tabs if it determines that the organization cannot account for the amount of actual cash profit from each commingled deal of pull-tabs.

Subp. 5. Pull-tab prize and cost per ticket limits. Prizes and bets must be limited, awarded, and controlled in the following manner:

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

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

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

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

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

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

E. When a player wins a cash prize of \$50 or more or receives a cash prize for redeeming the last ticket sold in a pull-tab game for which the distributor has modified the flare to contain a last sale value of \$20 or more, the organization shall record the win according to subpart 6, item C.

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

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

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

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

- (1) The pull-tab seller must legibly print in ink on the receipt the following:
 - (a) the name of the gambling premises;
 - (b) the registration stamp number and the game serial number of the deal of pull-tabs from which the prize was won;
 - (c) the name of the game of that deal of pull-tabs;
 - (d) the date the prize was won;
 - (e) the value of the prize won; and
 - (f) the winner's name and driver's license number including state of license registration, unless the winner does not have a driver's license, in which case the winner's full name and full address obtained from a picture identification.

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

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

- (1) the premises permit number and name of the premises;
- (2) the month and year the report is prepared;
- (3) the name of the preparer;
- (4) the name of each deal of pull-tabs and the number of pull-tabs in the deal;
- (5) the state registration stamp number;
- (6) the game serial number;
- (7) the date put into play;
- (8) the date removed from play;
- (9) the cost of each pull-tab;
- (10) the ideal gross receipts;
- (11) the ideal prizes which includes last sale;
- (12) the dollar amount of unsold and defective pull-tabs;
- (13) the actual gross receipts;
- (14) the actual prizes, including cash and merchandise;
- (15) the net receipts;
- (16) the actual cash profit or loss resulting from each deal of pull-tabs removed from play; and
- (17) the cash long or short stated numerically.

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

Subp. 7. Disposal of pull-tabs. The organization may dispose of played deals of pull-tabs when the retention period of 3-1/2 years expires, unless the organization is notified to

retain the pull-tabs because an audit, compliance review, or investigation is being conducted. The disposal must result in complete destruction such as shredding or burning.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*

7861.0090 TIPBOARDS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*

7861.0100 PADDLEWHEELS.

Subpart 1. [Repealed, 17 SR 2711]

Subp. 1a. Two versions of paddlewheel game. The game of paddlewheels may be conducted with or without a paddlewheel table. The game of paddlewheels without a paddlewheel table must be conducted in accordance with subparts 2 to 8 and 15 and 16. The game of paddlewheels with a paddlewheel table must be conducted in accordance with subparts 2 to 7 and 9 to 16.

Subp. 2. General conduct of paddlewheels. The following items apply to the conduct of all paddlewheel games:

A. Paddlewheels must be played using paddletickets, paddleticket cards, and a paddlewheel.

B. An organization may not use a paddlewheel that has not been approved by the board pursuant to Minnesota Statutes, section 349.163, subdivision 6, or that does not have a state registration stamp affixed to it.

C. Each paddleticket card must have a paddleticket card number preprinted on the stub and on each individual paddleticket. Each paddleticket card must have a different number. An organization may not have two paddleticket cards with the same number in its possession.

D. Each paddleticket card must have a facsimile of the state registration stamp preprinted on the stub. The facsimile must bear the license number of the manufacturer who manufactured the paddleticket card.

E. Each sealed grouping of 100 paddleticket cards must have a state registration stamp affixed to the master flare accompanying the group with the first paddleticket card number in the group stated on the master flare. No paddleticket card may be played unless the master flare for that card is posted in a conspicuous place on the permitted premises for the paddlewheel being played.

F. An organization may not use paddletickets:

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

(2) when the actual paddleticket card number preprinted on the tickets does not correspond to one of the paddleticket card numbers indicated on the master flare;

(3) when the paddleticket card number preprinted on the stub does not match the paddleticket card number preprinted on the individual tickets; or

(4) which are not attached to the paddleticket card.

G. An organization must deface all unsold paddletickets and all winning paddletickets which have been redeemed.

Subp. 3. **Prize value and ticket price restrictions.** The following prize value and paddleticket price restrictions apply to all paddlewheel games:

A. The prize awarded for a winning paddleticket may not exceed \$70 in value.

B. An organization may not sell a paddleticket for more than \$2. All the paddletickets on a paddleticket card must be sold for the same price. No person shall be required to purchase more than one paddleticket, or pay for anything other than the ticket, in order to play.

Subp. 4. [Repealed, 17 SR 2711]

Subp. 5. [Repealed, 17 SR 2711]

Subp. 6. **General restrictions.** The following restrictions apply to all paddlewheel games:

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

B. No organization may have a direct interest in the outcome of the spin of a paddlewheel.

Subp. 7. **Balancing, opening, closing, maintenance, and inspection of paddlewheels.** The following requirements for the balancing, opening, closing, maintenance, and inspection of paddlewheels apply to all paddlewheel games:

A. To open a paddlewheel on a day when it will be used, an organization's paddlewheel operator must inspect each peg or pin and the pointer for uneven wear and immediately replace any worn peg or pin or worn pointer, and shall evaluate the balance of the paddlewheel by:

(1) inspecting the back of the paddlewheel for a foreign object that may affect the paddlewheel's balance; and

(2) positioning the pointer so it does not interfere with the spin of the paddlewheel. The paddlewheel must be slowly rotated 45 to 90 degrees at a time in one direction. While the paddlewheel is spinning, the paddlewheel operator shall determine whether there is any abnormality in the rotation or any reverse rotation after the paddlewheel stops. The wheel must continue to be rotated until the entire wheel has been evaluated by this method in both directions. If the paddlewheel is out of balance, the organization shall balance the paddlewheel before conducting paddlewheels.

B. To close a paddlewheel at the conclusion of its use on a day, an organization's paddlewheel operator shall place a cover over the paddlewheel or otherwise make it inoperable for use.

C. For each month in which an organization uses a paddlewheel, it shall complete a paddlewheel maintenance record on a form prescribed by the board. The record shall contain spaces for the name of the person conducting the maintenance, the date of the maintenance, the type of paddlewheel, and the number of the state registration stamp affixed to the paddlewheel, and shall contain a list of maintenance checks to be performed to ensure that the paddlewheel is in balance.

D. An organization shall make its paddlewheel maintenance records available to employees of the board for inspection and shall permit employees of the board to inspect its paddlewheels to determine whether they are in balance.

E. An organization may not use a paddlewheel that is out of balance.

Subp. 8. **Conduct of paddlewheels without a paddlewheel table.** The following items apply to the conduct of paddlewheels without a paddlewheel table:

A. The paddlewheel must be marked off into equally spaced sections which each contain a different number. A protruding peg or pin must be located, on the circumference of the paddlewheel, at least at the dividing line between each of the sections of the wheel. There must be positioned above the paddlewheel a pointer which stops the spin of the wheel and determines the winning number.

B. The paddletickets must contain one or more numbers corresponding to the numbers on the paddlewheel. The one or more numbers on a paddleticket may not be duplicated

on any other paddleticket with the same paddleticket card number. Each paddleticket must be sold separately and must constitute a separate and equal chance to win with all other paddletickets with the same paddleticket card number.

C. All the paddletickets sold for a spin of the paddlewheel must bear the same paddleticket card number. All the paddletickets on a paddleticket card must be sold before the spinning of the paddlewheel. If all the paddletickets on the card cannot be sold, the organization shall refund the gross proceeds to the players in exchange for the unplayed paddletickets.

D. The paddlewheel must be spun by the organization's paddlewheel operator. The winning number is determined by the position of the pointer when the paddlewheel stops spinning. The paddlewheel must make at least four revolutions before stopping at the winning number. If four revolutions are not made, the spin is void and the paddlewheel must be spun again. An organization may not have multiple spins of the paddlewheel to award multiple prizes for one paddleticket card.

E. The paddletickets must be sold by the organization on the permitted premises for the paddlewheel being played and must be sold on the same day the paddlewheel game is conducted. No person may be required to be present when the paddlewheel is spun in order to be eligible for the prize. No person may be required to keep a paddleticket on the permitted premises in order to be eligible for the prize. However, the player with the winning paddleticket must claim the prize by redeeming the ticket on the permitted premises before the conclusion of the organization's lawful gambling activity for that day on the premises. Otherwise, the player forfeits the prize.

F. The prize awarded may be cash or merchandise. No cash prize amount may be a variable multiple of the standard price of a paddlewheel ticket. Merchandise prizes must be valued at actual market value or suggested market value, whichever is less. An organization must pay for in full or otherwise become the owner, without lien or interest of others, of merchandise to be awarded as a prize prior to the sale of paddletickets eligible for the prize. The organization must keep records showing its ownership of the merchandise, the actual and suggested market value of the merchandise, and its complete inventory of paddlewheel prize merchandise. An organization may not substitute cash for merchandise prizes which have been won.

G. For all winning paddletickets which have been redeemed, an organization shall keep records of the date played, the winner number, and the cash prize amount or merchandise prize awarded.

H. An organization must post clear and legible house rules on the play of paddlewheels in a conspicuous place on the permitted premises for the paddlewheel being played. The rules must include the following information:

- (1) A paddlewheel is used for the selection of the winner.
- (2) All paddletickets on a card must be sold before the spinning of the paddlewheel.
- (3) No person shall be required to purchase more than one paddleticket, or pay for anything other than the ticket, in order to play.
- (4) The paddlewheel must make at least four revolutions.
- (5) The winner is not required to be present when the paddlewheel is spun; however, the winner must claim the prize by the conclusion of the lawful gambling activity for the day.

I. An organization must post in a conspicuous place on the permitted premises for the paddlewheel being played a clear and legible sign stating the prize to be awarded to the winning paddleticket. The sign must be at least 18 inches by 24 inches in size.

Subp. 9. Standards for paddlewheels and paddletickets used with a paddlewheel table, and for paddlewheel tables and chips. Paddlewheels with a paddlewheel table must be conducted with a paddlewheel, paddlewheel tables, and paddlewheel chips which conform to the following standards:

A. The paddlewheel must be divided into three concentric circles. Each circle must be a different color and must be marked off into equally spaced sections. Each section in a circle must contain a different number. The outer circle may contain up to 40 numbers. Each

inner circle may contain up to one-half of the number of numbers as that circle's adjacent outer circle. The numbers in each circle must be sequential starting with the number "one" but may be placed randomly in that circle. The paddlewheel may have specifically designated "house numbers" in regard to an "odd" or "even" bet. A protruding peg or pin must be located, on the circumference of the paddlewheel, at least at the dividing line between each of the sections of the outside concentric circle. There must be positioned above the paddlewheel a pointer that stops the spin of the wheel and determines the winning colored number or set of colored numbers.

B. Each paddleticket must have preprinted on it all the colored numbers on the paddlewheel and every available wager expressed by a colored number or set of colored numbers.

C. A paddlewheel table must have a state registration stamp affixed to its front and must conform to the following standards:

(1) The table playing surface must be permanently and clearly imprinted with the colored numbers which correspond to the colored numbers in each concentric circle of the paddlewheel. The table playing surface may also contain letters, each of which corresponds to a set of numbers of the same color representing a line bet. The table playing surface may also contain statements of "ODD" or "EVEN" for placing a bet that any number of a designated concentric circle of the paddlewheel will be odd or even. The letters and the statements must also be permanently and clearly imprinted on the table playing surface.

(2) The table playing surface must have a slot for the placing of paddletickets for each single colored number, each letter that corresponds to a set of colored numbers representing a line bet, each statement of "ODD," and each statement of "EVEN."

(3) The table must be equipped with a double-locking or triple-locking, removable metal container known as a "drop box" into which must be deposited all issuance of duplicate fill slips, issuance of original credit slips, and coin or currency received from players for the purchase of paddlewheel chips. The drop box must have one lock that secures the drop box to the table and one or two separate locks which secure the contents placed into the drop box. The key to each of the two or three locks must be different from each of the other locks.

(4) The table must accommodate the placement of bets by players on the front and both sides of the table. The table must also have a rail for holding a player's paddlewheel chips. Inclusive of the rail, the table may be no longer than nine feet and no wider than four feet.

D. Paddlewheel chips may not be made of plastic, wood, or paper. An organization may issue paddlewheel chips in denominations of \$1, \$2, \$5, and \$25. One dollar chips must be white, \$2 chips must be yellow, \$5 chips must be red, and \$25 chips must be green. Each chip must have permanent edge spots which are different in color than the rest of the chip. Each paddlewheel chip must also be clearly and permanently impressed, engraved, or imprinted on at least one side with the license number of the organization holding the premises permit for the premises at which the chips are being used and on at least the opposite side with the specific dollar value of the chip. This item is effective on April 26, 1994.

Subp. 10. Opening and closing of paddlewheel tables.

A. To open a paddlewheel table for use, a gambling employee or volunteer of the organization shall lift the top of the table and inspect the cavity for any paddleticket, paddlewheel chip, or foreign object that may have fallen through the slots, and shall affix a paddlewheel chip tray to the table and lock a paddlewheel drop box to the table.

B. To close a paddlewheel table after its use, a gambling employee or volunteer of the organization shall notify the players that their paddlewheel chips must be redeemed through the cash bank cashier, and shall collect all outstanding identification cards from the players.

Subp. 11. **Conduct of paddlewheels with a paddlewheel table.** The following items apply to the conduct of paddlewheels with a paddlewheel table:

A. Only cash prizes may be awarded. No cash prize amount may be a variable multiple of the standard price of a paddleticket.

B. The paddlewheel must be spun by the organization's paddlewheel operator. The winning colored number or set of colored numbers is determined by the position of the pointer when the paddlewheel stops spinning. The paddlewheel must make at least four revolutions before stopping at the winning colored number or set of colored numbers.

C. Paddlewheel chips must be purchased only at the paddlewheel table from the organization's paddlewheel operator. Paddletickets must be purchased only at the paddlewheel table from the organization's paddlewheel operator, and must be purchased only with paddlewheel chips except that paddletickets for the immediate next spin may be purchased directly with cash in an amount equal to the value of the tickets.

D. All paddletickets must be sold on the permitted premises for the paddlewheel being played and must be sold immediately preceding a spin to be valid for that spin. Each paddleticket must be sold separately and must constitute a separate and equal chance to win with all other paddletickets sold for the spin. There may be no partially sold paddleticket cards for a spin. If all the tickets on a card cannot be sold, the organization shall refund the gross proceeds to the players in exchange for the unplayed tickets of that card.

E. When a player first purchases paddlewheel chips, the organization's paddlewheel operator shall provide the player with a card containing a unique identification number. The player shall return the card to the paddlewheel operator immediately after the player stops playing. Each player must write the player's assigned identification number on the back of the player's paddletickets prior to placing the tickets in a betting slot on the paddlewheel table.

F. A player shall bet all the player's purchased paddletickets on the immediate next spin. If a player purchases a paddleticket and does not bet the ticket on the immediate next spin, the ticket is void, the ticket may not be wagered on any other spin of the paddlewheel, and the player shall surrender the ticket to the organization's paddlewheel operator who shall treat it as a losing ticket.

G. To bet, a player shall place the player's paddleticket in a betting slot on the paddlewheel table. A player's paddleticket is void and must be treated as a losing ticket if the player forces it all the way through the slot into the cavity of the table. The organization's paddlewheel operator may assist a player provided that the operator first verbally announces to all the players at the table that the operator is assisting the player and what assistance is being rendered.

H. A player may bet a paddleticket while another player is purchasing a ticket.

I. An organization's paddlewheel operator shall sequentially number each spin of the paddlewheel for each day of activity beginning with "one" for the first spin of the day and progressing with each spin. The spin number must be written either on the face of the first paddleticket card stub for which paddletickets have been sold for a particular spin or on the back of the last stub from which tickets have been sold for a particular spin. All spin numbers must be consistently recorded in the same location on the stub for all spins of the day. However, when the sale of tickets for a particular spin continues into a new sealed grouping of paddleticket cards, then the sequential spin number must be written on the face of the first stub of the group from which tickets are continuing to be sold. For each subsequent spin of the same group of paddleticket cards, the spin number must be recorded consistent with the organization's standard practice, written either on the face of the first stub for which paddletickets have been sold or on the back of the last stub from which tickets have been sold. The paddlewheel operator may not continue the sale of tickets for any particular spin into a new group of paddleticket cards unless the master flare for the group reflects the same prize payout as the master flare associated with the previous group. The master flare of the new group for which the sale of tickets is continuing and the master flare of the finished group from which tickets were sold for the same spin must be posted until the end of the spin, after which the old master flare must be removed. The paddlewheel operator must initial each paddleticket card stub. Both this initialing and the recording of spin numbers on card stubs must be done with a non-erasable marker.

J. When the organization's paddlewheel operator has determined that no other player desires to purchase a paddleticket for the immediate next spin of the paddlewheel, that there is no partially sold paddleticket card, and that the players have bet all their tickets, the operator shall announce "bets closed." Thereafter, no player may bet a paddleticket, change

a bet of a previously placed ticket, touch any ticket, or place the player's hands on top of the paddlewheel table.

K. After the winning colored number or set of colored numbers is determined, the organization's paddlewheel operator shall record with a nonerasable marker the winning colored number and set of colored numbers on the face of the paddleticket card stub with the lowest serial number, or on the back of the paddleticket card stub with the highest serial number, of the cards related to that spin of the paddlewheel. The paddlewheel operator shall then remove all losing paddletickets from the slots on the paddlewheel table and visibly tear in half and discard the tickets in a container that is not easily accessible by a player. The operator shall next pay off the winning tickets slot by slot. To pay off the winning tickets, the operator shall:

- (1) circle or record the winning colored number or set of colored numbers on the face or on the back of the winning ticket with a nonerasable marker;
- (2) pay off the winning ticket directly to the player who has the card containing the unique identification number written on the back of the ticket; and
- (3) record on the face or on the back of the winning ticket the prize amount with a nonerasable marker.

L. An organization must post clear and legible house rules on the play of paddlewheels in a conspicuous place on the permitted premises for the paddlewheel being played. The rules must include the following information:

- (1) The cash denominations at which paddlewheel chips issued by the organization are sold and redeemed.
- (2) A player must first purchase paddlewheel chips from the paddlewheel operator.
- (3) Chips must be safeguarded. A chip dropped into a table betting slot must be retrieved by authorized personnel.
- (4) Purchase, with chips, only as many paddletickets as the player desires to bet on the immediate next spin of the paddlewheel.
- (5) A player is assigned a unique identification number that the player must write on the back of purchased paddletickets.
- (6) Place a bet by carefully inserting a paddleticket in a selected betting slot on the paddlewheel table. Jammed tickets are void.
- (7) No player may touch a paddleticket after the paddlewheel operator announces "bets closed" and until the operator announces "place bets."
- (8) A paddlewheel must make at least four revolutions.
- (9) If the pointer stops directly on top of a peg or pin, the number preceding the peg or pin is the winning number.
- (10) A winning "odd" or "even" bet is determined by a winning number of only the designated colored circle. However, a player loses all "odd" and "even" bets if the pointer stops on a specially designated "house number." This rule must be posted only if an "odd" or "even" bet is accepted.
- (11) A prize payout is made in chips which may be redeemed through the cashier.
- (12) A player must be present to win.

Subp. 12. **Operating procedures and internal controls.** The following operating procedures and internal controls apply to the conduct of paddlewheels with a paddlewheel table:

A. An organization must keep records adequate to account for the cash won or lost for each sealed grouping of 100 paddleticket cards and records adequate to account for the paddletickets, paddleticket cards, paddlewheel chips, gross receipts, actual net receipts, actual cash profit, and cash long or short for each accounting period. For purposes of this subpart, an "accounting period" is a continuous time period during which a paddlewheel table is open for play.

B. For each accounting period for a paddlewheel table, an organization must maintain a record form with the following information:

- (1) the premises permit number for the premises at which the table is located;

(2) the state registration stamp numbers for the table, the paddlewheel, and the paddleticket cards used;

(3) the date and time of the accounting period;

(4) the starting and ending cash bank amount;

(5) the starting and ending paddlewheel chip inventories by denomination and total dollar value; and

(6) the denomination and total dollar value of paddlewheel chips taken to the table from inventory, taken from the table to inventory, and redeemed for cash.

C. An organization is responsible for the safeguarding and secure storage of paddleticket cards and paddlewheel chips.

D. Paddlewheel chips shall be redeemed only through an organization's paddlewheel chip and cash bank cashier. The cash bank used by the organization to redeem its paddlewheel chips must be kept completely separate and apart from all other cash of the organization. Paddlewheel chips shall be redeemed for cash at the value for which they were sold, except when the chips were obtained or being used unlawfully. Redeemed chips must be kept completely separate and apart from the chip bank until after the organization completes the records for the accounting period during which the chips were redeemed.

E. An organization's paddlewheel operator shall redeem the actual paddlewheel chips received as tips through the organization's paddlewheel chip and cash bank cashier and shall not exchange those chips for other chips from any chip tray. This item does not preclude the pooling of tips.

F. The organization's paddlewheel chip and cash bank cashier must prepare a fill slip whenever paddlewheel chips are distributed to a paddlewheel table from the chip bank. An organization may not transfer or make change of chips directly from one table to another table. The fill slip must be at least a two-part carbonless form. On the original and duplicate fill slip, at least the following information must be recorded:

(1) the date and time;

(2) the denomination of chips;

(3) the quantity and total dollar value, by denomination, of chips;

(4) the total dollar value of chips; and

(5) the table identification number if required by subpart 14, item A.

The original copy of the fill slip must be retained by the cashier. The duplicate copy of the fill slip must be deposited in the paddlewheel table drop box by the paddlewheel operator.

G. The organization's paddlewheel operator must prepare a credit slip whenever paddlewheel chips are returned from the paddlewheel table to the chip bank. The credit slip must be at least a two-part carbonless form. The same information must be recorded on the original and duplicate credit slip as on a fill slip under item F. The original copy of the credit slip must be deposited in the paddlewheel table drop box by the paddlewheel operator. The duplicate copy of the credit slip must be retained by the cashier.

H. After play has commenced, a money plunger must remain in the paddlewheel table drop box slot while the drop box is attached to the table except when coin, currency, or forms are inserted into the drop box. All cash taken in on paddlewheel chips must be placed immediately into the drop box. No person may access the contents of the drop box prior to the drop box cash count under item I.

I. During an accounting period, the key to at least one lock securing the contents of the paddlewheel drop box must be maintained and controlled by a person who is not acting as a paddlewheel operator or paddlewheel chip and cash bank cashier during that period. At the close of an accounting period, the drop box shall be opened and counted by two persons, at least one of whom did not act as a paddlewheel operator or paddlewheel chip and cash bank cashier during that period.

Subp. 13. Bet and prize payoff restrictions. The following bet and prize payoff restrictions apply to the conduct of paddlewheels with a paddlewheel table:

A. No person may place a bet that exceeds one or more of the following limits:

(1) \$50 in aggregate for a spin of the paddlewheel;

(2) \$10 on a single colored number;

- (3) \$25 for a line bet; and
- (4) \$25 on either "odd" or "even."

A bet is void to the extent it exceeds one or more of these limits. The paddletickets used to make the excess portion of the bet must be treated as losing tickets.

B. The prize payoff to a player is the value of paddlewheel chips to be paid out for a winning paddleticket per dollar spent on the ticket. An organization must post near the paddlewheel table a clear and legible sign stating the prize payoff and the bet restrictions for the paddlewheel game being conducted. The sign must be at least 18 inches by 24 inches in size.

C. The prize payoff must be a predetermined variable multiple of the amount wagered and must be in the form of paddlewheel chips. The prize payoff may not exceed the following ratios:

- (1) 40 to 1 for a bet on a single colored number in the outer concentric circle of the paddlewheel;
- (2) 20 to 1 for a bet on a single colored number in the middle concentric circle of the paddlewheel;
- (3) 10 to 1 for a bet on a single colored number in the inner concentric circle of the paddlewheel;
- (4) 5 to 1 for a line bet; or
- (5) 2 to 1 for an "odd" or "even" bet.

Subp. 14. **Restrictions.** The following restrictions apply to the conduct of paddlewheels with a paddlewheel table:

A. No more than two paddlewheel tables may be located at a lawful gambling site. If there are two paddlewheel tables at a site, each table and its paddlewheel drop boxes must bear a paddlewheel table identification number that distinguishes them from the other table and its drop boxes.

B. All tips must be made only with paddlewheel chips.

C. An organization shall not redeem, exchange, or allow to be used as a paddlewheel wager or a tip any paddlewheel chip that does not bear the organization's license number.

Subp. 15. **Retention of records.**

A. The records required to be kept by an organization pursuant to this part must be retained by the organization for at least 3-1/2 years.

B. An organization must retain for at least 3-1/2 years all paddleticket card stubs and the accompanying master flares, all unsold paddletickets, and all winning paddletickets which have been redeemed.

Subp. 16. **Reports.** The use of paddletickets must be reported in the same manner as for pull-tabs under part 7861.0080, subpart 6. An organization must complete a detailed monthly report in a standard format approved by the commissioner of revenue for each sealed grouping of paddleticket cards from which paddletickets were sold that month. The reports must provide sufficient detail to determine the actual net receipts, actual cash profit, and the cash long and short for each sealed grouping of paddleticket cards.

Subp. 17. **Paddlewheel gambling equipment approval.** After July 1, 1993, the board will consider the approval under Minnesota Statutes, section 349.163, subdivision 6, of new types of paddlewheel gambling equipment which: (1) are for paddlewheel games not approved for use in Minnesota as of May 3, 1993; (2) were prohibited by the moratorium in Minnesota Statutes, section 349.163, subdivision 6a; and (3) do not conform to all the design criteria set forth in this part for such gambling equipment. The board may approve such gambling equipment after July 1, 1993, if the equipment satisfies all applicable statutory criteria.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 17 SR 2711*

7861.0110 RAFFLES.

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

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

B. No person shall be required to purchase more than one ticket, or to pay for anything other than the ticket, in order to enter a raffle.

C. No person shall be required to be present at a raffle drawing in order to be eligible for the prize drawing.

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

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

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

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

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

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

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

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

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

- (1) the name of the organization;
- (2) the total number of tickets printed;
- (3) the price per ticket;
- (4) the date of the raffle drawing;
- (5) the names and telephone numbers of all persons to whom tickets were given to be sold;
- (6) the number of tickets given to each person for sale;
- (7) the consecutive numbers of the tickets given to each person for sale;
- (8) the number of tickets each person sold;
- (9) the number of tickets each person returned unsold;
- (10) the actual gross proceeds reported by each person to whom tickets were given to be sold;
- (11) the actual cash received from each person to whom tickets were given to be sold; and
- (12) the cash long or short reported by each person to whom tickets were given to be sold.

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

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

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

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

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

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

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

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

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

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

B. not enough tickets were sold to cover the cost of the prizes, and an extension will enable the organization conducting the raffle to sell enough tickets to cover the cost of the prizes. The fact that a desired level of profit will not be attained is not a basis for an extension of the date of the drawing.

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

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

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

C. the winning ticket stubs; and

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

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*

7861.0120 ORGANIZATION OPERATIONS, ACCOUNTS, AND REPORTS.

Subpart 1. Internal accounting and administrative controls required.

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

(1) inventory acquisition and control;

(2) gaming operations control;

(3) fund control and records; and

(4) accounting and monthly reports.

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

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

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

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

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

and

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

C. The system of administrative control relative to gambling operations must include a complete plan of organization that will provide appropriate segregation of functional

responsibilities and sound practices to be followed in the performance of these duties by competent and qualified personnel. The plan of organization must include a diagram and a narrative which describe the interrelationship of functions and the division of responsibilities upon which the system of internal control of the gambling operations is based.

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

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

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

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

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

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

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

A. Each organization shall maintain complete, accurate, and legible general accounting records with detailed supporting subsidiary records sufficient to furnish information regarding all gambling transactions. The monthly accounting records must be sufficient to adequately reflect gross receipts, prizes, net receipts, expenses, and all other accounting transactions.

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

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

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

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

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

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

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

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

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

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

(2) a record of board-approved expenditures (schedule D).

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

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

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

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

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

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

- (3) summary of games played and receipts per game (schedule B); and
- (4) combined receipts tax schedule (schedule E).

E. When an organization has a fund loss by questionable means of its inventory or cash, the organization may apply to the board, on a form prescribed by the board, for an adjustment of its profit carryover. The organization shall file a fund loss report with the Department of Revenue, which will make a recommendation to the board. The fund loss report must include the following:

- (1) a local law enforcement report which was filed within ten days of the discovery of the loss. If a report was not filed with the local law enforcement agency within ten days of the discovery of the loss, the request for adjustment will not be considered;
- (2) a completed fund loss report which includes the following information:
 - (a) the name and address of the organization;
 - (b) the license number, premises permit numbers, and effective date of the premises permit;
 - (c) a description of the loss, including amount, date, location, and a summary of how the loss occurred, including if a safe was broken into or stolen;
 - (d) whether the current status of the law enforcement investigation is closed, inactive, or active;
 - (e) whether reimbursement for the loss has been or will be paid by insurance or criminal restitution;
 - (f) a description of how the loss was verified using schedule B or B-2 if necessary;
 - (g) internal controls and personnel changes that have been made to prevent future losses;
 - (h) when the organization received the funds; and
 - (i) signatures of the chief executive officer and the gambling manager;

and

(3) all fund losses by questionable means must be reimbursed to the gambling bank account from nongambling funds, unless an adjustment to the organization's profit carryover is approved by the board.

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

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

A. Each organization must maintain a separate gambling bank account at banks, savings and loans, or credit unions located within Minnesota.

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

(2) The checking account or accounts included in an organization's gambling bank account must consist of one of the following:

(a) a checking account into which the organization deposits all gambling receipts and from which the organization makes all expenditures of gambling gross profits;

(b) a checking account for each of the organization's permitted premises into which the organization deposits all gambling receipts received at that premises and from which the organization makes all expenditures of gambling gross profits from that premises;

or

(c) a checking account for each permitted premises as described in unit (b) and one additional checking account into which the organization transfers all or a portion of its gambling receipts from the other checking accounts and from which the organization makes all or a portion of its expenditures of gambling gross profits. This subitem does not

prevent an organization from transferring gambling gross profits to a nonchecking account included in its gambling bank account in the period between the deposit and expenditure of the gambling gross profits.

(3) Except for lawful purpose expenditures by a 501(c)(3) organization pursuant to subpart 5, item C, subitem (2), gambling funds may not be transferred to the organization's general bank accounts for any expenditures without prior board approval.

(4) Nongambling funds shall not be deposited in the gambling bank account unless the organization is required by the board to deposit nongambling funds in the account to reimburse the account for unlawful expenditures or expenses, to otherwise bring the organization into compliance with Minnesota Statutes, section 349.15, or to reimburse the account for gambling receipts that the organization failed to deposit in the account.

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

(6) Interest income from gambling proceeds must be included in gross receipts.

(7) Each organization shall furnish to the board on a form prescribed by the board an "Authorization to Inspect Bank Records," which authorizes the board and its agents, and the commissioners of revenue and public safety and their agents, to inspect the bank records of the organization's gambling bank account.

B. Deposits of gambling receipts:

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

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

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

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

A. The expenditure of gambling funds must be authorized by the members of the organization at a regular meeting of the organization and recorded in the minutes of that meeting before the expenditure is made. Copies of the authorization must be sent to the board upon request.

B. Allowable expenses:

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

(2) Percentage of profit to be used for allowable expenses:

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

(b) Compliance with the maximum percentage of profits expended for allowable expenses must be determined annually, as provided in this item and part 7861.0020, subpart 8, for the organization as a whole based on the organization's cumulative past expenditures for allowable expenses. Compliance is not determined by each premises.

(c) A licensed organization must file with the board an allowable expense calculation report, on a form prescribed by the board, covering the period ending with the 12th month after the effective date of the organization's current license. The report must be filed on or before the 20th day following the last day of the period. If the report shows that the organization is not in compliance with the maximum percentage of profits that may be expended for allowable expenses, then beginning on the day the report is filed, the organization must cease its conduct of lawful gambling until it has deposited sufficient nongambling funds in its gambling bank account to bring the organization into compliance with the percentage limits on allowable expenses.

(d) The allowable expense calculation report filed with an organization's license renewal application under part 7861.0020, subpart 8, must cover the period ending with the 21st month after the effective date of the organization's current license.

C. "Lawful purpose" means any one of the following:

(1) A contribution to an organization which:

(a) is classified as tax exempt under United States Code, title 26, section 501(c)(3);

(b) spent in its most recently completed calendar or fiscal year, whichever is the year basis on which its books are kept, 30 percent or less of its total revenue on fund-raising costs and management and general costs, provided that for purposes of this subitem, total revenue shall not include the organization's own gambling gross profits, if any;

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

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

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

(2) Expenditures of gambling gross profits, excluding allowable expenses, made by a licensed organization which is classified as tax exempt under United States Code, title 26, section 501(c)(3), to the extent that during the calendar or fiscal year, whichever is the year basis on which the organization's books are kept, in which the expenditures are made, at least 70 percent of the expenditures are for program services related to the organization's primary purpose and 30 percent or less of the expenditures are for fund-raising costs and management and general costs, provided that for purposes of this subitem, expenditures for program services shall include expenditures that are otherwise lawful purpose under this subpart.

(3) A contribution to an individual or family suffering from poverty, homelessness, or physical or mental disability, provided the contribution is reasonably calculated to relieve the effects of that poverty, homelessness, or disability, or a contribution to a non-profit corporation that exists exclusively for these relief purposes, provided the corporation uses the entire amount of the contribution to relieve one or more of these effects. Disability for purposes of this subitem includes, but is not limited to, physical or mental difficulties in accomplishing daily tasks and activities such as personal care, meal preparation, cleaning, transportation, or athletic activities.

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

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

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

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

(6) A contribution to or an expenditure on a public or private nonprofit educational institution registered with or accredited in Minnesota or any other state provided the contribution, if made to a public educational institution, is documented on a form prescribed by the board showing the request form or acknowledgment of the institution to expend gambling funds and attached to the monthly schedule C report.

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

(a) the funds are awarded through an open and fair selection process that does not discriminate based on race, gender, religion, national origin, marital status, disability, or age;

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

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

(d) the names of the individuals awarded scholarships are public and communicated to all members of the sponsoring organization.

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

(a) the contribution or expenditure does not result in any member of the organization making the contribution or expenditure, or any person in the member's immediate family, receiving any money or money equivalent, or receiving any goods or services with:

i. a market value greater than \$10; or

ii. a market value greater than \$100 based on the aggregate of contributions and expenditures in any 12-month period; and

(b) the contribution, if made to a unit of government, must be documented on a form prescribed by the board showing the request from or acknowledgment of the unit of government to expend gambling funds and attached to the monthly schedule C report; and

(c) for purposes of this subitem, activities recognizing humanitarian service include the provision of transportation, food, and beverages to persons making blood donations.

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

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

(b) equal opportunity is provided for:

i. the provision of equipment and supplies;

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

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

sors;

iv. the provision and availability of support facilities; and

v. demonstrated interest in the activity;

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

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

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

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

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

(12) Taxes imposed by Minnesota Statutes, section 349.212, subdivisions 1, 4, and 6.

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

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

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

(b) for organizations which conduct bingo, \$200 for premises of not more than 6,000 square feet, \$300 for owned bingo premises of not more than 12,000 feet, and \$400 for premises of more than 12,000 square feet times the number of bingo occasions conducted in a calendar year, based on the space actually used for bingo.

(15) A contribution to the United States, the state of Minnesota or any of its political subdivisions, or any agency or instrumentality thereof, provided the contribution is documented on a form prescribed by the board showing the request from or acknowledgment of the unit of government to expend gambling funds and attached to the monthly schedule C report.

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

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

(a) "extensively" must be demonstrated by written documentation that the facility has been used free of charge by at least one group as described in this subitem and that the facility's availability for this purpose has been communicated to the community at large; this documentation shall include, but is not limited to, examples of public service announcements, public notices printed in local newspapers, and flyers displayed or distributed throughout the community;

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

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

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

(a) a board-prescribed form is completed;

(b) board approval is obtained;

(c) the replacement structure:

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

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

and

(d) the following may be included:

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

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

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

(a) a board-provided form is completed;

(b) approval of the board is obtained;

(c) the replacement structure:

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

ii. has the same square footage; and

iii. cost is substantially the same as the value of the original building except for additional costs for building code requirements enacted by the local unit of government after the original building was built and additional costs for landscaping and

parking lot code requirements enacted by the local unit of government after the original building was built.

(20) An organization that has received board approval to make an expenditure of gambling gross profits for debt service or other payments under subitem (17), (18), or (19) must obtain prior board approval for any increase in the expenditure, including any increase due to a refinancing or other restructuring of a debt that results in an increase in the present value of the balance of the debt. Any equity withdrawn from real property or a capital asset as part of the refinancing or other restructuring of the debt constitutes gambling gross profits and must be deposited in the organization's gambling bank account. No closing costs are included within subitem (17), (18), or (19).

(21) Payment of one-half of the reasonable costs of an audit required in Minnesota Statutes, section 349.19, subdivision 9.

D. Lawful purpose does not include any of the following:

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

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

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

(4) a direct contribution to a law enforcement or prosecutorial agency;

(5) any contribution under item C, subitem (15), involving an environmental project or any contribution to or expenditure by a 501(c)(3) organization involving an environmental project, unless the contribution or expenditure is documented on a form prescribed by the board and attached to the monthly schedule C report showing prior review by the state agencies with authority over the project;

(6) interest on taxes, tax penalties, or interest on tax penalties;

(7) any expenditure, contribution, or other disposition of gambling gross profits by an organization after which the organization retains any control over the funds, except for expenditures by a 501(c)(3) organization pursuant to item C, subitem (2);

(8) a contribution to a 501(c)(3) organization that does not meet the criteria in item C, subitem (1);

(9) expenditures by a licensed organization that is a 501(c)(3) organization if the expenditures do not meet the criteria in item C, subitem (2);

(10) any contribution or expenditure to the extent it results in any net monetary gain or other pecuniary benefit to the organization making the contribution or expenditure; and

(11) any contribution or expenditure that is void or voidable under the conflict of interest provisions of the Minnesota Nonprofit Corporation Act, Minnesota Statutes, section 317A.255.

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

F. Notwithstanding item E, a licensed organization may contribute gambling gross profits to a parent organization at the Minnesota state level provided:

(1) the parent organization has submitted to the board a comprehensive list of the lawful purposes for which the parent organization will use the contributions; and

(2) the parent organization uses the entire amount of the contributions for one or more of the lawful purposes listed in item C.

G. A licensed organization may not contribute gross gambling profits to another licensed organization unless:

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

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

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

H. An organization shall maintain documentation sufficient to show that each of its expenditures of gambling gross profits constitute either an allowable expense or a lawful purpose under this subpart.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 16 SR 2945; 17 SR 2712*

7861.0130 EXCLUDED BINGO AND RAFFLES.

Subpart 1. Registration. An organization that conducts excluded bingo or raffles as allowed by Minnesota Statutes, section 349.166, must register with the board before the conduct of the lawful gambling, and, for bingo conducted pursuant to Minnesota Statutes, section 349.166, subdivision 1, paragraph (a), clause (1) or (2), must obtain prior approval of the local governing body of the township, city, or county in which the bingo will be conducted. The registration must be on a form prescribed by the board, which must include the following information:

- A. the name and address of the organization;
- B. the name of the person in charge of the bingo occasion and/or raffles and that person's phone number;
- C. the type of organization (fraternal, veterans, religious, or other nonprofit);
- D. the number of bingo occasions conducted by the organization in the present calendar year;
- E. whether the bingo occasion is to be held in connection with a county fair, the state fair, or a civic celebration, and if so, the number of consecutive days bingo will be played;
- F. the dates of the raffle drawing, if any;
- G. the total market value of the raffle prizes;
- H. the signature of the organization's chief executive officer; and
- I. the local government approval form.

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

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*

7861.0140 EXEMPTED LAWFUL GAMBLING.

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

- A. the name and address of the organization;
- B. the current or previous license number or exempt number, if any;
- C. the name and telephone number of the chief executive officer;
- D. the name and telephone number of the treasurer;
- E. the type of organization (fraternal, veterans, religious, or other nonprofit);
- F. the dates of activity;
- G. the types of lawful gambling to be conducted;
- H. the name, address, including city or township, and county where the activity will be conducted; and
- I. a completed local government notification form.

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

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

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

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*

7861.0150 TECHNICAL ASSISTANCE REQUIREMENTS.

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

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

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*