

CHAPTER 7863
GAMBLING CONTROL BOARD
GAMBLING EQUIPMENT DISTRIBUTORS

7863.0010 DISTRIBUTORS.

7863.0020 DISTRIBUTOR OPERATIONS, ACCOUNTS,
AND REPORTS.**7863.0010 DISTRIBUTORS.**

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

Subp. 2. **License required.** No person may sell, offer for sale, or otherwise furnish gambling equipment for use in Minnesota to any licensed, exempt, or excluded organization without a valid distributor's license. Annual application must be made for a distributor's license. No person may enter into a service contract to perform repair or maintenance services on pull-tab dispensing devices, or no person may otherwise perform repair or maintenance services on a pull-tab dispensing device without one of the following:

- A. a valid distributor's license;
- B. a valid manufacturer's license; or
- C. a valid license or authorization to conduct lawful gambling.

Subp. 3. **Qualifications.** For purposes of this subpart, "director" means a member of the board of directors, "officer" means any person elected, appointed, or otherwise designated as an officer by the board of directors, and "other person in a supervisory or management position" means any person employed to direct and control the personnel and activities of a department or division. A license may not be issued to a person or to a corporation, limited liability company, firm, or partnership which has any officer, director, partner, governor, or other person in a supervisory or management position or employee eligible to make sales on behalf of the distributor who:

- A. has ever been convicted of a felony;
- B. has ever been convicted of a crime involving gambling;
- C. has ever been convicted of:
 - (1) assault;
 - (2) a criminal violation involving the use of a firearm; or
 - (3) making terroristic threats;
- D. is or has ever been engaged in or connected with an illegal business;
- E. owes \$500 or more in delinquent taxes to the state of Minnesota;
- F. has had a sales and use tax permit revoked by the commissioner of revenue within the last two years;
- G. after demand, has not filed tax returns required by the commissioner of revenue. The board may deny or refuse to renew a license under this chapter, and may revoke a license under this chapter, if any of the conditions in this item are applicable to an affiliate or direct or indirect holder of more than a five percent financial interest in the applicant or licensee; or
- H. is a wholesale distributor of alcoholic beverages or an employee of a wholesale distributor of alcoholic beverages.

Subp. 4. **Restrictions.** For purposes of this subpart, the restrictions apply to the licensees' activities within Minnesota, or while conducting business with organizations authorized to conduct lawful gambling in Minnesota. No distributor or any representative, agent, affiliate, or employee of a distributor may:

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

MINNESOTA RULES 2001

7863.0010 GAMBLING EQUIPMENT DISTRIBUTORS

88

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

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

D. provide, or permit an affiliate or person acting on behalf of the distributor to provide, to a lessor of gambling premises any compensation, gift, gratuity, premium, or other thing of value;

E. directly or indirectly give gifts, trips, prizes, loans of money, premiums, or other gratuities to gambling organizations, or their employees, other than nominal gifts not to exceed a value of \$25 per organization in a calendar year. Value means actual market value or suggested market value, whichever is less. Nothing in this item prohibits a distributor, or a representative, agent, affiliate, or employee of a distributor from making a contribution of \$250 or less in any calendar year to an organization, or participating in a fundraising event for an organization, provided that the contribution or fundraising event is unrelated to the organization's conduct of lawful gambling;

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

G. alter or modify any gambling equipment, except to add a last sale sticker or to repair registered permanent gambling equipment;

H. recruit a person to become a gambling manager or identify to an organization a person as a candidate to become a gambling manager;

I. identify for an organization a potential gambling location;

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

K. lease premises to an organization for the conduct of lawful gambling;

L. be an officer, director, paid employee, or volunteer of a licensed, exempt, or excluded organization in its conduct of lawful gambling, or represent a licensed, exempt, or excluded organization in the purchase of, or influence the purchase of, lawful gambling equipment;

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

N. provide or permit an affiliate or person acting on behalf of the distributor to provide any compensation, gift, gratuity, premium, contribution, or thing of value to a board employee or member of the board;

O. sell or otherwise provide a pull-tab, jar ticket, or tipboard deal with the symbol required by Minnesota Statutes, section 349.163, subdivision 5, paragraph (h), visible on the flare to any person other than in Minnesota to a licensed organization or organization exempt from licensing;

P. enter into any agreement with any other distributor that restricts either of them in the sale of gambling equipment; or

Q. enter into any agreement with any other distributor to establish the price at which any gambling equipment may be sold.

Subp. 5. [Repealed, 19 SR 1854]

Subp. 6. **Contents of application.** The application must be on a form provided by the board, and must contain the following information:

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

B. the mailing address of the applicant;

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

D. the telephone number of the applicant;

E. the legal nature of the applicant (corporation, firm, partnership, limited liability company, or sole proprietorship);

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

MINNESOTA RULES 2001

89

GAMBLING EQUIPMENT DISTRIBUTORS 7863.0010

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

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

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

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

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

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

M. an organizational chart illustrating the management structure of the applicant; and

N. the signature of the chief executive officer.

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

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

A. A distributor personnel form must be completed by all employees of a distributor, and by each:

- (1) owner;
- (2) partner;
- (3) member of the board of directors or board of governors;
- (4) officer (including, but not limited to president, vice-president, secretary, treasurer, controller, or general counsel);
- (5) manager and/or supervisor of shipping, sales, personnel, governmental relations, and security;
- (6) person authorized to make sales in Minnesota on behalf of the distributor, including employees or persons who represent a distributor in a transaction that results in the sale of gambling equipment in Minnesota. For purposes of this item, any or all of the following activities shall be considered a sale of gambling equipment:
 - (a) approving orders for gambling equipment;
 - (b) the promotion of gambling equipment; or
 - (c) the solicitation of sales of gambling equipment;
- (7) person or entity with a direct or indirect financial interest of five percent or more in the applicant; and
- (8) consultant.

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

- (1) full name, telephone number, and full address of the distributor and license number, if issued, of the distributor;
- (2) full name, home address, date of birth, place of birth, social security number, and home telephone number of the individual completing the form;
- (3) full name of the individual's spouse, if married;
- (4) driver's license number, including state of registration;
- (5) branch of military service, if any, and dates of service;
- (6) country of citizenship;
- (7) position with distributor and work telephone number;
- (8) employment history for past ten years;

- (9) places of residence for past ten years;
- (10) criminal history statement (except petty misdemeanors);
- (11) name, address, and license or exempt permit number of any organization conducting lawful gambling in Minnesota of which the person is a member, and/or the name and address of any excluded organization conducting lawful gambling in Minnesota of which the person is a member;
- (12) Minnesota tax identification number of businesses that the individual has owned for the past ten years;
- (13) a statement regarding the provisions of subparts 3 and 4;
- (14) notarized signature of person and date signed; and
- (15) additional information as necessary to properly identify the person and ensure compliance with Minnesota Statutes, section 349.11 to 349.23.

Subp. 8. **Identification card.** Before a person may perform employment services, including sales, for a distributor, the board must issue the person an identification card. The identification card must be in the possession of the employee at all times the employee is performing services on behalf of the distributor. The identification card must be on a form prescribed by the board and submitted with the personnel form, and must contain:

- A. a one inch by 1-1/4 inches head and shoulders photograph, taken not longer than 18 months before the date of application, of the person;
- B. the name of the person;
- C. the name of the distributor;
- D. the license number and expiration date of the distributor's license;
- E. the address and business telephone number of the distributor;
- F. the signature of the distributor; and
- G. the date of issue and the signature of the board director.

The picture identification card is the property of the state of Minnesota and the bearer must return the card to the board if the bearer is no longer eligible to conduct sales or is no longer employed by the distributor.

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

Any temporary personnel working for a distributor must be registered with the board prior to performing any duties on behalf of the distributor.

Subp. 9. **Changes in application information.** If any information submitted in the application changes during the term of the license period, the distributor must notify the board in writing within ten days of the change.

Subp. 10. **License fee.** The annual fee for a distributor's license is as established by Minnesota Statutes, section 349.161, subdivision 4. License fees are not prorated or transferable.

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

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

A. The board shall issue a license to a distributor who submits the information required by subparts 6, 7, and 8, pays the fee required by Minnesota Statutes, section 349.161, subdivision 4, and who is eligible to receive a license pursuant to subpart 3, and Minnesota Statutes, section 349.161.

B. The board shall deny the application of a distributor ineligible to hold a license pursuant to subpart 3, or Minnesota Statutes, section 349.161.

MINNESOTA RULES 2001

91

GAMBLING EQUIPMENT DISTRIBUTORS 7863.0010

C. Notwithstanding items A and B, the board may, by order, deny a distributor's license if it finds that the order is in the public interest and that the applicant or licensee, or a director, officer, partner, governor, person in a supervisory or management position of the applicant or licensee, or employee eligible to make sales on behalf of the applicant or licensee, or direct or indirect holder of more than a five percent financial interest in the applicant or licensee:

(1) has violated or failed to comply with any provision of Minnesota Statutes, chapter 297E, 299L, or 349, or any rule adopted or order issued thereunder;

(2) has filed an application for a license that is incomplete in any material respect, or contains a statement that, in light of the circumstances under which it was made, is false, misleading, fraudulent, or a misrepresentation;

(3) has made a false statement in a document or report required to be submitted to the board or the commissioner of revenue, or has made a false statement to the board, the compliance review group, or the director;

(4) has been convicted of a crime in another jurisdiction that would be a felony if committed in Minnesota;

(5) is permanently or temporarily enjoined by any gambling regulatory agency from engaging in or continuing any conduct or practice involving any aspect of gambling;

(6) has had a gambling-related license revoked or suspended, or has paid or been required to pay a monetary penalty of \$2,500 or more, by a gambling regulator in another state or jurisdiction;

(7) has been the subject of any of the following actions by the director of alcohol and gambling enforcement or commissioner of public safety:

(a) had a license under Minnesota Statutes, chapter 299L, denied, suspended, or revoked;

(b) been censured, reprimanded, has paid or been required to pay a monetary penalty or fine; or

(c) has been the subject of any other discipline by the director or commissioner;

(8) has engaged in conduct that is contrary to the public health, welfare, or safety, or to the integrity of gambling; or

(9) based on past activities or criminal record poses a threat to the public interest or to the effective regulation and control of gambling, or creates or enhances the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of gambling or the carrying on of the business and financial arrangements incidental to the conduct of gambling.

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

Subp. 13. **Length of license.** A distributor license expires one year from the effective date of the license.

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

Subp. 15. **License renewal.** To renew a license at the end of the term a licensee must submit a complete renewal application on a form prescribed by the board at least 75 days before the expiration of the licensee's existing distributor's license. A renewal application is not complete until it contains the information required in subparts 6, 7, and 8, and the fee required by Minnesota Statutes, section 349.161, subdivision 4.

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

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

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

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

Subp. 17. **License suspension.** When a license is suspended pursuant to part 7865.0020, the licensee must provide to the commissioner of revenue a certified physical inventory of registered gambling equipment in inventory on the day the suspension begins.

Statutory Authority: *MS s 349.151*

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

7863.0020 DISTRIBUTOR OPERATIONS, ACCOUNTS, AND REPORTS.

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

A distributor may not purchase gambling equipment from a manufacturer unless the equipment meets the requirements in part 7864.0030.

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

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

A. Sales to organizations:

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

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

MINNESOTA RULES 2001

93

GAMBLING EQUIPMENT DISTRIBUTORS 7863.0020

(3) A distributor may not sell or furnish to any organization any gambling equipment unless the gambling equipment has been approved by the board and meets all the requirements in part 7864.0030.

(4) No distributor may sell or otherwise provide a partial series of bingo paper sheets or bingo paper sheet packets to a licensed organization; however, a partial series of bingo paper sheets or bingo paper sheet packets may be sold to an exempt or excluded organization.

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

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

(2) The minimum monthly lease cost of the pull-tab dispensing device shall be five percent of the purchase price of the pull-tab dispensing device that is reported on the distributor's monthly pricing report required by subpart 4, item C.

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

(4) If a default in the lease agreement occurs on the part of the lawful gambling organization, the credit provisions contained in subpart 4, item F, shall apply.

(5) If an organization's license or authorization is suspended, revoked, not renewed, or otherwise terminated, the lease agreement shall be canceled pursuant to the terms of the lease agreement required by subitem (1).

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

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

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

F. No distributor may provide any merchandise prize, as part of the sale of any game, either through a gift or sale to any licensed, exempt, or excluded organization, or employee of a licensed, exempt, or excluded organization, conducting lawful gambling.

G. No distributor shall provide any additional keys for pull-tab dispensing devices to organizations after the pull-tab dispensing device has been leased or sold to the organization.

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

A. Pull-tabs, jar tickets, tipboards, tipboard tickets, paddletickets, and paddleticket cards.

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

B. **Permanent gambling equipment.**

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

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

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

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

A. Equipment returned prior to being put into play.

(1) Gambling equipment not manufactured in accordance with the standards in part 7864.0030, subpart 1, must be returned by the distributor to the manufacturer within seven business days of accepting receipt of the gambling equipment from an organization, provided that the organization has provided the distributor with written proof that the gambling equipment does not meet the standards in part 7864.0030, subpart 1.

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

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

B. Gambling equipment returned during play or after being removed from play.

(1) Gambling equipment not manufactured in accordance with the standards in part 7864.0030, subpart 1, must be immediately removed from play and, within seven business days of discovering that the gambling equipment does not meet the standards in part 7864.0030, subpart 1, returned by the organization to the distributor along with written proof that the gambling equipment does not meet the standards in part 7864.0030, subpart 1. Within seven business days of receipt of the returned gambling equipment from an organization, the distributor shall return the gambling equipment to the manufacturer for a determination as to whether the gambling equipment was manufactured in accordance with the standards in part 7864.0030, subpart 1. After a determination by the manufacturer, the game shall be returned through the distributor to the organization and retained as a played game.

(2) Within 14 business days of receiving a written determination from the manufacturer that the gambling equipment is not in compliance with the standards in part 7864.0030, subpart 1, and a credit from the manufacturer, the distributor shall issue a credit invoice to the organization for the cost of the equipment and any bona fide losses incurred and documented by the organization over which the organization had no control or ability to prevent. A copy of the credit invoice must be filed electronically, as required by the commissioner of revenue.

C. Within 30 business days of receipt of returned gambling equipment, the distributor shall file with the board a returned equipment report, in accordance with the requirements in subpart 4, item E.

Subp. 3b. **Corrective action.** The following items apply to a board mandated or manufacturer initiated recall of gambling equipment.

A. Pursuant to the terms of part 7864.0030, subpart 6, licensed distributors shall assist licensed manufacturers with a gambling equipment recall that has been mandated by the board or initiated by the manufacturer.

MINNESOTA RULES 2001

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

C. Within 15 business days of initiation of the recall proceedings, the recall shall be completed by the distributor, and the distributor shall notify the board and the commissioner of revenue in writing that it has obtained all the recalled product from the licensed, exempt, or excluded organizations, except for games already in play, which must be retained by the organization as played games. Such notification shall include the following:

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

D. Within seven business days of receipt of credit from the manufacturer, the distributor shall issue credit invoices to all organizations returning product under the recall. Credit invoices shall include the cost of freight paid by the organization and any bona fide losses incurred and documented by the organization over which the organization had no control or ability to prevent. Copies of the credit invoices must be filed electronically as required by the commissioner of revenue.

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

A. Sales invoice.

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

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

- (a) the name and address of the distributor;
- (b) the license number of the distributor;
- (c) the complete business name and address of the organization to whom the sale was made;
- (d) the license number of the licensed organization or the exempt permit number of the organization and the expiration date of the permit, or if the organization is excluded the name and address of the organization and the expiration date of the authorization;
- (e) the organization's premises permit number;
- (f) the invoice number;
- (g) the identification of the distributor's salesperson making the sale;
- (h) the date of shipment of the gambling equipment;
- (i) the identification of the person who ordered the gambling equipment;
- (j) the local sales tax and the state sales tax; and
- (k) unit price or monthly lease cost.

(3) For pull-tabs, jar tickets, and tipboards, the following information must appear on the sales invoice:

- (a) the quantity by the number of deals for pull-tabs, jar tickets, and tipboards;
- (b) a complete description of each pull-tab deal, jar ticket deal, or tipboard, which includes the name of the game, the manufacturer identification, the part number, and the serial number;
- (c) the last sale amount;
- (d) the total ideal gross receipts; and

MINNESOTA RULES 2001

7863.0020 GAMBLING EQUIPMENT DISTRIBUTORS

96

(e) the total gambling tax due.

(4) For paddleticket cards, the following information must appear on the sales invoice:

(a) the number of sealed groupings for paddletickets;

(b) the ideal gross receipts for each sealed grouping; and

(c) for each sealed grouping of paddletickets purchased from a manufacturer, a complete description of each sealed grouping of paddletickets, which will include the name of the game, the manufacturer identification, the part number, and the serial number.

(5) For bingo hard cards and breakopen bingo paper sheets, the following information must appear on the sales invoice:

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

(b) for bingo hard cards, the price per face.

(6) For bingo paper sheets and sets of bingo paper sheet packets, the following information must appear on the sales invoice:

(a) for each set of bingo paper sheet packets:

i. the color of each sheet in the packet in the order of collation;

ii. the number of sheets per packet (UP's);

iii. the number of faces per sheet (ON's);

iv. the series;

v. the price for which the bingo paper sheet packet must be sold by the organization; and

vi. the serial number from each sheet in the packet if the serial numbers are not uniform throughout the packet, or the serial number from the top sheet in each packet if the serial numbers are uniform throughout the packet. The serial numbers may be recorded on a separate document which is attached to the invoice, provided that the invoice clearly states that the serial number listing is attached as a separate document; and

(b) for bingo paper sheets (case paper);

i. the color;

ii. the number of sheets per case;

iii. the number of faces per sheet (ON's);

iv. the series;

v. the price for which the bingo paper sheets must be sold by the organization; and

vi. the serial number from the top sheet in the case.

(7) For permanent gambling equipment, such as bingo ball selection devices, paddlewheels, paddlewheel tables, and pull-tab dispensing devices, the following information must appear on the sales invoice:

(a) a complete description of the equipment being sold or leased, including the make, model number, and serial number of the permanent gambling equipment; and

(b) the state permanent registration stamp number affixed to the permanent gambling equipment.

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

B. A registration stamp number log in which the state permanent registration stamp numbers for permanent gambling equipment are recorded must be maintained

MINNESOTA RULES 2001

97

GAMBLING EQUIPMENT DISTRIBUTORS 7863.0020

by the distributor in a format prescribed by the board, retained by the distributor for 3-1/2 years, and furnished to the board upon demand.

C. Monthly pricing reports.

(1) A licensed distributor must submit a monthly pricing report to the board in a format approved by the board and at a minimum must include:

- (a) the name, license number, and full address of distributor;
- (b) the month and year of the report;
- (c) for pull-tabs and jar tickets, the name of the game, form number, price per deal, whether the equipment is subject to rebate, and volume discounted price, exclusive of transportation costs;
- (d) for tipboards and tipboard tickets the name of the game, form number, price per deal, whether the equipment is subject to rebate, and volume discounted price, exclusive of transportation costs;
- (e) for bingo paper sheets, bingo paper sheet packets, and breakopen bingo paper sheets the price per thousand faces, whether the bingo paper sheets are collated or uncollated, whether the equipment is subject to rebate, and volume discounted price, exclusive of transportation costs;
- (f) for bingo hard cards the price per 100 faces;
- (g) for bingo ball selection devices, the price per device, exclusive of transportation costs;
- (h) for paddlewheels the price per paddlewheel and for replacement parts, exclusive of transportation costs;
- (i) for paddlewheel tables the price per table, exclusive of transportation costs;
- (j) for paddletickets the price per sealed grouping, whether the equipment is subject to rebate, and volume discounted price, exclusive of transportation costs; and
- (k) for pull-tab dispensing devices the purchase price per device or monthly lease cost per device and the cost for replacement parts exclusive of transportation costs, and the cost of service agreements to lawful gambling organizations.

(2) The report must be filed no later than the first day of each month. Amendments must be filed within five days of the filing. A distributor may file a pricing report at any time during a month for gambling equipment previously approved by the board. Once a distributor has filed its first pricing report with the board, future pricing reports need only reflect changes, additions, or deletions to the previous month's report.

(3) A computer-generated form may be used with the approval of the board director if it complies with the requirements of this part.

D. For each item of permanent gambling equipment such as bingo ball selection devices, paddlewheels, paddlewheel tables, and pull-tab dispensing devices sold or leased in Minnesota to a licensed, exempt, or excluded organization, the distributor must provide the following information to the board by the 20th of the month following the month in which the sale was made:

- (1) the name, address, and license number of the distributor;
- (2) the name, address, and license number of the manufacturer that the distributor purchased or leased the equipment from;
- (3) the name and address of the licensed, exempt, or excluded organization that purchased the equipment;
- (4) the license number or exempt permit number of the organization that purchased the equipment;
- (5) the make, model number, and serial number of the permanent gambling equipment; and

(6) the state permanent registration stamp number affixed to the permanent gambling equipment.

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

E. Returned gambling equipment report.

(1) A distributor who accepts returns from licensed, exempt, or excluded organizations of gambling equipment not manufactured in compliance with the standards in part 7864.0030, subpart 1, shall file a monthly report with the board. The report must be in a format approved by the board, and include the following information:

(a) the name, license number, and full address of distributor;

(b) the month and year of the report;

(c) for pull-tabs, jar tickets, and tipboards the number of deals, the form numbers, the standards in part 7864.0030, subpart 1, which were not met, the manufacturer's name, and the name and license number or exempt number of the organization returning the equipment;

(d) for bingo hard cards, bingo paper sheets, bingo paper sheet packets, and breakopen bingo paper sheets, the number of cases, the serial number and series number, the standards in part 7864.0030, subpart 1, which were not met, the manufacturer's name, and the name and license number or exempt number of the organization returning the equipment;

(e) for paddletickets the number of paddleticket cards, the form number, the standards in part 7864.0030, subpart 1, which were not met, the manufacturer's name, and the name and license number or exempt number of the organization returning the equipment; and

(f) for permanent gambling equipment such as bingo ball selection devices, paddlewheels, paddlewheel tables, and pull-tab dispensing devices, the quantity of equipment returned, the make, model, and serial number of the permanent gambling equipment, the manufacturer's name, and the state permanent registration stamp number affixed to the equipment.

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

F. Report of delinquent organization required.

(1) A distributor shall notify the board in writing if the distributor has not received payment from a licensed, exempt, or excluded organization within 35 days of shipment of gambling equipment for the gambling equipment, or for tax obligations. The notification shall include:

(a) the name, address, and license number or exempt number of the organization;

(b) the distributor's invoice date;

(c) the distributor's invoice number; and

(d) the total dollar amount of the invoice.

Upon receipt of the notice, the board shall notify all distributors that until further notice from the board, they may sell gambling equipment to the delinquent organization only on a cash basis with no credit extended. For purposes of this item, cash means a check drawn on the organization's gambling account.

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

(3) If a distributor who has notified the board under subitem (1) has not received payment in full from the delinquent organization within 60 days of the notification to the board under subitem (1), the distributor must then notify the board of the continued delinquency. Upon receipt of a notice under subitem (3), the board shall notify all distributors not to sell any gambling equipment to the delinquent organization.

MINNESOTA RULES 2001

99

GAMBLING EQUIPMENT DISTRIBUTORS 7863.0020

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

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

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

I. A distributor shall notify the board within 30 days of such action, if the distributor has had a gambling-related license revoked or suspended or has been required to pay a monetary penalty of \$2,500 or more by a gambling regulator in another state or jurisdiction.

Statutory Authority: *MS s 349.151*

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