

CHAPTER 7864
GAMBLING CONTROL BOARD
MANUFACTURERS

7864.0010 LICENSED MANUFACTURERS.

7864.0020 MANUFACTURER OPERATIONS,
ACCOUNTS, AND RECORDS.**7864.0010 LICENSED MANUFACTURERS.**

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

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

Subp. 3. **Qualifications.** A license may not be issued to a person, or to a corporation, firm, or partnership, that has an officer, director, or other person in a supervisory or management position or person eligible to make sales on behalf of the manufacturer, a person 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 crime involving the use of a firearm; or
 - (3) terroristic threats;
- D. is or has ever been engaged in an illegal business;
- E. owes \$500 or more in delinquent taxes;
- F. has had a sales and use tax permit revoked by the commissioner of revenue within the last two years; or
- G. has had a license related to gambling revoked or denied by another jurisdiction for a violation of law or rule.

Subp. 4. **Restriction.** No manufacturer may:

- A. sell gambling equipment to any person not licensed as a distributor under part 7863.0010;
- B. sell gambling equipment to a distributor in this state that has the same serial number as another item of gambling equipment of the same type sold by the manufacturer for use in this state;
- C. be directly or indirectly licensed as a distributor unless the manufacturer does not manufacture any gambling equipment other than paddlewheels and was licensed as both a manufacturer and distributor on May 1, 1990;
- D. participate in the conduct of lawful gambling or have an owner, officer, director, partner, or employee who is an officer, director, or gambling manager of any organization conducting lawful gambling;
- E. be an owner, officer, director, or partner of a wholesale alcoholic beverage distributor;
- F. provide or permit an affiliate or person acting on behalf of the manufacturer to provide any compensation, gift, gratuity, premium, contribution, or thing of value to a lessor of gambling premises; or
- G. provide or permit an affiliate or person acting on behalf of the manufacturer to provide any compensation, gift, gratuity, premium, contribution, or thing of value to an appointed official.

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

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

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

- B. the Minnesota tax identification number, if any, of the applicant;
- C. the type of business (sole proprietorship, partnership, or corporation);
- D. the type of product to be sold in Minnesota;
- E. the full names and titles of the owners, officers, directors, supervisors, managers, and sales employees;
- F. the addresses of all facilities where gambling equipment is manufactured;
- G. the name, address, and telephone number of the applicant's registered agent in Minnesota;
- H. the signature of the chief executive officer; and
- I. additional information as is necessary to properly identify the applicant and to ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

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

A. A manufacturer's personnel form must be completed by each owner, partner, officer, director, supervisor, manager, or person eligible to make sales on behalf of the manufacturer in Minnesota. The manufacturer's personnel form must include the following information:

- (1) the name, address, phone number, and license number, if issued, of the manufacturer;
- (2) the individual's full name, address, date of birth, place of birth, social security number, telephone number, and full name of the spouse;
- (3) the driver's license number, including state of registration;
- (4) the branch of military service information, if any, and dates of service;
- (5) the country of citizenship;
- (6) the position with the manufacturer and work phone;
- (7) the employment history for the last ten years;
- (8) the places of residence for the last ten years;
- (9) the name, address, and license or exemption permit number of any organization conducting lawful gambling in Minnesota of which the person is a member;
- (10) a criminal history statement, except petty misdemeanors;
- (11) the signature of the person and date signed; and
- (12) any additional information as is necessary to properly identify the person and to ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

B. An affidavit must be signed and notarized by the applicant and by the officers, directors, partners, supervisors, managers, and persons eligible to make sales on behalf of the applicant in Minnesota.

C. The manufacturer must submit a copy of its logo or trademark which will be used to identify the manufacturer on all products sold in Minnesota.

Subp. 8. Changes in application information. Any changes in the information submitted in the application must be filed with the board within ten days after the change.

Subp. 9. License fee. The annual manufacturer's license fee is \$2,500. License fees are not prorated or transferable.

Subp. 10. Investigation. Before granting or renewing a manufacturer's license, the board shall conduct, or request the director of gambling enforcement to conduct, a background investigation, which may include a review of the applicant's sources of financing, ownership, and organizational structure.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116*

7864.0020 MANUFACTURER OPERATIONS, ACCOUNTS, AND RECORDS.

Subpart 1. Sale of gambling equipment. The following items apply to the sale of gambling equipment:

A. Before the sale of gambling equipment in Minnesota, the manufacturer must submit to the board a sample of its gambling equipment. The board shall inspect the product

to determine if it meets the criteria and standards established by law and rule. The board shall notify the manufacturer within 15 days of the board's decision whether the product is approved for sale in this state.

B. A manufacturer may not sell or make available to any distributor any gambling equipment unless the distributor has a valid license issued by the board.

C. A manufacturer may not sell or provide any deal of pull-tabs or tipboards to a licensed distributor unless the deal meets the standards established in subpart 2.

(1) The manufacturer must place the flare for each pull-tab deal and each tipboard deal, with the Minnesota registration stamp affixed, inside the wrapping of each deal.

(2) The manufacturer must provide a master flare with each sealed grouping of 100 paddleticket cards.

(3) Each flare must fully describe the prizes and winning number, symbol, set of symbols, notice to pull-tab purchasers, and the bar code according to standards prescribed by the commissioner of revenue, and manufacturer's label or trademark. Each flare must also contain the odds, house percentage, or number of tickets.

D. A manufacturer may not sell, offer for sale, or otherwise provide a coin-operated or mechanical pull-tab dispensing device to any distributor in this state.

Subp. 2. Standards of pull-tabs and tipboards. The following items apply to pull-tabs and tipboards:

A. All pull-tab tickets sold in this state must conform to the following standards:

(1) Pull-tabs must be constructed so that concealed numbers or symbols cannot be viewed or determined from the outside of the pull-tab ticket using a high intensity lamp of 500 watts. Protection must be provided by using opaque paper stock or by use of an aluminum foil laminate.

(2) The deal must be assembled so that winners are placed randomly throughout the deal.

(3) The minimum information printed on a pull-tab, or if starred (*) on a single folded or banded ticket, must include:

*(a) the name of the manufacturer or its distinctive logo;

(b) the name of the game;

(c) the manufacturer's form number;

(d) the price per individual pull-tab;

*(e) the unique minimum five-digit game serial number, printed on the game information side of the pull-tab which must not be repeated on the same form number for three years; and

(f) the number of winners, and respective winning numbers or symbols, and prize amounts unless a flare is included giving that information.

(4) The deal must be designed, constructed, glued, and assembled in such a manner as to prevent the determination of a winning ticket without removing the tabs or otherwise uncovering the symbols or numbers. Each ticket in a deal must bear the same serial number. There must not be more than one serial number in one deal.

The numbers or symbols must be fully visible in the window and must be centered so that no part of a symbol or number remains covered when the tab is removed.

(5) It must not be possible to isolate winning pull-tabs from variations in size or the appearance of a cut edge of the pull-tab.

(6) It must not be possible to detect or pick out winning pull-tabs through variations in printing graphics or colors.

(7) A unique symbol or printed security device, such as a specific number keyed to particular winners, or the name of the symbol or some of the symbol colors changed for a winner, or other similar protection must be placed in the winning windows. This item does not apply to numeral games.

(8) All pull-tabs sold in this state must be packaged as follows:

(a) Each deal's package, box, or other container must be sealed at the factory with a seal including a warning to the purchaser that the game may have been tam-

pered with if the package, box, or container was received by the purchaser with the seal broken.

(b) A deal's serial number must be clearly and legibly placed on the outside of the deal's package, box, or other container.

(c) For games shipped to Minnesota for sale in this state, the flare for the game must be located on the outside of each game's sealed package, box, or other container.

B. All tipboard tickets sold in this state must conform to the following standards:

(1) Each tipboard ticket must contain the manufacturer's name, label, or trademark. The label or trademark must be filed with the board before the sale of the tipboard ticket by the manufacturer.

(2) Deals of tipboard tickets must be manufactured, assembled, and packaged so that none of the winning tipboard tickets, nor the location or approximate location of any of the winning tipboard tickets, can be determined in advance of opening the tipboard tickets in any manner or by any device, including but not limited to any pattern in manufacture, assembly, packaging, markings, or by the use of a light.

(3) On banded tipboard tickets, the minimum four-digit serial number and the name of the manufacturer must be printed so both are readily visible before opening the tipboard ticket.

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

A. A manufacturer must affix a Minnesota registration stamp to the flare for each deal of pull-tabs and each deal of tipboards which are shipped, sold, furnished, or provided for use in Minnesota, or to any person or location in Minnesota.

(1) Consecutively numbered state registration stamps shall be sold by the board to each pull-tab or tipboard manufacturer at the cost of five cents each.

(2) A manufacturer may not place a Minnesota registration stamp on any item or product shipped, sold, or provided for use in other states or counties.

(3) A manufacturer may not transfer or furnish Minnesota registration stamps to any other manufacturer, any distributor, or any other person, other than a representative of the board or the commissioner of revenue.

(4) The manufacturer shall legibly write in ink, or legibly imprint in ink, the serial number of the pull-tab or tipboard game on the registration stamp. The serial number must match the serial number written or imprinted on the flare for that deal, and must also match the serial number imprinted on each ticket in the deal.

(5) Defective or unusable registration stamps may be returned by a manufacturer to the board. The board may reimburse or credit the manufacturer for any registration stamps returned. The board may refuse reimbursement or credit for returned registration stamps if the stamps have been altered or rendered unusable by the manufacturer.

(6) Minnesota registration stamps affixed to flares of returned or unusable pull-tab or tipboard deals which were previously stamped by a manufacturer must be voided by that manufacturer.

(a) The manufacturer shall write, in ink, the word "VOID" across the face of the registration stamp and shall retain the flares, with the voided registration stamps affixed, for a period of 3-1/2 years.

(b) Voided registration stamps should be reported to the commissioner of revenue as described in subitem (4).

(c) The deal associated with any voided registration stamp must be either destroyed, sold for use in a location other than Minnesota, or, if intended for shipment or sale to a Minnesota location, be provided with a new flare having a new registration stamp affixed to it.

(d) Manufacturer records and monthly reports to the commissioner of revenue must document these transactions.

(7) The manufacturer shall return all unused registration stamps to the board within five days after the cessation of business.

B. All gambling equipment sold by a licensed manufacturer for use in Minnesota must be manufactured in a manner that would permit the manufacturer to identify the buyer of the gambling equipment and provide the identity of the buyer at the request of the board.

C. All gambling equipment which is sold by a licensed manufacturer to a licensed distributor for use in Minnesota must have a legible and discernible logo or identification of the licensed manufacturer.

Subp. 4. Records and reports. The following items apply to manufacturers records of reports:

A. A licensed manufacturer must submit a monthly pricing report to the board. The report must be on a form approved by the board and at a minimum include:

- (1) the name, license number, and full address of manufacturer;
- (2) the month and year of report; and
- (3) the form, description, card count, top winners, gross profit, percent to players, deals per case, price per deal, and volume discounted price, exclusive of transportation costs.

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 computer-generated format may be used with the approval of the director if it substantially complies with the requirements of this part.

B. A manufacturer must report monthly to the commissioner of revenue, on a form prescribed by the commissioner. This report must include an accounting for all registration stamps used, returned, voided, ruined, destroyed, or otherwise disposed of during the report period. The report is due on the 25th day of the month which succeeds the month in which the registration stamp use takes place.

C. Delinquent distributors:

- (1) A licensed manufacturer shall notify the board by registered mail if a licensed distributor is more than 30 days delinquent in its payment to that manufacturer.
- (2) The board shall notify that licensed distributor of the delinquency and direct the distributor to eliminate the delinquency, if one exists.
- (3) The board must be notified by the licensed manufacturer that the delinquency is paid or that no delinquency exists within ten days of the licensed manufacturer's initial notification to the board.
- (4) If the board is notified that the delinquency has not been paid within ten days of the manufacturer's initial notification to the board, the board shall notify all licensed manufacturers that no gambling equipment may be sold, offered for sale, or furnished to that distributor.
- (5) When the delinquency is paid, the board shall notify all licensed manufacturers.

D. Examination of books and records:

- (1) The board and the commissioner of revenue or public safety and their agents may examine the books and records of any manufacturer without notice at any time during normal business hours.
- (2) If the manufacturer fails to comply with this subpart, the board shall notify the manufacturer in writing that the manufacturer is responsible for the travel and living expenses of board staff while examining the manufacturer's books and records.

E. A manufacturer must maintain records which fully account for their receipt and use of all Minnesota registration stamps for a period of 3-1/2 years.

Statutory Authority: *MS s 349.151*

History: *16 SR 2116; 17 SR 2711*