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MINNESOTA RACING COMMISSION

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NOTICE OF INTENT TO ADOPT EXPEDITED RULES WITHOUT A PUBLIC HEARING

Proposed Amendments to Minnesota Rules Governing Horse Racing, Chapters 7869; Definitions, and Chapter 7877; Class C Licenses. Addition of a new Chapter 7880; Advance Deposit Wagering.

Revisor's ID Number RD4428

Introduction. The Minnesota Racing Commission intends to adopt rules under the expedited rulemaking process following the rules of the Office of Administrative Hearings, Minnesota Rules, part 1400.2410, and the Administrative Procedure Act, Minnesota Statutes, section 14.389. You may submit written comments on the proposed expedited rules until September 29, 2016.

Agency Contact Person. You must submit comments or questions on the rules to:

Patricia M. Sifferle
General Counsel
Minnesota Racing Commission
15201 Zurich Street, Suite 212
Columbus, MN 55025

Phone: (651) 925-3956
Fax: (651) 925-3953
e-mail: patricia.m.sifferle@state.mn.us

You may also review the proposed rule and submit written comments via the Office of Administrative Hearings Rulemaking e-comments website at <https://minnesotaoah.granicusideas.com/discussions>.

Subject of the Expedited Rules and Statutory Authority. New legislation, Laws of Minnesota 2016, Chapter 183, effective July 1, 2016, authorizes advance deposit wagering on horse races conducted outside of Minnesota. This legislation also provides that the Minnesota Racing Commission may adopt rules to implement advance deposit wagering using the expedited process in Minnesota Statutes, section 14.389.

The proposed expedited rules will provide licensing standards for advance deposit wagering providers as well as other basic requirements for handling accounts and conducting wagering. The ultimate goals are to protect the integrity of racing and pari-mutuel wagering in Minnesota and to ensure fairness for Minnesota consumers and horsepersons. A copy of the

proposed rules is published in the State Register and is attached to this notice as mailed. The proposed rules may also be viewed on the website of the Minnesota Racing Commission at <https://www.mrc.state.mn.us/>. A free copy of the rules is available upon request from the agency contact person listed above.

Comments. You have until 4:30 p.m. on September 29, 2016, to submit written comments in support of or in opposition to the proposed expedited rules and any part or subpart of the rules. Your comments must be in writing and received by the agency contact person by the due date. The Department encourages comment. Your comment should identify the portion of the proposed expedited rules addressed and the reason for the comment. In addition, you are encouraged to propose any change desired. You must also make any comments that you have on the legality of the proposed rules during this comment period.

Modifications. The agency may modify the proposed expedited rules using either of two avenues: The agency may modify the rules directly so long as the modifications do not make them substantially different as defined in *Minnesota Statutes*, section 14.05, subdivision 2, paragraphs (b) and (c), or the agency may adopt substantially different rules if it follows the procedure under *Minnesota Rules*, part 1400.2110. If the final rules are identical to the rules originally published in the State Register, the agency will publish a notice of adoption in the State Register. If the final rules are different from the rules originally published in the State Register, the agency must publish a copy of the changes in the State Register. If the proposed expedited rules affect you in any way, the agency encourages you to participate in the rulemaking process.

Alternative Format. Upon request, this information can be made available in an alternative format, such as large print, braille, or audio. To make such a request, please contact the agency contact person at the address or telephone number listed above.

Lobbyist Registration. *Minnesota Statutes*, chapter 10A, requires each lobbyist to register with the State Campaign Finance and Public Disclosure Board. You may direct questions regarding this requirement to the Campaign Finance and Public Disclosure Board at: Suite #190, Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155, telephone (651) 539-1180 or 1-800-657-3889.

Adoption and Review of Expedited Rules. The agency may adopt the rules at the end of the comment period. The agency will then submit rules and supporting documents to the Office of Administrative Hearings for review for legality. You may ask to be notified of the date that the agency submits the rules. If you want to be so notified, or want to receive a copy of the adopted rules, or want to register with the agency to receive notice of future rule proceedings, submit your request to the agency contact person listed above.

Date

August 23, 2016



Patricia M. Sifferle
General Counsel
Minnesota Racing Commission

Office of the Revisor of Statutes

Administrative Rules



TITLE: Proposed Expedited Permanent Rules Relating to Advance Deposit Wagering

AGENCY: Minnesota Racing Commission

MINNESOTA RULES: Chapters 7869, 7877, and 7880

The attached rules are approved for
publication in the State Register

A handwritten signature in blue ink, appearing to read "JKase", written over a horizontal line.

Jeff S. Kase
Assistant Deputy Revisor

1.1 **Minnesota Racing Commission**1.2 **Proposed Expedited Permanent Rules Relating to Advance Deposit Wagering**1.3 **7869.0100 DEFINITIONS.**1.4 [For text of subps 1 to 6a, see M.R.]1.5 Subp. 6b. Amount wagered by a Minnesota resident. "Amount wagered by a
1.6 Minnesota resident," as used in Minnesota Statutes, section 240.01, subdivision 20a,
1.7 means all pari-mutuel wagers, pooled or community wagers, and contest entry fees.1.8 [For text of subps 7 and 8, see M.R.]1.9 Subp. 8a. Beneficial owner. "Beneficial owner" means persons or entities holding
1.10 at least five percent ownership or voting interest in a vendor, racing or gaming-related
1.11 vendor, applicant, or license holder.1.12 [For text of subps 9 to 32a, see M.R.]1.13 Subp. 32b. Key employee. "Key employee" means officers, directors, partners, sales
1.14 representatives, sole proprietors, and signatories on agreements with licensed racetracks.1.15 [For text of subps 33 to 51a, see M.R.]1.16 Subp. 51b. Racing or gaming-related vendor. "Racing or gaming-related vendor"
1.17 means a person that manufactures, sells, provides, or distributes equipment or supplies used
1.18 at a Class A facility, or provides services to a Class A facility or Class B license holder,
1.19 that are directly related to simulcasting, pari-mutuel wagering, or card club operations.
1.20 Racing or gaming-related vendor includes an advance deposit wagering provider.1.21 [For text of subps 52 to 69, see M.R.]1.22 **7877.0100 GENERAL REQUIREMENTS.**1.23 Subpart 1. **Scope.** Except as otherwise provided by rule, an individual who serves
1.24 on the association board of directors, an association officer, a racing or gaming-related

2.1 vendor, and any person whose work, in whole or in part, is conducted at a licensed
2.2 racetrack shall first obtain a Class C license from the commission.

2.3 [For text of subp 2, see M.R.]

2.4 **7877.0110 PROCEDURE FOR OBTAINING CLASS C LICENSE.**

2.5 [For text of subp 1, see M.R.]

2.6 Subp. 2. **Individual application content.** An application from an individual for a
2.7 Class C license must include the following information with respect to the applicant:

2.8 [For text of items A to G, see M.R.]

2.9 Subp. 2a. **Racing or gaming-related vendor application content.** An application
2.10 for a Class C racing or gaming-related vendor license must be on a form prescribed by the
2.11 commission and must include, at minimum, the following:

2.12 A. name and address of entity, including physical address and Web site or
2.13 e-mail address;

2.14 B. name, title, and contact information of an individual authorized to
2.15 communicate with the commission on matters relating to the application and license;

2.16 C. type of goods or services offered to a Class A or Class B license holder;

2.17 D. executive summary of current business plan;

2.18 E. a description of the applicant's anti-money-laundering policies and
2.19 procedures;

2.20 F. details of the applicant's corporate structure and copies of current corporate
2.21 filings and certificate of good standing in jurisdiction where the entity is registered or
2.22 incorporated;

2.23 G. tax identification number or Social Security number;

H. identity of all key employees and beneficial owners;

3.1 I. list of all criminal, civil, and regulatory actions where the applicant, any key
3.2 employee or beneficial owner, or any business that had a key employee or beneficial
3.3 owner in common with the applicant, was the subject of the action;

3.4 J. details of racing or gaming-related licenses that have been denied, suspended,
3.5 or revoked by any racing or gaming jurisdiction, including licenses where any key
3.6 employee or beneficial owner of the applicant was a key employee or beneficial owner of
3.7 the entity whose license was denied, suspended, or revoked;

3.8 K. copies of all contracts with Minnesota licensed racetracks and an assurance
3.9 that the commission will be notified of any other agreements or understandings between
3.10 the licensed racetrack and the vendor, whether oral or written;

3.11 L. surety bond or other form of financial security as required by Minnesota
3.12 statutes or rules;

3.13 M. consent to submit to the jurisdiction of Minnesota courts and agencies
3.14 in any action relating to the subject matter of the license, application, or business with
3.15 a Class A or Class B license holder; and

3.16 N. any other information the commission determines is necessary to evaluate
3.17 the fitness of the applicant under applicable laws or rules.

3.18 Subp. 3. **Application submission.** An application shall not be considered filed
3.19 until the application form has been filled out completely and, all information requested
3.20 by the commission has been supplied, and the license fee has been paid. Failure to file a
3.21 complete application, or knowingly filing an application that contains false or misleading
3.22 information, shall be grounds for denial of the application.

3.23 [For text of subp 4, see M.R.]

4.1 **7877.0120 FEES.**

4.2 Subpart 1. **License fees.** Each application for a Class C license, or its renewal, shall
4.3 be accompanied by the payment of an annual fee according to the following schedule:

4.4 [For text of items A to AA, see M.R.]

4.5 BB. owner/trainer/driver, \$100; and

4.6 CC. with the exception of owner/trainer/driver, all applicants to participate at
4.7 a Class B or D licensed facility where the meet to be conducted is seven or fewer days,
4.8 \$10-; and

4.9 DD. advance deposit wagering provider, \$10,000 for the first year and \$2,500
4.10 for each year thereafter.

4.11 [For text of subps 2 to 4, see M.R.]

4.12 **7877.0125 CRITERIA FOR DETERMINING ELIGIBILITY.**

4.13 Subpart 1. **Age.** An individual applicant for a Class C license, except an individual
4.14 owner's license, shall be at least 14 years of age unless an older age is required by statute
4.15 or rule; however individual Class C licensees who work in proximity to horses shall be
4.16 at least 16 years of age.

4.17 Subp. 2. **Burden of proof.** If an applicant for a Class C license, a key employee
4.18 or beneficial owner of the applicant, or an entity with a key employee or beneficial
4.19 owner in common with the applicant, has had a license denied ~~or had his or her license,~~
4.20 suspended or revoked or been excluded by in Minnesota or another racing jurisdiction,
4.21 or has engaged in conduct that the commission determines would adversely affect the
4.22 public health, welfare, and safety or the integrity of racing in Minnesota, the commission
4.23 shall consider such fact as prima facie evidence that the applicant is unfit to be granted
4.24 a Class C license, and the burden of proof shall rest upon the applicant to establish his

5.1 or her fitness. In reviewing such applications, the commission shall consider the factors
5.2 provided in part 7877.0100, subpart 2.

5.3 [For text of subp 3, see M.R.]

5.4 **7877.0160 DURATION AND EXTENT OF CLASS C LICENSES.**

5.5 Subpart 1. **Duration.** A Class C license shall expire at midnight on December 31
5.6 of the calendar year after its issuance. A license to conduct advance deposit wagering
5.7 issued after October 15 of any calendar year shall expire on December 31 of the following
5.8 calendar year.

5.9 [For text of subps 2 to 4, see M.R.]

5.10 **CHAPTER 7880**

5.11 **ADVANCE DEPOSIT WAGERING**

5.12 **7880.0010 SCOPE.**

5.13 This chapter applies to advance deposit wagering providers licensed by the
5.14 commission under Minnesota Statutes, section 240.131. Advance deposit wagering
5.15 providers shall not accept wagers from Minnesota residents on races conducted in
5.16 Minnesota. The activities of a licensed advance deposit wagering provider are deemed
5.17 to be relevant to the integrity of horse racing activities in Minnesota for purposes of
5.18 Minnesota Statutes, sections 240.03 and 240.08.

5.19 **7880.0020 LICENSING OF ADVANCE DEPOSIT WAGERING PROVIDERS.**

5.20 Subpart 1. License required. No person shall offer or accept advance deposit wagers
5.21 from Minnesota residents after November 1, 2016, unless the person holds a license in
5.22 good standing as an advance deposit wagering provider under chapter 7877 and complies
5.23 with all requirements of this chapter and applicable laws or rules.

6.1 Subp. 2. Information required at time of application. In addition to the
6.2 information required in part 7877.0110, an applicant for a Class C license to provide
6.3 advance deposit wagering shall provide the following information to the commission at
6.4 the time of application:

6.5 A. the names, addresses, and dates of birth of all key employees and beneficial
6.6 owners;

6.7 B. if an owner is a corporation, the date and place of its incorporation and an
6.8 organization chart showing all related business entities;

6.9 C. evidence of approval to conduct advance deposit wagering from the
6.10 appropriate regulatory authority in the state where the principal office of the advance
6.11 deposit wagering provider is located;

6.12 D. fingerprints of any key employee or beneficial owner if required by the
6.13 commission;

6.14 E. written agreements between the applicant and Class A or Class B license
6.15 holders that meet the requirements of Minnesota Statutes, section 240.131, subdivision 3,
6.16 including written documentation of approval by the applicable horsepersons' groups;

6.17 F. a description of the processes and procedures implemented to identify and
6.18 report possible odds manipulation;

6.19 G. a description of the security measures used to protect account holder
6.20 information and the integrity of the wagering process;

6.21 H. a complete list of licenses held by the applicant with other racing jurisdictions;

6.22 I. total wagers accepted from Minnesota residents during the two years
6.23 preceding the application, broken down by zip code if possible; and

7.1 J. any other information the commission determines is necessary to establish
7.2 the applicant's suitability for licensure and to fulfill its duties under Minnesota Statutes,
7.3 chapter 240.

7.4 Subp. 3. **Granting of license.** If an applicant for a Class C license to conduct advance
7.5 deposit wagering submits a complete application that meets all criteria in applicable laws
7.6 and rules, the commission may grant a license. Licensure is a privilege and the commission
7.7 shall not be required to grant any license to conduct advance deposit wagering.

7.8 Subp. 4. **Changes.** The commission may require changes or additions to the
7.9 application, or changes to the proposed plan of operation, as a condition of granting a
7.10 license if necessary to carry out its duties under Minnesota Statutes, chapter 240, or to
7.11 ensure compliance with applicable laws or rules.

7.12 Subp. 5. **Notification.** After a license is granted, the commission must be notified in
7.13 writing of any material changes to the information provided during the application process.

7.14 Subp. 6. **Denial of license.** The commission may deny a license to conduct advance
7.15 deposit wagering if any of the following conditions exist:

7.16 A. the applicant does not submit a complete application or supply all additional
7.17 information requested by the commission;

7.18 B. the commission determines the applicant has intentionally withheld relevant
7.19 information or provided false or misleading information in connection with the application;

7.20 C. the commission determines the bond or other evidence of financial
7.21 responsibility provided by the applicant is inadequate to ensure the protection of
7.22 Minnesota account holders and racetracks;

7.23 D. the applicant, or any entity with a key employee or owner in common with
7.24 the applicant, has had a license revoked or denied in Minnesota or another jurisdiction;

8.1 E. the key employees or owners cannot sign the affidavit required in Minnesota
8.2 Statutes, section 240.08, subdivision 2; or

8.3 F. the commission determines that licensure would not be in the public interest
8.4 or would negatively impact the integrity of racing in Minnesota.

8.5 Subp. 7. License not transferable. A license to conduct advance deposit wagering
8.6 shall not be transferable. An advance deposit wagering provider shall inform the
8.7 commission any time there is a change in its controlling interest or when any key
8.8 employee or beneficial owner listed on its original application is no longer a key employee
8.9 or beneficial owner.

8.10 **7880.0030 PLAN OF OPERATION.**

8.11 Subpart 1. Submission of plan. An advance deposit wagering provider shall have a
8.12 plan of operation approved by the commission which addresses the following issues in
8.13 addition to those listed in Minnesota Statutes, section 240.131, subdivision 5:

8.14 A. types of wagering and contests offered and the manner in which wagering
8.15 and contests will be conducted;

8.16 B. methods to be used for pooling wagers;

8.17 C. a complete description of the totalizator, transmission, and data processing
8.18 programs and equipment to be used;

8.19 D. methods for detecting and deterring the use of accounts for illegal activity;

8.20 E. methods for accurately verifying an account holder's identity, age, and
8.21 residence prior to establishing an account;

8.22 F. processes for account holders to make deposits to, and withdrawals from,
8.23 their accounts;

9.1 G. a plan for reporting dormant accounts and unclaimed funds that complies
9.2 with Minnesota Statutes, section 345.39 and 345.41; and

9.3 H. any other issues as required by the commission.

9.4 After the plan of operation has been approved by the commission, the licensee may
9.5 amend the plan of operation only with the commission's approval. The commission may
9.6 withdraw its approval of a plan of operation, if the license holder fails to follow the plan
9.7 or makes material changes that do not meet the requirements of applicable laws or rules.
9.8 A violation of an approved plan of operation is deemed to be a violation of Minnesota
9.9 Statutes, section 240.22.

9.10 **7880.0040 ESTABLISHMENT OF ACCOUNTS.**

9.11 Subpart 1. Requirement. An individual customer of an advance deposit wagering
9.12 provider must establish an account prior to placing an advance deposit wager. An account
9.13 may only be established with a licensed advance deposit wagering provider.

9.14 Subp. 2. Natural persons. Accounts shall only be established by natural persons
9.15 and shall not be transferable between persons.

9.16 Subp. 3. Procedure. To establish an account, an application must be signed or
9.17 otherwise authorized in a manner acceptable to the commission and must contain the
9.18 following information.

9.19 A. the applicant's full legal name;

9.20 B. the applicant's primary residence address;

9.21 C. the applicant's telephone number;

9.22 D. proper identification or certification demonstrating that the applicant is
9.23 at least 18 years old; and

9.24 E. any other information the commission determines is necessary to carry out
9.25 its duties under applicable laws and rules.

10.1 Subp. 4. **Account holder information.** An advance deposit wagering provider may
10.2 not sell or share an applicant or account holder's information unless required by law or
10.3 court order. An advance deposit wagering provider may not use an applicant or account
10.4 holder's information for any purpose not related to authorized advance deposit wagering.

10.5 Subp. 5. **Verification of information.** Each application for an account shall be
10.6 verified with respect to name, primary residence address, and date of birth either by an
10.7 independent service provider or another means adequate to ensure the accuracy of the
10.8 information. If the applicant's information cannot be reliably verified, the account shall
10.9 not be established.

10.10 Subp. 6. **Notice to applicants.** An advance deposit wagering provider must provide
10.11 the following information to each applicant when an account is established:

10.12 A. the process for funding accounts and making withdrawals from accounts;

10.13 B. wagering rules and procedures, methods, and timing of crediting and debiting
10.14 accounts, and other information that is pertinent to the operation of the account;

10.15 C. notice that the account holder may place wagers only on races authorized for
10.16 pari-mutuel wagering under Minnesota Statutes, chapter 240;

10.17 D. a unique account number;

10.18 E. notice that an account holder must be at least 18 years old and that individuals
10.19 under the age of 18 shall not have access to the account;

10.20 F. information on responsible wagering and how to obtain assistance with
10.21 problem gambling, including the contact information for at least one problem gambling
10.22 assistance program; and

10.23 G. procedures for resolving disputes between the account holder and the
10.24 advance deposit wagering provider.

11.1 Subp. 7. **Personal identification code.** An account holder shall be required to
11.2 supply a secure unique personal identification code when establishing an account. The
11.3 account holder must be required to supply the code when making deposits or withdrawals
11.4 from the account and when placing a wager. The account holder has the right to change
11.5 the code at any time.

11.6 Subp. 8. **Denial of accounts.** An advance deposit wagering provider may refuse to
11.7 open an account for what it deems good and sufficient reason.

11.8 **7880.0050 OPERATION OF ACCOUNTS.**

11.9 Subpart 1. **Deposits.** An account holder may make deposits to the account in the
11.10 following forms:

11.11 A. cash, which may be deposited at financial or retail outlets designated by
11.12 the advance deposit wagering provider;

11.13 B. check, money order, or negotiable order of withdrawal sent to an advance
11.14 deposit wagering provider;

11.15 C. charges made to an account holder's credit or debit card upon authorization
11.16 of the account holder; and

11.17 D. electronic funds transfer from an account owned by the account holder, in
11.18 which case the account holder shall be responsible for any fees imposed by the remitting
11.19 entity.

11.20 Subp. 2. **Credits.** The following credits shall be posted to an account by the advance
11.21 deposit wagering provider as soon as practicable after the race is declared official:

11.22 A. credit for winnings from wagers; and

11.23 B. credit for wagers for entries that were declared nonstarters.

12.1 Subp. 3. **Debit.** Upon receipt of a wager, the advance deposit wagering provider may
12.2 debit the account in the amount of the wager.

12.3 Subp. 4. **Suspension or refusal.** An advance deposit wagering provider may
12.4 suspend or refuse deposits to an account for what it deems good and sufficient reason.

12.5 Subp. 5. **Disputes.** Disputes between an account holder and an advance deposit
12.6 wagering provider shall be administered under the dispute resolution procedures contained
12.7 in the plan of operation approved by the commission. If the advance deposit wagering
12.8 provider fails to resolve the dispute, the commission may take appropriate action under
12.9 chapter 7897, or may make claims against the bond or other form of financial security if
12.10 the commission determines funds are owed to an account holder.

12.11 **7880.0060 CONDUCT OF WAGERING.**

12.12 Subpart 1. **Acceptance of wagers.** An advance deposit wagering provider may
12.13 accept wagers via any wired or wireless communications device, subject to applicable
12.14 laws or rules and the approved plan of operation.

12.15 Subp. 2. **No extension of credit.** An advance deposit wagering provider shall not
12.16 accept wagers from an account holder in excess of the account balance. No credit shall be
12.17 extended by an advance deposit wagering provider to an account holder.

12.18 Subp. 3. **Refusal.** An advance deposit wagering provider may at any time refuse to
12.19 accept a wager for what it deems to be good and sufficient reason.

12.20 Subp. 4. **Information of account holders.** No employee of an advance deposit
12.21 wagering provider shall divulge any information related to the placing of any wager or
12.22 the operation of any account, except to the account holder or as authorized by law. No
12.23 employee may use any such information for personal benefit.

13.1 **7880.0070 CLOSING OF ACCOUNTS.**

13.2 Subpart 1. **Account holders.** An account holder has the right to close an account at
13.3 any time for any reason.

13.4 Subp. 2. **Providers.** An advance deposit wagering provider may close an account for
13.5 what it deems good and sufficient reason.

13.6 Subp. 3. **Inactivity.** An advance deposit wagering provider may close an account on
13.7 which there has been no activity for at least six months.

13.8 Subp. 4. **Requirement to close account.** An advance deposit wagering provider
13.9 shall close an account if it determines:

13.10 A. the information used to open the account was false;

13.11 B. the account has been used in furtherance of any illegal activity; or

13.12 C. the account has been used in violation of any state or federal law or rule.

13.13 An advance deposit wagering provider shall provide a written report to the
13.14 commission within 30 days whenever an account is closed pursuant to this subpart.

13.15 Subp. 5. **Procedures.** Except as provided in subpart 6, whenever an account is
13.16 closed, an advance deposit wagering provider shall, within seven calendar days:

13.17 A. ensure that all required debits and credits have been made; and

13.18 B. return to the account holder all money then on deposit by sending a check to
13.19 the primary residence address of the account holder.

13.20 Subp. 6. **Account holder deceased.** In the event an account holder is deceased,
13.21 unclaimed cash balances in the account shall be released to the decedent's legal
13.22 representative upon receipt of a copy of a valid death certificate, after which the account
13.23 shall be closed.

14.1 **7880.0080 RECORD KEEPING AND REPORTING.**

14.2 Subpart 1. **Maintenance of records.** An advance deposit wagering provider shall
14.3 maintain the following information on each account for a minimum of two years:

14.4 A. a record of all deposits, credits, and debits; and

14.5 B. a record of all wagers made.

14.6 Subp. 2. **Information to be available.** An advance deposit wagering provider shall
14.7 make available to each account holder the information listed in subpart 1 as well as
14.8 current account balances.

14.9 Subp. 3. **Records.** Upon request of the account holder, an advance deposit wagering
14.10 provider shall provide any records it maintains on the account or the account holder.
14.11 Records may be provided in paper or electronic format.

14.12 Subp. 4. **Audit.** An advance deposit wagering provider shall allow the commission
14.13 and its designees to review and audit all records related in any way to its licensure,
14.14 financial solvency, accounts, and the conduct of wagering by Minnesota residents. This
14.15 information shall be made available to the commission or its designees quarterly or upon
14.16 request and in a format required by the commission.

14.17 Subp. 5. **Annual financial statement.** A licensed advance deposit wagering provider
14.18 shall provide an annual audited financial statement to the commission.

14.19 Subp. 6. **Report.** A licensed advance deposit wagering provider shall report to
14.20 the commission quarterly all source market fees and other payments made to licensed
14.21 racetracks, the pari-mutuel activity on which the source market fees were paid, and the
14.22 number of accounts held by Minnesota residents that were opened and closed during
14.23 the reporting period.

15.1 **7880.0090 PAYMENTS TO THE STATE.**

15.2 Subpart 1. Agreement. A licensed racetrack must negotiate a separate agreement,
15.3 with the horsepersons organization representing a majority of horsepersons racing at the
15.4 licensed racetrack, for the apportionment of source market fees set aside for purse accounts
15.5 and the breeders' fund pursuant to Minnesota Statutes, section 240.131, subdivision 6,
15.6 paragraph (d). The agreement must be approved by the commission.

15.7 Subp. 2. Payment to state. A licensed racetrack shall remit source market fees set
15.8 aside for the breeders' fund pursuant to Minnesota Statutes, section 240.131, subdivision
15.9 6, paragraph (d), to the state no later than seven days after the end of the month in which it
15.10 receives the fees from the advance deposit wagering provider.

15.11 **7880.0100 VARIANCES.**

15.12 The commission, its executive director, or its director of pari-mutuels may grant
15.13 a variance to any part of this chapter if it determines there are equivalent alternative
15.14 measures in place to ensure the integrity of wagering and the protection of accounts held
15.15 by Minnesota residents.

15.16 **7880.0110 PENALTIES.**

15.17 Subpart 1. Suspension or revocation. The commission may suspend or revoke a
15.18 license to provide advance deposit wagering, issue a fine, or deny or withdraw approval of
15.19 a contract between a licensed racetrack and an advance deposit wagering provider if:

15.20 A. the licensee violates applicable laws or rules;

15.21 B. the bond or other form of financial security is canceled or expired and not
15.22 replaced by another form of financial security approved by the commission;

15.23 C. the licensee has knowingly provided false or misleading information to the
15.24 commission or withheld information required to be provided;

15.25 D. the licensee has had a license denied, suspended, or revoked in another state;

16.1 E. the licensee fails to comply with any conditions on the license imposed by
16.2 the commission; or

16.3 F. the licensee poses a threat to the public interest or the integrity of racing or
16.4 wagering in Minnesota.

16.5 Subp. 2. **Contested case hearing.** If the commission suspends or revokes a Class C
16.6 racing and gaming-related license to provide advance deposit wagering, the license holder
16.7 shall have the right to request a contested case hearing under Minnesota Statutes, chapter
16.8 14, to be held as set forth in parts 1400.8505 to 1400.8612. The request must be made
16.9 in writing to the commission by certified mail or personal service. A request sent by
16.10 certified mail must be postmarked within ten days after the license holder receives the
16.11 suspension or revocation order from the commission. An appeal sent by personal service
16.12 must be received by the commission within ten days after the license holder receives
16.13 the order from the commission.