

Hayes Memo to. Pass 3/27/85 (p.1086)

Reprint 4/12/85

SENATE FILE 549

BY COMMITTEE ON SMALL BUSINESS
AND ECONOMIC DEVELOPMENT

SSB 300 A
Approved 2/25 (p.1007)

FILED MAR 25 1985
Passed Senate, Date 4-11-85 (p.1326) Passed House, Date 4-3-86 (p.1179)
Vote: Ayes 29 Nays 13 Vote: Ayes 56 Nays 40
Approved April 28, 1986 (p.1428)

A BILL FOR

1 An Act providing for a raffle conducted by the Iowa develop-
2 ment commission with the proceeds of the raffle to be
3 invested in the Iowa venture capital fund and the earnings
4 on the proceeds prior to investment to be used as prizes.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION IX

Section 1. NEW SECTION. 28.101 TITLE.

This division may be cited as the "Iowa Venture Capital Investment Act".

Sec. 2. NEW SECTION. 28.102 DEFINITIONS.

As used in this division unless the context otherwise requires:

1. "Commission" means the Iowa development commission.

2. "Fund" means the Iowa venture capital fund created in division VII of this chapter.

3. "Raffle" means the program established pursuant to section 28.103.

4. "Treasurer" means the treasurer of state.

Sec. 3. NEW SECTION. 28.103 INVESTMENT RAFFLE PROGRAM.

1. The commission shall initiate and conduct a series of raffles designed to raise moneys for investment in the Iowa venture capital fund and through such investment in companies meeting the criteria established in section 28.64. The commission shall sell shares in the raffles to the public. Moneys collected from the sale of the shares shall initially be deposited in a special account within the office of the treasurer. The treasurer shall create a separate account for each raffle being conducted. The moneys in each account shall be invested by the treasurer in short-term investments. Interest or earnings on the investments shall be retained in the accounts and shall be used to pay the raffle prizes to be awarded on the basis determined for the particular raffle by the commission. A person who has purchased a share in the raffle shall be eligible to win a prize distributed for the raffle. Upon terminating a raffle, the treasurer shall transfer all moneys in the account for that raffle, exclusive of interest and earnings to be used as prizes, to the Iowa venture capital fund for investment pursuant to section 28.64. The fund shall create a separate account for the moneys received from each separate raffle.

1 2. The fund shall contract with private venture capital
2 firms to provide services for making the investments.

3 3. The investment of moneys from each raffle shall be
4 retained by the fund for a period of five years. At the
5 option of the commission, the period may be extended up to an
6 additional five years. Upon the lapse of the investment
7 period, the investments in the fund shall be sold at a public
8 auction. The proceeds from the sale shall then be distributed
9 on a prorated basis to those persons purchasing shares in the
10 raffle. The proceeds shall be distributed to the persons
11 entitled by sending the moneys to their last known address.
12 Proceeds returned and not claimed within two years are
13 presumed abandoned pursuant to section 556.8 and shall be
14 treated as abandoned property pursuant to chapter 556.

15 4. The commission and the fund shall adopt rules to
16 implement this division. The rules shall include, but are not
17 limited to, all of the following:

18 a. The rules for any raffle being conducted including the
19 length of time shares may be sold. Rules governing the
20 general operation of a raffle are subject to chapter 17A.
21 However, rules governing the particular features of specific
22 raffles are not subject to chapter 17A. Rules for a specific
23 raffle may include, but are not limited to, setting the name
24 and prize structure of the raffle, and shall be made available
25 to the public prior to the time the raffle goes on sale and
26 shall be kept on file at the office of the commission. Each
27 share in a raffle shall bear a unique serial number
28 distinguishing it from every other share in the raffle.

29 b. The price of shares in the raffle.

30 c. The number and size of the prizes on the winning
31 shares. The commission shall maintain and make available for
32 public inspection at its offices during regular business hours
33 a detailed listing of the estimated number of prizes that are
34 expected to be awarded in any raffle and, after the end of the
35 claim period, shall maintain and make available a listing of

1 the total number of shares sold in a raffle and the number of
2 prizes which were awarded.

3 d. The method of selecting the winning shares and the
4 manner of payment of prizes to the holders of winning shares.
5 Commission employees shall examine claims and shall not pay
6 any prize for altered, stolen, or counterfeit shares nor for
7 shares which fail to meet validation rules established for a
8 raffle.

9 e. The methods of validation of the authenticity of
10 winning shares.

11 f. The frequency of selection of winning shares. Drawings
12 shall be held in public. Drawings shall be witnessed by an
13 independent certified public accountant. Equipment used to
14 select winning shares or participants for prizes shall be
15 examined by commission employees and an independent certified
16 public accountant prior to and after each public drawing.

17 g. Eligibility for purchasing shares in a raffle.

18 h. Transferability of shares.

19 i. Requirements for eligibility for participation in
20 runoff drawings, including but not limited to requirements for
21 submission of evidence of eligibility.

22 j. The issuance of licenses to sell shares in the raffle
23 including the qualification of licensees and fees charged for
24 a license.

25 k. Compensation to be paid to a person licensed to sell
26 shares.

27 l. The locations at which shares may be sold.

28 m. The method to be used in printing and selling shares.
29 An elected official's name shall not be printed on the shares.

30 n. The form and type of marketing, informational, and
31 educational material to be permitted.

32 o. Distribution of prizes.

33 4. The commission shall include in its annual report to
34 the governor and general assembly a discussion of activities
35 undertaken under this division.

1 Sec. 4. Section 28.66, Code 1985, is amended to read as
2 follows:

3 28.66 STOCK SALES LIMIT.

4 The aggregate value of all stock sold in the Iowa venture
5 capital fund for which a credit is allowed under section
6 422.10 or 422.33 shall not exceed five million dollars. This
7 section does not apply to funds invested pursuant to section
8 28.103.

9 Sec. 5. Section 537A.4, unnumbered paragraph 2, Code 1985,
10 is amended to read as follows:

11 This section does not apply to a contract for the operation
12 of or for the sale or rental of equipment for games of skill
13 or games of chance, if both the contract and the games are in
14 compliance with chapter 99B. This section does not apply to
15 wagering under the pari-mutuel method of wagering authorized
16 by chapter 99D. This section does not apply to the sale,
17 purchase or redemption of a share in the raffle conducted
18 under section 22.103.

19 Sec. 6. Section 725.15, Code 1985, is amended to read as
20 follows:

21 725.15 EXCEPTIONS FOR LEGAL GAMBLING.

22 Sections 725.5 to 725.10 and ~~section~~ section 725.12 shall do not
23 apply to any a game, activity, share or device when lawfully
24 possessed, used, conducted or participated in pursuant to
25 section 28.103 or chapter 99B.

26 EXPLANATION

27 This bill provides for a mechanism for investment of money
28 in the Iowa venture capital fund by authorizing the Iowa
29 development commission to conduct a series of raffles.
30 Proceeds from the sale will be deposited in the venture
31 capital fund for investment. Interest on the proceeds earned
32 prior to the investment will be used to pay prizes in the
33 raffle. To be eligible for a prize a person must purchase a
34 share in the raffle. The funds invested in the venture
35 capital fund will be liquidated in a maximum of ten years and

1 the moneys returned to owners of shares on a prorated basis.
2 This bill creates new sections 28.101 through 28.103 and
3 makes coordinating amendments which refer to new section
4 28.103.

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1 Amend Senate File 549 as follows:

2 1. By striking everything after the enacting
3 clause and inserting the following:

4 "DIVISION IX

5 Section 1. NEW SECTION. 28.101 TITLE.

6 This division may be cited as the "Iowa Venture
7 Capital Investment Act".

8 Sec. 2. NEW SECTION. 28.102 DEFINITIONS.

9 As used in this division unless the context
10 otherwise requires:

11 1. "Commission" means the Iowa development
12 commission.

13 2. "Raffle" means the program established pursuant
14 to section 28.103.

15 3. "Treasurer" means the treasurer of state.

16 4. "Venture capital fund" means a corporation,
17 partnership, proprietorship, or other entity formed
18 under the laws of the United States, or a state,
19 district, or territory of the United States, whose
20 principal business is or will be the making of
21 investments in, and the provision of significant
22 managerial assistance to, small businesses which meet
23 the small business administration definition of small
24 business.

25 Sec. 3. NEW SECTION. 28.103 INVESTMENT RAFFLE
26 PROGRAM.

27 1. The commission shall initiate and conduct a
28 series of raffles designed to raise moneys for
29 investment in the venture capital activity in Iowa.
30 The commission shall sell shares in the raffles to the
31 public. Moneys collected from the sale of the shares
32 shall initially be deposited in a special account
33 within the office of the treasurer. The treasurer
34 shall create a separate account for each raffle being
35 conducted. The moneys in each account shall be
36 invested by the treasurer in short-term investments.
37 Interest or earnings on the investments shall be
38 retained in the accounts and shall be used to pay the
39 raffle prizes to be awarded on the basis determined
40 for the particular raffle by the commission. A person
41 who has purchased a share in the raffle shall be
42 eligible to win a prize distributed for the raffle.

43 2. Upon terminating a raffle, the treasurer shall
44 transfer all moneys in the account for that raffle,
45 exclusive of interest and earnings to be used as
46 prizes, to the commission for investment pursuant to
47 subsection 3. The commission shall create a separate
48 account for the moneys received from each separate
49 raffle. The commission shall deduct from each account
50 the administrative expenses incurred by the commission

1 or the treasurer of state's office for the conducting
2 of the raffle and the investment of its proceeds
3 pursuant to subsection 3.

4 3. The commission shall invest the remaining
5 proceeds of each raffle in one or more venture capital
6 funds which agree to invest an amount equal to at
7 least fifty percent of the proceeds in small
8 businesses having their principal offices within this
9 state and having either more than one half of their
10 assets within this state or more than one half of
11 their employees employed within this state.

12 4. The investment of moneys from each raffle shall
13 be retained by the commission for a period of five
14 years. At the option of the commission, the period
15 may be extended up to an additional five years. Upon
16 the lapse of the investment period, the investments in
17 the fund shall be sold at a public auction. The
18 proceeds from the sale, minus the costs of the
19 distribution, shall then be distributed on a prorated
20 basis to those persons purchasing shares in the
21 raffle. The proceeds shall be distributed to the
22 persons entitled by sending the moneys to their last
23 known address. Proceeds returned and not claimed
24 within two years are presumed abandoned pursuant to
25 section 556.8 and shall be treated as abandoned
26 property pursuant to chapter 556.

27 5. The commission shall adopt rules to implement
28 this division. The rules shall include, but are not
29 limited to, all of the following:

30 a. The rules for any raffle being conducted
31 including the length of time shares may be sold.
32 Rules governing the general operation of a raffle are
33 subject to chapter 17A. However, rules governing the
34 particular features of specific raffles are not
35 subject to chapter 17A. Rules for a specific raffle
36 may include, but are not limited to, setting the name
37 and prize structure of the raffle, and shall be made
38 available to the public prior to the time the raffle
39 goes on sale and shall be kept on file at the office
40 of the commission. Each share in a raffle shall bear
41 a unique serial number distinguishing it from every
42 other share in the raffle.

43 b. The price of shares in the raffle.

44 c. The number and size of the prizes on the
45 winning shares. The commission may accept gifts or
46 donations of merchandise or other products that may be
47 used for prizes. The commission shall maintain and
48 make available for public inspection at its offices
49 during regular business hours a detailed listing of
50 the estimated number of prizes that are expected to be

1 awarded in any raffle and, after the end of the claim
2 period, shall maintain and make available a listing of
3 the total number of shares sold in a raffle and the
4 number of prizes which were awarded.

5 d. The method of selecting the winning shares and
6 the manner of payment of prizes to the holders of
7 winning shares. Commission employees shall examine
8 claims and shall not pay any prize for altered,
9 stolen, or counterfeit shares nor for shares which
10 fail to meet validation rules established for a
11 raffle.

12 e. The methods of validation of the authenticity
13 of winning shares.

14 f. The frequency of selection of winning shares.
15 Drawings shall be held in public. Drawings shall be
16 witnessed by an independent certified public
17 accountant. Equipment used to select winning shares
18 or participants for prizes shall be examined by
19 commission employees and an independent certified
20 public accountant prior to and after each public
21 drawing.

22 g. Eligibility for purchasing shares in a raffle.

23 h. Transferability of shares.

24 i. Requirements for eligibility for participation
25 in runoff drawings, including but not limited to
26 requirements for submission of evidence of
27 eligibility.

28 j. The issuance of licenses to sell shares in the
29 raffle including the qualification of licensees and
30 fees charged for a license.

31 k. Compensation to be paid to a person licensed to
32 sell shares.

33 l. The locations at which shares may be sold.

34 m. The method to be used in printing and selling
35 shares. An elected official's name shall not be
36 printed on the shares.

37 n. The form and type of marketing, informational,
38 and educational material to be permitted.

39 o. Distribution of prizes.

40 6. The commission shall include in its annual
41 report to the governor and general assembly a
42 discussion of activities undertaken under this
43 division.

44 Sec. 4. Section 537A.4, unnumbered paragraph 2,
45 Code 1985, is amended to read as follows:

46 This section does not apply to a contract for the
47 operation of or for the sale or rental of equipment
48 for games of skill or games of chance, if both the
49 contract and the games are in compliance with chapter
50 99B. This section does not apply to wagering under

SENATE 38
APRIL 2, 1985

S-3577 page 4

1 the pari-mutuel method of wagering authorized by
2 chapter 99D. This section does not apply to the sale,
3 purchase or redemption of a share in the raffle
4 conducted under section 28.103.

5 Sec. 5. Section 725.15, Code 1985, is amended to
6 read as follows:

7 725.15 EXCEPTIONS FOR LEGAL GAMBLING.

8 Sections 725.5 to 725.10 and section 725.12 shall
9 do not apply to any a game, activity, share or device
10 when lawfully possessed, used, conducted or
11 participated in pursuant to section 28.103 or chapter
12 99B."

13 2. Title page, by striking line 3 and inserting
14 the following: "invested in certain types of venture
15 capital funds and the earnings".

S-3577 Filed April 1, 1985

By SMALL

*Adopted as amended by 3697+2701
4/11/85 (p. 1326)*

S-3697

SENATE FILE 549

1 Amend the amendment S-3577 to Senate File 549 as
2 follows:

3 1. Page 1, line 21 and 22, by striking the words
4 ", and the provision of significant financial
5 assistance to,".

6 2. Page 2, line 17, by striking the words "at
7 a public auction".

S-3697 Filed April 10, 1985

By SMALL

Adopted 4/11 (p. 1326)

S-3701

SENATE FILE 549

1 Amend S-3577 to Senate File 549 as follows:

2 1. Page 3, by inserting after line 43 the
3 following:

4 "7. The commission may contract with one or more
5 persons to perform any of the administrative functions
6 required to implement this division."

S-3701 Filed April 11, 1985

By SMALL

Adopted as amended by 3697 4/11 (p. 1326)

House Economic Development 4/12/85 Do Pass 4/12
Referred 1/13/86 Do Pass 3/26/86 (p. 1023)

SENATE FILE 549

BY COMMITTEE ON SMALL BUSINESS
AND ECONOMIC DEVELOPMENT

(AS AMENDED AND PASSED BY THE SENATE APRIL 11, 1985)

Re Passed Senate, Date 4-11-86 (p. 1192) Passed House, Date 4-3-86 (p. 1179)
Vote: Ayes 34 Nays 6 Vote: Ayes 56 Nays 40
Approved April 28, 1986 (p. 1428)

A BILL FOR

1 An Act providing for a raffle conducted by the Iowa develop-
2 ment commission with the proceeds of the raffle to be
3 invested in certain types of venture capital funds and the
4 earnings on the proceeds prior to investment to be used as
5 prizes.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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ALL New Language
by the Senate

DIVISION IX

2 Section 1. NEW SECTION. 28.101 TITLE.

3 This division may be cited as the "Iowa Venture Capital
4 Investment Act".

5 Sec. 2. NEW SECTION. 28.102 DEFINITIONS.

6 As used in this division unless the context otherwise
7 requires:

8 1. "Commission" means the Iowa development commission.

9 2. "Raffle" means the program established pursuant to
10 section 28.103.

11 3. "Treasurer" means the treasurer of state.

12 4. "Venture capital fund" means a corporation,
13 partnership, proprietorship, or other entity formed under the
14 laws of the United States, or a state, district, or territory
15 of the United States, whose principal business is or will be
16 the making of investments in small businesses which meet the
17 small business administration definition of small business.

18 Sec. 3. NEW SECTION. 28.103 INVESTMENT RAFFLE PROGRAM.

19 1. The commission shall initiate and conduct a series of
20 raffles designed to raise moneys for investment in the venture
21 capital activity in Iowa. The commission shall sell shares in
22 the raffles to the public. Moneys collected from the sale of
23 the shares shall initially be deposited in a special account
24 within the office of the treasurer. The treasurer shall
25 create a separate account for each raffle being conducted.
26 The moneys in each account shall be invested by the treasurer
27 in short-term investments. Interest or earnings on the
28 investments shall be retained in the accounts and shall be
29 used to pay the raffle prizes to be awarded on the basis
30 determined for the particular raffle by the commission. A
31 person who has purchased a share in the raffle shall be
32 eligible to win a prize distributed for the raffle.

33 2. Upon terminating a raffle, the treasurer shall transfer
34 all moneys in the account for that raffle, exclusive of
35 interest and earnings to be used as prizes, to the commission

1 for investment pursuant to subsection 3. The commission shall
2 create a separate account for the moneys received from each
3 separate raffle. The commission shall deduct from each
4 account the administrative expenses incurred by the commission
5 or the treasurer of state's office for the conducting of the
6 raffle and the investment of its proceeds pursuant to
7 subsection 3.

8 3. The commission shall invest the remaining proceeds of
9 each raffle in one or more venture capital funds which agree
10 to invest an amount equal to at least fifty percent of the
11 proceeds in small businesses having their principal offices
12 within this state and having either more than one half of
13 their assets within this state or more than one half of their
14 employees employed within this state.

15 4. The investment of moneys from each raffle shall be
16 retained by the commission for a period of five years. At the
17 option of the commission, the period may be extended up to an
18 additional five years. Upon the lapse of the investment
19 period, the investments in the fund shall be sold. The
20 proceeds from the sale, minus the costs of the distribution,
21 shall then be distributed on a prorated basis to those persons
22 purchasing shares in the raffle. The proceeds shall be
23 distributed to the persons entitled by sending the moneys to
24 their last known address. Proceeds returned and not claimed
25 within two years are presumed abandoned pursuant to section
26 556.8 and shall be treated as abandoned property pursuant to
27 chapter 556.

28 5. The commission shall adopt rules to implement this
29 division. The rules shall include, but are not limited to,
30 all of the following:

31 a. The rules for any raffle being conducted including the
32 length of time shares may be sold. Rules governing the
33 general operation of a raffle are subject to chapter 17A.
34 However, rules governing the particular features of specific
35 raffles are not subject to chapter 17A. Rules for a specific

1 raffle may include, but are not limited to, setting the name
2 and prize structure of the raffle, and shall be made available
3 to the public prior to the time the raffle goes on sale and
4 shall be kept on file at the office of the commission. Each
5 share in a raffle shall bear a unique serial number
6 distinguishing it from every other share in the raffle.

7 b. The price of shares in the raffle.

8 c. The number and size of the prizes on the winning
9 shares. The commission may accept gifts or donations of
10 merchandise or other products that may be used for prizes.

11 The commission shall maintain and make available for public
12 inspection at its offices during regular business hours a
13 detailed listing of the estimated number of prizes that are
14 expected to be awarded in any raffle and, after the end of the
15 claim period, shall maintain and make available a listing of
16 the total number of shares sold in a raffle and the number of
17 prizes which were awarded.

18 d. The method of selecting the winning shares and the
19 manner of payment of prizes to the holders of winning shares.

20 Commission employees shall examine claims and shall not pay
21 any prize for altered, stolen, or counterfeit shares nor for
22 shares which fail to meet validation rules established for a
23 raffle.

24 e. The methods of validation of the authenticity of
25 winning shares.

26 f. The frequency of selection of winning shares. Drawings
27 shall be held in public. Drawings shall be witnessed by an
28 independent certified public accountant. Equipment used to
29 select winning shares or participants for prizes shall be
30 examined by commission employees and an independent certified
31 public accountant prior to and after each public drawing.

32 g. Eligibility for purchasing shares in a raffle.

33 h. Transferability of shares.

34 i. Requirements for eligibility for participation in
35 runoff drawings, including but not limited to requirements for

1 submission of evidence of eligibility.

2 j. The issuance of licenses to sell shares in the raffle
3 including the qualification of licensees and fees charged for
4 a license.

5 k. Compensation to be paid to a person licensed to sell
6 shares.

7 l. The locations at which shares may be sold.

8 m. The method to be used in printing and selling shares.

9 An elected official's name shall not be printed on the shares.

10 n. The form and type of marketing, informational, and
11 educational material to be permitted.

12 o. Distribution of prizes.

13 6. The commission shall include in its annual report to
14 the governor and general assembly a discussion of activities
15 undertaken under this division.

16 7. The commission may contract with one or more persons to
17 perform any of the administrative functions required to
18 implement this division.

19 Sec. 4. Section 537A.4, unnumbered paragraph 2, Code 1985,
20 is amended to read as follows:

21 This section does not apply to a contract for the operation
22 of or for the sale or rental of equipment for games of skill
23 or games of chance, if both the contract and the games are in
24 compliance with chapter 99B. This section does not apply to
25 wagering under the pari-mutuel method of wagering authorized
26 by chapter 99D. This section does not apply to the sale,
27 purchase or redemption of a share in the raffle conducted
28 under section 28.103.

29 Sec. 5. Section 725.15, Code 1985, is amended to read as
30 follows:

31 725.15 EXCEPTIONS FOR LEGAL GAMBLING.

32 Sections 725.5 to 725.10 and section 725.12 shall do not
33 apply to any a game, activity, share or device when lawfully
34 possessed, used, conducted or participated in pursuant to
35 section 28.103 or chapter 99B.

FILED APR 15 1985

FISCAL NOTE

SENATE FILE 549

In compliance with a written request received April 9, 1985, a fiscal note for SENATE FILE 549 AMD. S-3577 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 549 allows for the Iowa Development Commission to operate a series of raffles to provide funds for investment in venture capital activity in the state. Proceeds from the sales of raffle shares shall be deposited within the Treasurer's Office. Until the termination of the raffle, interest on the proceeds shall be used to pay prizes in the raffle. The remaining funds, minus administrative costs, shall be invested in one or more venture capital funds which agree to invest in small businesses in the state. The investment period may be either 5 or 10 ten years; after which, the investment in the fund shall be sold at public auction. The proceeds shall then be distributed on a prorated basis to those persons originally purchasing shares in the raffle.

The Development Commission shall adopt and implement administrative rules for the operation of all phases of the raffle; including the monitoring of all purchases and transfers of raffle shares.

ASSUMPTIONS:

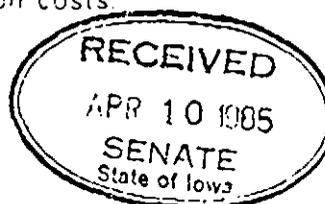
- 1) Total sales of raffle shares can not be estimated.
- 2) Annual administration costs are based upon 3-5 raffles a year.
- 3) Sales commissions to banking institutions are estimated to be 4-6% of total sales.
- 4) The commission shall administer all share transfers.

FISCAL EFFECTS: The annual estimated administration costs for FY 1985 are \$129,000

Salaries (1.5 FTEs)	\$ 40,500
Support	9,500
Printing (raffles shares, initial advertising)	20,000
Outside Services (certification of drawings)	5,000
Advertising/Promotion	50,000
Equipment	<u>4,000</u>
TOTAL	\$129,000*

*NOTE: Since raffle sales can not be estimated, operating costs may vary. Salary costs may decrease \$15,000 in FY 1987. Advertising/Promotion costs may be greater or less than the FY 1985 amount, depending upon the need to advertise and the extent of the banking institutions' marketing efforts. The costs of raffle prizes, if not donated, would respectively increase the administration costs.

Source: Development Commission



(LSB 1685S.2 GEN)
[Signature]
 Fiscal Director
 Legislative Fiscal Bureau
 Date: 4/10/85

[Handwritten signature]
 4/15/85

HOUSE AMENDMENT TO
SENATE FILE 549

S-5612

- 1 Amend Senate File 549 as amended, passed, and
- 2 reprinted by the Senate as follows:
- 3 1. Page 1, line 1, by striking the figure "IX"
- 4 and inserting the following: "XI".
- 5 2. Page 1, line 2, by striking the figure
- 6 "28.101" and inserting the following: "28.111".
- 7 3. Page 1, line 5, by striking the figure
- 8 "28.102" and inserting the following: "28.112".
- 9 4. Page 1, by inserting after line 7 the
- 10 following:
- 11 "_____. "Lottery agency" means the Iowa lottery
- 12 agency created and operating pursuant to chapter 99E."
- 13 5. Page 1, line 10, by striking the figure
- 14 "28.103" and inserting the following: "28.113".
- 15 6. Page 1, line 18, by striking the figure
- 16 "28.103" and inserting the following: "28.113".
- 17 7. Page 1, line 19, by striking the word
- 18 "commission" and inserting the following: "lottery
- 19 agency".
- 20 8. Page 1, line 21, by striking the word
- 21 "commission" and inserting the following: "lottery
- 22 agency".
- 23 9. Page 1, line 30, by striking the word
- 24 "commission" and inserting the following: "lottery
- 25 agency".
- 26 10. Page 2, line 4, by inserting after the words
- 27 "by the" the following: "lottery agency, the".
- 28 11. Page 2, line 28, by inserting after the word
- 29 "The" the following: "lottery agency and the".
- 30 12. Page 3, line 4, by striking the word
- 31 "commission" and inserting the following: "lottery
- 32 agency".
- 33 13. Page 3, line 9, by striking the word
- 34 "commission" and inserting the following: "lottery
- 35 agency".
- 36 14. Page 3, line 11, by striking the word
- 37 "commission" and inserting the following: "lottery
- 38 agency".
- 39 15. Page 3, line 20, by striking the word
- 40 "Commission" and inserting the following: "Lottery
- 41 agency".
- 42 16. Page 4, by striking line 13 and inserting the
- 43 following:
- 44 "6. The lottery agency and the commission shall
- 45 include in their annual reports to".
- 46 17. Page 4, line 16, by inserting after the word
- 47 "The" the following: "lottery agency and the".
- 48 18. Page 4, by striking lines 19 through 35 and
- 49 inserting the following:
- 50 "Sec. 5. Section 537A.4, unnumbered paragraph 2,

S-5612 Page 2

1 Code Supplement 1985, is amended to read as follows:

2 This section does not apply to a contract for the
3 operation of or for the sale or rental of equipment
4 for games of skill or games of chance, if both the
5 contract and the games are in compliance with chapter
6 99B. This section does not apply to wagering under
7 the pari-mutuel method of wagering authorized by
8 chapter 99D. This section does not apply to the sale,
9 purchase or redemption of a ticket or share in the
10 state lottery in compliance with chapter 99E or the
11 sale, purchase or redemption of a share in the raffle
12 conducted under section 22.113.

13 Sec. 6. Section 725.15, Code Supplement 1985, is
14 amended to read as follows:

15 725.15 EXCEPTIONS FOR LEGAL GAMBLING.

16 Sections 725.5 to 725.10 and 725.12 do not apply to
17 a game, activity, ticket, share or device when
18 lawfully possessed, used, conducted or participated in
19 pursuant to section 28.113, chapter 99B or chapter
20 99E."

21 19. Title page, by striking lines 1 through 3 and
22 inserting the following: "An Act providing for a
23 raffle conducted by the Iowa lottery agency with the
24 proceeds of the raffle to be invested by the Iowa
25 development commission in certain types of venture
26 capital funds and the".

27 20. By renumbering, relettering, or redesignating
28 and correcting internal references as necessary.

S-5612 Filed April 7, 1986 REC'D FROM THE HOUSE

Senate concurred 4/11 (p. 192)

SENATE FILE 549

H-5578

1 Amend Senate File 549 as amended, passed, and
2 reprinted by the Senate as follows:

3 1. Page 1, line 1, by striking the figure "IX"
4 and inserting the following: "XI".

5 2. Page 1, line 2, by striking the figure
6 "28.101" and inserting the following: "28.111".

7 3. Page 1, line 5, by striking the figure
8 "28.102" and inserting the following: "28.112".

9 4. Page 1, line 10, by striking the figure
10 "28.103" and inserting the following: "28.113".

11 5. Page 1, line 18, by striking the figure
12 "28.103" and inserting the following: "28.113".

13 6. Page 4, by striking lines 19 through 35 and
14 inserting the following:

15 "Sec. 5. Section 537A.4, unnumbered paragraph 2,
16 Code Supplement 1985, is amended to read as follows:

17 This section does not apply to a contract for the
18 operation of or for the sale or rental of equipment
19 for games of skill or games of chance, if both the
20 contract and the games are in compliance with chapter
21 99B. This section does not apply to wagering under
22 the pari-mutuel method of wagering authorized by
23 chapter 99D. This section does not apply to the sale,
24 purchase or redemption of a ticket or share in the
25 state lottery in compliance with chapter 99E or the
26 sale, purchase or redemption of a share in the raffle
27 conducted under section 22.113.

28 Sec. 6. Section 725.15, Code Supplement 1985, is
29 amended to read as follows:

30 725.15 EXCEPTIONS FOR LEGAL GAMBLING.

31 Sections 725.5 to 725.10 and 725.12 do not apply to
32 a game, activity, ticket, share or device when
33 lawfully possessed, used, conducted or participated in
34 pursuant to section 28.113, chapter 99B or chapter
35 99E."

H-5578 FILED MARCH 27, 1986 BY VARN of Johnson

Adopted 4/3 (p 1177)

SENATE FILE 549

H-5657

- 1 Amend Senate File 549 as amended, passed, and
2 reprinted by the Senate as follows:
3 1. Page 1, by inserting after line 7 the
4 following:
5 "_____. "Lottery agency" means the Iowa lottery
6 agency created and operating pursuant to chapter 99E."
7 2. Page 1, line 19, by striking the word
8 "commission" and inserting the following: "lottery
9 agency".
10 3. Page 1, line 21, by striking the word
11 "commission" and inserting the following: "lottery
12 agency".
13 4. Page 1, line 30, by striking the word
14 "commission" and inserting the following: "lottery
15 agency".
16 5. Page 2, line 4, by inserting after the words
17 "by the" the following: "lottery agency, the".
18 6. Page 2, line 28, by inserting after the word
19 "The" the following: "lottery agency and the".
20 7. Page 3, line 4, by striking the word
21 "commission" and inserting the following: "lottery
22 agency".
23 8. Page 3, line 9, by striking the word
24 "commission" and inserting the following: "lottery
25 agency".
26 9. Page 3, line 11, by striking the word
27 "commission" and inserting the following: "lottery
28 agency".
29 10. Page 3, line 20, by striking the word
30 "Commission" and inserting the following: "Lottery
31 agency".
32 11. Page 4, by striking line 13 and inserting the
33 following:
34 "6. The lottery agency and the commission shall
35 include in their annual reports to".
36 12. Page 4, line 16, by inserting after the word
37 "The" the following: "lottery agency and the".
38 13. Title page, by striking lines 1 through 3 and
39 inserting the following: "An Act providing for a
40 raffle conducted by the Iowa lottery agency with the
41 proceeds of the raffle to be invested by the Iowa
42 development commission in certain types of venture
43 capital funds and the".

H-5657 FILED APRIL 2, 1986 BY VARN of Johnson

Adopted 4/3 (p. 1178)

*SSB 300A
Small Business &
Economic Dev.*

*New
SF 349*

SENATE FILE _____

BY (PROPOSED COMMITTEE ON SMALL
BUSINESS AND ECONOMIC
DEVELOPMENT BILL)

Passed Senate, Date _____ Passed House, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act providing for a raffle conducted by the Iowa develop-
2 ment commission with the proceeds of the raffle to be
3 invested in the Iowa venture capital fund and the earning
4 on the proceeds prior to investment to be used as prizes.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 DIVISION IX

2 Section 1. NEW SECTION. 28.101 TITLE.

3 This division may be cited as the "Iowa Venture Capital
4 Investment Act".

5 Sec. 2. NEW SECTION. 28.102 DEFINITIONS.

6 As used in this division unless the context otherwise
7 requires:

8 1. "Commission" means the Iowa development commission.

9 2. "Fund" means the Iowa venture capital fund created in
10 division VII of this chapter.

11 3. "Raffle" means the program established pursuant to
12 section 28.103.

13 4. "Treasurer" means the treasurer of state.

14 Sec. 3. NEW SECTION. 28.103 INVESTMENT RAFFLE PROGRAM.

15 1. The commission shall initiate and conduct a series of
16 raffles designed to raise moneys for investment in the Iowa
17 venture capital fund and through such investment in companies
18 meeting the criteria established in section 28.64. The
19 commission shall sell shares in the raffles to the public.
20 Moneys collected from the sale of the shares shall initially
21 be deposited in a special account within the office of the
22 treasurer. The treasurer shall create a separate account for
23 each raffle being conducted. The moneys in each account shall
24 be invested by the treasurer in short-term investments.
25 Interest or earnings on the investments shall be retained in
26 the accounts and shall be used to pay the raffle prizes to be
27 awarded on the basis determined for the particular raffle by
28 the commission. A person who has purchased a share in the
29 raffle shall be eligible to win a prize distributed for the
30 raffle. Upon terminating a raffle, the treasurer shall
31 transfer all moneys in the account for that raffle, exclusive
32 of interest and earnings to be used as prizes, to the Iowa
33 venture capital fund for investment pursuant to section 28.64.
34 The fund shall create a separate account for the moneys
35 received from each separate raffle.

1 2. The fund shall contract with private venture capital
2 firms to provide services for making the investments.

3 3. The investment of moneys from each raffle shall be
4 retained by the fund for a period of five years. At the
5 option of the commission, the period may be extended up to an
6 additional five years. Upon the lapse of the investment
7 period, the investments in the fund shall be sold at a public
8 auction. The proceeds from the sale shall then be distributed
9 on a prorated basis to those persons purchasing shares in the
10 raffle. The proceeds shall be distributed to the persons
11 entitled by sending the moneys to their last known address.
12 Proceeds returned and not claimed within two years are
13 presumed abandoned pursuant to section 556.8 and shall be
14 treated as abandoned property pursuant to chapter 556.

15 4. The commission and the fund shall adopt rules to
16 implement this division. The rules shall include, but are not
17 limited to, all of the following:

18 a. The rules for any raffle being conducted including the
19 length of time shares may be sold. Rules governing the
20 general operation of a raffle are subject to chapter 17A.
21 However, rules governing the particular features of specific
22 raffles are not subject to chapter 17A. Rules for a specific
23 raffle may include, but are not limited to, setting the name
24 and prize structure of the raffle, and shall be made available
25 to the public prior to the time the raffle goes on sale and
26 shall be kept on file at the office of the commission. Each
27 share in a raffle shall bear a unique serial number
28 distinguishing it from every other share in the raffle.

29 b. The price of shares in the raffle.

30 c. The number and size of the prizes on the winning
31 shares. The commission shall maintain and make available for
32 public inspection at its offices during regular business hours
33 a detailed listing of the estimated number of prizes that are
34 expected to be awarded in any raffle and, after the end of the
35 claim period, shall maintain and make available a listing of

1 the total number of shares sold in a raffle and the number of
2 prizes which were awarded.

3 d. The method of selecting the winning shares and the
4 manner of payment of prizes to the holders of winning shares.
5 Commission employees shall examine claims and shall not pay
6 any prize for altered, stolen, or counterfeit shares nor for
7 shares which fail to meet validation rules established for a
8 raffle.

9 e. The methods of validation of the authenticity of
10 winning shares.

11 f. The frequency of selection of winning shares. Drawings
12 shall be held in public. Drawings shall be witnessed by an
13 independent certified public accountant. Equipment used to
14 select winning shares or participants for prizes shall be
15 examined by commission employees and an independent certified
16 public accountant prior to and after each public drawing.

17 g. Eligibility for purchasing shares in a raffle.

18 h. Transferability of shares.

19 i. Requirements for eligibility for participation in
20 runoff drawings, including but not limited to requirements for
21 submission of evidence of eligibility.

22 j. The issuance of licenses to sell shares in the raffle
23 including the qualification of licensees and fees charged for
24 a license.

25 k. Compensation to be paid to a person licensed to sell
26 shares.

27 l. The locations at which shares may be sold.

28 m. The method to be used in printing and selling shares.
29 An elected official's name shall not be printed on the shares.

30 n. The form and type of marketing, informational, and
31 educational material to be permitted.

32 o. Distribution of prizes.

33 4. The commission shall include in its annual report to
34 the governor and general assembly a discussion of activities
35 undertaken under this division.

1 Sec. 4. Section 28.66, Code 1985, is amended to read as
2 follows:

3 28.66 STOCK SALES LIMIT.

4 The aggregate value of all stock sold in the Iowa venture
5 capital fund for which a credit is allowed under section
6 422.10 or 422.33 shall not exceed five million dollars. This
7 section does not apply to funds invested pursuant to section
8 28.103.

9 Sec. 5. Section 537A.4, unnumbered paragraph 2, Code 1985,
10 is amended to read as follows:

11 This section does not apply to a contract for the operation
12 of or for the sale or rental of equipment for games of skill
13 or games of chance, if both the contract and the games are in
14 compliance with chapter 99B. This section does not apply to
15 wagering under the pari-mutuel method of wagering authorized
16 by chapter 99D. This section does not apply to the sale,
17 purchase or redemption of a share in the raffle conducted
18 under section 22.103.

19 Sec. 6. Section 725.15, Code 1985, is amended to read as
20 follows:

21 725.15 EXCEPTIONS FOR LEGAL GAMBLING.

22 Sections 725.5 to 725.10 and section 725.12 shall do not
23 apply to any a game, activity, share or device when lawfully
24 possessed, used, conducted or participated in pursuant to
25 section 28.103 or chapter 99B.

26 EXPLANATION

27 This bill provides for a mechanism for investment of money
28 in the Iowa venture capital fund by authorizing the Iowa
29 development commission to conduct a series of raffles.
30 Proceeds from the sale will be deposited in the venture
31 capital fund for investment. Interest on the proceeds earned
32 prior to the investment will be used to pay prizes in the
33 raffle. To be eligible for a prize a person must purchase a
34 share in the raffle. The funds invested in the venture
35 capital fund will be liquidated in a maximum of ten years and

1 the moneys returned to owners of shares on a prorated basis.

2 This bill creates new sections 28.101 through 28.103 and

3 makes coordinating amendments which refer to new section

4 28.103.

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SENATE FILE 549

AN ACT

PROVIDING FOR A RAFFLE CONDUCTED BY THE IOWA LOTTERY AGENCY WITH THE PROCEEDS OF THE RAFFLE TO BE INVESTED BY THE IOWA DEVELOPMENT COMMISSION IN CERTAIN TYPES OF VENTURE CAPITAL FUNDS AND THE EARNINGS ON THE PROCEEDS PRIOR TO INVESTMENT TO BE USED AS PRIZES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION XI

Section 1. NEW SECTION. 28.111 TITLE.

This division may be cited as the "Iowa Venture Capital Investment Act".

Sec. 2. NEW SECTION. 28.112 DEFINITIONS.

As used in this division unless the context otherwise requires:

1. "Lottery agency" means the Iowa lottery agency created and operating pursuant to chapter 99E.

2. "Commission" means the Iowa development commission.

3. "Raffle" means the program established pursuant to section 28.111.

4. "Treasurer" means the treasurer of state.

5. "Venture capital fund" means a corporation, partnership, proprietorship, or other entity formed under the laws of the United States, or a state, district, or territory of the United States, whose principal business is or will be the making of investments in small businesses which meet the small business administration definition of small business.

Sec. 3. NEW SECTION. 28.113 INVESTMENT RAFFLE PROGRAM.

1. The lottery agency shall initiate and conduct a series of raffles designed to raise moneys for investment in the venture capital activity in Iowa. The lottery agency shall sell shares in the raffles to the public. Moneys collected from the sale of the shares shall initially be deposited in a special account within the office of the treasurer. The treasurer shall create a separate account for each raffle being conducted. The moneys in each account shall be invested by the treasurer in short-term investments. Interest or earnings on the investments shall be retained in the accounts and shall be used to pay the raffle prizes to be awarded on the basis determined for the particular raffle by the lottery agency. A person who has purchased a share in the raffle shall be eligible to win a prize distributed for the raffle.

2. Upon terminating a raffle, the treasurer shall transfer all moneys in the account for that raffle, exclusive of interest and earnings to be used as prizes, to the commission for investment pursuant to subsection 3. The commission shall create a separate account for the moneys received from each separate raffle. The commission shall deduct from each account the administrative expenses incurred by the lottery agency, the commission or the treasurer of state's office for the conducting of the raffle and the investment of its proceeds pursuant to subsection 3.

3. The commission shall invest the remaining proceeds of each raffle in one or more venture capital funds which agree to invest an amount equal to at least fifty percent of the proceeds in small businesses having their principal offices within this state and having either more than one-half of their assets within this state or more than one-half of their employees employed within this state.

4. The investment of moneys from each raffle shall be retained by the commission for a period of five years. At the option of the commission, the period may be extended up to an additional five years. Upon the lapse of the investment period, the investments in the fund shall be sold. The proceeds from the sale, minus the costs of the distribution,

shall then be distributed on a prorated basis to those persons purchasing shares in the raffle. The proceeds shall be distributed to the persons entitled by sending the moneys to their last known address. Proceeds returned and not claimed within two years are presumed abandoned pursuant to section 556.8 and shall be treated as abandoned property pursuant to chapter 556.

5. The lottery agency and the commission shall adopt rules to implement this division. The rules shall include, but are not limited to, all of the following:

a. The rules for any raffle being conducted including the length of time shares may be sold. Rules governing the general operation of a raffle are subject to chapter 17A. However, rules governing the particular features of specific raffles are not subject to chapter 17A. Rules for a specific raffle may include, but are not limited to, setting the name and prize structure of the raffle, and shall be made available to the public prior to the time the raffle goes on sale and shall be kept on file at the office of the lottery agency. Each share in a raffle shall bear a unique serial number distinguishing it from every other share in the raffle.

b. The price of shares in the raffle.

c. The number and size of the prizes on the winning shares. The lottery agency may accept gifts or donations of merchandise or other products that may be used for prizes. The lottery agency shall maintain and make available for public inspection at its offices during regular business hours a detailed listing of the estimated number of prizes that are expected to be awarded in any raffle and, after the end of the claim period, shall maintain and make available a listing of the total number of shares sold in a raffle and the number of prizes which were awarded.

d. The method of selecting the winning shares and the manner of payment of prizes to the holders of winning shares. Lottery agency employees shall examine claims and shall not pay any prize for altered, stolen, or counterfeit shares nor for shares which fail to meet validation rules established for a raffle.

e. The methods of validation of the authenticity of winning shares.

f. The frequency of selection of winning shares. Drawings shall be held in public. Drawings shall be witnessed by an independent certified public accountant. Equipment used to select winning shares or participants for prizes shall be examined by commission employees and an independent certified public accountant prior to and after each public drawing.

g. Eligibility for purchasing shares in a raffle.

h. Transferability of shares.

i. Requirements for eligibility for participation in runoff drawings, including but not limited to requirements for submission of evidence of eligibility.

j. The issuance of licenses to sell shares in the raffle including the qualification of licensees and fees charged for a license.

k. Compensation to be paid to a person licensed to sell shares.

l. The locations at which shares may be sold.

m. The method to be used in printing and selling shares.

An elected official's name shall not be printed on the shares.

n. The form and type of marketing, informational, and educational material to be permitted.

o. Distribution of prizes.

6. The lottery agency and the commission shall include in their annual reports to the governor and general assembly a discussion of activities undertaken under this division.

7. The lottery agency and the commission may contract with one or more persons to perform any of the administrative functions required to implement this division.

Sec. 4. Section 537A.4, unnumbered paragraph 2, Code Supplement 1985, is amended to read as follows:

This section does not apply to a contract for the operation of or for the sale or rental of equipment for games of skill or games of chance, if both the contract and the games are in compliance with chapter 99B. This section does not apply to wagering under the pari-mutuel method of wagering authorized

by chapter 99D. This section does not apply to the sale, purchase or redemption of a ticket or share in the state lottery in compliance with chapter 99E or the sale, purchase or redemption of a share in the raffle conducted under section 22.113.

Sec. 5. Section 725.15, Code Supplement 1985, is amended to read as follows:

725.15 EXCEPTIONS FOR LEGAL GAMBLING.

Sections 725.5 to 725.10 and 725.12 do not apply to a game, activity, ticket, share or device when lawfully possessed, used, conducted or participated in pursuant to section 28.113, chapter 99B or chapter 99E.

ROBERT T. ANDERSON
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 549, Seventy-first General Assembly.

K. MARIE THAYER
Secretary of the Senate

Approved April 28, 1986

TERRY E. BRANSTAD
Governor