

701—1102.4(99G) Financial responsibility. The department will use the following guidelines when determining whether an applicant seeking a license to sell lottery products or a retailer exhibits adequate financial responsibility.

1102.4(1) *Sole proprietorship.* The department will generally consider a sole proprietor to exhibit adequate financial responsibility if the account history for the applicant for the past two years discloses no more than four accounts past due and no accounts over 90 days past due.

1102.4(2) *Partnership.* If the applicant is a partnership, 50 percent of the partners must meet the credit guidelines listed in subrule 1102.4(1) to be considered to exhibit adequate financial responsibility.

1102.4(3) *Fraternal or civic associations.* If the applicant is a fraternal association, civic organization or other nonprofit entity, the applicant must meet the credit guidelines set forth in subrule 1102.4(1) to be considered to exhibit adequate financial responsibility. If the fraternal association, civic organization, or other nonprofit entity has no credit history or the credit history is incomplete, then the officers of the fraternal association, civic organization, or other nonprofit entity must meet the requirements of subrule 1102.4(1) to be considered to exhibit adequate financial responsibility.

1102.4(4) *Corporations and limited liability companies in existence two years or more if a credit risk appraisal is available through a financial and credit reporting entity.* If the license applicant is a corporation or a limited liability company and the corporation or the limited liability company has been in existence for more than two years from the date of the application and a credit risk appraisal is available through a financial and credit reporting entity, the applicant must meet all of the following financial responsibility guidelines to be considered to exhibit adequate financial responsibility:

- a. The applicant is paying 60 percent of its suppliers on time or within terms; and
- b. The applicant possesses a credit risk appraisal provided by a financial and credit reporting entity that indicates the corporation's or limited liability company's financial condition is fair or better.

1102.4(5) *Corporations and limited liability companies in existence less than two years or if a credit risk appraisal is not available through a financial and credit reporting entity.* If a corporation has been in existence for less than two years from the date of the application or a credit risk appraisal is not available through a financial and credit reporting entity, the department will review the credit history of the corporate officers who hold 10 percent or more of the stock of the corporation. If a limited liability company has been in existence for less than two years or a credit risk appraisal is not available through a financial and credit reporting entity, the department will review the credit history of the members of a limited liability company who have contributed 10 percent or more to the capital of the limited liability company. Fifty percent or more of the corporate officers or members of the limited liability company must meet the credit guidelines set forth in subrule 1102.4(1) to be considered to exhibit adequate financial responsibility.

1102.4(6) *Additional considerations.* If information obtained by the department, when considered as a whole, indicates that the applicant, the retailer, or the applicant's or retailer's business practices are inconsistent with sound financial management or pose a risk to the operation or integrity of the lottery, the department may, in its discretion, determine that an applicant or retailer does not demonstrate the adequate financial responsibility for licensure notwithstanding the guidelines in subrules 1102.4(1) through 1102.4(5).

This rule is intended to implement Iowa Code sections 99G.7, 99G.9(2), 99G.21(2), 99G.24, 99G.30, 252J.2, 252J.8, and 272D.8.

[ARC 8918C, IAB 2/19/25, effective 3/26/25]