

CHAPTER 1125
RAFFLE FOR VENTURE CAPITAL
S.F. 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 28.113.
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.

Approved April 28, 1986

CHAPTER 1126

SECURITY INTEREST IN FARM PRODUCTS

S.F. 2050

AN ACT relating to the security interest in farm products, prohibiting certain acts, providing for penalties, and providing an effective date.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 554.9307, subsection 1, Code Supplement 1985, is amended to read as follows:

1. Except as provided in subsection 4 the federal Food Security Act of 1985, Public Law 99-198, section 1324, a buyer in ordinary course of business as defined in section 554.1201, subsection 9, takes free of a security interest created by that person's seller even though the security interest is perfected and even though the buyer knows of its existence. For purposes of this section, a buyer or buyer in ordinary course of business includes any commission merchant, selling agent, or other person engaged in the business of receiving livestock as defined in section 189A.2 on commission for or on behalf of another.

Sec. 2. Section 554.9307, subsection 4, Code Supplement 1985, is amended by striking the subsection and inserting in lieu thereof the following:

4. A secured party may request the buyer to issue any check for payment or partial payment of a good subject to a security interest jointly in the name of both the seller and the secured party only if the secured party has included in the documents creating the security interest a written provision that a joint check would be requested or required and if the provision has been specifically signed and dated by the person granting the security interest.

Sec. 3. Section 554.9307, Code Supplement 1985, is amended by adding the following new subsections:

NEW SUBSECTION. 5. a. If the documents creating a security interest contain the provisions permitted pursuant to subsection 4 and meet the requirements of subsection 4, the debtor is engaged in farming operations, and the debtor sells the farm products subject to a security interest created by the debtor to a buyer not included on the list as a potential buyer, then the debtor is subject to a civil penalty of the greater of either five thousand dollars or fifteen percent of the value or benefits received by the debtor for the farm product described in the security agreement. The penalty shall be deposited in the state general fund. However, if the secured party can demonstrate in state district court upon application by the secured party that the secured party has sustained a monetary loss as a result of the debtor selling to a person other than a person on the list of potential buyers and does not reasonably expect to be able to collect under the security agreement, then to the extent that the secured party can prove by competent evidence the amount of the monetary loss and the inability to collect under the security agreement, the court shall award the secured party so much of the civil