



**S.B. 226**

124th General Assembly  
(As Introduced)

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**BILL SUMMARY**

- Permits the transfer of a lottery prize award pursuant to a transfer agreement, upon the prior approval of a court of competent jurisdiction.
- Requires that a lottery prize winner receive a detailed disclosure statement of the amounts and due dates of prize award payments to be transferred under the agreement.
- Establishes procedures for filing an application with the court for approval of the transfer.
- Requires the transferee to obtain a certificate of registration from the Director of Commerce prior to the transfer.

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**CONTENT AND OPERATION**

**Transfer of lottery prize awards**

(R.C. 1309.109(E), 3770.07, 3770.10(D) and (E), and 3770.16)

Under current law, lottery prize awards must be claimed by the holder of the winning lottery ticket, or by the executor or administrator, or the trustee of a trust, of a deceased holder of a winning ticket. The right of any person to a lottery prize award is prohibited from being the subject of a security interest or used as collateral. Likewise, the right cannot be assigned, nor may it be subject to garnishment, attachment, execution, withholding, or deduction, except in accordance with court or administrative child support orders or other existing laws.

The bill creates an exception to these prohibitions, whereby a lottery prize winner who holds the right to receive all or any part of a lottery prize award may transfer the award to another party under a transfer agreement. The bill defines a

"transfer" as a grant of a security interest in, or a sale, assignment, pledge, hypothecation (a pledge as security or collateral for a debt, without delivery or title or possession), or any other form of alienation or encumbrance of, all or any part of a lottery prize award by a prize winner for consideration.

Before a transfer may occur, the bill provides that the prize winner must first receive a disclosure statement from the party acquiring or proposing to acquire all or any part of the award (the "transferee"), and must obtain a court order approving the transfer. Before entering into a transfer agreement, the transferee must register with the Director of Commerce.

The bill also provides that the transfer of all or any part of a lottery prize award under the bill is subject to Ohio's secured transactions law (R.C. Chapter 1309.).

### **Mechanism for transferring a lottery prize award**

#### **Disclosure statement to be provided to the prize winner**

(R.C. 3770.10(B) and 3770.11)

Prior to the date on which a prize winner becomes obligated to transfer an award under a transfer agreement, the transferee must provide to the winner a disclosure statement, in boldface type of the minimum size of 14 points, setting forth the amounts and due dates of the lottery prize award payments that would be transferred under the transfer agreement, and the aggregate amount of those payments. The disclosure statement also must disclose:

(1) The discounted present value of the lottery prize award payments, calculated as of the date the statement is provided to the prize winner, and the amount of the applicable federal rate used in determining the discounted present value. (The bill defines "discounted present value" as the present value of the future payments of a lottery prize award that is determined by discounting those payments to the present, using the most recently published applicable federal rate for determining the present value of an annuity as issued by the United States Internal Revenue Service and assuming daily compounding.)

(2) The gross amount payable to the prize winner in exchange for or as consideration for the transfer of the lottery prize award payments;

(3) An itemized listing of all brokers' commissions, service charges, application fees, processing fees, closing costs, filing fees, administrative fees, legal fees, notary fees, and other commissions, fees, costs, expenses, and charges payable by the prize winner or deductible from the gross amount otherwise payable to the prize winner;

(4) The net amount payable to the prize winner, after deduction from the gross amount of all commissions, fees, costs, expenses, and charges described in (3);

(5) The quotient, expressed as a percentage, obtained by dividing the net amount payable to the prize winner by the discounted present value of the payment.

**Hearing on an application for advance approval of a transfer**

(R.C. 3770.10(A), 3770.12, and 3770.13)

Under the bill, a person must file an application, in advance, for approval of a lottery prize award transfer, in the Court of Common Pleas of Franklin County, the court of common pleas of the county in which the prize winner resides, or a federal court having jurisdiction over the lottery prize award.

Upon the filing of the application, the court must set a date and time for a hearing on the application and notify the transferee of such date, time, and place. Not less than 14 days prior to the hearing date, the transferee must file with the court and serve on it and on the State Lottery Commission, in the manner required by the Rules of Civil Procedure for the service of process, a notice of the proposed transfer and the application for its approval. The notice must contain the date, time, and place of the hearing and include a copy of the application, transfer agreement, and disclosure statement (discussed above) provided by the transferee and signed by the prize winner.

The Commission is not required to appear in or be named as a party to the hearing, but may intervene as of right in the proceeding.

At the conclusion of the hearing on the application, the court may grant or deny the approval of the transfer of a lottery prize award. The court may approve the transfer only in a final order that is based on the court's express findings. The court must enter its order accordingly, and the order is final and may be appealed. If the transfer is denied, the court must include in its order the reason for the denial. If the court grants approval of the transfer, it must include in its final order all of the following express findings:

(1) The transferee has provided to the prize winner a disclosure statement that complies with the bill, and the prize winner has confirmed receipt of the statement, as evidenced by the winner's notarized signature on a copy of the disclosure statement.

(2) The prize winner has established that the transfer is fair and reasonable and in the winner's best interests.

(3) The prize winner has received independent professional advice from an attorney, certified public accountant, actuary, or any other licensed professional adviser, regarding the legal and other implications of the transfer. The adviser must have been engaged by the prize winner to render such advice, cannot be affiliated with, or compensated in any manner by, the transferee of the award, and the adviser's compensation cannot be affected by whether or not the transfer occurs.

(4) The transferee has given written notice of its name, address, and taxpayer identification number to the State Lottery Commission and has filed a copy of that notice with the court.

(5) The transferee holds a valid certificate of registration issued by the Director of Commerce (see "*Certificate of registration required for transferee*," below).

(6) The transfer complies with all applicable requirements of state law and does not contravene any applicable law.

(7) The transfer does not include or cover the amounts of the lottery prize award that are required to be withheld or deducted under a court or administrative child support order, for child or spousal support arrearages, or under the state income tax law.

(8) Any amounts described in (7) that are required to be withheld or deducted, as of the date of the court order, will be offset by the Commission first against remaining payments due the prize winner and then against payments due the transferee.

*Certificate of registration required for transferee*

(R.C. 3770.15)

Before a transferee may enter into a transfer agreement under the bill with a prize winner, the transferee must submit to the Director of Commerce an application for a certificate of registration, along with a registration fee of \$500. The application must be on a form prescribed by the Director and set forth the name and business address of the transferee, the general nature of the business conducted by it, the length of time it has conducted that business, its signature or the signature of its authorized representative, and any of the following information that applies:

(1) If the transferee is a general partnership, the names and residence addresses of all of the partners;

(2) If the transferee is a limited partnership that existed prior to July 1, 1994, and that has not registered with the Secretary of State under the limited partnership law (R.C. Chapter 1782.), the name of the Ohio county in which its certificate of limited partnership or application for registration as a foreign limited partnership is filed;

(3) If the transferee is a limited partnership to which (2) does not apply, or is a corporation, professional association, limited liability company, or other entity, the form of the entity and the state under the laws of which it was formed.

Upon complying with these requirements, the Director must issue to the transferee a certificate of registration. Each certificate remains in force for two years from the date of issuance. After that time, a renewal certificate may be issued upon compliance with the application submission process.

Fees collected with the application must be paid into the state treasury to the credit of the existing Division of Administration Fund, from which the operating expenses of the Department of Commerce's division of administration are paid.

**Lottery prize award payments to be made in compliance with court order**

(R.C. 3770.14)

Upon receipt of a court order approving the transfer of a lottery prize award, the transferee is required to provide a certified copy of it to the Director of the State Lottery Commission. Not later than ten days after receipt of the copy, the Director must acknowledge to the transferee in writing the Commission's intent to comply with the court order in making future payments.

The Director must make payments of the lottery prize award in accordance with the terms of the court order. The Director may charge a processing fee, in an amount determined by the Commission by rule under its existing rulemaking powers, to cover any direct or indirect costs associated with making the prize award payments in accordance with the terms specified in the court order. Upon payment of the award, the Director and Commission are discharged from all further liability for it.

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**HISTORY**

ACTION	DATE	JOURNAL ENTRY
Introduced s0226-i.124/kl	01-31-02	p. 1409