

## HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 2067

03/06/2017 Authored by Davids  
The bill was read for the first time and referred to the Committee on Civil Law and Data Practices Policy  
03/13/2017 Adoption of Report: Placed on the General Register as Amended  
Read for the Second Time  
05/22/2017 Pursuant to Rule 4.20, returned to the Committee on Civil Law and Data Practices Policy  
02/26/2018 Adoption of Report: Placed on the General Register  
Read for the Second Time

- 1.1 A bill for an act
- 1.2 relating to uniform acts; voidable transactions; modifying definition of transfer;
- 1.3 amending Minnesota Statutes 2016, section 513.41.
- 1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.5 Section 1. Minnesota Statutes 2016, section 513.41, is amended to read:
- 1.6 **513.41 DEFINITIONS.**
- 1.7 As used in sections 513.41 to 513.51:
- 1.8 (1) "Affiliate" means:
- 1.9 (i) a person that directly or indirectly owns, controls, or holds with power to vote, 20
- 1.10 percent or more of the outstanding voting securities of the debtor, other than a person that
- 1.11 holds the securities,
- 1.12 (A) as a fiduciary or agent without sole discretionary power to vote the securities; or
- 1.13 (B) solely to secure a debt, if the person has not in fact exercised the power to vote;
- 1.14 (ii) a corporation 20 percent or more of whose outstanding voting securities are directly
- 1.15 or indirectly owned, controlled, or held with power to vote, by the debtor or a person that
- 1.16 directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the
- 1.17 outstanding voting securities of the debtor, other than a person that holds the securities,
- 1.18 (A) as a fiduciary or agent without sole discretionary power to vote the securities; or
- 1.19 (B) solely to secure a debt, if the person has not in fact exercised the power to vote;

(iii) a person whose business is operated by the debtor under a lease or other agreement, or a person substantially all of whose assets are controlled by the debtor; or

(iv) a person that operates the debtor's business under a lease or other agreement or controls substantially all of the debtor's assets.

(2) "Asset" means property of a debtor, but the term does not include:

(i) property to the extent it is encumbered by a valid lien;

(ii) property to the extent it is generally exempt under nonbankruptcy law; or

(iii) an interest in property held in tenancy by the entireties to the extent it is not subject to process by a creditor holding a claim against only one tenant.

(3) "Claim" means a right to payment, whether or not the right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured.

(4) "Creditor" means a person that has a claim.

(5) "Debt" means liability on a claim.

(6) "Debtor" means a person that is liable on a claim.

(7) "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

(8) "Insider" includes:

(i) if the debtor is an individual,

(A) a relative of the debtor or of a general partner of the debtor;

(B) a partnership in which the debtor is a general partner;

(C) a general partner in a partnership described in subitem (B); or

(D) a corporation of which the debtor is a director, officer, or a person in control;

(ii) if the debtor is a corporation,

(A) a director of the debtor;

(B) an officer of the debtor;

(C) a person in control of the debtor;

(D) a partnership in which the debtor is a general partner;

(E) a general partner in a partnership described in subitem (D); or

3.1 (F) a relative of a general partner, director, officer, or person in control of the debtor;

3.2 (iii) if the debtor is a partnership,

3.3 (A) a general partner in the debtor;

3.4 (B) a relative of a general partner in, or a general partner of, or a person in control of  
3.5 the debtor;

3.6 (C) another partnership in which the debtor is a general partner;

3.7 (D) a general partner in a partnership described in subitem (C); or

3.8 (E) a person in control of the debtor;

3.9 (iv) an affiliate, or an insider of an affiliate as if the affiliate were the debtor; and

3.10 (v) a managing agent of the debtor.

3.11 (9) "Lien" means a charge against or an interest in property to secure payment of a debt  
3.12 or performance of an obligation, and includes a security interest created by agreement, a  
3.13 judicial lien obtained by legal or equitable process or proceedings, a common-law lien, or  
3.14 a statutory lien.

3.15 (10) "Organization" means a person other than an individual.

3.16 (11) "Person" means an individual, estate, business or nonprofit entity, public corporation,  
3.17 government or governmental subdivision, agency, or instrumentality, or other legal entity.

3.18 (12) "Property" means anything that may be subject of ownership.

3.19 (13) "Record" means information that is inscribed on a tangible medium or that is stored  
3.20 in an electronic or other medium and is retrievable in perceivable form.

3.21 (14) "Relative" means an individual related by consanguinity within the third degree as  
3.22 determined by the common law, a spouse, or an individual related to a spouse within the  
3.23 third degree as so determined, and includes an individual in an adoptive relationship within  
3.24 the third degree.

3.25 (15) "Sign" means, with present intent to authenticate or adopt a record:

3.26 (i) to execute or adopt a tangible symbol; or

3.27 (ii) to attach to or logically associate with the record an electronic symbol, sound, or  
3.28 process.

3.29 (16) "Transfer" means every mode, direct or indirect, absolute or conditional, voluntary  
3.30 or involuntary, of disposing of or parting with an asset or an interest in an asset, and includes

4.1 payment of money, release, lease, license, and creation of a lien or other encumbrance.

4.2 Transfer does not include a donation or contribution of money or an asset made to a qualified  
4.3 charitable or religious organization or entity, whether made by a debtor or by any other  
4.4 person and whether or not the donation or contribution requires or results in a payment  
4.5 being made by a debtor to the charitable or religious organization pursuant to a promissory  
4.6 note, stock, bond, debenture, or by any other method, unless the donation or contribution  
4.7 was made within two years of commencement of an action under sections 513.41 to 513.51  
4.8 against the qualified charitable or religious organization or entity, was made by the debtor,  
4.9 and:

4.10 (i) the debtor made the donation or charitable contribution with actual intent to hinder,  
4.11 delay, or defraud any creditor of the debtor; or

4.12 (ii) the debtor made the donation or charitable contribution and:

4.13 (A) was insolvent at the time of the contribution or would be rendered insolvent by  
4.14 reason of the contribution;

4.15 (B) was engaged or was about to engage in a business or a transaction for which the  
4.16 remaining assets of the debtor were unreasonably small in relation to the business or  
4.17 transaction; or

4.18 (C) intended to incur, or the charitable or religious organization or entity believed or  
4.19 had reason to believe that the debtor would incur, debts beyond the debtor's ability to pay  
4.20 as the debts become due.

4.21 A transfer of a charitable contribution to a qualified charitable or religious organization  
4.22 or entity is not considered a transfer covered under item (ii) if the amount of that contribution  
4.23 did not exceed 15 percent of the gross annual income of the debtor for the year in which  
4.24 the transfer of the contribution was made; or the contribution exceeded that amount but the  
4.25 transfer was consistent with practices of the debtor in making charitable contributions.

4.26 Transfer does include a return on investment made directly by a qualified charitable or  
4.27 religious organization or entity. A charitable or religious organization shall not be deemed  
4.28 to have made an investment by reason of accepting the donation or contribution of a  
4.29 promissory note, stock, bond, debenture, or other nonmonetary asset nor by extending or  
4.30 modifying the terms of repayment of the promissory note, stock, bond, debenture, or other  
4.31 similar nonmonetary asset. "Qualified charitable or religious organization or entity" means  
4.32 an organization or entity described in United States Code, title 26, section 170(c)(1), (2),  
4.33 or (3).

5.1 (17) "Valid lien" means a lien that is effective against the holder of a judicial lien  
5.2 subsequently obtained by legal or equitable process or proceedings.

5.3 **EFFECTIVE DATE.** This section is effective the day following final enactment, and  
5.4 applies to all pending cases and to causes of action arising before, on, or after that date.