

SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 1084

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DATE	D-PG	OFFICIAL STATUS
04/04/2011	1155	Introduction and first reading Referred to Commerce and Consumer Protection
04/11/2011	1267	Withdrawn and re-referred to Judiciary and Public Safety
03/22/2012		HF substituted in committee HF1384

1.1A bill for an act

1.2relating to fraudulent transfers; excluding certain transfers to charitable or

1.3religious organizations from the fraudulent transfers act; amending Minnesota

1.4Statutes 2010, section 513.41.

1.5BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6Section 1. Minnesota Statutes 2010, section 513.41, is amended to read:

1.7**513.41 DEFINITIONS.**

1.8As used in sections 513.41 to 513.51:

1.9(1) "Affiliate" means:

1.10(i) a person who directly or indirectly owns, controls, or holds with power to vote,

1.1120 percent or more of the outstanding voting securities of the debtor, other than a person

1.12who holds the securities,

1.13(A) as a fiduciary or agent without sole discretionary power to vote the securities; or

1.14(B) solely to secure a debt, if the person has not exercised the power to vote;

1.15(ii) a corporation 20 percent or more of whose outstanding voting securities are

1.16directly or indirectly owned, controlled, or held with power to vote, by the debtor or a

1.17person who directly or indirectly owns, controls, or holds with power to vote, 20 percent

1.18or more of the outstanding voting securities of the debtor, other than a person who holds

1.19the securities,

1.20(A) as a fiduciary or agent without sole power to vote the securities; or

1.21(B) solely to secure a debt, if the person has not in fact exercised the power to vote;

1.22(iii) a person whose business is operated by the debtor under a lease or other

1.23agreement, or a person substantially all of whose assets are controlled by the debtor; or

(iv) a person who 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 who has a claim.

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

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

(7) "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 clause (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 clause (D); or

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

(iii) if the debtor is a partnership,

(A) a general partner in the debtor;

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

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

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

(E) a person in control of the debtor;

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

(v) a managing agent of the debtor.

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

(9) "Person" means an individual, partnership, corporation, association, organization, government or governmental subdivision or agency, business trust, estate, trust, or any other legal or commercial entity.

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

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

(12) "Transfer" means every mode, direct or indirect, absolute or conditional, voluntary or involuntary, of disposing of or parting with an asset or an interest in an asset, and includes payment of money, release, lease, and creation of a lien or other encumbrance. Transfer does not include a contribution made to a qualified charitable or religious organization or entity unless the organization or entity had reason to believe that:

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

(ii) the debtor:

(A) was insolvent at the time of the contribution or would become insolvent by reason of the contribution;

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

(C) intended to incur, or reasonably believed or had reason to believe that the debtor would incur, debts beyond the debtor's ability to pay as they become due. "Qualified charitable or religious organization or entity" means an organization or entity described in United States Code, title 26, section 170(c)(1), (2), or (3).

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

EFFECTIVE DATE. This section is effective August 1, 2011, and applies to causes of action arising before, on, or after that date.