A bill for an act

relating to property; regulating property transfers; enacting amendments to the Uniform Fraudulent Transfer Act recommended by the National Conference of Commissioners on Uniform State Laws for enactment by the states; amending Minnesota Statutes 2014, sections 513.41; 513.42; 513.43; 513.44; 513.45; 513.46; 513.47; 513.48; 513.51; proposing coding for new law in Minnesota Statutes, chapter 513.

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

Section 1. Minnesota Statutes 2014, section 513.41, is amended to read:

513.41 DEFINITIONS.

As used in sections 513.41 to 513.51:

(1) "Affiliate" means:

(i) a person ~~who~~ that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of the debtor, other than a person ~~who~~ that holds the securities,

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

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

(ii) a corporation 20 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled, or held with power to vote, by the debtor or a person ~~who~~ that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of the debtor, other than a person ~~who~~ that holds the securities,

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

(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 ~~who~~ 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 ~~who~~ that has a claim.

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

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

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

~~(7)~~ (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 ~~clause~~ 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 ~~clause~~ subitem (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 subitem (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)~~ (9) "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) "Organization" means a person other than an individual.

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

~~(10)~~ (12) "Property" means anything that may be subject of ownership.

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

~~(11)~~ (14) "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.

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

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

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

~~(12)~~ (16) "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, license, and creation of a lien or other encumbrance. Transfer does not include a contribution of money or an asset made to a qualified charitable or religious organization or entity unless the contribution was made within two years of commencement of an action under sections 513.41 to 513.51 against the qualified charitable or religious organization or entity and:

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

(ii) the debtor:

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

(B) was engaged or was about to engage in a business or a 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 the charitable or religious organization or entity believed or had reason to believe that the debtor would incur, debts beyond the debtor's ability to pay as the debts become due.

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

Transfer does include a return on investment made by a qualified charitable or religious organization or entity. "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)~~ (17) "Valid lien" means a lien that is effective against the holder of a judicial lien subsequently obtained by legal or equitable process or proceedings.

Sec. 2. Minnesota Statutes 2014, section 513.42, is amended to read:

513.42 INSOLVENCY.

(a) A debtor is insolvent if, at a fair valuation, the sum of the debtor's debts is greater than ~~all~~ the sum of the debtor's assets~~, at a fair valuation~~.

(b) A debtor ~~who~~ that is generally not paying the debtor's debts as they become due other than as a result of a bona fide dispute is presumed to be insolvent. The presumption imposes on the party against which the presumption is directed the burden of proving that the nonexistence of insolvency is more probable than its existence.

~~(c) A partnership is insolvent under subsection (a) if the sum of the partnership's debts is greater than the aggregate, at a fair valuation, of all of the partnership's assets and the sum of the excess of the value of each general partner's nonpartnership assets over the partner's nonpartnership debts.~~

~~(d)~~ (c) Assets under this section do not include property that has been transferred, concealed, or removed with intent to hinder, delay, or defraud creditors or that has been transferred in a manner making the transfer voidable under sections 513.41 to 513.51.

~~(c)~~ (d) Debts under this section do not include an obligation to the extent it is secured by a valid lien on property of the debtor not included as an asset.

Sec. 3. Minnesota Statutes 2014, section 513.43, is amended to read:

513.43 VALUE.

(a) Value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied, but value does not include an unperformed promise made otherwise than in the ordinary course of the promisor's business to furnish support to the debtor or another person.

(b) For the purposes of ~~sections~~ section 513.44, paragraph (a), clause (2), and section 513.45, a person gives a reasonably equivalent value if the person acquires an interest of the debtor in an asset pursuant to a regularly conducted, noncollusive foreclosure sale or execution of a power of sale for the acquisition or disposition of the interest of the debtor upon default under a mortgage, deed of trust, or security agreement.

(c) A transfer is made for present value if the exchange between the debtor and the transferee is intended by them to be contemporaneous and is in fact substantially contemporaneous.

Sec. 4. Minnesota Statutes 2014, section 513.44, is amended to read:

513.44 ~~TRANSFERS FRAUDULENT~~ TRANSFER OR OBLIGATION VOIDABLE AS TO PRESENT ~~AND~~ OR FUTURE ~~CREDITORS~~ CREDITOR.

(a) A transfer made or obligation incurred by a debtor is ~~fraudulent~~ voidable as to a creditor, whether the creditor's claim arose before or after the transfer was made or the obligation was incurred, if the debtor made the transfer or incurred the obligation:

(1) with actual intent to hinder, delay, or defraud any creditor of the debtor; or

(2) without receiving a reasonably equivalent value in exchange for the transfer or obligation, and the debtor:

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

(ii) intended to incur, or believed or reasonably should have believed that the debtor would incur, debts beyond the debtor's ability to pay as they became due.

(b) In determining actual intent under ~~subsection~~ paragraph (a), clause (1), consideration may be given, among other factors, to whether:

(1) the transfer or obligation was to an insider;

(2) the debtor retained possession or control of the property transferred after the transfer;

(3) the transfer or obligation was disclosed or concealed;

(4) before the transfer was made or obligation was incurred, the debtor had been sued or threatened with suit;

(5) the transfer was of substantially all the debtor's assets;

(6) the debtor absconded;

(7) the debtor removed or concealed assets;

(8) the value of the consideration received by the debtor was reasonably equivalent to the value of the asset transferred or the amount of the obligation incurred;

(9) the debtor was insolvent or became insolvent shortly after the transfer was made or the obligation was incurred;

(10) the transfer occurred shortly before or shortly after a substantial debt was incurred; and

(11) the debtor transferred the essential assets of the business to a lienor ~~who~~ that transferred the assets to an insider of the debtor.

(c) A creditor making a claim under paragraph (a) has the burden of proving the elements of the claim by a preponderance of the evidence.

Sec. 5. Minnesota Statutes 2014, section 513.45, is amended to read:

513.45 ~~TRANSFERS FRAUDULENT~~ TRANSFER OR OBLIGATION VOIDABLE AS TO PRESENT ~~CREDITORS~~ CREDITOR.

(a) A transfer made or obligation incurred by a debtor is ~~fraudulent~~ voidable as to a creditor whose claim arose before the transfer was made or the obligation was incurred if the debtor made the transfer or incurred the obligation without receiving a reasonably equivalent value in exchange for the transfer or obligation and the debtor was insolvent at that time or the debtor became insolvent as a result of the transfer or obligation.

(b) A transfer made by a debtor is ~~fraudulent~~ voidable as to a creditor whose claim arose before the transfer was made if the transfer was made to an insider for an antecedent debt, the debtor was insolvent at that time, and the insider had reasonable cause to believe that the debtor was insolvent.

(c) Subject to section 513.42, paragraph (b), a creditor making a claim under paragraph (a) or (b) has the burden of proving the elements of the claim by a preponderance of the evidence.

Sec. 6. Minnesota Statutes 2014, section 513.46, is amended to read:

513.46 WHEN TRANSFER IS MADE OR OBLIGATION IS INCURRED.

For the purposes of sections 513.41 to 513.51:

(1) a transfer is made:

(i) with respect to an asset that is real property other than a fixture, but including the interest of a seller or purchaser under a contract for the sale of the asset, when the transfer is so far perfected that a good faith purchaser of the asset from the debtor against ~~whom~~ which applicable law permits the transfer to be perfected cannot acquire an interest in the asset that is superior to the interest of the transferee; and

(ii) with respect to an asset that is not real property or that is a fixture, when the transfer is so far perfected that a creditor on a simple contract cannot acquire a judicial lien otherwise than under sections 513.41 to 513.51 that is superior to the interest of the transferee;

(2) if applicable law permits the transfer to be perfected as provided in paragraph (1) and the transfer is not so perfected before the commencement of an action for relief under sections 513.41 to 513.51, the transfer is deemed made immediately before the commencement of the action;

(3) if applicable law does not permit the transfer to be perfected as provided in ~~paragraph~~ clause (1), the transfer is made when it becomes effective between the debtor and the transferee;

(4) a transfer is not made until the debtor has acquired rights in the asset transferred; and

(5) an obligation is incurred:

(i) if oral, when it becomes effective between the parties; or

(ii) if evidenced by a ~~writing~~ record, when the ~~writing executed~~ record signed by the obligor is delivered to or for the benefit of the obligee.

Sec. 7. Minnesota Statutes 2014, section 513.47, is amended to read:

513.47 REMEDIES OF ~~CREDITORS~~ CREDITOR.

(a) In an action for relief against a transfer or obligation under sections 513.41 to 513.51, a creditor, subject to the limitations in section 513.48, may obtain:

(1) avoidance of the transfer or obligation to the extent necessary to satisfy the creditor's claim;

(2) an attachment or other provisional remedy against the asset transferred or other property of the transferee ~~in accordance with the procedure prescribed by chapter 570~~ if available under applicable law; and

(3) subject to applicable principles of equity and in accordance with applicable Rules of Civil Procedure:

(i) an injunction against further disposition by the debtor or a transferee, or both, of the asset transferred or of other property;

(ii) appointment of a receiver to take charge of the asset transferred or of other property of the transferee; or

(iii) any other relief the circumstances may require.

(b) If a creditor has obtained a judgment on a claim against the debtor, the creditor, if the court so orders, may levy execution on the asset transferred or its proceeds.

Sec. 8. Minnesota Statutes 2014, section 513.48, is amended to read:

513.48 DEFENSES, LIABILITY, AND PROTECTION OF TRANSFEREE OR OBLIGEE.

(a) A transfer or obligation is not voidable under section 513.44, paragraph (a), clause (1), against a person ~~who~~ that took in good faith and for a reasonably equivalent value given the debtor or against any subsequent transferee or obligee.

(b) To the extent a transfer is avoidable in an action by a creditor under section 513.47, paragraph (a), clause (1), the following rules apply:

(1) Except as otherwise provided in this section, ~~to the extent a transfer is voidable in an action by a creditor under section 513.47(a)(1),~~ the creditor may recover judgment for the value of the asset transferred, as adjusted under ~~subsection~~ paragraph (c), or the amount necessary to satisfy the creditor's claim, whichever is less. The judgment may be entered against:

~~(1)~~ (i) the first transferee of the asset or the person for whose benefit the transfer was made; or

~~(2) any subsequent transferee~~ (ii) an immediate or mediate transferee of the first transferee, other than

(A) a good faith transferee ~~who~~ that took for value, or

~~from any subsequent transferee~~ (B) an immediate or mediate good faith transferee of a person described in subitem (A).

(2) Recovery pursuant to section 513.47, paragraph (a), clause (1), or (b), of or from the asset transferred or its proceeds, by levy or otherwise, is available only against a person described in clause (1), item (i) or (ii).

(c) If the judgment under ~~subsection~~ paragraph (b) is based upon the value of the asset transferred, the judgment must be for an amount equal to the value of the asset at the time of the transfer, subject to adjustment as the equities may require.

(d) Notwithstanding voidability of a transfer or an obligation under sections 513.41 to 513.51, a good faith transferee or obligee is entitled, to the extent of the value given the debtor for the transfer or obligation, to

(1) a lien on or a right to retain ~~any~~ an interest in the asset transferred;

(2) enforcement of ~~any~~ an obligation incurred; or

(3) a reduction in the amount of the liability on the judgment.

(e) A transfer is not voidable under section 513.44, paragraph (a), clause (2), or 513.45 if the transfer results from:

(1) termination of a lease upon default by the debtor when the termination is pursuant to the lease and applicable law; or

(2) enforcement of a security interest in compliance with article 9 of the Uniform Commercial Code, other than acceptance of collateral in full or partial satisfaction of the obligation it secures.

(f) A transfer is not voidable under section 513.45, paragraph (b):

(1) to the extent the insider gave new value to or for the benefit of the debtor after the transfer was made ~~unless~~, except to the extent the new value was secured by a valid lien;

(2) if made in the ordinary course of business or financial affairs of the debtor and the insider; or

(3) if made pursuant to a good faith effort to rehabilitate the debtor and the transfer secured present value given for that purpose as well as an antecedent debt of the debtor.

(g) The following rules determine the burden of proving matters referred to in this section:

(1) A party that seeks to invoke paragraph (a), (d), (e), or (f) has the burden of proving the applicability of that subsection.

(2) Except as otherwise provided in clauses (3) and (4), the creditor has the burden of proving each applicable element of paragraph (b) or (c).

(3) The transferee has the burden of proving the applicability to the transferee of paragraph (b), clause (1), item (ii)(A) or (B).

(4) A party that seeks adjustment under paragraph (c) has the burden of proving the adjustment.

(h) Proof of matters referred to in this section is sufficient if established by a preponderance of the evidence.

Sec. 9. **[513.485] EXTINGUISHMENT OF CLAIM FOR RELIEF.**

A "claim for relief" with respect to a transfer or obligation under sections 513.41 to 513.51 is extinguished unless action is brought:

(a) under section 513.44, paragraph (a), clause (1), not later than four years after the transfer was made or the obligation was incurred or, if later, not later than one year after the transfer or obligation was or could reasonably have been discovered by the claimant;

(b) under section 513.44, paragraph (a), clause (2), or section 513.45, paragraph (a), not later than four years after the transfer was made or the obligation was incurred; or

(c) under section 513.45, paragraph (b), not later than one year after the transfer was made.

Sec. 10. **[513.49] GOVERNING LAW.**

(a) In this section, the following rules determine a debtor's location:

(1) A debtor who is an individual is located at the individual's principal residence.

(2) A debtor that is an organization and has only one place of business is located at its place of business.

(3) A debtor that is an organization and has more than one place of business is located at its chief executive office.

(b) A claim in the nature of a claim under sections 513.41 to 513.51 is governed by the local law of the jurisdiction in which the debtor is located when the transfer is made or the obligation is incurred.

Sec. 11. **[513.495] APPLICATION TO SERIES ORGANIZATION.**

(a) In this section:

(1) "Protected series" means an arrangement, however denominated, created by a series organization that, pursuant to the law under which the series organization is organized, has the characteristics set forth in clause (2).

(2) "Series organization" means an organization that, pursuant to the law under which it is organized, has the following characteristics:

(i) The organic record of the organization provides for creation by the organization of one or more protected series, however denominated, with respect to specified property of the organization and for records to be maintained for each protected series that identify the property of or associated with the protected series.

(ii) Debt incurred or existing with respect to the activities of, or property of or associated with, a particular protected series is enforceable against the property of or associated with the protected series only, and not against the property of or associated with the organization or other protected series of the organization.

(iii) Debt incurred or existing with respect to the activities or property of the organization is enforceable against the property of the organization only, and not against the property of or associated with a protected series of the organization.

(b) A series organization and each protected series of the organization is a separate person for purposes of sections 513.41 to 513.51, even if for other purposes a protected series is not a person separate from the organization or other protected series of the organization.

Sec. 12. **[513.497] RELATION TO ELECTRONIC SIGNATURES IN GLOBAL AND NATIONAL COMMERCE ACT.**

Sections 513.41 to 513.51 modify, limit, or supersede the Electronic Signatures in Global and National Commerce Act, United States Code, title 15, section 7001 et seq., but do not modify, limit, or supersede section 101(c) of that act, United States Code, title 15, section 7001(c), or authorize electronic delivery of any of the notices described in section 103(b) of that act, United States Code, title 15, section 7003(b).

Sec. 13. Minnesota Statutes 2014, section 513.51, is amended to read:

513.51 SHORT TITLE.

Sections 513.41 to 513.51, which was formerly cited as the Uniform Fraudulent Transfer Act, may be cited as the "Uniform ~~Fraudulent Transfer~~ Voidable Transactions Act."

Sec. 14. **EFFECTIVE DATE; APPLICATION.**

(a) Sections 1 to 13 apply to a transfer made or an obligation incurred on or after August 1, 2015.

(b) Sections 1 to 13 do not apply to a transfer made, an obligation incurred, or a right of action accrued before August 1, 2015.

(c) For purposes of this section, a transfer is made and an obligation is incurred at the time provided in Minnesota Statutes, section 513.46.