

## **Community Property Final Exam**

**Spring 2005 – Professor Chang**

### **INSTRUCTIONS**

- 1. You have two hours and thirty minutes to complete this exam. (2 hours, 30 min.)**
- 2. This exam is CLOSED BOOK. No papers, outlines, books, dictionaries, notes, calculators or any other materials may be used.**
- 3. This exam consists of two essay questions and 1 bonus question. Each essay question is worth 50 points. The bonus question is worth 5 points. The total time to complete all three questions is 2 hours and 30 minutes. The suggested time for each essay question is one hour but you may allocate your time as you wish.**
- 4. There are 4 pages to this exam.**
- 5. Your answer should demonstrate your understanding of California community property law as applied to the facts presented. Conclusions without explanation or analysis will not receive credit.**
- 6. All events take place in California unless otherwise stated.**
- 7. Write your exam number on your exam envelope. Put your correct class section and student exam # at the top of this page, each page of questions, and each blue book. Do not use your name, student ID number or Social Security Number on any exam materials.**
- 7. Please return all materials at the end of the exam and do not seal the envelope.**

**GOOD LUCK! Have a wonderful summer!**

### **COMMUNITY PROPERTY EXAM QUESTION ONE (50 Points)**

All events take place in California unless otherwise stated.

Harry and Abigail met in 1967 during the summer of love in San Francisco, California. They decided to formalize their relationship by inviting 10 of their closest friends and family to a “love-in” ceremony during which they announced that they were “married” under the laws of love.

During their relationship, Harry began writing a screenplay loosely based upon his travels in the West Indies titled, “Far Out in the West Indies.” Three years later, Big Ticket

Cinema purchased Harry's screenplay and Harry moved to Hollywood, leaving Abigail in San Francisco. While working on his next screenplay, Harry met and married Billie, an aspiring actress.

In 1972, Harry and Billie purchased a home in the Hollywood Hills for \$500,000. Title to the property was taken as, "Harry and Billie, as joint tenants with right of survivorship." Harry used \$100,000 of his money from "Far Out in the West Indies" as the down payment on the house. Harry told Billie that California is a community property state so everything that they each own now belonged to both of them. Harry used his salary from the film production company to pay the monthly mortgage payments on the house.

In 1974, Billie secretly withdrew \$25,000 from the couple's joint bank account to purchase a Porsche in her name only. One day later, on her way to the grocery store, Billie crashed the car into Vido, a pedestrian. Vido sued Billie and recovered a \$50,000 judgment for his injuries. Billie used the insurance proceeds from the crash of the Porsche to buy an original Salvatore Dali painting.

In 1984, Harry and Billie purchased a beach house in Hawaii for \$1,000,000. Title to the house was taken as, "Harry and Billie, as husband and wife." They paid all cash for the house, using Billie's inheritance from her grandmother for the purchase.

In 1987, Harry discovered that he was terminally ill with skin cancer. Concerned about the high cost of health care, Harry forged Billie's signature on a quitclaim deed for the Hawaii house and borrowed \$100,000 from American Bank, secured by a deed of trust against the Hawaii house. The following year, Billie filed for divorce and sought to void American Bank's lien. How should the court divide the following property:

- (1) The Hollywood Hills home now worth \$1 million;
- (2) The Salvatore Dali painting;
- (3) The Hawaii house; and,
- (4) A \$2 million life insurance policy insuring Harry's life that he began paying for in 1972.

What property can Vido reach as a judgment creditor?

## **COMMUNITY PROPERTY EXAM QUESTION TWO (50 Points)**

All events take place in California unless otherwise stated.

Wendy and Homer married in Montana in 1999. The day after their marriage, they purchased a ranch. Title to the ranch was taken in Wendy's name only but Homer and Wendy agreed that they both owned it. Later that year, Wendy got a job as a sportscaster on a local news station in California, so they moved to San Francisco and purchased a

home in Burlingame. Title to the condo was taken as, “Wendy and Homer, joint tenants with right of survivorship”, but Homer told his parents that they would inherit the home if he died before Wendy. Wendy was present during this discussion but said nothing.

After moving to California, Homer continued to operate his internet car brokerage business, “H Cars” that he had started with a \$25,000 investment before his marriage to Wendy. Homer paid himself an annual salary of \$100,000 as the president and chief executive officer of H Cars. In 2000, Homer joined the Army Reserve and named his parents as the beneficiaries of a federal life insurance policy.

While rummaging through the trash looking for a receipt, Wendy found a lottery ticket that Homer had accidentally thrown out. Wendy retrieved the ticket and discovered that it was a winning ticket for \$100,000! Unbeknownst to Homer, Wendy gave \$20,000 from the lottery winnings to her parents. Wendy invested the \$80,000 balance from the lottery winnings in Pfizer stock. Title to the stock was in her name only.

In 2002, Homer moved out of the Burlingame home and “married” Polly. Later that year, Polly gave birth to their son, Sam. Soon thereafter, Homer bought a house in Polly’s name only, paying \$1 million cash from the profits of his business. In 2003, Homer was injured in a motorcycle accident and sued the tire company for a defect in the motorcycle tires. Homer recovered a \$1 million judgment but died from his injuries before he received the monies.

If Homer died intestate, what assets should be included in his estate?  
How should his estate be divided among his heirs?