

**Community Property Final Exam – Spring 2009 Essay Question #1**

All events take place in California unless otherwise stated.

George and Harry entered into a valid civil union in the state of Vermont in 2000. They adopted a child Cara and purchased a home in Vermont for \$500,000. Harry paid cash for the property using his inheritance from his grandmother. Title to the home was taken in Harry's name only. In 2003, they moved to California and rented the Vermont home to tenants for \$2000 per month. Harry collected the rental income and deposited the monies in a joint bank account in his and George's names. George withdrew \$25,000 from the account to purchase oil stock in Chevron in his name only. Later, George and Harry transferred the account into Cara's name only.

In 2005, George and Harry purchased a home in San Francisco for \$2 million. George contributed \$500,000 from his trust fund as a down payment and Harry contributed \$500,000 from his savings from the past five years. Harry had been a top billboard model for Calvin Klein and decided to retire so he could focus his time on being Cara's parent. Harry finished writing his autobiography about his rise to fame and childhood abuse. His book became an instant bestseller. Harry used the royalties from his book to purchase a vacation beach home in Hawaii for \$3 million. Title to the property was taken as "George and Harry, joint tenants with right of survivorship". George used \$100,000 from his trust fund to remodel the Hawaii beach house.

In 2006, George was diagnosed with prostate cancer. George and Harry consulted an attorney about estate planning; they were surprised to learn that they may not be in California's community property system. They immediately proceeded to register as domestic partners under California law. Unfortunately and unknown to them, their registration was misfiled and never became official.

In 2009, George died testate, leaving all of his property to Cara and his sister Stella.

How should the following assets be distributed:

- (1) The Vermont house;
- (2) The joint bank account;
- (3) The bank account in Cara's name;
- (4) The Chevron oil stock
- (5) The San Francisco house;
- (6) The book royalties; and,
- (7) The Hawaii house.

**Community Property Final Exam – Spring 2009 Essay Question #2**

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Henry and Wilma legally married in 1974. Later that year, Wilma withdrew \$10,000 from their joint bank account and invested in a friend's winery in exchange for 10,000 shares of stock. The stock was issued in Wilma's name only. Wilma automatically reinvested the stock dividends into the winery to purchase more stock.

After marriage, the couple moved into Henry's Napa Valley home; title to the Napa Valley home was in Henry's name only. Henry continued to pay the mortgage from his business income as a jeweler. Henry launched his successful jewelry line "Henry's Gems" five years before marrying Wilma. Henry continued to use his business income to pay for the premiums on a term life insurance policy.

In 1980, Henry and Wilma purchased a home in Healdsburg, California for \$300,000. Henry's parents gave him \$100,000 as an early inheritance. Henry deposited the monies in a joint savings account with Wilma. Henry regularly deposited 25 percent of his business income into the joint account. Henry withdrew \$150,000 from the joint account to use as a down payment towards the purchase of the Healdsburg house. Title to the property was taken as "Henry, a 75 percent tenant in common, and Wilma, a 25 percent tenant in common." Wilma believed that if either of them died, the property would be inherited by the survivor.

On their tenth anniversary, Henry presented Wilma with a spectacular diamond necklace, earrings, ring and bracelet ensemble. The value of the jewelry was \$75,000. Wilma wore the jewelry to a black-tie fundraiser party. At the party, Eva an envious acquaintance tried to rip the bracelet from Wilma's wrist, Wilma then slashed Eva's face with a broken champagne glass. Eva sued Wilma and recovered a \$125,000 judgment.

In 2000, Wilma discovered that Henry forged her name to borrow money using the Healdsburg house as security for the bank loan. Wilma moved to set aside the lien and filed for divorce.

How should the property be distributed at divorce?

How should the court rule on Wilma's motion to set aside the lien?

What property can Eva reach to satisfy her judgment?