

## **COMMUNITY PROPERTY**

### **Part I was Multiple Choice - not posted**

### **Part II: Essay Question**

#### **Final Exam SCU Summer 2005**

Allot one hour.

Closed book; closed note exam.

Wanda and Frank were married in Illinois, a common-law state, in 1965. Although she was young, Wanda had good business sense, and she started a business supplying beeswax to hardware stores, using some of the profits to buy real estate near Chicago. She took title to the property in her own name.

Things were falling apart between Wanda and Frank when Henry entered the picture and swept Wanda off her feet. Henry persuaded Wanda to run away with him to San Francisco. Wanda divorced Frank and married Henry in 1970. She changed her first name to Wildflower.

In 1971, Wildflower used \$5,000 of her savings from the candle business in Illinois to purchase The Beeswax Business, a candle store in San Francisco. It was a huge success, in part because of Wildflower's business skills and in part because of its prime location on the corner of Haight and Ashbury. In 1987, the business had a net worth of \$500,000. Wildflower allowed herself a small annual salary of \$10,000 and used the remainder to buy real estate in Indiana in her own name. She stopped buying property in Illinois after marrying Henry.

Henry was not idle during this time. He had always been involved in street theater and resolved to take his acting career more seriously. At his request, Wildflower sold another of her Chicago properties to pay for Henry's tuition at a prestigious acting school. Henry graduated in 1973 and was discovered in a local theater production. By 1981 he was easily earning \$75,000 per year.

In 1981, an oncoming vehicle crashed into Henry and Wildflower's car, injuring Henry badly. Henry's face was badly scarred and he was unable to walk. His acting career effectively ended, Henry sued the other driver. He received a settlement of \$1,000,000 from the driver in 1982.

In 1982, Wildflower and Henry used \$60,000 from the settlement to buy a one-story home in Oakland. Henry's health was precarious, so they agreed to take title in Wildflower's name in case anything happened to Henry. To cheer Henry up, Wildflower sold another of her properties in Illinois in order to customize the house for Henry's special needs at a cost of \$15,000.

Stuck at home and miserable without his acting career, Henry used a \$5,000 inheritance from his mother to get started trading stocks online. Between 1982 and 1987, the \$5,000 had increased in value to a stock portfolio worth \$555,000. Henry was astonished.

Nevertheless, Henry's depression worsened and in 1987 he and Wildflower decided to end their marriage. How should the following property have been characterized and divided at divorce?

1. The personal injury award.
2. The Beeswax Business in San Francisco.
3. Henry's stock portfolio.
4. The property in Illinois and Indiana.