San Luis Obispo College of Law

Community Property Final Exam

Fall 2025

Prof. A. Busick

GENERAL INSTRUCTIONS

Essay Questions: Answer three (3) Essay Questions.

Total Time Allotted: Three (3) Hours

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QUESTION ONE

(Time Estimate 60-70 Minutes)

Hank and Wendy met surfing in Pismo Beach in April of 2019. Hank and his father ("Papa") owned a Pet Store in San Luis Obispo, Papa's Pets. Hank owned 50% of Papa's Pets, and his father owned the other 50%. Hank was the storage manager. When he and Wendy met, he worked about 30 hours a week because he had to make time to surf and had an annual salary of $80,000. In those years, Papa's Pets made a modest gross annual income each year.

On March 1, 2010, Hank and Wendy got married. Hank continued working at Papa's Pets. On May 1, 2010, Hank's father passed away and left Hank his 50% share of Papa's Pets. Papa's will made clear that Hank was to be the sole owner of Papa's Pets. The year after Papa passed, Hank cut back on his surfing to tend to the duties of the Pet Store.

Hank had a love for Parrots and wanted to sell more of them at the Pet Store. Hank's surfing buddy, Yodie, from Costa Rica, raised Parrots that were especially energetic and tended to be more vibrant in colors compared to most Parrots. Hank, doing his research and thinking Parrots of that nature would sell well, purchased some Parrots from Yodie for the store.

One of the Parrots that Hank named Peety began getting a lot of attention from customers who came into the store. Peety the Parrot was able to dance. Peety was in a cage with Pricilla, who also started dancing. The employees believed that Peety taught Pricilla how to dance. Petty the Parrot became a hot commodity, and Petty and Pricilla were invited to the Ellen DeGeneres show. On May 1, 2011, Hank took Peety and Pricilla to the Ellen show, where they showed off their dancing to the world. Petty the Parrot had some better dance moves then Pricilla, but they both became instant Parrot celebs. In July of 2011, Hank sold Peety for $250,000 and Pricilla for $100,000. Business at Papa's Pets skyrocketed. Everyone wanted a Peety the dancing Parrot. Hank continued to work long hours to meet the demands of the booming business at

Papa's Pets. Eventually, all of his Parrots were sold. He purchased more in hopes that they would dance, but they did not. Papa's Pets never sold any more dancing Parrots.

But business for Papa's Pets remained profitable, and Hank continued to work long hours to run the busy store. Hank started working so much that he did not have time to surf with Wendy anymore, and they divorced in May of 2015. Papa's Pets was appraised for the divorce trial. The Fair market value of Papa's in May of 2010 was $200,000, and $700,000 in May of 2015. Because Hank worked so much, he and Wendy never did anything other than stay home, so their annual living expense were a modest $70,000.

1. How will the Court characterize and divide Papa's Pets? Discuss.
2. What rights, if any, does Wendy have to Papa's Pets?
3. What rights, if any, does Hank have to Papa's Pets?

Answer according to California Law.

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QUESTION TWO

(Time Estimate 50-60 Minutes)

Henry and Wilma were married on December 1, 2005. Henry owned a 3-bedroom apartment on Law Lane in Paso Robles. Henry and Wilma lived in Henry's apartment until Henry sold it in November of 2007 for $350,000. Henry did not have any debt/mortgage owing on his apartment, and he placed the entire sale proceeds in his and Wilma's joint savings account. Henry and Wilma purchased a home together in January of 2008 in Atascadero.

It was a fixer-upper, so they were able to purchase it for $550,000. Wilma was so happy to have a house that was hers and Henry's. They put $350,000 down and were able to finance the rest. The following year, they had a daughter, Pebbles, whom they cherished. Wilma wanted to stay home to care for Pebbles, so Henry began working two jobs.

In 2009, Wilma was ready to resume working. She needed additional classes to complete her LVN license, so she began attending classes. She graduated in May of 2010 with her LVN license and left with $50,000 in student debt. She received a promotion at her job at the State Hospital, and in 2012, she and Henry had another daughter, Betty. Wilma stayed home to care for Betty, but she returned to her job in 2015. Wilma wanted a nicer house, so when she returned to work, she started working double shifts to get out of the fixer-upper.

Wilma began spending many hours at work and fell in love with her boss, Freddie. In 2017 she had an affair with Freddie and wanted to leave Henry. However, she and Henry decided to go to marriage counseling to try to work on their marriage for Pebbles and Betty. In May of 2019, Wilma was still in love with Freddie. She told Henry this and then immediately filed for divorce. After Wilma filed for divorce, they agreed to list the house for sale. They listed the house for $950,000, which is what they believed it was worth. They had no outstanding debt on the house by 2019, but Wilma changed her mind about selling and decided she wanted to keep the house. At the time Wilma filed for divorce, she still owed $25,000 in student loan debt.

How will the Court decide the following issues:

1. The house. Discuss
2. The student loans. Discuss.

Answer according to California Law.

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QUESTION THREE

(Time Estimate 60 Minutes)

Hayden and Willow met at a Blue's baseball game in 2010. Willow was a jeweler and the owner of Jazzy's Jewelry. Hayden was a solar installer. A month before they met, Willow purchased a beachfront condo in Shell Beach for $750,000. She put $200,000 down.

In 2011, Hayden and Willow married and moved into Willow's home. Solar was slow, so they decided to build and open a funeral home. In 2012, they opened Angles Funeral Parlor. Hayden was poor at business management but good with people, so Willow managed the business while Hayden handled the day-to-day operations. Willow and her family were natives to the area, and many people in the community knew and trusted Willow, given her jewelry store and family's reputation.

Angles quickly became busy and profitable. Hayden worked long hours at the Parlor and received a gross annual income of $120,000. This was sufficient for the couple because their annual living expenses were approximately $100,000. Willow also worked long hours as she maintained and operated the two businesses. By 2014, the couple had drifted apart because they always worked and hardly spent time with one another.

In May 2014, Hayden and Willow separated. They both desired to get a divorce. In June 2014, Hayden met Emilie at a Blue's game. He moved in with Emilie, and Hayden began spending all of his time with her, so Willow had to run Angles on her own. With Willow busy running two businesses and Hayden busy with Emilie, they did not get around to filing their divorce Petition until May 2015. They could not agree on how to divide their property, and the Court set trial for May 2016. When they separated in May 2014, the home had an outstanding debt of $450,000. The home is now worth $950,000. Willow's lawyer had Angles appraised for trial; the fair market value in 2012 was $50,000, in May 2014 Angle's appraised for $150,000, and as of April 2016 it appraised for/its value was $400,000.

Answer according to California Law:

1. How will the Court characterize and divide Jazzy's Jewelry? Discuss.
2. How will the Court characterize and divide the Shell Beach Condo? Discuss.
3. What findings and orders will the trial court make regarding Angles? Discuss.

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Question One

1. Rule for CA community property
2. SP vs. CP
    a. Rule
    b. Analysis for Papa's being CP or SP
        i. Date of establishment; during the marriage v. separate property source
3. Pereira – Papa's Pets
    a. Rule
    b. Formula
    c. Analysis as to why should be applied
4. Van Camp – Papa's Pet's
    a. Rule
    b. Formula
    c. Analysis as to why should be applied
5. Management and Control of Business

Question Two

6. Rule for CA community property
7. Law Lane
    a. SP or CP rule and analysis.
8. Fixer-Upper House
    a. CP or SP analysis, (any non-successful arguments above SP bc down payment)
        i. Analysis about DP.
    b. 2640 right to reimbursement
        i. Calculation and analysis
9. Student Loans
    a. Rule
    b. Right to reimbursement analysis
    c. Assignment analysis
10. Date of separation
    a. Rule
    b. Analysis

OUTLINE – CP Final 2025
Professor A. Busick

Question Three

1. Rule for CA community property
2. Beach Front Condo
    a. Rule for SP
    b. SP analysis
    c. More-Marsden
        i. Rule
        ii. Formula
        iii. Calculation and Analysis
3. Jazzy's Jewelry
    a. CP vs SP Rule
    b. Pereira and Van Camp
    c. Management and Control during marriage and after
    d. Sp analysis and division
4. Angles
    a. CP rule and analysis
    b. Reverse Pereira
        i. Rule
        ii. Formula
        iii. Calculation and Analysis
    c. Reverse Van Camp
        i. Rule
        ii. Formula
        iii. Calculation and Analysis
    d. Management of business after date of separation

1)

GENERAL COMMUNITY PROPERTY PRESUMPTION

California is a community property state. There is a rebuttable presumption that any property acquired during marriage is community property. property acquired before marriage, after the date of seperation, by gift or inheritence is presumed to be seperate property and any rents, issues, and profits of that property is also separate property. The seperatizer has the burden of proving the characterization of property by a preponderance of evidence. Characterization of property is measured by (1) the source of the funds that the property was purchased with, (2) any modifications to the characterization of the property, or (3) any statutory presumptions

1. **HOW WILL THE COURT CHARACTERIZE AND DIVIDE PAPA'S PETS?**

Characterization of Papa's Pets

Following the General Community Property presumption, Papas pets was partially owned by hank before the marriage any any property owned before the marriage is presumed to be separate property. Even though Hank inherited the other 50% of Papas pets after Hank and Wendy got married, the business is still separate property because any property that a spouse inherits is considered separate property. good caveat

Thus, Paps Pets is a separate property business.

Separate Property businesses/ Pereira and VanCamp

A separate property business is one that is either owned before marriage or that was started during the marriage, but with separate property funds. Separate property or that retains its SP nature as it did here.

businesses will apportion the separate property and the community interests in the separate property business through the pereira and van camp formulas.

Here, Papas pets was acquired before the marriage and through an inheritance therefore it was started with separate property funds and therefore is a seperate property business.

Pereira

Pereria is used when there is a sperate property business and the increase in value of the business is primarily attributed to the owner spouses communtiy efforts (time, labor, personal skill). This formula takes the fair rate of return of the separate property investment used to start the business and allocates that to the separate property spouse, and the rest is the excess profits of the business which is given to the community. This formula favors the community. good a & good explanation.

Here, Wendy would argue that the business appreciated during their marriage strictly due to Hanks personal skill, effort, and time. Hank worked at the pet store for 30 hours a week before he met wendy, he continued to work at the pet store while him and wendy were married and he was the sole owner of the pet store. Wendy would argue that hank came up with the idea due to his intensive research about parrots and that he saw an eye from his personal skill of being a business man on how the business would boom so the had the best business strategy of buying parrots which made the busienss boom. Wendy would argue that the business boomed and appreciated due mainly to Hanks proficient business man skills and research. Wendy would also argue that this was the case because even after the parrots were sold and the new parrots didnt dance, the business did still very well and hank was still contributing to the business with his labor because he was working long hours to meet the demands of the booming business. If the court finds Wendys argument sufficient, then they will use the pereira formula to apportion the business.

good way to use this fact for this side of the argument

yes, good distinction.

Hank on the other hand will argue the van camp formula discussed later. good.

THE FORMULA

The formula for pereria is FMV of business at dissolution - (SP investment + FRR) = excess profits (CP). Here the fair market value of the business at dissolution is 700k. the SP investment is 100k because Hank had 50% ownership of the business and the FMV at the start of the business was 200k. So i inferred that Hank put in 100k and Papa put in the other 100k. So the SP investment toward the start of the business was 100k. the fair rate of return is 10 percent because the facts dont state one so the legal rate of return is 10 percent. so 700k - (100k + (.10 x 5 years of marriage)) = 550k. the fair rate of return of the seperate property investment equals 150k which hank is entitled to because he is the separate property owner. Hank also gets half of the community interest because he is 1/2 of the community. therefore Hank gets 150k plus 275k which equals 425k. Wendy gets 275k.

good

Make (or) $200k bc that was FMV 2 months after DOM or argued $200k is FMV @ DOM.

thus, if the court is to use this formula Hank would get 425k and wendy would get 275k.

Van Camp

Van camp is used when the increase of a seperate property business during marriage is primarily attributed to anything other than the owner spouses community efforts. This could be the inherent nature of the business, market forces, or any external economic factors. This formula favors the separate property spouse and gives the community a reasonable salary and the rest of the profits/growth go to the separate property owner spouse. Yes! good!.

Here, Hank would argue that he had zero control of the business booming and that he bought the parrots not knowing that they would extradoinarily make the business take off. Hank did not research parrots that could dance, he just got ordinary parrots. So the fact

good point.

that the parrots taught themselves how to dance, Hank would argue, is a factor that goes outside of his community efforts and is attributed to the nature of the parrots themselves. because Petty and Pricilla taught themselves to dance, the buisness took off. Because of the dancing parrots, Petty and Priscilla were invited to the Ellen Degeneres show and showed off their dancing skulls. Business skyrocked after they were on the show which is not Hanks skill, labor, and effort. Therefore, the court will probably find that Hank has a better argument and will favor the van Camp formula for apportioning the seperate property business between Hank and Wendy.

THE FORMULA

The van camp formula is Fair market value of business at dissolution - (CP labor - family expenses) = Seperate Property.

Here, the FMV of business at dissolution is 700k. the community property labor is 80k multiplied by 5 years of marriage which equals 400k. The family expenses are equal to the annual expenses which are 70k multiplied by 5 years of marriage which is 350k. so the formula is 700k - (400k - 350k) = 650k. The community gets a reasonable salary of 50k. which will be divided by two because both hank and wendy have a one half interest in the community. So hank gets 650k plus 25k which equals 675k. and wendy only gets 25k.

Thus, Hank gets 675k and Wendy gets 25k. the court will probably use this formula because it is more likely that the business appreciated during marriage due to the nature of the dancing parrots and not because of hanks community efforts.

2. WHAT RIGHTS DOES WENDY HAVE TO PAPA'S PETS?

MANAGEMENT AND CONTROL

Each spouse has an equal right to management and control of community property. although, a spouse does not have the right to manage and control a spouses seperate property.

Here, wendy does not have any rights to papas pets because it is a separate property business and is is solely Hanks seperate property. there is no facts indicating the Hank intended to transfer the pet store to Wendy in any way. Could be she was strongly differed if CP.

Could Wendy get half of the money from the sale of Peety and pricilla?

Peety and Pricilla were bought during the marriage. is is presumed that any property bought during the marriage is community property.

Here, Peety and Pricilla wee bought during the marriage and were purchased for the store. Hank would argue that the sale of the parrots were just profits from the seperate property business which is seperate property. But Wendy would argue that Hank bought them on his own from his friend and just so happened to sell them at the store and get money from them. Hank would have the burden of tracing the funds back to his seperate property business funds in order to rebut the presumption that the parrots are seperate property. Although, the facts do not indicate what funds were used to buy peety and pricilla. The facts just said that Hank did some research and purchased some parrots from yodi for the store. If the court decides that the parrots are community property, Wendy may be entitled to half of the sale of the parrots which would be 175k total for both the parrots in total.

thus, if the court finds that wendy is entited to half the parrots she will get 175k.

Sale of the parrots

A spouse cannot sell community property that is less than fair value without the consent of the other spouse.

Here, if the parrots are characterized as community property, Hank wouldve needed to get Wendys consent to sell the parrrots which he did not. and Wendy could get half the money for the parrots if they are characterized as community property as described above.

3. WHAT RIGHTS DOES HANK HAVE TO PAPA'S PETS?

Hank has all rights and control of the Papas pets because it is a separate property business as described above. he is entitled to the rents, profits, and issues of the business because that too is separate property.

Thus, Hank has full control of Papas pets.

END OF EXAM

good thorough analysis, arguments, understanding of the law & the application of the facts to them!

excellent!

91/100

2)

GENERAL COMMUNITY PROPERTY PRESUMPTION

California is a community property state. There is a rebuttable presumption that any property acquired during marriage is community property. property acquired before marriage, after the date of seperation, by gift or inheritance is presumed to be separate property and any rents, issues, and profits of that property is also separate property. The seperatizer has the burden of proving the characterization of property by a preponderance of evidence. Characterization of property is measured by (1) the source of the funds that the property was purchased with, (2) any modifications to the characterization of the property, or (3) any statutory presumptions

HOW WILL THE COURT CHARACTERIZE AND DIVIDE THE HOUSE?

Here, Henry and Wilma were married on December 1, 2005. They bought the house together in January 2008. Because Henry and Wilma didn't divorce until 2019, the house was bought during their marriage and will be presumed to be community property. good. Although, the facts dont indicate what account/ funds the house was bought with it can be assumed that the house is community property because the house was bought during the marriage. Although Hank may argue that he should be reimbursed for the down payment since he paid the 350,000 dollars from his separate property funds which were from the law lane house as discussed below.

Thus, the house is community property because it was bought during the marriage. Although because the down payment may have been bought with Hanks seperate property funds from the law lane house, the court may find that the house is actually

partial seperate property and partial community property because the community property part would be from the financing because debts incurred during the marriage (loan for a house) are characterized as community property.

In conclusion, if Hanks tracing of the down payment (as later discussed) is successful the court may find the house is partial seperate property and parital community property, but the court may also find the house to be fully community property and will the equity of the house will be divided among the comunity (as later discussed)

CHARACTERIZATION OF THE LAW LANE HOUSE

Here, owned a three bedroom apartment in Paso Robles before he became married to Wilma therfore it is seperate property because any property acquired before marriage is presumed to be seperate property. Any rents, profits and issues of the property are also sperate property which means the money he sold the house for, 350k, is also seperate property even though the house was sold in 2007 while Henry and Wilma were married.

Thus, the Law lane sales are separate property.

CAN HANK GET REIMBURSED FOR THE DOWN PAYMENT?

§2640 right to reimbursement

After Jan 1, 1984, there is an automatic right to reimbursement for a spouse to be reimbursed for separate property money that was used to contribute to community property. Before 1984, the seperate property payment was considered a gift to reimbursement and there was no right to reimbursement.

Here, Hank will argue that the 350,000 down payment was used to from his seperate property money from his sale of the law lane house and that he has a right to reimbursement. Because its post 1984 and this is taking place in the 2000's Hank will have an automatic right to reimbursement to that downpayment. Although, because the other half of the house was financed, that will make this property half partial property and half community property which does not give a spouse a right to reimbursement. For Property to be reimbursed, it must fully be a community property in which they contributed towards with their seperate property.

Thus, Hank probably does have a right to reimbursement for the downpayment money if he can trace the downpayment money to his seperate property which may raise an issue because it may come from a commingled account.

Was the joint savings account commingled?

A commingled account is when there is separate property funds and community property funds within the same account. When an account is commingled it doesnt change the character of the funds that are in the account but any assets bought from funds from a commingled account will be presumed to be community property unless the seperatizer can trace the funds back to separate property using special tracing methods such as the exhaustion of funds and direct tracing methods. Good.

Here, Henry placed the separate property money from the Law lane house into into his and Wilma's joint saving account. This account is likely to have community funds already in it since it is a joint savings account. And now, there is the separate property funds from the law land house in it which makes it a commingled account because the account consists of both community property and separate property. Hank can try and say that the down payment for the new house was paid for with his separate property funds from the sale proceeds of the law land house and Hank will argue that he has a right to

reimbursement for those funds. The court will looks at two tracing methods to determine if the houses down payment was payed for using seperate property funds.

Exhaustion of Funds method (*see v. see*)

Under the exhaustion of funds method from the case see v. see, iff all community expenses were exhausted from the account, then the only thing left in the account will be the separate property funds which thereby means that separate property funds must have been used toward the downpayment. This method is favored by the court.

Here, there are no facts to indicate that there were any community funds in the account to begin with or if they were at all exhausted from the account. But, if Hank can prove that there was no community funds in the joint account and only his seperate funds were in the account then it is to be assumed that only his seperate property funds couldve been used to pay for the down payment on the house.

Direct Tracing Method (*Marriage of Mix*)

under this method, from the case marriage of mix, the funds are seperate property if it can be proven through accounting records that there were sufficient seperate property funds in the account at the time the asset was purchased and the seperate property spouse must tesitfy that they didnt intend to use the seperate property money to buy the asset. This method is preferred by the seperate property owner.

Here, Hank would assert that he did not intend to use his sale proceeds from the law lane house towards the down payment of the new house because he wanted to use community funds since it was a house that Henry and Wilma purchased together. Henry would also have to show through records of accounting that there was sufficient seperate property funds in the account for the down payment at the time the downpayment was made

which probably could be shown because the down payment was successfully paid and the rest of the house was financed.

Thus, if either of these two method are sufficient, then Hank will successfully trace part of the houses purchase to seperate property and he may have a 2640 right to reimbursement for the down payment. Although, the facts dont indicate exactly which funds were used to pay the down payment of the house and the facts dont indicate whether there were any community funds in the account at all or if the new house was even paid out of the couples joint savings account.

Wendy's right to stay in the house

If wilma wants to stay in the house, she must buy out lanes interest in the house. he will half half of the interest in the house since the property was bought during the marriage and because the house is partially his seperate property since his seperate property may have been used to purchase the down payment on the house.

Division of the house if the house is community property

The court may order that the house be sold and that each spouse gets 1/2 the equity of the house which would be 950,000 - 550,000 which equals 400k so each spouse would be getting 200k. if the house is cp it will get sp 2640 rr so 375 to H ok 2640. plus 25k as his one-half of cp. H = 375k W = 25k.

Apportionment of the house if the house is found to be partial Sp and Partial Community property.

The court may order to pay out through pro-rata apportionment the couples interests in the house due to their respective interest in the house depending upon the community contributions 200,000 towards the fianacing of the house and Hank will be apportioned

his portion of the house depending upon his contributions towards the house (350,000). The appreciation of the house will be divided

HOW WILL THE COURT CHARACTERIZE THE STUDENT LOANS?

A spouses student loans, will be assigned to the student spouse at divorce.

Educational expenses during the marriage paid for by the community can be reimbursed under family code § 2641. The community can be reimbursed for books, tuition, school fees, transportation, loan payments, and special education living expenses. Although there is a presumption that if the community paid for those expenses 10 years before the divorce than the community substantially benefitted for them and cannot be reimbursed.

Here, Wilma went back to school to take additional classes while she was married to Hank. At divorce, Wilma still owed 25,000 dollars in student loan debts. Because a spouses loan will be assigned to the student spouse at divorce, Wilmas student loan debt will be her separate property and she will have to pay the entire thing off on her own with no offset. Henrys reimbursement for any of the payments he made towards wilmas schooling may be reduced if it is shown that benefitted in any way from her job promotion which is because the education substantially increased her wages which benefitted the community since a spouses wages are presumed to be community property and she got the job promotion 9 years before the divorce.

Thus, the student loan debt is wilmas seperate property even though it was accumulated during the marriage.

END OF EXAM

95.5/100

3)

JAZZY'S JEWELRY

CALIFORNIA'S GENERAL COMMUNITY PROPERTY PRESUMPTION

California is a community property state. There is a rebuttable presumption that the earnings of each spouse and all property acquired during the marriage is community property (CP), while all property acquired before marriage, after the date of separation, by gift, inheritance, bequest, descent, or devise are separate property, as well as rents, issues, and profits from separate property (SP). The presumption is rebuttable by a preponderance of the evidence and the burden is on the separatizer. The characterization of an asset as CP or SP is determined at the time of acquisition and depends on the source of the asset, any actions by the parties that may have altered the character of the asset, and any statutory presumptions that may apply. At dissolution, all community property is divided equally unless there is an agreement by the parties to the contrary or an exception applies.

Here, Willow (W) was a jeweler and the owner of Jazzy's Jewelry before she ever met Hayden (H). Thus, because she had the business before the date of marriage, Jazzy's Jewelry is her SP.

COMMUNITY CONTRIBUTIONS TO SEPARATE PROPERTY BUSINESS - PEREIRA AND VAN CAMP

When one spouse has a separate property business that benefitted from one spouse's efforts, those efforts are a community asset, and the community is entitled to receive compensation for its contribution. The court applies two standards, known as Pereira and Van Camp, and ultimately chooses the one that is the most fair, just, and equitable result.

VAN CAMP

The Van Camp method is applicable when the growth of the business is attributable to something other than one spouse's time, skill, labor, and effort, such as market conditions or other passive investments. The Van Camp method benefits the separate property interest. The formula is as follows: Fair market value of the business at dissolution - (CP labor - family expenses) = SP interest. CP labor is the working spouse's salary multiplied by the number of years that the parties were married. Family expenses are the amount of annual family expenses (presumed to be paid with CP funds) multiplied by the number of years that the parties were married.

PEREIRA

The Pereira method is applicable when the growth of the business is attributable to one spouse's time, skill, labor, and effort, which are community contributions. The time, skill, labor, and effort of the spouse must satisfy at least a minimum plus standard. The Pereira application benefits the community. The formula is as follows: Fair market value of the business at dissolution - (SP contribution + Fair Rate of Return on SP contribution) = CP interest. The SP contribution is the separate property initial investment to create the business. The fair rate of return is the amount of that contribution multiplied by 10% then that number multiplied by the number of years that the parties were married.

Here, there are no specific figures provided for W's initial SP contribution for the business or any other monetary figures about the growth of the business's value. However, W worked at Jazzy's Jewelry during the marriage, and worked many long hours managing both businesses, so much so that it contributed to the demise of the marriage. H would assert that W's time, labor, effort, and skill went into the business and contributed to its growth, and her time, labor, effort, and skill is a community asset. Thus, H would argue that the community is entitled to a reimbursement for W's community

labor contributions to Jazzy's Jewelry. H would argue that the court should apply the Pereira method because W's time, labor, effort, and skill were more than the minimum plus standard.

On the other hand, W would argue that H is not entitled to anything for her work with Jazzy's Jewelry because Jazzy's Jewelry is her SP business, and any rents, issues, and profits from that SP asset retain their character as SP. Thus, W would argue that her time, effort, labor, and skill are not a CP asset and instead retain its character as SP. In sum, W would argue that it would be inequitable and improper to acknowledge the character of her business as a SP asset but characterize her contributions to it as CP. Alternatively, if the court were to find that the community is entitled to compensation for its contributions to the SP business, the Van Camp method would be more appropriate, since the vast majority of her time was spent neglecting Jazzy's Jewelry and instead was spent at Angles, as evidenced by it's skyrocketing growth in value since the date of separation.

H likely has the stronger argument, and the court could apply the Pereira method to pay the community a fair wage for W's labor, which is a community asset.

CONCLUSION RE: JAZZY'S JEWELRY

Jazzy's Jewelry is W's SP business, but the community is entitled to payment for CP contributions for W's time, skill, labor, and effort during the marriage.

SHELL BEACH CONDO

CALIFORNIA'S GENERAL COMMUNITY PROPERTY PRESUMPTION

See rules above.

Here, W purchased the condo a month before meeting H. Thus, because the condo was acquired before marriage, the condo is W's SP.

TRACING

A spouse can rebut the GCPP by tracing the source of an asset to a SP source. A spouse can use direct tracing by showing that there is a direct link because the purchase was made with SP funds, there were sufficient SP funds available at the time of the purchase, and it was the SP owner's intent to purchase the asset with SP funds. If funds are commingled in a bank account, a spouse can also use indirect tracing/the exhaustion of funds method by showing that the purchase of the asset must have been from SP funds because CP funds were exhausted by paying family expenses. This is generally only allowed by providing *See*-compliant records that were made contemporaneously with the exhaustion of the funds.

Here, H cannot trace the source of the condo to a CP source to rebut the presumption that the condo is W's SP. Thus, the condo will retain its character as W's SP unless W transmuted the property from SP to CP during the marriage.

TRANSMUTATION

A transmutation is an action that the parties could have taken that would change the character of the home. As of January 1, 1985, a valid transmutation must be in writing, contain an express declaration concerning the change of the character of the asset, and it must be consented to or accepted by the adversely affected spouse. There is an exception to the writing requirement for inter-spousal gifts of clothing, jewelry, wearing apparel, and other tangible items of a personal nature that are predominantly used by one spouse and not substantial in value considering the circumstances of the marriage.

Here, there is no indication that W ever took any actions or signed any documents that would constitute a transmutation of the condo from SP to CP. Thus, the condo remains W's SP, but the community has gained an interest for its contributions to the principal reduction, discussed further below.

COMMUNITY CONTRIBUTIONS TO SEPARATE PROPERTY HOME: MOORE/MARSDEN

When the community makes contributions to a separate property home to pay down the principal reduction on the home, the community gains an interest in the home. The court utilizes various formulas, including Aufmuth/Moore/Marsden to attain each estate's pro tanto interest in the home and its appreciation in value. The formula is as follows: SP interest in appreciation % = SP down payment + (loan proceeds - CP contributions) divided by the purchase price. The % that results is then multiplied by the appreciation in value in the home, which is the difference between the purchase price or price on the date of marriage (in this case they are the same) and the fair market value at dissolution. Similar formulas are applied to obtain the community's interest in the appreciation. The CP interest % in the appreciation is the CP contributions divided by the purchase price, then that percentage is applied to the appreciation. The CP interest is the CP's portion of the appreciation and the CP contributions. The CP interest is then divided by 2, so that each spouse gets half of the CP interest. The SP interest is the SP down payment and the SP interest in the appreciation. The SP owner spouse obtains the entire SP interest and their half of the CP interest.

Here, the home is W's SP, but the community contributed to reducing the principal. The formulas are applied as follows:

CP interest % = $100K CP contributions / $750K purchase price = 13% CP interest.

SP interest % = $200K DP + ($550K loan proceeds - $100K CP contributions) / $750K purchase price = 87% SP interest ✓ good. correct.

The appreciation of the home is calculated by taking $950K FMV at disso - $750K purchase price = $200K appreciation in value = correct.

The SP interest in the appreciation is $174K, which is 87% of $200K. That amount is added to the SP down payment of $200K for a total SP interest of $374K.

The CP interest in the appreciation is $26K, which is 13% of $200K. That amount is added to the CP contributions of $100K for a total CP interest of $126K. That amount is divided by 2 so each spouse gets half, which is $63K each. good!

Therefore, each spouse's interest in the home is as follows:

W: $63K CP interest + $374K SP interest = $437K total to W ✓

H: $63K CP interest only = $63K total to H. ✓

This math is confirmed by adding up their interests, which equals the $500K equity in the home. The $500K equity is the $200K down payment + $200K appreciation + $100K principal reduction on the loan. correct!

It is further worth nothing that W owned the home for a short time prior to the marriage. Thus, she would also be entitled to the amount of loan payments she made toward the principal reduction before the date of marriage, which are her SP. = very good!

CONCLUSION RE: SHELL BEACH CONDO

The condo is W's SP, and H is entitled to his share of the CP interest. ✓

ANGLES

CALIFORNIA'S GENERAL COMMUNITY PROPERTY PRESUMPTION

See rules above.

Here, the business was built and opened during the marriage. Thus, it is CP.

SEPARATE PROPERTY CONTRIBUTIONS TO COMMUNITY BUSINESS: REVERSE PEREIRA AND REVERSE VAN CAMP

Similar to the functions of Pereira and Van Camp that pay a fair wage to the community for its contributions, courts apply Reverse Pereira and Reverse Van Camp when the spouses had a community business, and the business appreciated in value after the date of separation because of one spouse's work for the business. Since it is after the date of separation, that spouse's labor is their own SP. Thus, the court applies the reverse of the Pereira and Van Camp formulas.

REVERSE PEREIRA

Reverse Pereira benefits the SP spouse and only seeks to pay the community a fair wage. The formula is applied as follows:

FMV at dissolution - (CP labor + FRR) = SP interest

Here, W is the SP spouse because she continued to work for Angles after the DOS and contributed to its significant increase in value. W would highlight that the proof of the value of her labor is in the numbers: during the marriage, the business only grew in value by $100K. Since W started handling it entirely on her own since the date of separation, it has increased another $250K. Thus, W would argue that the court should apply Reverse Pereira, especially since H left her high and dry and did not contribute AT ALL since the

date of separation and started a new life with Emilie. In this case, the formula applies as follows.

$400K - ($120K + $12K) = $268K SP interest

REVERSE VAN CAMP

Reverse Van Camp benefits the community. The formula is applied as follows:

FMV at dissolution - (SP labor - family expenses) = CP interest. SP labor is the value of the business on the DOS

Here, H would argue that the court should apply Reverse Van Camp because the business was not entirely because of W's work, and her and her family's reputation likely played a part in the growth of the business. In this case, the formula applies as follows:

$400K - ($150K - $100K family expenses) = $350K CP interest. This would be split in half for each spouse.

The court should apply Reverse Pereira because the burden that W took on with Angles after the date of separation was substantial, with zero help from H, and her hard work paid off, as evidenced by the spike in value. Thus, W should earn a high amount, with merely a fair wage to the community for H's lack of contributions.

Finally, it is worth noting that it is immaterial that H and W did not officially file for divorce until May 2015. It is clear that their permanent date of separation is May 2014, since there is no indication that they ever attempted to reconcile. Rather, both parties desired to get a divorce, and H's conduct is demonstrative of that intent since he almost immediately moved out, moved in with another woman, and left W in the dust. Therefore, any formulas that consider the date of separation must recognize May 2014 as

the couple's date of permanent separation, not their May 2015 filing of the divorce petition.

CONCLUSION RE: ANGLES

The business is CP, and W is entitled to compensation for her post-date of separation labor that resulted in the business's increase in value.

END OF EXAM

88/100