In re: Juan Castro
Case No. 05-41909-BKC-AJC

Debtor placed $37,000.00 in sale proceeds from the sale of his homestead into a segregated bank account shortly before filing bankruptcy. Pre-petition, Debtor dissipated $2,165.85 of the sale proceeds, and as of the October 5, 2005 petition date, Debtor held the sum of $34,834.15. Since the filing of the petition, the Debtor dissipated the sum of $9,910.00, leaving the sum of $24,924.15 in the account. Debtor stated that he intends to use the sale proceeds to purchase a new homestead and has claimed them as exempt. The Trustee disputes the Debtor's intentions and filed an objection.

The Court held that the Debtor must reinvest the sale proceeds from the sale of his homestead within a reasonable time so as to maintain the exempt status of the funds. A period of approximately 2 years is reasonable; and, if cause be shown, the court may consider an extension of that time period to be reasonable. However, the sale proceeds which the Debtor dissipated post-petition, on various living expenses, are not exempt as they were not used for the purchase of a new homestead nor were they otherwise intended to be kept as exempt. Accordingly, the Debtor must repay the estate the amount of the non-exempt dissipated funds.