## **CONTRACTS II Evening Division**

## **INSTRUCTIONS**

- 1. You are <u>NOT</u> to use any notes or books including a copy of the U.C.C. during the course of the examination.
- 2. Study and analyze each question with care before you write. Irrelevant proxility is undesirable.
- 3. If additional facts appear to be necessary in answering a question, state your assumptions and answer the question both with and without assumptions.
- 4. Write legibly in pen or type on your laptop. Number each of the questions in your blue book or answer paper. Answer the questions in any order. Do **not** use a separate blue book for each question.
- 5. The value of each question is in the left-hand margin.
- 6. When you are giving a reference to the U.C.C., state the section by number, e.g. 2-612(1), and paraphrase or describe only the portion of the section which you think is relevant. Do not give me a section number alone. Do **not** write/type out the entire section unless you intend to describe it entirely as being relevant.
- 7. Time: You have three and one-half (3 1/2) hours to answer these questions.
- 8. Do not start to write anything before being told that the examination has begun.
- 9. Use your examination questionnaire to plan your answers. You may **not** use other scrap paper.
- 10. Keep the examination questionnaire if you want.

## GOOD LUCK!

H1 Ryle Britannia is a passionate Anglophile and monarchist. On January 15, he read that the Prince of Wales would be visiting his city during a tour of the United States. The news report stated that the prince would be attending a charity ball with the royal consort, Camilla, on March 1, for which members of the public could purchase tickets at a price of \$1,000 each. The profits earned from the ball would be donated to "Save the Foxes", a worthy wildlife preservation society. Ryle immediately bought two tickets. In addition, because he wanted to record the occasion, he decided to buy a good video camera.

On February 15, he went to Republican Video Store. He excitedly explained to Reggie Cide, the proprietor, that he needed a compact, top-quality video camera so that he could film the prince at the ball. Reggie said that he disapproved of all this fuss over royalty, and found it nauseating that people would pay good money just to see some good-for-nothing figurehead. Ryle huffily pointed out that the proceeds would go to a good cause, and Reggie decided that he had better keep his opinions to himself if he did not wish to lose the sale. He recommended a state-of-the-art camera at a price of \$2,000, which Ryle agreed to buy. The parties entered into a contract under which Ryle bought the camera and agreed to collect and pay for it on February 26. The contract, in the form of the store's standard sales invoice, included the language "Our policy: No returns or refunds except for deffective goods."

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On February 24, the prince fell off his horse while playing polo. His injury was bad enough to require cancellation of his tour. On February 25, the organizers of the ball announced that it would still take place. Instead of the prince, the organizers indicated that they had arranged for Tubby Isaacs, a local supermarket magnate, and Beulah Bosh, the 2007 winner of the "Winter Heifer Festival" to be the guests of honor. Both Tubby and Beulah have British blood and are extremely popular in the community, and they have been heralded as model citizens.

Ryle is your friend, and he tells you that he no longer wishes to attend the ball or buy the camera. Give Ryle a full explanation of what can occur and why.

#2

Landlord owns a commercial building. Landlord has just entered into a five-year lease of the building with Tenant, which makes handcrafted wood furniture. Tenant's manufacturing facility is in an adjacent building, which it owns. It plans, initially at least, to use the space leased from Landlord for storage. However, its business has been doing well and is expanding, so it thinks that it may need more work space in the future. If this happens, it would like to move some of its operations to the leased premises. To take account of this, the lease provides:

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- 1. The rent for the premises is \$1,000 per month for the entire five-year lease period, provided that Tenant uses the building solely for storage purposes.
- 2. Tenant will have the right at any time during the lease period to convert the use of the premises from storage to the manufacture of wood furniture, provided that Tenant first notifies Landlord in writing and obtains whatever permits are necessary.
- 3. If Tenant does decide to convert the premises to the manufacture of furniture, the monthly rent will increase to \$1,5000 for the remainder of the lease period. In addition, Tenant will pay for hazard insurance on the building, and agrees to indemnify and hold Landlord harmless against any claims that may arise from injury to workers and others on the premises.
- 4. Rent is payable on the first day of each month.
- 5. Tenant will have the right to renew the lease for a further period of five years provided that it exercises the option in writing not later than 60 days before the end of the current lease term. The rent for the renewal period will be 20 percent higher than that paid for the initial lease term.

Explain to either the Tenant or Landlord in detail, all of the promises and contingencies that might arise, their sequence, and impact.

#3 Debbie borrowed \$10,000 from First Bank. She failed to repay the loan on the due date, and the bank was pressing her to make payment. Debbie finally decided that she should do something about settling the debt. To raise the money for this purpose, she sold her car to Tom. Under the contract of sale with Tom, entered into on May 1, Debbie delivered the car and certificate of title to Tom in exchange for his undertaking to pay Debbie's debt to First Bank by May 15.

On May 2, Debbie received a letter from First Bank threatening to sue her unless she paid the \$10,000 within three days. She immediately called the bank and said that she had arranged for Tom to pay the debt in full by May 15. Although First Bank did not commit itself to wait until May 15, it decided that it would wait until 3:00 p.m. on May 15.

On May 10, Tom told Debbie that he had seen a car of the same model, mileage, age, and condition advertised in the newspaper for \$6,500, and he felt that he had agreed to pay too high a price. Debbie is a fairminded person, so she was willing to renegotiate the contract. Debbie and Tom agreed that Tom would pay \$7,500 for the car, and in exchange for the price reduction, Tom would return to Debbie the faux zebra skin seat covers that Debbie had initially included with the car. On May 13, Debbie's home and all her property were destroyed in a fire. In her usual dilatory way, she had neglected to renew her fire insurance policy, and she has been left destitute.

On May 15, Tom paid \$7,500 to First Bank. The bank, having discovered that Debbie is judgment-proof, demands the balance of \$2,500 from Tom. Does it have a right to make this demand? Explain fully.

Wintner Winery entered into a written contract to provide 100 bottles wine to Wonderful Weddings. The total contract price was \$4,000. At the time of the contract, Wonderful told Vintner that it planned to use the wine at a posh society wedding reception. One week before the wedding, Vintner discovered it was out of stock and could not deliver the wine as ordered. Consider each of the following alternative scenarios, and determine what damages, if any, Wonderful can recover from Vintner for breach of contract.

- 25 (a) Vintner immediately called Wonderful and told Wonderful that it would not be able to deliver the wine as planned. Wonderful flew to Paris, bought 100 bottles of equivalent wine from a French wine boutique, and flew the bottles of wine back to the United States by the Airbus. The price of the wine was quite reasonable; Wonderful was able to purchase it for the French equivalent of \$3,900. The cost of Wonderful's plane ticket and the freight charges on the Airbus, however, amounted to \$10,000.
  - (b) Vintner immediately called Wonderful and told Wonderful that it would not be able to deliver the wine as planned. Wonderful served coffee at the society wedding and hoped that no one would notice the lack of wine. The couple noticed and rightfully reduced Wonderful's fee. Wonderful lost \$10,000 in profits as a result.
  - (c) Vintner immediately called Wonderful and told Wonderful that it would not be able to deliver the wine as planned. Wonderful immediately started searching around for replacement wine and wasn't able to find any of the quantity and quality called for by the catering contract. Wonderful located one winery that had some appropriate wine for sale, but it was charging \$10,000 for the wine, and Wonderful simply couldn't afford it. When Wonderful called up the society couple to explain the problem, the couple began to argue. A huge blowup ensued, and the wedding was canceled. Wonderful lost the \$10,000 in profits it planned to make from the reception. The couple also plan to sue Wonderful Weddings.
  - (d) Vintner scrambled around in its wine cellar and found 100 bottles of wine that had been stored behind some cleaning equipment. Although it was a different vintage than the wine Wonderful ordered, Vintner delivered it to Wonderful. For the most part, the wine was a great

hit at the society wedding. One bottle, however, had a very strong and obnoxious odor when opened. Rather than serving it to the guests, Wonderful's staff drank it just to relax. The entire staff grew very ill and spent the night in the hospital. Wonderful paid over \$10,000 in medical expenses.