

Professor Matthews
Fall 2000

Exam. Number _____

CONTRACTS FINAL EXAMINATION

Instructions:

1. You have 3 hours and 15 minutes to complete this exam. Your answers will be collected in the room in which the exam is handed out at 4:45 p.m. Late bluebooks will be appropriately penalized.
2. All answers must be written in bluebooks (except if typed as provided in #3). MATERIAL WRITTEN ON THE TEST ITSELF WILL NOT BE CONSIDERED. Please consecutively number your bluebooks. Write on only one side of a page, but you do not need to double space. Number your answers to correspond to the question and sub-part you are answering, but you need not answer in any particular order.
3. This exam may be typed using a manual typewriter, but no computers or memory typewriters are permitted. The exam shall be typed on paper provided by the law school.
4. **This final is closed book.** You are NOT permitted to use any casebook, statutory supplement, or any other materials. Any review materials in your possession should be placed at the front of the room before the exam begins.
5. Assume that current Arkansas law applies to the transaction, including the Arkansas version of the Uniform Commercial Code if applicable, unless otherwise indicated.
6. **Please turn in the copy of the test along with your answers, and label both with your exam identification number.**
7. If any ambiguity or typographical error appears in any question, state the ambiguity, make your assumption, and proceed accordingly.
8. This exam consists of the following parts, divided into subparts as indicated. Please budget your time carefully. You should apportion it approximately as follows:

<u>Question</u>	<u>Points</u>	<u>Time (Approx)</u>
I	33	60 min.
II	28	50 min.
III(A-B)	28	50 min.
III. Short Answer	11	20 min.
TOTAL	100	180 min.

I. Pursuant to closing out his hardware business, Anderson on November 1, 2000 placed an advertisement in the local paper listing certain items for sale. The list included a miniature snow plow for clearing the parking lot in front of the store, which was listed for sale for \$2000. Benton, who ran the video rental store next door and had rented the snowplow on several occasions in the past at the rate of \$50 per day, came into Anderson's store the next day and asked the manager, Crandall, "Would you sell that snowplow for \$1750? Crandall replied, "Sure. Anderson told me that would be his bottom price, although I do need to check that out with him." Benton asked if he could use the snowplow meanwhile, and Crandall agreed. Benton therefore wrote the following on a scratchpad (with the heading "Benton Video, Joe Benton, Proprietor") which he had in his possession, "Will pay \$1750 guaranteed for snowplow."

Anderson did not respond to Benton until January. During the interim in December, Crandall let Benton use the snowplow without charge on two occasions and Anderson turned down a \$1500 offer for the snowplow from a third party. On January 10, Benton got tired of waiting and purchased a brand new snowplow elsewhere. Crandall called Anderson to tell Anderson about it on January 15, 2001 when Crandall spotted the new snowplow parked on Benton's lot. Anderson therefore on that day mailed to Benton the title to the snowplow and a bill for \$1750.

When Benton received the letter, he telephoned Anderson to protest. Benton claims that that the snow season is about over, and he has no intention of owning two snowplows. Benton did offer to pay \$75 for the two-day use of Anderson's snowplow in December, but not another dime.

Anderson comes to see you. The snow plow is really only worth about \$500. Advise Anderson as to his rights and alternative remedies against Benton based upon the principles discussed in this course. Explain your conclusions. (1 Hour, 33 points)

II. Ward and Young were brothers-in-law who had jointly invested in a piece of property and subdivided it into lots. All but two lots (7 and 8) had been sold. Each lot was listed for sale at a price of \$70,000, was mortgaged to the bank for \$50,000, and had been on the market for over a year. Ward and Young had been making burdensome interest payments on the mortgage notes to the bank for the past year. After Thanksgiving dinner, as the two men were standing on Lot 7, Ward (a contractor) proposed to build a house on Lot 7 if Young would agree to join Ward in conveying their interests in Lot 7 to the future buyer simply for the amount owed on the mortgage, to be paid off at the sale of the home. Young replied, "That sounds like a wonderful idea for this Lot 7. Count me in." In his Christmas card to Ward that year, Young wrote that "We so appreciate your plans for Lot 8. Thank you for the suggestion, Young." [Ward has a great deal of written correspondence which indicates that Young has consistently referred to Lot 8 when he means Lot 7.]

In January, Ward therefore began to dig a foundation for the home on Lot 7. Ward's costs so far have run \$2000, although the increase in value of the lot would only appraise at \$1000. Young has just informed Ward today that he will refuse to convey his share of Lot 7 unless he receives his portion of the full \$70,000 list price. Ward wants to force Young to convey the land as agreed.

Evaluate Ward's rights and alternative remedies against Young based on the principles discussed in this course. Explain your conclusions. (50 minutes, 28 points)

III(A). Madison hand tied fly fishing lures in his home and offered them for sale over the internet. Nelson owned and operated a small sporting goods store. In response to Madison's web site, Nelson faxed to Madison's home a letter ordering \$400 worth of specified lures. The letter stated that "All shipping costs shall be borne by Seller." Madison shipped the lures to Nelson, who received them on November 1. The box containing the lures included an order acknowledgement and billing statement for \$417.50, which provided that "Shipping costs shall be borne by Buyer." The acknowledgement further stated that "It is agreed by the parties that no claim for defects in merchandise shall be permitted for any reason following 30 days from receipt."

Nelson sold the lures in her store, but has not yet paid for them. It is now December 18, and several customers have returned the lures because they disintegrated upon hitting the water. At this point, discuss Nelson's rights against, and/or obligations to, Madison based upon the principles discussed in this course. Explain your conclusions. (25 minutes, 14 points).

III(B). Jackson, the owner of dozens of local newspapers across the country, hired Kendall from a newspaper in Pennsylvania to be the "Managing Editor" of the Washington County, Arkansas Chronicle. The two parties had signed a simple letter agreement which provided that Kendall would be hired for a three year term at an annual salary of \$50,000 plus "fringe benefits (health insurance, company auto and expense account) to be agreed upon by the parties after arrival." After his arrival in Arkansas, Kendall discovered that a "Managing Editor" in Arkansas included responsibility for advertising sales and circulation. In Pennsylvania, the "Managing Editor" was only in charge of personnel and producing the newspaper itself. Furthermore, Jackson has just indicated that due to declines in circulation, no fringe benefits will be paid to Kendall.

Kendall wants to know whether he will be in breach if he refuses to handle advertising sales and circulation, or to work without fringe benefits. Advise him as to his legal position based upon the principles discussed in this course. (25 minutes, 14 points)

IV. Short Answer. Briefly respond to the following questions (in your bluebooks) based upon the principles discussed in this course. BE SURE TO EXPLAIN YOUR CONCLUSIONS. (Total 20 minutes, 11 points)

1. Oswald granted Peterson an option to purchase Oswald's Laundromat. The option stated that it was valid for 3 months and was granted in return for "\$100 hereby acknowledged to have been received by Oswald." Oswald claims the option was invalid because the \$100 was never actually paid. Discuss the admissibility and effect of such evidence at trial. (4 points)

2. During her keynote speech at graduation, Lambert promised to donate \$50,000 to Madison College. The board of the college met the following week, and voted to use the funds for 5 scholarships to be known as the "Lambert Scholarships." Is Lambert's promise legally binding? (3 points)

3. Harris offered to pay Ickes \$1000 to catalogue the books in Harris' private library. Ickes agreed, and has catalogued 1/4 of the books. Ickes now wants to quit, but is worried he will be liable for breach of contract. What difference in legal effect will it make if the court construes the offer as one for a unilateral contract, or for a bilateral contract? Which is the court more likely to interpret it to be? Why? (3 points)

4. What is the "doctrine of reasonable expectations" as applied to an insurance contract? (1 point)