

LAW 7107-01, CONTRACTS I

FINAL EXAMINATION, FALL 2005

Prof. Tom W. Bell

Wednesday, December 14, 2004, 1:00 p.m. to 4:00 p.m.

Please write your exam number here: _____ and turn in this exam with your answers. If you fail to turn in your exam you may forfeit some or all of your grade.

This exam consists of 25 multiple-choice questions and two essay questions. The multiple-choice section is closed book and counts for 30% of your grade for this exam. You have 45 minutes to complete that section, or an average of 1.8 minutes per question. Indicate the one best answer to each multiple-choice question by filling in your Scantron sheet as directed.

The essay section is partial open book. You may use your casebook, statutory supplement, any material that I handed out in class, and any notes that you or your study group prepared. You may not use other materials, such as nutshells or commercial outlines. The essay section counts for 70% of your grade for this exam and you have 105 minutes to complete it. Because different essay questions count for different percentages of your grade, I advise you to allocate your time accordingly. Also, before you begin writing any essay answer you should: 1) read the question carefully; 2) think about exactly which issues you need to address; and 3) outline your answer. Good organization and good analysis almost always go hand-in-hand.

If writing your exam in a bluebook, write on only one side of each page, on every other line. If you use more than one bluebook, please number the booklets so that I can easily follow their intended sequence. Please write as clearly as possible. I cannot grade what I cannot understand.

Unless otherwise indicated, all events described below take place in a common law jurisdiction where the legislature has enacted the UCC.

If you have any procedural questions about taking this exam, please contact the Registrar. If you think it necessary to assume an unstated fact in order to answer a question you may do so, but you should clearly indicate that you are making an assumption and briefly explain why you consider it reasonable to do so.

Do not turn the page until told to begin the exam.

Multiple Choice Questions

30% of exam's total grade
(maximum allowed time: 45 minutes, or 1.8 minutes/question)

[The multiple choice questions were excised from this copy.]

Please write your exam number here: _____ and turn in this exam with your answers.
If you fail to turn in your exam you may forfeit some or all of your grade.

Essay Question 1

30% of exam's total grade
(suggested time: approximately 45 minutes)

Bill approached an auto dealer, Sally, and asked if she had a particular sort of used vehicle for sale. "No," replied Sally, "But I can purchase a vehicle of that description for you at a dealer-only auction. Put down \$1,000 as security, give me your specifications, and I'll go find what you want. I'll then sell it to you at a price half-way between the Blue Book's retail price and trade-in price."

"What if I don't want the vehicle that you find?" asked Bill.

"If I cannot find a vehicle fitting your description, I'll give you your \$1000 back," replied Sally. Reassured, Bill wrote Sally a check for \$1000 and left a detailed description of the vehicle he sought. Soon thereafter, Sally phoned Bill to report that she had fulfilled his request.

Bill visited Sally's dealership to complete the transaction. Sally had gone to the Blue Book's website, filled in forms describing the vehicle, and thereby discovered that the vehicle had a retail price of \$20,000 and trade-in price of \$10,000. She presented Bill with print-outs detailing her research, and asked him to pay \$14,000 for the vehicle—a price half-way between the retail and trade-in prices, minus the \$1,000 that Bill had already paid.

Bill naturally insisted on inspecting the vehicle first. He found that Sally had accurately described it so far as the Blue Book website's forms went. He also found, however, that a stink of cigar smoke, dog hair, and swamp mud pervaded the vehicle. He had said nothing about smell in his description of the vehicle he wanted, nor did the Blue Book's forms mention odor.

When Bill objected to Sally that he didn't want so stinky a vehicle, she countered that she had delivered a vehicle exactly fitting his description. When he asked to have his deposit refunded, moreover, she countered that she had every right to keep it as compensation for her costs of finding, delivering, and preparing the vehicle for him.

Analyze the parties' rights and remedies under contract law. Ignore any of the various state or federal statutes crafted specifically for vehicle sales.

Essay Question 2

40% of exam's total grade
(suggested time: approximately 60 minutes)

Beth saw a television ad promising a free "digital camera" to anyone who attended a sales presentation at Rancho Relaxo Estates, a new condominium complex sited on the bluffs above Newport Bay. Intrigued both by the prospect of a free camera and the investment opportunity, she called the advertised 1-800 number and set up an appointment. Sam, a Rancho Relaxo Estates salesperson, met her at the designated time.

Sam gave Beth a tour of the facilities and a glossy publication detailing the available properties and their prices. Naturally enough, given his job, Sam touted the benefits of investing in a condo and pressed Beth to "seize this *great* investment opportunity *immediately!* These units won't last!"

"Golly," replied Beth, "It seems like an awfully important decision! Can you give me a few days to decide?"

Sam, sensing that he risked losing the sale, smiled and said, "Of course! You've been *so nice* to take the time to learn about Rancho Relaxo Estates, Beth, that I am willing to hold my offer open for a few days. You're a smart woman, so I know you'll make the right decision. I just want to make sure that you don't miss out on this *great* investment opportunity."

Beth thought the matter over for some days, using the time to scrutinize her finances and research the real estate market. Among other things, she learned that Rancho Relaxo Estates was selling out pretty quickly. Finally, three days after she'd met with Sam, she mailed him a letter indicating that she would like to buy a particular condo she'd visited with him. She closed by asking him to call her, so that they could meet to discuss financing.

After another week had passed, and her letter had received no response, Beth called Sam. "I'm sorry, Beth, but things have been pretty crazy around here. Man, the market is *hot, hot, hot!* The condo you wanted sold the day before I got your letter. I've still got some similar units available, but you'll have to pay more; we raised our prices in response to unprecedented demand."

Beth complained that Sam had promised her a few days to decide, but it availed her nothing. "I can't sell what I don't have!" replied Sam. Then she remembered the digital camera mentioned in the ad. "Of course," said Sam, "I'll send one right away." When Beth got the camera, however, she discovered that it was a disposable camera that used conventional film, called "digital" only because one had to use one's fingers to operate it.

Analyze the rights and remedies of the parties under contract law.