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Contracts: Final Examination (January 1963)

William & Mary Law School

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1. P had the exclusive right to buy D's products in Virginia. P bought these products for the purpose of selling them to contractors and builders. Some of these products had not been properly prepared by D, and as a result P had to pay damages of \$20,000 to persons who had purchased them. In order to raise this amount P had to sell some of his realty, and since the sale was in the nature of a forced sale he did not get the full value of what he had to sell, but \$5,000 less than what he probably could have obtained otherwise. P sued D for \$25,000 damages for breach of contract. What are the rights of the parties? Give reasons.

2. Surety sent Creditor a signed letter as follows, "If you will give Principal Debtor not to exceed \$3,000 worth of credit for the coming year I hereby guarantee payment of his account." Creditor gave Principal Debtor \$5,000 worth of credit during the year. Principal Debtor paid \$2,500 of this amount but defaulted on the rest. Surety refused to pay the balance still owed Creditor, and Creditor sued him. What judgment and why?

3. D made a contract with E Corporation to build an apartment house on a lot owned by him. When the work was about half completed E Corporation got into financial difficulties and was unable to finish the job. D had made leases for some of the apartments and was anxious to have the building completed on time so that he would not lose the leases, so D wrote to all subcontractors as follows, "I hereby agree to pay you directly all money due or to become due for work on materials for the construction of my apartment building."

The subcontractors finished the building. The bills far exceeded the amount D had agreed to pay the E Corporation. D contends that he is not liable for anything in excess of what he would have owed the E Corporation if it had finished the job because: (1) the subcontractors had not notified him of the acceptance of the offer, (2) there was no consideration for D's promise, and (3) that he had only intended to be bound for the amount he had promised to pay the general contractor, the E Corporation.

Which, if any, of these contentions are valid? Give reasons.

4. K wrote to Attorney, "I understand that you have for collection a number of accounts against my brother. If all your clients will accept fifty per centum of these debts I will pay that for an assignment of them." Attorney replied, "Fifty per centum is too little. If you will make it sixty per centum I will accept the offer subject to approval by my clients." K replied, "Your proposal is satisfactory." Attorney at once wrote his clients, but before he had an opportunity to hear from them all, K notified Attorney that he had changed his mind. All of Attorney's clients promptly accepted the sixty per centum proposition and when K refused to do as he had promised suit was brought against him for sixty per centum of the debts. To what extent, if at all, is K liable? Give reasons.

5. By statute in State X the parents of minors were made liable for damage maliciously inflicted on public property not to exceed the sum of \$200. M, a minor, broke into the P Public School at night and left the place in shambles to the damage of the School District of \$2,000. D, who was M's father, orally agreed to stand half the damage if the school authorities would refrain from suing him. D knew nothing of the statute and erroneously believed himself to be liable for the whole \$2,000. D refused to pay as agreed and the School District sued him for \$1,000. What judgment and why?

6. P sold and delivered to D a herd of cows for \$7,500 on 30 days' credit. The transaction was an oral one. D was unable to pay for the cows at the end of the credit period, so P brought a possessory action to regain the possession of the cows. What judgment and why?

7. P bought a house and lot from D on May 29, 1961 on a contract whereby P paid \$2,000 down, became entitled to possession at once, and promised to pay \$10,000 more on July 1st following, at which time D was to give P a deed thereto. A few days after P moved in on June 1, 1961, the premises were destroyed by fire when an airplane crashed into the house. P is now seeking the return of his \$2,000 and the cancellation of the contract. What are his rights, if any? Give reasons.

8. P claimed to be the owner of three cows that were killed on February 1, 1960 as a result of the negligence of the D Railway Company. There was a dispute about the value of the cows as well as the ownership. P demanded \$1,000. D wrote P offering to compromise the claim for \$400. P replied, "Rather than litigate I accept your offer of \$400. But I do hope you will reconsider and at least split the difference. Seven hundred dollars would not compensate me and would be fair to you." A month later D replied, "Any offer I may have made you is herewith withdrawn. The statute of limitations has now run on your right, if you ever had any, to sue us for negligently killing the cows in question." P sued D for \$400. What judgment and why?

9. A and B purchased Blackacre each paying \$1,000 and took title thereto as tenants in common. A month after this purchase they agreed in a signed writing that in the event of the death of A or of B, the survivor, by giving thirty days' notice to the legal representative of the deceased within three months of the death of the deceased should have the right to purchase the interest of the deceased for \$1,000. Six years later A died and B sought to purchase A's interest in Blackacre. A's legal representative contended that the contract, even if there were one, was terminated by the death of A, that neither A nor B ever had any right to exercise any option while A was alive, and that the contract, if any, was void for lack of mutuality. Is B entitled to specific performance of the agreement? Give reasons.

10. A owned Blackacre. He mortgaged it to B to secure a \$10,000 loan evidenced by a note for that amount. A year later A deeded Blackacre to C by a deed signed only by him (A). This deed contained a provision as follows, "The grantee has paid the grantor \$5,000 for his interest in Blackacre receipt of which is hereby acknowledged, and, as further consideration, agrees to pay off the \$20,000 mortgage when it becomes due." C accepted the deed and recorded it. He failed to pay off the mortgage when it matured. Seven years after maturity B foreclosed the mortgage, and there was a \$3,000 deficiency. B sued C for the \$3,000. C defended on the ground that he had never promised to pay off the mortgage, and even if he had so promised the promise was not enforceable because of the statute of frauds and the statute of limitations. Which, if any, of these defenses are or is valid? Give reasons.