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Contracts: Final Examination (January 20, 1958)

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1. P was a practicing consulting engineer making about \$200 a week. Both D and Purdue University wished his exclusive services. Purdue University made him an attractive offer, whereupon D offered in writing to employ P permanently at \$600 a week. In reliance upon this offer, P turned down the Purdue offer and started to work for D. Three months later D discharged P without any reason for so doing. What, if any, are P's rights? Give reasons.
2. P orally agreed to buy Blackacre from D for the sum of \$10,000, and D orally agreed to sell it to him for that sum. P paid D \$9500 in cash, and promised to pay him \$500 additional when the deed was delivered on the agreed date for closing. Land values took a sharp drop and P demanded back his \$9500. D refused to return the money but offered to deed the land to P for the \$9500 already received and to forget about the remaining \$500. (a) Is P entitled to the return of his \$9500? Give reasons. (b) If P had accepted D's proposition, could D have later gotten judgment for \$500? Give reasons.
3. P, a building contractor, sued D, the owner for whom he was building a warehouse which, to P's knowledge had been leased to L starting on the first of September 1956. This was also the date that P had agreed to have the warehouse completed and ready for occupancy. There was a provision in D's lease to L to the effect that if the warehouse was not ready for occupancy on September 1, D would pay L the difference in freight rates which L would have saved by moving his warehouse from Montgomery, Alabama, to the building in question at Albany, Georgia. P failed to finish the warehouse on time and as a result D was compelled to pay L \$9053. When P sued D for the balance due for building the warehouse D counterclaimed for the \$9053. What judgment on the counterclaim and why?
4. C contracted to build an office building for O. The contract provided that the plastering should be "good lime and hair mortar mixed with two bags of adamant plaster to every hod of lime mortar." The "adamant" is a patented preparation containing a large proportion of plaster of paris. The use of adamant makes the plaster much harder. C only used half the amount of adamant required by his contract. O discovered this fact after he had paid C, but before he had finally accepted the building. In the meantime, the plaster had been tinted and O had moved into the building. It would cost \$15,000 to replaster. The building would have been worth \$1,500 more had the proper amount of adamant been used. Total construction costs were \$200,000. How much, if anything, can O recover from C for his breach of contract? Give reasons.
5. Under the law of suretyship, if the principal debtor makes a proper tender of the amount due to his creditor the surety is discharged. S was surety on M's note payable at the C Bank, and the C Bank was the holder of the note. When the note matured M had sufficient funds in the bank to pay it. Under the law of negotiable instrument such a fact constitutes a valid constructive tender. The C Bank neglected to charge M's account with the amount of the note as it could have done, but inadvertently allowed M to withdraw his deposit. M is now totally insolvent. When the C Bank discovered the true situation it wrote S stating that M was insolvent and asking S to make good the loss. S wrote back that it was not convenient for him to take up the note at the moment, but that he would do so on the first of the following April. Is this promise binding on S? Give reasons.
6. X lent A \$150,000 and took A's note for that amount. The note was secured by a mortgage on A's manufacturing plant. The mortgage required A to keep the plant insured, for the benefit of X, the mortgagee. A took out a policy of insurance with the I Insurance Co. hereinafter called I. P was I's local representative. The insurance policy provided that it could be cancelled by either party on ten days notice. It also provided that in case the mortgagor (A) should fail to pay any premium, "the mortgagee shall, on demand, pay the same." A failed to keep up the premiums and P, without having consulted anyone, paid them out of his own pocket to keep the policy

in force. After paying the premiums P demanded that X re-imburse him. Is P entitled to reimbursement from X? Give reasons.

7. L leased Blackacre to T at a rental of \$4800 payable at the rate of \$100 in advance on the first day of each month for a term of four years. When the fourth month's rent became due, T refused to pay, stated that he was getting out, and that he would never pay the rest of the rent. He vacated the premises on the next day. L sued T for the fourth month's rent and for the present value of the remaining ~~four~~ four ~~months~~ rent. What judgment and why?

8. D became insane while prospecting for gold in Alaska and was brought back to Seattle for treatment. He was penniless (or at least appeared to be) and he told anyone who would listen to him that he had been robbed of his Alaska properties. He told P that if P would lend him \$500 to go to Alaska to get back his holdings that he would pay P one fourth the value thereof. P lent him the \$500 and D went to Alaska and successfully recovered his properties which were worth \$60,000. He again lost his mind and the court appointed a committee (guardian) to take charge of his financial affairs. P demanded \$15,000 from D's committee. Is he entitled thereto or to any part thereof? Give reasons.

9. D was an eccentric millionaire and unmarried. He lived at a hotel. P was a widow with two grown children who lived near the hotel. D paid frequent visits to P's home where he ate many home cooked meals. If he came after meals were over something special was always prepared for him. He dropped in whenever he wished just as if it were his home. He could not drive a car, so P's adult children took him on many trips, some social, and some business. He never paid a cent for any of these favors but expressed his appreciation often and said on several occasions that he would see that P was rewarded handsomely for all she had done for him. One afternoon he wrote out and handed P a note for \$25,000 payable one year from date. P expressed amazement, and said that that was a lot of money. D replied, "Not for what you have done for me!" Before the year was up D died. His personal representative refused to pay the note when it matured and P sued him. What judgment and why?

10. P owed D \$7,000 secured by a mortgage on certain land. Several years before the mortgage was due D told P that if he would pay off the mortgage in full he would knock off \$700. P raised the money a few days later by selling the land to X free from the mortgage and went to D's house to pay him the \$6300. D saw him coming and said, "If you have come to pay off the mortgage you are too late, as I have sold it to T for \$6900. D refused the \$6300. P had to pay T the full \$7,000 to clear the title. He then sued D for \$700. What judgment and why?