

Part I: Multiple Choice (Choose the best answer)

1. Sue, a manufacturers' representative for blast equipment wants to lease machinery to Barbara for use in Barbara's manufacturing facility. They negotiate a price and Barbara leases three blast units from Sue. It turns out that the units leased by Barbara are not state-of-the-art since brand new technology is on the horizon. This fact was known to Sue but not to Barbara when they were negotiating the deal. Barbara is obligated for three years under the lease. Dissappointed, Barbara wants to seek redress and claim breach of the duty of good faith. Is Barbara likely to be successful?
 - a) Yes, provided she can show Sue was not honest in fact in the underlying transaction.
 - b) Yes, provided she can show Sue was not honest in fact and did not observe reasonable commercial standards in the trade.
 - c) Yes, provided she can show Sue was not honest in fact and did not observe reasonable commercial standards of fair dealing.
 - d) No.

2. Sally and Bill have done business together for 10 years. Every April, Sally sells Bill 4,000 pounds of jersey red tomatoes for delivery in July. On April 1, 1997, Sally agreed, in a writing signed by Sally and Bill, to sell Bill "jersey red tomatoes for \$.50/pound with delivery no later than July 15, 1997." On April 1, 1997, the market price of jersey red tomatoes was actually \$.75/pound. Sally failed to deliver and on July 15, 1997, the market price for jersey red tomatoes was \$1/pound. In a breach of contract action, how much is Bill likely to recover?
 - a) \$0
 - b) \$1,000
 - c) \$2,000
 - d) \$4,000

3. Sam agreed to sell Bob a small building which was located on Sam's property. Bob wanted the building moved to his own land where it would be used to house equipment for a swimming pool. Sam and Bob agreed that the price of the building would be \$750. They discussed details and shook hands on the deal. When Sam tried to get out of their agreement, Bob claimed breach of contract. Will Sam be able to claim failure to comply with the Statute of Frauds under Article 2 of the UCC as a defense since their agreement was not reduced to writing?
 - a) Yes, provided Bob was responsible for moving the building.
 - b) Yes, provided Sam was responsible for moving the building.
 - c) Yes. It doesn't matter whether Sam or Bob was to move the building.
 - d) No. This transaction represents a sale of realty.

The following facts apply to questions 4 and 5

John and George entered into an agreement where John would supply George's company with a state-of-the-art copy machine. The copy machine had an estimated useful life of 3 years and was valued at \$1500. George agreed to pay John \$150/month for 36 months for the machine, being obligated to keep the machine for the three year period. As part of the arrangement John agreed to service and maintain the machine during that period of time.

4. For purposes of this question, assume that one year into the transaction, the machine developed problems and George was dissatisfied with John's maintenance efforts. George wants to avail himself of the warranty provisions of the UCC. John argues the underlying contract was really one for service so the UCC is not applicable. The court will decide the question. Which judicial approach is likely to work most favorably for John's position?

- a) Analogy approach
- b) Exclusionary approach
- c) Inclusive approach
- d) Policy approach

5. Assume for purposes of this question that George experiences financial difficulties and declares bankruptcy. How is the copy machine transaction likely to be classified?

- a) A sale
- b) A lease
- c) A secured sale
- d) A sale on approval



6. Sam agreed to sell a used television to Bob for \$200. Bob gives Sam \$200 and is to pick up the television at Sam's house two weeks later on December 22nd. When December 22nd rolls around, Sam has the television ready to be picked up but Bob doesn't show. The next day, Sam's house burns down and the television is destroyed. Bob shows up on December 24th and wants his television. What is most likely to happen?

- a) Bob will be out the \$200 because the risk of loss passed to him on December 22nd.
- b.) Sam will have to return the \$200 to Bob because Sam bears the risk of loss.
- c) Sam will have to provide Bob with a replacement for the used television because Sam bears the risk of loss.
- d) The contract will be voided.

Answers to sample questions

1. **d - this relates to the negotiation phase of the agreement**
2. **a - the amount is missing**
3. **b - if Sam is to remove the building it is a sale of goods
2-201 would be applicable and there is no writing**
4. **b - (don't worry, not covered this semester)**
5. **c - no economically meaningful remainder interest**
6. **a - tender of delivery**