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BUSINESS LAW I

Summer Session I - 2019

TAKE HOME FINAL EXAM [redacted]

DIRECTIONS:

This exam consists of four (4) essay questions, each worth twenty-five (25) points. Each answer should contain a complete analysis of the law relied upon to reach your conclusion. Your grade is determined from that analysis with little weight afforded your final conclusion.

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1. Carl, a minor, purchased an automobile from Flex Toyota (Toyota) on August 15, 2018. Carl executed a security agreement to finance part of the balance due on the purchase price, agreeing to pay off the balance in 30 monthly installments on the 15th of each month. On September 25, 2018, Carl turned 18, which was the age of majority. Carl made 2 monthly payments after turning 18, but then decided to disaffirm the contract and stopped making the payments. Carl claimed that he may disaffirm the contract entered into when he was a minor. Is he correct? If so, what would be the effect of his disaffirmance?

2. On May 17, 2018, Brown met with Steele, a loan officer with First Interstate Bank to discuss borrowing $50,000 from the bank to start a new business. After learning that he did not qualify for the loan on the basis of his own financial strength, Brown told Steele that his former employer, West, might be willing to guarantee the payment of the loan. On May 18, 2015, Steele talked to West, who orally stated on the telephone that he would personally guarantee the loan to Brown. Based on this guaranty, the bank loaned Brown $50,000. The bank sent an agreement to West for his signature, but it was never returned to the bank. When Brown defaulted on the loan, the bank filed suit against West to recover on his guaranty. Is West liable? Explain in detail.

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3. Gerry Morris owned a silk screening and lettering shop in Tucson, Arizona, that had a national distribution. On April 11, 2015, Morris entered into a contract to sell the business to Alfred. The contract contained the following covenant not to compete: "Seller agrees not to enter into silk screening or lettering shop business within Tucson and a 300-mile radius thereof, for a period of ten (10) years from the date of this Agreement." Morris opened a silk screening and lettering business three years later in a town approximately 120 miles away. Alfred brought an action against Morris for breach of contract and to enforce the covenant not to compete. Is the contract provision valid and enforceable in this case? What would be the remedy? Explain in detail.

4. Beyer owns a lot and wants to build a house according to a specific set of plans and specifications. She solicits bids from building contractors and receives three bids: one from Carlton for $60,000, one from Friend for $58,000, and one from Shade for $53,000. She accepts Shade's bid. One month after construction of the house has begun, Shade contacts Beyer and informs her that because of inflation and a recent price hike in materials, he will not finish the house unless Beyer agrees to pay an extra $3,000. Beyer reluctantly agrees to pay the additional sum. After the house is finished, however, Beyer refuses to pay the additional $3,000. Discuss fully whether Beyer is legally required to pay the additional $3,000.