

Business Law 1
Proctored Final Examination
Exam Number: 060273

PART A: Answer each of the following questions in a composition of 10 to 20 sentences. Each answer is worth 20 points.

1. Tricia and Troy are starting a pharmacy. After meeting with their attorney and accountant, they decide they want to begin using the simplest form of business organization they can. However, their primary concern is personal liability. They don't want to jeopardize their personal assets for business obligations. They'll also need to obtain financing to get the business started. A few investors have expressed some interest, but they'll invest their money only if they receive some stake in the business or some possibility of return for their investment. The investors want to have no part in running the business and want to be sure they have no liability for business debts. What form of business organization would you recommend? Why? Explain why other forms of business organizations wouldn't meet their needs.
2. Discuss the mirror-image rule, specifically stating what the rule means. Then give a set of circumstances in which the mirror-image rule would apply.
3. Jill and Abraham have a dispute and wish to settle it without litigation. They're considering mediation or binding arbitration. Discuss and compare the features of these two forms of alternate dispute resolution.

PART B: Answer each of the following questions in 2 to 4 sentences. Each answer is worth 5 points.

1. Tinytown passes a law making it a crime to criticize the mayor. Tom objects that the law violates his right to freedom of speech under the U.S. Constitution. Tom sues Tinytown. Will the court rule that Tom can't criticize the mayor? Why or why not?

2. Vicky is acting as Kevin's agent in negotiating an important business deal with Carl. Carl knows that Vicky is acting on Kevin's behalf and as his agent. Vicky agreed only to the terms Kevin gave her the authority to agree to, and Carl agreed to the terms. Later, Carl became upset that the contract wasn't being properly upheld. Whom may Carl hold responsible for any breach in the contract? Why?
3. Larry makes lewd comments about Nicole, his employee, that reasonably annoy and disturb her. Nicole complains to Larry and threatens to sue for sexual harassment. Larry tells her she doesn't have a case because Larry hasn't asked her for sexual favors or touched her inappropriately. Does Nicole have a case? Why or why not?
4. Attorney Jones uses her position of trust to convince her client, Sally, to enter into a contract with Jones that's to Sally's disadvantage. Sally later realizes what has happened and seeks to get out of the contract. What defense should she make against enforcing the contract?
5. Terrence, an adult, enters into a contract with Bobby, a 16-year-old. Before either party changes position, Bobby's parents find out and tell Terrence the deal is off. Can Terrence enforce the contract?
6. Shannon is 27 years old and has lived in a mental institution since she was 18 years old. Fred visits her one afternoon and tells her that, because she has had such a difficult life, he will give her \$10,000. Shannon says she accepts Fred's offer. Fred doesn't follow through. Does a contract exist? Why or why not?
7. Jake thinks he has a sexual harassment claim based on federal law against his employer. Jake resides in Texas, and his employer also resides in Texas. Jake's damages are \$60,000. Can Jake sue in federal court? Why or why not?
8. Jason and Kellen go out for a night on the town. After a few drinks, Jason laughingly tells Kellen that if Kellen asks the waitress out, he will pay him \$1,000. Jason and Kellen have made these types of bargains several times before, and they've never been enforced. Kellen asks the waitress out and asks for the money; Jason declines. If Kellen sues for breach of contract, will he win? Why or why not?