

MONTEREY COLLEGE OF LAW

CONTRACTS

MID-TERM EXAMINATION

FALL 2025

Prof. Wolfrum

Instructions:

There are three (3) questions in this examination: two essays and 26 Multiple-Choice questions.

Answer the multiple-choice questions in Exemplify.

You will be given three (3) hours to complete the examination.

Question 1

Sara emailed Barb on May 1st:

"I am selling the duplex on Rutter Road and the four-plex on Austin Avenue. I am getting out of the real estate business. If you buy both buildings and we use the same real estate broker to represent both of us, I'll give you a 10% discount. I have current appraisals for both properties. Hatter is worth \$400,000 and Barrey is worth \$600,000. I will sell both buildings to you for \$900,000. As part of the deal, you would pay the broker's commission".

On September 4th, Barb replied to Sara and wrote:

"That is a tempting offer to buy Rutter and Austin for \$900,000. I am not sure I can get financing. Is there any chance that you are selling the house where you live on Mayfield? I'd buy the house on Mayfield if you are selling."

The same day, Sara wrote back:

"No, I am not leaving the area, I just don't want the hassle of dealing with renting properties anymore. I am not selling the house on Mayfield."

Barb received Sara's last email on May 20th. Barb found a lender who would give her a loan for \$800,000, and with \$100,000 in cash she was able to buy the two properties on Rutter and Austin.

That same day, using proper postage Barb mailed Sara an acceptance to her address on Mayfield Drive informing Sara that Barb would accept Sara's offer to sell the duplex and four-plex for \$900,000. Sara received Barb's letter on May 27th.

Unbeknownst to Barb, Sara, having not heard from Barb had signed a contract to sell the duplex and four-plex to Ron for \$950,000 on May 26th.

On May 28th, Barb found out that Sara had sold the duplex and four-plex to Ron. On June 1st, Sara called Barb and told her she had sold the properties to Ron. Barb was upset and Sara said, "You left me without an answer, I'm sorry, but Ron offered me \$50,000 more."

Was there a contract between Barb and Sara for the sale of the properties? Discuss.

Question 2

Bart comes to your office on October 1st asking you to advise him on the following:

A few months ago, on August 1st Bart decided he wanted to buy equipment to open a side business as a DJ. Bart's friend had offered to pay Bart for being the DJ at his upcoming wedding.

Bart found an on-line store called DJ Maxx where he could buy all the equipment he needed for his first gig. The equipment cost \$5,500 to be delivered August 10th. As an incentive to make the sale, DJ Maxx allowed buyers 30 days to pay.

Bart signed an on-line sales contract containing a description of the equipment and the price. On the bottom of the form, there was a pre-printed line that said,

"THIS CONTRACT IS FINAL. CHANGES MUST BE IN WRITING AND SIGNED BY THE SELLER"

On August 5th, Bart saw an ad for the essentially the same DJ equipment for \$1,000 less. Bart emailed DJ Maxx and a sales rep called him back.

Bart told the sales rep he had seen the same equipment for \$1,000 less. The sales rep said, "Well we don't do price matching. You signed a contract with us for \$5,500. Still, we want our customers to be happy, so we'll take \$500 off the price". Bart told the sales rep he was glad to get \$500 off and they ended the call.

Bart received the equipment on August 10th. Bart paid \$5,000 before the due date.

On September 15th Bart received an email from DJ Maxx:

"Please pay \$500 immediately. Your balance is past due."

Bart called DJ Maxx and talked to another sales rep who said, "I wish I could help you, but in our system, your contract was for \$5,500 and there is no note about a discount". The sales rep added, "If you didn't get confirmation of the discount, management won't let me do anything for you," and hung up.

Bart was angry, but he paid DJ Maxx \$100 writing in the memo of the check "For Full Payment". DJ Maxx cashed the check. Bart then received another email from DJ Maxx asking for the \$400 they claimed he still owed.

What advice would you give Bart? Why? Consider all possible arguments DJ Maxx might use to support their claims.

You may assume there was a valid offer, acceptance, and adequate consideration.

ANSWER OUTLINE

Contracts Midterm

Fall 2025

Professor Wolfrum

Contracts

Midterm Fall 2024

Question 1 Answer Outline

- I. Governing law: Common Law
- II. Offer – a promise to do or not do something
 - a. Intent of the parties
 - b. Terms of the transaction
 - c. Communication of offer
- III. Offer Open – open for acceptance until it is revoked/terminated
 - a. Revoked: An offer is revocable until:
 - i. Acceptance
 - ii. Mailbox rule
 - iii. Consideration to keep an offer open from potential buyer to seller
 - b. Terminated
 - i. Time lapse – specified time, offer was open until 5/30
 - ii. Rejected – a counter-offer acts as a rejection of the original offer
 - 1. This was not a counter-offer it was an offer for a different transaction
 - 2. Offer for a different transaction was rejected by seller
 - 3. Original offer still stands and remained open
- IV. Acceptance
 - a. Voluntary act of unequivocal assent to each and every term, communicated back to the offeror
 - b. Mailbox Rule
 - i. Acceptance effective upon proper dispatch: Barb sent the acceptance on 5/20
 - c. Sara and Ron enter into an agreement on 5/26
 - i. Sara notified Barb the house had been sold on 5/1
- V. Consideration
 - a. Consideration is a bargained for exchange
 - b. Price named
- VI. Statute of Frauds
 - a. Certain contracts must be in writing to satisfy the Statue of Frauds including contracts for the sale of real property
 - b. This offer was in writing and satisfies the Statue of Frauds

Contracts

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Question 2 Answer Outline

- I. Governing Law: UCC – Sale of Goods
- II. Original contract
 - a. Statute of Frauds – particular contracts require a writing of material terms of a contract, signed by the party against whom enforcement is sought. Sale of goods here is over \$500
 - b. No modification clause
 - i. UCC provisions may be waived
- III. Modification – A modification clause requires new consideration, except:
 - a. UCC – as long as it is done in good faith. Two requirements:
 - i. Consistent with fair dealing in trade
 - ii. Honest desire to compensate for exigencies
 - b. Statute of Frauds – oral agreement is permitted if under \$500
- IV. Accord and Satisfaction not the same as modification
 - a. Two requirements:
 - i. Unliquidated/Disputed Debt
 - ii. Communicated as an accord and satisfaction
 - b. Cashing check discharges debt and accepts accord
 - c. Significance of request for an additional \$400

1)

S - Sara

B - Barbara

Governing Law — good start

Article 2 of the Uniform Commercial Code governs all contracts concerning goods. Goods are items that are movable at the time they are identified for sale. The sale for anything except goods is governed under the common law. Since this sale concerns real property, common law will govern great

Was a Valid Offer Made by Sara?

A contract is formed when mutual assent manifests in an offer and acceptance, is supported by consideration, and is absent any defenses to formation perfect

An offer is an expression of a promise, undertaking, or commitment, in clear and definite terms, expressing a parties intent to enter into a bargain, and which is expressed to the offeree. The terms of the offer should include the parties to the contract, the subject matters, price, and time. If there are missing terms, they will be implied into the agreement so long as they can be reasonable determined and are consistent with the parties intent. yes, you hit all the points

Here, Sara wrote to B offering to sell her two properties, one on Rutter Rd and another on Austin Avenue. She stated the price of \$900,000, offering her a 10% discount if they used the same broker, and stipulated that B would be responsible for paying the broker's commission. She failed to mention the time the offer would conclude but we can infer a reasonable amount of time. yes!

Since S expressed a clear and definite desire to enter into a bargain with B and identified subject matter, parties, and we can infer a reasonable amount of time for the offer to be open, S made an off to B for the Rutter and Austin properties.

Was the Offer Terminated or Revoked by B

An offer may be terminated by lapse of time, death or incapacity of either party, *good* destruction or illegality of subject matter, failure to meet conditions of an offer, revocation, or by counteroffer. In this instance, the offeree loses the power of acceptance to the original offer.

Here, B responded to the offer and admitted that, while it was tempting, she did not think she could get financing. She then inquired about the S's Mayfield house and claimed she would buy it if it was for sale. A counteroffer will be deemed an acceptance as long as the inquiry is not conditioned on a rejection of the offer. It needs to make clear that they *yes* offeree still intends to accept the offer despite the inquiry for alternate consideration.

Here, B made no such statement. Instead she made it clear to S that acceptance of the offer was highly improbable and that her interests were in S's other property anyway. *yes you could see it that way*

Since a counter offer acts as a rejection to the offer, B lost her power of acceptance when she replied to Barbs initial email. *→ perhaps*

Did Barb Eventually Accept?

An acceptance is an *voluntary* ~~involuntary~~ act of unequivocal acceptance to the exact terms of an offer, communicated to the offeror by reasonable means unless otherwise specified.

After securing financing, B attempted to accept to the exact terms of the offer by mailing an unequivocal assent to the exact terms of S's offer. Per the mailbox rule, acceptance is effective upon dispatch. Had she not previously made the counteroffer via email, this *yes*

posted letter would have acted as an acceptance but, as previously noted, she did not have the power of acceptance to do so.

Was There Consideration?

Consideration is the bargained for exchange, for something of legal value, between two parties that typically constitutes a benefit to the promisor, and a detriment to the promisee which is in reciprocal conventional inducement, each for the other. *yes*

Here S offered B both the house on Rutter and Austin Ave in exchange for \$900,000. minus 10% if using the same broker, plus broker's commission fees.

Therefore, had there been an open offer and valid acceptance, consideration for the contract would have been substantiated.

The Statute of Frauds Requirement

The Statute of Frauds requires that some contract be in writing, stating their terms, and be signed by the defending party. The purpose of this is to reduce fraud and to promote reflection in the parties as to the gravity of entering into the contract. These contracts include ones in which marriage is consideration for a promise, contracts that will take a year or more to perform, Contracts concerning land, contract for executors and administrators, contracts for the sale of goods over \$500, and suretyships.

This shows a good grasp of the concept

Here, this contract in the making was for land and thus would have been required to be in writing and signed by B if S was going to bring action for breach. S's signed original email would have sufficed *yes*

A contract Between Barb and Sara Did Not Exist

As previously mentioned, Barb lacked the power of acceptance and this was unfortunately her own doing. Contract law does not attempt to infer or deduce one's intentions. It was

incumbent on Barb to make clear to S that she had interest in the properties when the offer was made to her. Having not done S was free to make a contract with, and sell the properties to Ron

2)

Outline

Applicable Law: UCC

Contract Formation: Accept facts - do not address

Statute of Frauds: MYLEGS - Yes

Contract Modification:

- In good faith
- Address exigencies
- Verbal agreements allowed under UCC if less than \$500 SoF

Accord & Satisfaction

- Payment of additional \$100 reduces debt to less than \$500
- DJ cashed the check

Conclusion

I. Governing Law

The Uniform Commercial Code (UCC) governs contracts for the sales of goods. Any other contracts, namely services, land, real estate, are subject to Common Law rules.

Here, the transaction is for the sale of DJ equipment, which meet the definition of goods, and therefore the UCC law applies. *yes*

II. Contract Formation

In order to have a valid and enforceable contract the following elements are required: (1) offer; (2) acceptance; (3) consideration.

Here, the facts indicate there is a valid Offer, Acceptance and Consideration. *yes good*

III. Statute of Frauds

Statute of Frauds (SoF) requires that certain types of contracts be done in writing. Those are contracts for: (1) marriage; (2) those lasting longer than a year to perform; (3) sale or lease of land; (4) entered by executors; (5) surety; and (6) sales of goods greater than \$500. *yes*

Here, the transaction is for the sale of equipment valued at \$5,500 and therefore subject to the SoF. Bart signed an online contract for the purchase of the equipment. The SoF requirement was met. *yes*

DJ Maxx will argue that, even if the contract modification (addressed below) was valid, the reduction of the contract price to \$5,000 and the \$500 discount would be subject to SoF, which was not met. *good observation*

Conclusion: the SoF applies to the original contract and the modified amount. The initial contract was properly documented in accordance with the SoF requirements. The subsequent modification was not done in writing, which present a problem for Bart (further discussed below). *great*

IV. Contract Modification

Under UCC law, contract modifications require additional consideration. However, the UCC also allows for a contract to be modified, if the modification is done in good faith and under normal business practices. Further, UCC also allows for oral modifications, even when contract include a merger clause. A merger clause is intended to denote the contract is fully integrated, containing all terms and conditions, and does not allow for changes.

The initial contract agreement was for the purchase of the DJ equipment in the amount of \$5,500 to be delivered on August 10th and allowing for payment within 30 days. The contract included a merger clause that indicated: "This contract is final. Changes must be in writing and signed by the seller".

Here, when Bart found another store offering the same equipment for \$1,000 less, he contacted DJ Maxx. DJ Maxx indicated they do not have an offer price matched but offered to split the difference, \$500, which is a reasonable business practice. Bart agreed. This agreement was done orally and not in writing.

DJ Maxx would argue the contract clearly did not allow for modifications unless done in writing and signed by them. Additionally, the \$500 discount needed to be done in writing in accordance with the SoF, which was done properly done either.

However, until this point, both parties have acted and negotiated in good faith.

Conclusion: the price change is likely valid under the UCC because, although the agreement was done orally, the parties re-negotiated the contract under normal business practices and in good faith. Furthermore, consider the matter of accord and satisfaction discussed below.

V. Accord and Satisfaction

Satisfaction and accord is a valid agreement where parties modify a debt or amount owed. *yes*

Here, DJ Maxxx claimed Bart still owed \$500 for the unpaid balance in the equipment sold. Bart send a check for \$100 and included a note stating: "for full payment". DJ Maxx cashed the check.

By cashing the check, DJ Maxx agreed to the satisfaction and settlement of the debt.

Conclusion: satisfaction and accord applies and the debt was satisfied. *grat*

VI. Conclusion

call of the question
Advice to Bart would be that he does not have further contractual liability with DJ Maxx. He should have obtained the loan modification in writing to satisfy the Statute of Frauds requirements but the subsequently reached an satisfaction and agreement with DJ Maxx, per UCC rules, when DJ Maxx cashed his \$100 check.

END OF EXAM
