

BUSINESS ASSOCIATIONS

Professor John Orcutt
Spring Semester 2007

MIDTERM EXAMINATION – IN CLASS**INSTRUCTIONS:**

1. This is a closed-book examination. You may not bring any materials to the examination with the exception of ESL students who are allowed to bring and use a Home Language/English dictionary.
2. This is a 60-minute examination and is worth 60 points. The examination consists of 2 essay questions worth 30 points each.

It is your responsibility to apportion your time appropriately amongst the questions. If you base your time on the possible points per question, the time apportionment should be 30 minutes per question.

3. The grading of examinations is anonymous. So, you must write your examination number on the examination and your blue book. **YOU MAY NOT WRITE YOUR NAME ON ANYTHING – YOU MAY ONLY USE YOUR EXAM NUMBER.**
4. Please write your answers in a blue book. Remember to write your examination number on your blue book. The only answers that will be graded are the answers written into a blue book. While you are free to use scratch paper, answers written on scratch paper, or anything else other than a blue book, will not be read and will not be counted for any credit. Please write only on the front side of the pages in the blue book. Please remember that organization, persuasiveness, neatness and legibility all count in determining your grade on the essay answers. To improve the organization of an answer, you may wish to quickly outline the answer on a separate sheet of paper prior to writing your full answer in the blue book.
5. I have tried my best to write and proofread the exam so that there are no distracting typos or other errors – but, I may not have been totally successful. If you believe there is a typo or other error that makes it difficult to answer a particular question, please provide your best answer and explain any assumption you used to answer the question.

Good luck on the examination!

**DO NOT TURN TO PAGE 2 UNTIL THE PROCTOR TELLS YOU
TO BEGIN**

ESSAY QUESTIONS

The essay questions are worth 30 points each. 30 minutes per question is suggested.

ESSAY QUESTION NO. 1:

Bert and Ernie were 50/50 partners in a florist business called Sesame Partners. The partnership agreement was silent regarding their respective management rights in the partnership. Unfortunately, the relationship between Bert and Ernie began to deteriorate and the two partners had trouble agreeing on anything. Please consider the following:

Shortly after the formation of the partnership, Sesame Partners authorized Ernie to negotiate a contract with Grover Inc. to purchase roses from Grover. Ernie entered into the contract as instructed. The Grover contract included a clause that allowed Sesame Partners to cancel the contract upon 30 days prior written notice. Bert believes that Sesame Partners could get roses from a cheaper source and wants to cancel the contract. Ernie has patently refused to cancel the Grover contract. Tired of the discussion, Bert sent Grover a written notification on January 1st that Sesame Partners was canceling the contract. Ernie told Grover not to worry about Bert. Grover continues to deliver roses to Sesame Partners and Ernie continues to accept them.

Grover sent an invoice to Sesame Partners for roses delivered after February 1st. Bert has refused to pay the bill saying that Sesame Partners properly cancelled the contract. Is Bert correct in saying that Sesame Partners properly cancelled the contract? Please analyze.

ESSAY QUESTION NO. 2:

Paula comes from a wealthy family, but has recently suffered some financial difficulties. In order to obtain some much needed cash, Paula hired Ann as her agent to sell a valuable diamond necklace that had been in her family for generations. Paula is embarrassed about her financial troubles, so she instructed Ann not to disclose Paula's identity when selling the diamond. Paula specifically told Ann to simply state that she is selling the diamond on behalf of another.

Ann did as she was directed and entered into a contract with Theresa to sell the diamond necklace to Theresa. After the contract was entered into, but prior to its performance, Paula decided she no longer wanted to sell the necklace and refused to perform. At that point, Theresa learned of Paula's identity. Theresa would like to sue for breach of contract. Please analyze Theresa's options.