

FINAL EXAMINATION
SALES
PROFESSOR G. FLINT

ESSAY
PLEASE READ CAREFULLY

ALL ANSWERS ARE TO BE WRITTEN ON THE BLUE BOOKS PROVIDED WITH THIS EXAM. BE SURE TO NUMBER EACH RESPONSE.

There are three questions (time and percent indicated). The Time for completing the examination is two hours.

1. This examination is "open book". You may use your casebook, statutory supplement, and class notes. Use of calculators and cleansed laptops is permitted.
2. **Be sure to answer the specific question that is asked. No question calls for a general recitation about a topic from your notes.** Information supplied relating to general material from your notes or some unasked question will not increase your score and consumes your time needed to answer the asked questions.
3. If additional facts are necessary to resolve an issue, specify what additional facts you believe to be necessary and why they are significant. You may not make an assumption that changes or contradicts the stated facts.
4. Quality, not quantity, is desired. Think through and briefly outline your answer before you begin to write.
5. Write legibly. Be sure to formulate your answers in complete sentences and paragraphs with proper grammar. Failure to do so will result in an appropriately lower score.
6. Do not seek an interpretation of language in the question from anyone. If you sense ambiguity or typographical error, correct the shortcoming by shaping the question in a reasonable way and by recording your editorial correction in your answer.

Under the Honor Code, when you turn in this examination, you affirm that you have neither given, received, nor obtained aid in connection with this examination, nor have you known of any one so doing. If you cannot make this affirmation, you shall note such fact on your examination and must immediately advise the Dean of the reason therefore.

I. (33 ½ %--40 Minutes)

Davis Flint, an oil driller, wants to purchase an offshore drilling rig but lacks sufficient funds for a direct purchase. His lender, Stephen Jewell National Bank, will lend the moneys as follows. Stephen Jewell National Bank will purchase the oil rig from John Hartt Manufacturing Co. pursuant to a sales agreement containing the usual warranties as to performance and quality of the oil rig. Stephen Jewell National Bank, before purchasing, will have Davis Flint examine the sales agreement before the purchase, make appropriate suggestions for modifications to the sales agreement, and inspects the oil rig, all before Stephen Jewell National Bank signs the sales agreement. Before the purchase, Stephen Jewell National Bank and Davis Flint will enter into a lease for Davis Flint to lease the oil rig, with the rental payments designed to equal the amount of loan payments at 10 % interest had the transaction been a loan and with a hell or high water provision under which Davis Flint will pay the rents no matter what, even if the oil rig is destroyed. Before executing the lease agreement, but after many exchanges of letters mentioning negotiation changes to the agreement, Davis Flint took delivery of the oil rig, briefly inspected it, and started using it. The oil rig did not work as Davis Flint expected, however, it performed as the warranties in the sales agreement specified. Davis Flint decided to reject the oil rig and send it back to John Hartt Manufacturing Co. and has stopped all payments to Stephen Jewell National Bank, which has yet to pay John Hartt Manufacturing Co. for the oil rig.

Stephen Jewell, president of Stephen Jewell National Bank has entered your office at Suem and Stickem, P.C., seeking advice on what their rights and obligations under this transaction are so that they may respond appropriately to the demand of John Hartt Manufacturing Co. for payment of the price. What is your advice? Be sure to provide reasons and support such as relevant code sections, regulations, and case law.

II. (33 ½ %--40 minutes)

Arunah Hubbell, an oil driller, wants to purchase an offshore drilling rig. Arunah Hubbell will purchase the oil rig from Moses Smith Manufacturing Co. pursuant to an installment sales agreement containing the usual warranties as to performance and quality of the oil rig. Before purchasing, Arunah Hubbell examined the proposed sales agreement, made appropriate suggestions for modifications to the sales agreement, and inspected the oil rig. After many exchanges of letters mentioning the negotiation changes to the sales agreement, Arunah Hubbell took delivery of the oil rig, briefly inspected it, and started using it. The oil rig did not work as Arunah Hubbell expected, however, it performed as the warranties in the sales agreement specified. Arunah Hubbell decided to reject the oil rig and send it back to Moses Smith Manufacturing Co. and has stopped all payments to Moses Smith Manufacturing Co. for the oil rig.

Arunah Hubbell has entered your office at Suem and Stickem, P.C., seeking advice on what their rights and obligations under this transaction are so that they may respond appropriately to the demand of Moses Smith Manufacturing Co. for payment of the price. What is your advice? Be sure to provide reasons and support such as relevant code sections, regulations, and case law.

III. (33 ½ %--40 minutes)

Otha Gasaway, a Texas oil driller, wants to purchase an offshore drilling rig. Otha Gasaway will purchase the oil rig from Marcelino Villarreal, a manufacturer in Lampasos, Nuevo Leon, Mexico, pursuant to an installment sales agreement containing the usual warranties as to performance and quality of the oil rig. Before purchasing, Otha Gasaway examined the proposed sales agreement, made appropriate suggestions for modifications to the sales agreement, and inspected the oil rig. After many exchanges of letters mentioning the negotiation changes to the sales agreement, Otha Gasaway took delivery of the oil rig, briefly inspected it, and started using it. The oil rig did not work as Otha Gasaway expected, however, it performed as the warranties in the sales agreement specified. Otha Gasaway decided to reject the oil rig and send it back to Marcelino Villarreal and has stopped all payments to Marcelino Villarreal for the oil rig.

Marcelino Villarreal has entered your office at Suem and Stickem, P.C., seeking advice on what his rights and obligations under this transaction are so that he may respond appropriately to Otha Gasaway's refusal to pay the price. What is your advice? Be sure to provide reasons and support such as relevant code sections, regulations, and case law.