

Tony Drexel, a 16 year old of average mental ability, enters into a contract with Nick Biddle, owner of a blacksmith shop in Bull Chip, Texas-a town of 1,800 in the barren Texas panhandle. Tony is to receive training and room and board in exchange for helping Nick shoe horses. The contract is on a pre-printed form drawn up entirely by Nick and contains six pages of numbered paragraphs some of which are shown below:

I, Tony Drexel, as a condition for any training and employment received and for the valuable sum of \$1.00, agree to the following conditions of employment:

1. I shall pay to Nick Biddle the sum of \$400.00 per month to cover room and board expenses.
2. I agree that I shall not establish any business that involves shoeing horses within 40 miles from Nick Biddle's shop for a period of one year after leaving the employ of Nick Biddle.

At the end of the contract is paragraph #40:

40. This written agreement represents the entire contract between the parties.

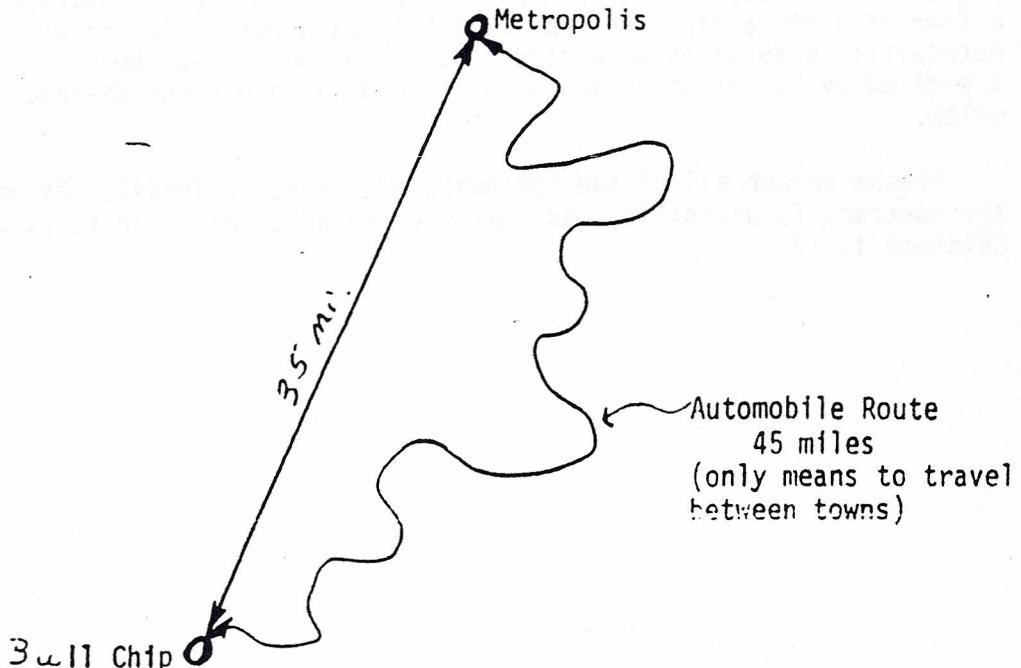
Tony spends approximately three minutes reading the contract and signs it. Although the contract was drafted by Nick in Texas, it was signed by both parties in an Oklahoma hospital where Nick was recovering from an injury suffered while attempting to shoe a mule he mistakenly thought was a horse.

Tony works for Nick for one year without making any payments for room and board, and decides to open his own blacksmith shop in Metropolis, Texas, a town of 3,500 a distance from Bull Chip as shown on the attached map. Metropolis is 35 miles on a direct line from Bull Chip, but can only be travelled by car or horseback on back roads at a minimum distance of 45 miles.

Please answer all of the following questions in detail. Assume that the contract is divisible, and that the age of majority in Texas and Oklahoma is 18.

1. Assume that the common law of Texas allows for a minor's avoidance of all contracts but necessaries and that the law of Oklahoma is unique in the fact that it allows a minor to avoid all contracts without making restitution. Assume that Nick Biddle was to make a 20% profit on Tony's room and board. In a suit in a Texas court by Nick to recover the payment of \$4,800.00 (\$400/month x 12 months-in case you couldn't figure it out), Tony seeks to defend by claiming the contract is totally voidable as per Oklahoma law. Is his defense valid? If not, what can Nick recover? Explain. Assume that Tony received no salary or compensation for the year of employment.
2. Nick seeks an injunction to prevent Tony from opening a blacksmith shop in Metropolis on the basis of paragraph 2 of the contract. Decide this issue in favor of either party without regard to the issue of Tony's minority, and explain your answer.
3. For the sake of this question only, assume that the following clause appears in the contract:
 39. Should Tony Drexel breach any provision of this contract, he shall be liable to Nick Biddle for the sum of \$15,000.00 as liquidated damages.

Nick alleges that Tony owes him \$15,000.00 as per paragraph 39 of the contract. Without regard to the fact that Tony is a minor, and regarding this legal issue only, should Nick be entitled to the \$15,000.00? Explain. Assume that this is the only remedy sought by Nick; ie., Nick is not seeking an injunction or the \$4,800.



Number 2 (Estimated time—10 to 15 minutes)

Question Number 2 consists of 15 items. Select the **best** answer for each item. Use a No. 2 pencil to blacken the appropriate ovals on the Objective Answer Sheet to indicate your answers. **Answer all items.** Your grade will be based on the total number of correct answers.

On December 15, Blake Corp. telephoned Reach Consultants, Inc. and offered to hire Reach to design a security system for Blake's research department. The work would require two years to complete. Blake offered to pay a fee of \$100,000 but stated that the offer must be accepted in writing, and the acceptance received by Blake no later than December 20.

On December 20, Reach faxed a written acceptance to Blake. Blake's offices were closed on December 20 and Reach's fax was not seen until December 21.

Reach's acceptance contained the following language:

"We accept your \$1,000,000 offer. Weaver has been assigned \$5,000 of the fee as payment for sums owed Weaver by Reach. Payment of this amount should be made directly to Weaver."

On December 22, Blake sent a signed memo to Reach rejecting Reach's December 20 fax but offering to hire Reach for a \$75,000 fee. Reach telephoned Blake on December 23 and orally accepted Blake's December 22 offer.

Required:

a. **Items 61 through 67** relate to whether a contractual relationship exists between Blake and Reach. For each item, determine whether the statement is True **(T)** or False **(F)** and blacken the corresponding oval on the Objective Answer Sheet.

61 Blake's December 15 offer had to be in writing to be a legitimate offer.

62 Reach's December 20 fax was an improper method of acceptance.

63. Reach's December 20 fax was effective when sent.

64 Reach's acceptance was invalid because it was received after December 20.

65. Blake's receipt of Reach's acceptance created a voidable contract.

66. Reach's agreement to a \$1,000,000 fee prevented the formation of a contract.

67. Reach's December 20 fax was a counteroffer.

b. **Items 68 through 72** relate to the attempted assignment of part of the fee to Weaver. Assume that a valid contract exists between Blake and Reach. For each item, determine whether the statement is True or False. On the Objective Answer Sheet, blacken **(T)** if the statement is True or **(F)** if the statement is False.

68. Reach is prohibited from making an assignment of any contract right or duty.

69. Reach may validly assign part of the fee to Weaver.

70. Under the terms of Reach's acceptance, Weaver would be considered a third party creditor beneficiary.

71. In a breach of contract suit by Weaver, against Blake, Weaver would not collect any punitive damages.

72. In a breach of contract suit by Weaver, against Reach, Weaver would be able to collect punitive damages.

c. **Items 73 through 75** relate to Blake's December 22 signed memo. For each item, determine whether the statement is True **(T)** or False **(F)** and blacken the corresponding oval on the Objective Answer Sheet.

73 Reach's oral acceptance of Blake's December 22 memo may be enforced by Blake against Reach.

74. Blake's memo is a valid offer even though it contains no date for acceptance.

75. Blake's memo may be enforced against Blake by Reach.

(continued)