

Contracts II
Professor Keith A. Rowley
William S. Boyd School of Law
University of Nevada Las Vegas
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Sample Exam Question #6

On May 1, 2003, Shaggy agreed to purchase The Mystery Machine from Fred for \$20,000. Shaggy and Fred further agreed that Shaggy would pay Fred the full \$20,000 purchase price on or before July 1, 2003, and that Fred would, upon receipt of the full purchase price from Shaggy, transfer title to The Mystery Machine to Shaggy.

- A. Which of the following statements or acts by Shaggy would constitute an anticipatory repudiation of his promise to Fred?
1. On June 1, 2003, Shaggy told Fred, "I recently lost my job at The Malt Shoppe, and I am not sure I'll be able to pay you the entire \$20,000 by July 1st."
 2. On June 1, 2003, Shaggy told his friend Velma, "I know Fred is planning to use the money I promised to pay him for The Mystery Machine to travel to Europe with Daphne. I'm sick and tired of him ending up with the girl and me ending up with the dog. I'm not going to pay him anything. The Mystery Machine is nothing but a rickety old house anyway."
 3. On June 1, 2003, Shaggy told Fred, "I have thought this over, and I am not going to pay you the money I promised you. How about a 'Scooby Snack' instead?"
 4. On June 1, 2003, Shaggy told Fred, "The more I think about, the more I am convinced that you are asking too much for The Mystery Machine. Would you agree to sell it to me for \$15,000, instead of \$20,000?"
- B. Assuming that Shaggy's statement constituted an anticipatory repudiation of his promise to Fred, which of the following actions was Fred entitled to take in response to Shaggy's repudiation? Please explain.
1. Do nothing, hoping that Shaggy would, in fact, perform as and when promised.
 2. Urge Shaggy to reconsider and to perform as and when promised.
 3. Cancel the contract and retain The Mystery Machine.
 4. Sell The Mystery Machine on June 24th to Mr. Greeley for \$15,000 and sue Shaggy for \$5,000.

- C. Suppose that, in order to sell The Mystery Machine to Shaggy “free and clear” of any liens or other impediments of title, Fred had to pay off the last \$5,000 he owed Gomez and Morticia Addams, from whom Fred bought The Mystery Machine 18 months earlier, and to obtain a release of lien from the Addamses and file it in the county personal property records. In light of Shaggy’s statement, did Fred have to go ahead and pay off the loan that was not otherwise due to be paid off until December 31, 2003? Please explain.
- D. Suppose, instead, that Fred telephoned Shaggy on June 3, 2003 and asked Shaggy for assurances, no later than June 10th, that Shaggy would have the \$20,000 to purchase The Mystery Machine by July 1st. Assuming that Fred had reasonable grounds to demand adequate assurances from Shaggy that he would perform as and when promised, did Fred’s June 3, 2003 phone call constitute a proper request for assurances?
- E. Suppose, instead, that Fred faxed Shaggy on June 3, 2003 and asked Shaggy for assurances, no later than June 10th, that Shaggy would have the \$20,000 to purchase The Mystery Machine by July 1st. Assuming that (1) Fred had reasonable grounds to demand adequate assurances from Shaggy that he would perform as and when promised, and (2) Fred’s June 3, 2003 fax constituted a proper request for assurances, which of the following statements or acts by Shaggy, standing alone, would satisfy Fred’s request?
1. In response to Fred’s June 3, 2003 fax, Shaggy called Fred the next day and told him “I’ll do everything I can to make sure that I have the money by July 1st.”
 2. On June 10, 2003, Fred received a letter from First National Bank of Squaresville informing Fred that the Bank would guarantee Shaggy’s promise to pay Fred \$20,000 on or before July 1, 2003, to purchase The Mystery Machine.
 3. On June 14, 2003, Shaggy called Fred to tell him “I just got off the phone with my financial adviser, who was on vacation all of last week, and I told her to sell some of the stocks I bought with the money I inherited from Uncle Bob. She said it would take a couple of days to get me a check, but I will have your \$20,000 before July 1st.”
 4. On June 30, 2003, Shaggy showed up at Fred’s house with \$20,000 in cash to purchase The Mystery Machine.