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| *Indicate whether the statement is true or false.* |

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| 1. ​Privity of contract establishes the basic concept that third parties have no rights in contracts to which they are not parties.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 2. The person to whom rights in a contract are assigned is the *assignor*.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 3. An assignee has a right to demand performance from the obligor.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 4. In a bilateral contract, a party who makes a promise that benefits a third party is a *promisor*.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 5. An assignee’s rights are subject to any defenses that the obligor has against the assignor.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 6. A transfer of contract rights to a third party is an assignment.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 7. In an assignment, the party assigning the rights to a third party is the *assignee*.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 8. In an assignment, the assignee obtains only those rights that the assignor had.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 9. A right can be assigned even if the assignment will significantly alter the risks or duties of the obligor.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 10. As long as a contract is personal in nature, all rights under the contract can be assigned.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 11. *Alienation* is a transfer of land ownership.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 12. All rights can be assigned.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 13. An insurance policy is an example of a right that can be assigned.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 14. Rights to receive funds can be assigned.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 15. An assignment of rights in real estate often cannot be prohibited.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 16. In most cases, a contract that prohibits its assignment can still be assigned.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 17. Giving notice is legally necessary to establish the validity of an assignment.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 18. Contract duties are not assigned—they are delegated.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 19. A special form is required to create a delegation of duties.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 20. The assignment of the same contract right to two different parties automatically cancels both assignments.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 21. A delegation relieves the party making it of the obligation to perform.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 22. All that a delegator needs to do to make a delegation effective is to express an intention to make the delegation.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 23. There are no exceptions to the rule that any duty can be delegated.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 24. No contract can prohibit delegation of the duties of the contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 25. An “assignment of all rights” creates an assignment of rights but not a delegation of duties.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 26. An intended beneficiary can sue directly to enforce a promisor’s promise.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 27. The rights of a third party beneficiary under a contract vest if the third party materially changes his or her position in justifiable reliance on the promise.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 28. An intended third party beneficiary cannot enforce the contract against the original parties once the rights of the third party have vested.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 29. Expressly designating a third party as a beneficiary in a contract does not indicate whether the beneficiary is intended or incidental.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 30. If a third party has the right to control the details of contract performance, the third party is an *incidental* beneficiary.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 31. A third party’s right to control the details of performance of a contract indicates that the third party is an *intended* beneficiary.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 32. Both intended and incidental beneficiaries acquire legal rights in a contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 33. A *donee beneficiary*is any third person who receives a benefit from a contract even though that person’s benefit is not the reason the contract was made.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 34. An incidental third party beneficiary cannot sue to enforce the contract because the benefit is unintentional.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 35. If a contract requires that performance be rendered directly to a third party, the third party is an *intended* beneficiary.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| *Indicate the answer choice that best completes the statement or answers the question.* |

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| 36. ​Forrest makes and sells furniture. Forrest and Glenda enter into a contract for the delivery of Forrest’s products to Glenda’s Gear retail locations for which she agrees to pay the invoiced price. Forrest transfers the right to payment under the contract to Haulers Trucks & Trailers. This transfer is   |  |  |  | | --- | --- | --- | |  | a. | ​a delegation. | |  | b. | ​an assignment. | |  | c. | a third party beneficiary contract.​ | |  | d. | ​prohibited. | |

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| 37. Regional Steel, Inc., and Overland Transport Company enter into a con-tract.  Smooth Oil Corporation, which will indirectly benefit from the deal, is prevented from having rights under the contract by the principle of   |  |  |  | | --- | --- | --- | |  | a. | assignment. | |  | b. | delegation. | |  | c. | privity. | |  | d. | vesting. | |

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| 38. John enters into a contract with Katie’s Coin-op Laundry to move a suite of dryers from one of Katie’s locations to another. John subsequently transfers this duty to Loren. Loren is   |  |  |  | | --- | --- | --- | |  | a. | a delegatee. | |  | b. | an obligee. | |  | c. | an obligor. | |  | d. | an assignee. | |

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| 39. James and MaryElise enter into a contract. James agrees to mow MaryElise’s yard every week for the summer. MaryElise is   |  |  |  | | --- | --- | --- | |  | a. | theobligor. | |  | b. | theobligee. | |  | c. | theassignee. | |  | d. | theassignor. | |

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| 40. James and MaryElise enter into a contract. James agrees to mow MaryElise’s yard every week for the summer. MaryElise is   |  |  |  | | --- | --- | --- | |  | a. | a delegation. | |  | b. | an assignment. | |  | c. | prohibited. | |  | d. | a third-party beneficiary contract. | |

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| 41. Revenue & Sales Corporation and Software Solutions, Inc., enter into a contract for the design of custom software for which Revenue & Sales agrees to pay $4,500. Software Solutions transfers the right to payment under the contract to Creditline Company. Creditline is   |  |  |  | | --- | --- | --- | |  | a. | an assignor. | |  | b. | an assignee. | |  | c. | anobligee. | |  | d. | a delegatee. | |

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| 42. Merry Music Inc. and Nayda enter into a contract for Nayda to write six songs for which Merry Music agrees to pay her. Nayda transfers her right to payment under the contract to Omni Artists Agency. In the transfer of rights, Nayda is   |  |  |  | | --- | --- | --- | |  | a. | a delegator. | |  | b. | an assignor. | |  | c. | an obligor. | |  | d. | a third party beneficiary. | |

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| 43. Will owes Jenny $1,000. Brad owes Will $1,000. Will unconditionally assigns his rights to Jenny. Will’s right to the $1,000 is then   |  |  |  | | --- | --- | --- | |  | a. | unchanged. | |  | b. | extinguished. | |  | c. | incidental. | |  | d. | assigned to a court. | |

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| 44. Richly Retail Outlets, Inc., contracts with Stand-Rite Contractors to build a store. Stand-Rite assigns the contract to Town Builders, which has a poor record of completing projects. Richly could most successfully argue that the contract cannot be assigned because   |  |  |  | | --- | --- | --- | |  | a. | Richly did not consent to the assignment. | |  | b. | Richly did not receive adequate consideration for the assignment. | |  | c. | the assignment will materially increase the risk of nonperformance. | |  | d. | Town Builders was not an original party to the deal. | |

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| 45. Dyantakes out an insurance policy on her car. Dyan can assign her policy to a third party   |  |  |  | | --- | --- | --- | |  | a. | under any circumstances. | |  | b. | underno circumstances. | |  | c. | as long as she does so in writing. | |  | d. | if a court approves the assignment. | |

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| 46. Ben and Ivy enter into a contract under which Ben agrees to cater Ivy’s wedding in exchange for a cash down payment. The contract expressly prohibits any transfer of rights. A contract right may be transferred, however, if the transfer involves   |  |  |  | | --- | --- | --- | |  | a. | a right to receive payment. | |  | b. | a right to Ben’s services. | |  | c. | rights under Ivy’s insurance policy against Ben’s failing to perform. | |  | d. | a right whose transfer is otherwise expressly prohibited by statute. | |

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| 47. Marco and Fred enter into a contract for the sale of Marco’s apartment for which Fred agrees to pay him $100,000. Marco cannot prohibit Fred from transferring his right to the ownership of the apartment because such a prohibition is   |  |  |  | | --- | --- | --- | |  | a. | against public policy. | |  | b. | immoral. | |  | c. | unconscionable. | |  | d. | a crime. | |

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| 48. A contract between Laser Maintenance, Inc., and Medical Vision Operation Corporation contains a clause stating that any assignment is “void.” This ordinarily prohibits   |  |  |  | | --- | --- | --- | |  | a. | any assignment. | |  | b. | no assignment. | |  | c. | only an assignment of contract rights to personal services. | |  | d. | only an assignment that would change the obligor’s risk. | |

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| 49. Eli owes Martin $10,000. Martin assigns the claim to Jack. Jack does not notify Eli of the assignment. A week later, Martin assigns the same claim to Allen. Allen immediately notifies Eli of the assignment. Allen   |  |  |  | | --- | --- | --- | |  | a. | has priority to payment in all states. | |  | b. | has priority to payment in states that follow the English rule. | |  | c. | does not have priority to payment in any state. | |  | d. | haspriority to payment in most states. | |

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| 50. Wilma owes Jill $5,000. Jill assigns the claim to the funds to Andrew. Jill   |  |  |  | | --- | --- | --- | |  | a. | must notify Wilma of the assignment immediately. | |  | b. | must notify Wilma of the assignment within thirty days. | |  | c. | must notify Wilma of the assignment to make the assignment effective. | |  | d. | is not legally required to notify Wilma of the assignment. | |

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| 51. Phillip assigns his rights under a contract with Maria to his college roommate, John. Neither Phillip nor John notifies Maria of the assignment. The assignment   |  |  |  | | --- | --- | --- | |  | a. | will not be effective until notice is given to Maria. | |  | b. | will become effective after thirty days even if no notice is given to Maria. | |  | c. | is immediately effective. | |  | d. | can be circumvented. | |

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| 52. Joy and Kris enter into a contract for Kris to lay sod in Joy’s yard for which she agrees to pay Kris. When Kris’s schedule conflicts, she contacts Leza, to whom Kris “assigns all rights under the contract.” Kris is   |  |  |  | | --- | --- | --- | |  | a. | absolved of any liability under the contract. | |  | b. | in breach of the contract with Joy. | |  | c. | liable to Joy if Leza does not perform. | |  | d. | liable to Leza for inducing a prohibited contract. | |

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| 53. Opportunity Market Company (OMC) and Pierce enter into a contract for Pierce to cut and trim the landscaping around OMC’s building before a meeting of the company’s sales staff. When Pierce’s schedule conflicts, he asks Rachel to do the cutting and trimming. This transfer of duties is   |  |  |  | | --- | --- | --- | |  | a. | a delegation. | |  | b. | an assignment. | |  | c. | a third party beneficiary contract. | |  | d. | prohibited. | |

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| 54. Bill and Charlene enter into a contract for the clearing, plowing, and preparing of Charlene’s 100-acre tract for which she agrees to pay $1,000. Bill transfers his duty under this contract to Dewey. Dewey is   |  |  |  | | --- | --- | --- | |  | a. | a delegatee. | |  | b. | an assignee. | |  | c. | anobligee. | |  | d. | a delegator. | |

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| 55. Uri and Victor enter into a contract by which Uri promises to deliver business cards, advertising banners, and other marketing materials to Victor. Uri later transfers his duty under the contract to Wren. Uri is   |  |  |  | | --- | --- | --- | |  | a. | a delegator. | |  | b. | a delegatee. | |  | c. | an assignor. | |  | d. | an assignee. | |

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| 56. Laramie contracts to provide cattle-herding services to Miles for $1,400 per month. Laramie cannot transfer this duty   |  |  |  | | --- | --- | --- | |  | a. | under any circumstances. | |  | b. | without continuing to be potentially liable. | |  | c. | without Miles’s consent. | |  | d. | without paying Miles at least one monthly fee. | |

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| 57. Pico, a famous chef, agrees to give ten culinary les-sons to Rhoda in exchange for $1,200. Pico’s attempt to transfer his contract duties to Sven, an unknown sous-chef, will probably be   |  |  |  | | --- | --- | --- | |  | a. | permitted because contracts may be freely delegated. | |  | b. | permitted because the contract is concerned with cookery. | |  | c. | prohibited because contracts may not be freely delegated. | |  | d. | prohibited if Pico and Sven have different skill levels. | |

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| 58. Ilene and Jerry enter into a contract under which Ilene agrees to provide groundskeeping services for Jerry’s Family Fun Center. Under an anti-delegation clause, the contract can prohibit and prevent the transfer of   |  |  |  | | --- | --- | --- | |  | a. | only duties that are *personal* in nature. | |  | b. | only duties that are *impersonal* in nature. | |  | c. | no duties under the contract. | |  | d. | all duties under the contract. | |

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| 59. Leon contracts to install automatic watering troughs in Kendall’s dairy barn. When Leon becomes seriously ill, he contracts with Jake to install the troughs. Jake is unreliable and never shows up to do the work. Kendall can sue   |  |  |  | | --- | --- | --- | |  | a. | no one. | |  | b. | Jake only. | |  | c. | Leon only. | |  | d. | Jake or Leon. | |

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| 60. D’Alemberte contracts with Ella to render personal nursing services for the benefit of Federica. This is   |  |  |  | | --- | --- | --- | |  | a. | a delegation. | |  | b. | an assignment. | |  | c. | a third party beneficiary contract. | |  | d. | an alienation. | |

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| 61. Lyle and Miranda agree that Lyle will fix the refrigeration unit in Miranda’s Buns n’ Burgers in exchange for her payment of a debt that Lyle owes to New Credit Corporation. New Credit is   |  |  |  | | --- | --- | --- | |  | a. | a delegatee. | |  | b. | an intended beneficiary. | |  | c. | an incidental beneficiary. | |  | d. | an assignor. | |

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| 62. Bea takes out a life insurance policy with Vida Insurance Corporation that names her spouse Wendell as the beneficiary. This is   |  |  |  | | --- | --- | --- | |  | a. | a delegation. | |  | b. | an assignment. | |  | c. | a third party *incidental* beneficiary contract. | |  | d. | a third party *intended* beneficiary contract. | |

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| 63. Business Loans, LLC, is a creditor beneficiary in a deal that involves Carla’s Hair Salon and Dani’s Nails. Like most creditor beneficiaries, Business Loans is   |  |  |  | | --- | --- | --- | |  | a. | a donee beneficiary. | |  | b. | an incidental beneficiary. | |  | c. | an intended beneficiary. | |  | d. | an original contracting party. | |

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| ​Four-Square Construction Company enters into a contract with Ben to remodel Carol’s Home Store, using products from Delta Building Supplies. |

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| 64. Refer to Fact Pattern 18-1.Halfway through the project, Four-Square refuses to finish the job. The contract can be enforced against Four-Square by   |  |  |  | | --- | --- | --- | |  | a. | Ben only. | |  | b. | Carol’s only. | |  | c. | Ben or Carol’s. | |  | d. | none of the choices. | |

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| 65. Refer to Fact Pattern 18-1. Delta will realize a profit from the sale of prod-ucts to Four-Square to remodel Carol’s store. Delta is   |  |  |  | | --- | --- | --- | |  | a. | a delegatee. | |  | b. | an assignee. | |  | c. | an incidental beneficiary. | |  | d. | an intended beneficiary. | |

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| 66. Paolho and Roth agree that Paolho will fix Roth’s boat dock in exchange for $5,000. Paolho spends half of the amount due under the contract to acquire the materials for the job from Sav-U Economy Lumber. Sav-U is   |  |  |  | | --- | --- | --- | |  | a. | a delegatee. | |  | b. | an intended beneficiary. | |  | c. | an incidental beneficiary. | |  | d. | an assignor. | |

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| 67. Ozzie contracts for the sale of 500 shares of stock in Premium Quality, Inc., to Ray, with payment to go to Scholar University to pay Thalia’s tuition. The contract reserves to Ozzie and Ray the right to modify its terms. Scholar’s right to payment is   |  |  |  | | --- | --- | --- | |  | a. | not affected by the reservation. | |  | b. | subject to any change that Ozzie and Ray make. | |  | c. | limited only if Thalia agrees to any changes. | |  | d. | terminated by the reservation. | |

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| 68. App Developers, Inc. (ADI), enters into a contract with Carmen, the chief executive officer of SalesCorp, to create an app for the firm. To fulfill the contract, ADI hires Max and ten other student interns. With respect to the contract, Max is   |  |  |  | | --- | --- | --- | |  | a. | an intended beneficiary. | |  | b. | an incidental beneficiary. | |  | c. | a delegatee. | |  | d. | an assignee. | |

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| 69. Hilda signs a contract with Indemnity Insurance Company that intentionally confers a benefit on Hilda’s daughter Jackie as the designated beneficiary. Jackie’s rights under the contract will vest   |  |  |  | | --- | --- | --- | |  | a. | automatically. | |  | b. | if she demonstrates her consent to the promise at Hilda’s request. | |  | c. | if Indemnity attempts to modify the terms of the contract. | |  | d. | on the occurrence of the event for which the insurance was procured. | |

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| 70. Mai is a third party beneficiary under a contract between Novia and Otis. Novia and Otis can modify or rescind their contract without Mai’s consent   |  |  |  | | --- | --- | --- | |  | a. | at any time. | |  | b. | at no time. | |  | c. | *after* Mai’s rights have vested. | |  | d. | *before* Mai’s rights have vested. | |

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| 71. ​Pam borrows $5,000 from Quality Auto Sales to buy a car.  When Pam does not pay the loan or return the car, Quality wants to transfers the right to the payment to Rapid Collection Agency. Rapid agrees to pay Quality for this right, but for a price that is less than the amount owed. Can Quality transfer this right to Rapid without Pam’s consent? If so, and Quality committed fraud in the deal with Pam, could Pam legiti-mately refuse to pay Rapid? Explain. |

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| 72. A-One Landscapers, Inc., owes Friendly Finance Company $5,000.  A-One enters into a contract with Suburban Office Park under which A-One promises to maintain the landscaping on Suburban’s property.  Un-der the contract, Suburban promises to pay Friendly Finance the amount that will be due A-One until A-One’s debt to Friendly Finance is paid.  A-One performs as promised, but Suburban does not pay Friendly Finance.  Can Friendly Finance succeed in a suit against Suburban?  Why or why not |

**Answer Key**

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| 1. True |

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| 2. False |

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| 3. True |

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| 4. True |

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| 5. True |

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| 6. True |

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| 7. False |

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| 8. True |

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| 9. False |

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| 10. False |

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| 11. True |

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| 12. False |

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| 13. False |

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| 14. True |

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| 15. True |

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| 16. False |

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| 17. False |

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| 24. False |

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| 25. False |

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| 34. True |

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| 37. c |

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| 38. c |

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| 43. b |

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| 50. d |

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| 51. c |

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| 52. c |

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| 53. a |

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| 60. c |

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| 66. c |

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| 68. b |

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| 69. b |

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| 70. d |

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| 71. Quality can transfer the right to receive Pam’s payment in an assignment to Rapid.  The parties in an assignment are the assignor, the assignee, and the obligor. The party originally entitled to the pay-ment of the money is the assignor (Quality), the party who agreed to pay is the obligor (Pam), and the party who receives the right to the payment is the assignee (Rapid). The obligor’s consent is not necessary for an ef-fective assignment.  On an assignment, the rights of the assignor are ex-tin-guished, and the assignee has a right to demand performance—in this question, payment—from the obligor. The assignee takes only those rights that the assignor originally had, however, subject to the defenses that the obligor has against the assignor. Thus, if Quality fraudu-lently procured the right to Pam’s payment, Pam can raise this fraud as a de-fense against payment to Rapid. |

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| 72. Friendly Finance could succeed in a suit against Suburban.  When a party promises to perform under a contract with the express in-tent that the other party’s payment benefit a third party, the third party is an intended beneficiary.  Assuming a contract is otherwise enforce-able, an intended beneficiary can successfully sue to enforce the contract under which he or she will benefit.  The contract between A-One and Suburban expressly states that Suburban’s payment for A-One’s per-formance is to go directly to Friendly Finance.  Thus, it is a third party beneficiary con-tract. Friendly Finance, the third party beneficiary, is, under the terms of the contract, an intended beneficiary.  As such, Friendly Finance can successfully sue Suburban to enforce Suburban’s promise to pay A-One’s debt. |