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

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| 1. ​The most common way to discharge one’s contractual duties is by breach of contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 2. The only way that a party can discharge a contract is by performance.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 3. In all contracts, absolute promises are expressly conditioned.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 4. In most contracts, promises of performance are not expressly conditioned.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 5. A *condition* is a qualification in a contract based on a future event that is certain to occur.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 6. When each party’s performance is conditioned on the other party’s performance, concurrent conditions are present.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 7. If a contract condition is not satisfied, the obligations of the parties are suspended.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 8. A contract comes to an end when both parties fulfill their respective duties by performing the acts they have promised.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 9. Tender is an unconditional offer to perform.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 10. Tender is a timely offer or expression of willingness to pay a debt or perform an obligation.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 11. Performance can be accomplished by tender.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 12. When a party’s performance is perfect, it is said to be complete.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 13. Anything less than complete performance is a material breach of contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 14. A contract is substantially performed when performance creates substan-tially the same benefits as those promised in the contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 15. A party who in good faith performs substantially all of the terms of a con-tract can enforce the contract against the other party.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 16. If one party’s performance is substantial, the other party’s duty to perform remains absolute.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 17. A material breach occurs when performance is substantial, but not complete.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 18. Any breach discharges the nonbreaching party from the contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 19. Any breach allows the nonbreaching party to sue for damages.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 20. Any breach allows the nonbreaching party to cancel the contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 21. Most contracts need to be performed only to the satisfaction of a reasonable person unless they expressly state otherwise.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 22. A contract for a work of art is a personal contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 23. Anticipatory repudiation discharges a contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 24. When an anticipatory repudiation occurs, it is treated as a material breach of a contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 25. Only personal contracts can be discharged by agreement of the parties.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 26. Contracts that are executory on both sides can be rescinded by agreement.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 27. To rescind a contract, the parties must make a second agreement that satisfies the legal requirements for a contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 28. A novation occurs when there is a substitution, by agreement, of a new contract for an old one, with the rights under the old one being terminated.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 29. A novation requires the existence of a previous, valid obligation.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 30. When a contract party alters a written contract without consent, the other party must adapt his or her performance accordingly.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 31. A discharge in bankruptcy will ordinarily prevent creditors from enforcing most of the debtor’s contracts.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 32. *Subjective* impossibility of performance can discharge a contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 33. After a contract is made, a supervening event may make performance impossible and discharge the contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 34. A contract will be discharged if unforeseeable circumstances make it impossible to attain the contract’s purpose.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 35. Objective impossibility discharges a contract.   |  |  |  | | --- | --- | --- | |  | 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. ​Range Free Farms enters into a contract to sell Sara’s Market a truckload of eggs. Range Free fails to deliver. Sara’s Market   |  |  |  | | --- | --- | --- | |  | a. | ​must pay for the eggs to avoid a breach of contract. | |  | b. | ​does not have to pay for the eggs because Range Free did not perform. | |  | c. | ​must pay for the eggs, but can sue Range Free for breach of contract. | |  | d. | does not have to pay for the eggs, but then cannot sue Range Free.​ | |

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| 37. Emil enters into a contract to buy Foley’s cultivated bottomland if County AgriCredit will lend Emil the funds to pay for the land. Emil’s duty to perform is   |  |  |  | | --- | --- | --- | |  | a. | absolute. | |  | b. | conditional. | |  | c. | substantial. | |  | d. | commercially impracticable. | |

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| 38. Gilly agrees to buy Howard’s Bakery on the express condition that the bakery’s suppliers extend the same credit terms to Gilly that the suppliers currently extend to Howard. This approval is   |  |  |  | | --- | --- | --- | |  | a. | a concurrent condition. | |  | b. | a condition precedent. | |  | c. | a condition subsequent. | |  | d. | an implied condition. | |

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| 39. Iggy and Jon sign a contract by which Iggy agrees to deliver and install a gas fireplace on October 15 in exchange for Jon’s promise to pay the $500 price within ten days of the install date. The delivery and installation of the fireplace and the payment of the price are ex-amples of   |  |  |  | | --- | --- | --- | |  | a. | conditions precedent. | |  | b. | concurrent conditions. | |  | c. | conditions subsequent. | |  | d. | implied conditions. | |

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| 40. Kali contracts to sell Leony her car for $3,000. This contract will be fully discharged when Kali and Leony   |  |  |  | | --- | --- | --- | |  | a. | agree to sign a bill of sale. | |  | b. | exchange the car for the $3,000. | |  | c. | sign a receipt. | |  | d. | shake hands and go their separate ways. | |

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| 41. Hilton enters into a contract to erect a fence around Irene’s cattle pasture. When the fence is built, Hilton’s performance will be   |  |  |  | | --- | --- | --- | |  | a. | absolute. | |  | b. | complete. | |  | c. | conditional. | |  | d. | substantial. | |

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| 42. Built-Rite Contractors, Inc. contracts to build a warehouse for Commercial Storage Company. Built-Rite *completely* performs. Commercial Storage is entitled to   |  |  |  | | --- | --- | --- | |  | a. | damages. | |  | b. | nothing more. | |  | c. | to be excused from performance. | |  | d. | suspend performance. | |

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| 43. Stephanie enters into a contract to work as a lifeguard at Tim’s Water Park for the summer in exchange for a weekly paycheck and free admission to the park’s attractions. If the parties fulfill their respective duties by performing the acts they have promised, this contract will be   |  |  |  | | --- | --- | --- | |  | a. | avoided. | |  | b. | breached. | |  | c. | discharged. | |  | d. | rescinded. | |

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| 44. Water Rites LLC enters into a contract to site and dig a well for Rancho Verde.  Water Rites *completely* performs. Rancho Verde is entitled to   |  |  |  | | --- | --- | --- | |  | a. | a discount. | |  | b. | rescission. | |  | c. | novation. | |  | d. | nothing more. | |

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| 45. Dharma enters into a contract to manage the operations of Esther’s dental office for one year, renewable for subsequent one-year terms. If this contract is discharged like most contracts, it will be   |  |  |  | | --- | --- | --- | |  | a. | canceled. | |  | b. | breached. | |  | c. | altered. | |  | d. | performed. | |

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| 46. Carol enters into a contract to hire Joanne to paint a portrait of Carol’s favorite cat. Joanne agrees to do the portrait to Carol’s satisfaction for $100. When Joanne finishes the portrait, Carol announces that she is not satisfied with the portrait because it does not look like her cat. Carol   |  |  |  | | --- | --- | --- | |  | a. | must accept the portrait and pay Joanne $100. | |  | b. | mustaccept the portrait and pay Joanne $50. | |  | c. | mustaccept the portrait and pay Joanne $25. | |  | d. | does not have to accept the portrait or pay Joanne any money. | |

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| 47. Building Restoration, Inc. (BRI), enters into a contract to refurbish an old train depot for Casual Dining, Inc., to open as Eat Up Restaurant. If BRI completes most of the work promised in the contract, its performance will be   |  |  |  | | --- | --- | --- | |  | a. | absolute. | |  | b. | complete. | |  | c. | material. | |  | d. | substantial. | |

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| 48. Ed’s Electric substantially performs its contract with Forest Hills Apartments, Inc., to deliver and install an alarm system and parking lot lighting. Forest Hills is entitled to   |  |  |  | | --- | --- | --- | |  | a. | damages. | |  | b. | nothing more. | |  | c. | to be excused from performance. | |  | d. | suspend performance. | |

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| Mutual Company enters into a contract to employ Neil as an investment manager for two years. During the first year, Neil is often absent without explanation and when present fails to adequately monitor and manage Mutual’s investments.​ |

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| 49. ​Refer to Fact Pattern 16-1. With respect to Mutual’s duties, Neil’s performance most likely   |  |  |  | | --- | --- | --- | |  | a. | ​discharges Mutual from the contract. | |  | b. | ​has no effect on Mutual’s performance. | |  | c. | ​increasesMutual’s duties under the contract. | |  | d. | ​suspends Mutual’s duty to perform. | |

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| 50. Refer to Fact Pattern 16-1. Neil’s performance is most likely   |  |  |  | | --- | --- | --- | |  | a. | a material breach.​ | |  | b. | a minor breach. | |  | c. | Mutual’s breach. | |  | d. | no breach. | |

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| 51. Drainage & Irrigation Equipment, Inc., contracts to sell its assets to Earth & Sky Aquatic Corporation. Before either party has performed, rescission of this contract requires   |  |  |  | | --- | --- | --- | |  | a. | anagreement to rescind. | |  | b. | an accord and satisfaction. | |  | c. | a novation. | |  | d. | a settlement agreement. | |

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| 52. Omar and Penn agree to develop a certain area of real estate. Environmental concerns force them to change their plans. The best method for Omar and Penn to discharge their contract by executing a new agreement with different performance is   |  |  |  | | --- | --- | --- | |  | a. | an agreement to rescind. | |  | b. | an accord and satisfaction. | |  | c. | a novation. | |  | d. | an alteration of the original contract. | |

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| 53. Juan and Isidro enter into a contract to buy, restore and reopen the Coastal Park Carousel. Before either party begins to perform, they agree to cancel their deal. This is   |  |  |  | | --- | --- | --- | |  | a. | specific performance. | |  | b. | mutual rescission. | |  | c. | accord and satisfaction. | |  | d. | novation. | |

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| 54. Lin and Mercedes agree to incorporate to open and operate a Natural & Organic Foods Café. Before the opening, they decide to replace Mercedes with Ngo as a party to the deal. They can best accomplish this by   |  |  |  | | --- | --- | --- | |  | a. | an agreement to rescind. | |  | b. | an accord and satisfaction. | |  | c. | a novation. | |  | d. | anticipatory repudiation. | |

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| 55. Gliding Light, LLC, and Hang Gliders, Inc., are parties to a contract. They subse-quently agree that High Riders Inc. should take Gliding Light’s place and assume all of its rights and duties under the contract. This is   |  |  |  | | --- | --- | --- | |  | a. | an agreement to rescind. | |  | b. | an accord and satisfaction. | |  | c. | a novation. | |  | d. | a settlement agreement. | |

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| 56. Barbara and Johann are parties to a contract. They agree on a novation. The novation requires   |  |  |  | | --- | --- | --- | |  | a. | the existence of a previous, valid obligation. | |  | b. | consideration greater than $5,000. | |  | c. | performanceof the original contract by all of the parties. | |  | d. | an accord and satisfaction. | |

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| 57. Renee contracts with Scott to pay him $25,000 for his work on Renee’s new album “Hip Pop.” After Scott performs, they sign an accord, in which Renee promises to pay him $21,000 within thirty days instead of $25,000 later. But she does not pay. Scott can sue Renee on   |  |  |  | | --- | --- | --- | |  | a. | neither the accord nor the original obligation. | |  | b. | the accord only. | |  | c. | the accord or the original obligation. | |  | d. | the original obligation only. | |

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| 58. Ben and Andrew are parties to a contract. They agree on a novation. The novation does NOT require   |  |  |  | | --- | --- | --- | |  | a. | the existence of a previous, valid obligation. | |  | b. | agreement by all the parties to a new contract. | |  | c. | performance of the original contract by all of the parties. | |  | d. | a new, valid contract. | |

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| 59. Raymundo contracts to provide Simone with twenty hours of levitation lessons. The state legislature subsequently passes a law making the teaching of levitation illegal. This law will   |  |  |  | | --- | --- | --- | |  | a. | discharge the contract. | |  | b. | fulfill the contract. | |  | c. | not affect the contract. | |  | d. | require immediate performance of the contract. | |

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| 60. Planners & Builders, Inc., enters into a contract with O’Reilly to refurbish a garage on his property as an auto repair shop. O’Reilly’s neighbor Nora challenges the project as a violation of local land use laws. A court orders a halt to the project. O’Reilly’s contract with Planners & Builders is   |  |  |  | | --- | --- | --- | |  | a. | breached. | |  | b. | discharged. | |  | c. | not affected. | |  | d. | suspended. | |

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| 61. On April 1, Ken’s Construction, Inc., enters into a contract to build a store for Lo-Price Retail, Inc., at a specific location in Metro City. On April 10, Metro changes its zoning law to prohibit the construction of a commercial building at that location. Lo-Price files a suit against Ken’s Construction. In this situation   |  |  |  | | --- | --- | --- | |  | a. | Ken’s Construction is in breach of contract. | |  | b. | Lo-Price Retail is in breach of contract. | |  | c. | the contract is discharged. | |  | d. | the contract is suspended. | |

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| 62. OnTrack Rehabilitation Center signs an agreement with Platinum Bank to borrow $40,000 at 20 percent interest. Later, the state legislature passes a law lowering the maximum permissible rate of interest to 15 per-cent. OnTrack’s best argument for avoiding payment to Platinum Bank is that   |  |  |  | | --- | --- | --- | |  | a. | performance of the contract is commercially impracticable. | |  | b. | payment of the loan would force the debtor into bankruptcy. | |  | c. | the law has rendered performance of the contract illegal. | |  | d. | the specific subject matter of the contract has been destroyed. | |

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| 63. Lana agrees to work as Michelle’s personal assistant for one year but dies in the ninth month of the contract. Lana’s estate   |  |  |  | | --- | --- | --- | |  | a. | is discharged from any contractual liability. | |  | b. | must find a competent assistant to fulfill the contract. | |  | c. | must pay damages. | |  | d. | must refund any money paid to Lana on the contract. | |

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| 64. Adrian operates a recycled metals business and contracts to provide ten tons of scrap steel at $500 per ton to be delivered to Build-It-Rite Materials, Inc., in seven months. An unforeseen shortage of scrap steel suddenly develops, making it impossible for Adrian to fulfill the contract for less than $5,000 per ton. Adrian’s best defense against performing the contract would be that   |  |  |  | | --- | --- | --- | |  | a. | performance of the contract is commercially impracticable. | |  | b. | procuring the steel would force the seller into bankruptcy. | |  | c. | the law has rendered performance of the contract illegal. | |  | d. | the specific subject matter of the contract has been destroyed. | |

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| 65. Contractors Service, Inc., enters into a contract to build a restaurant for Dierdre’s Soup Spoons Bistro with Dierdre’s payment due on August 1. On August 1, her bank is closed, and for this reason, she claims that she cannot pay on time. In this situation   |  |  |  | | --- | --- | --- | |  | a. | Dierdre’s bank is liable to Contractors Service. | |  | b. | Dierdre is in breach of contract. | |  | c. | the contract is discharged. | |  | d. | the contract is suspended. | |

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| Flora, who owns and operates Garden Fresh Organic Farms, agrees to sell Harvesters Grocery a minimum quantity of fresh fruits and vegetables every week for three months.​ |

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| 66. Refer to Fact Pattern 16-2. If Flora dies before the deliveries begin, her contract with Harvesters is   |  |  |  | | --- | --- | --- | |  | a. | breached. | |  | b. | discharged. | |  | c. | not affected. | |  | d. | suspended. | |

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| 67. Refer to Fact Pattern 16-2. If a strike delays delivery of the produce beyond the time for performance, Flora’s contract with Harvesters is   |  |  |  | | --- | --- | --- | |  | a. | breached. | |  | b. | discharged. | |  | c. | not affected. | |  | d. | suspended. | |

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| 68. Refer to Fact Pattern 16-2.If bad weather destroys Flora’s crops, the obliga-tion to deliver produce to Harvesters is   |  |  |  | | --- | --- | --- | |  | a. | breached. | |  | b. | discharged. | |  | c. | not affected. | |  | d. | suspended. | |

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| 69. Refer to Fact Pattern 16-2. If the market price for organic produce exceeds the price in the contract with Harvesters, and Flora decides not to deliver the order. her contract with the grocery is   |  |  |  | | --- | --- | --- | |  | a. | breached. | |  | b. | discharged. | |  | c. | not affected. | |  | d. | suspended. | |

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| 70. Nin acontracts with Office Suites Corporation to buy a suite in its Prospect Point Tower at a premium for its view of Quay Harbor. Unforeseeably, the town of Quay Harbor changes its zoning law, and Resort Hotels, Inc., constructs Seaview Resort, blocking what would have been Nina’s view. Nina’s best argument for a change in the Office Suites contract or its price is   |  |  |  | | --- | --- | --- | |  | a. | frustration of purpose. | |  | b. | objective impossibility of performance. | |  | c. | anticipatory repudiation. | |  | d. | commercial impracticability. | |

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| 71. Floors n’ More, Inc., hires Gordon to renovate Floors n’ Mores showroom. Gordon sub-mits plans that Floors n’ More approves. Gordon completes the major recon-struction, paints the interior, and buys the fixtures and furnishings. Floors n’ More rejects some of these items because they do not match the plans, and subsequently refuses to allow Gordon to finish the work or to col-lect payment. Could Gordon sue successfully for payment for the entire contract?​ |

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| 72. Quest Resources, Inc., contracts with Ring Communications Corporation (RCC) for RCC to design and build an all-weather communications sys-tem for Quest’s field operations. RCC builds the system, but it func-tions effec-tively only in good weather. Is this a breach of the contract? If so, what remedies does Quest have? |

**Answer Key**

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| 1. False |

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| 2. False |

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| 3. False |

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| 4. True |

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| 5. False |

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| 6. True |

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| 7. False |

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| 8. True |

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| 9. True |

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| 10. True |

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| 11. True |

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| 12. True |

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| 13. False |

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| 14. True |

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| 15. True |

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| 16. True |

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| 17. False |

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| 23. False |

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| 33. True |

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| 69. a |

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| 70. a |

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| 71. No, Gordon could not sue successfully for payment for the entire contract, but he could sue successfully to collect for the value of the work actually performed.  When the performance on a construction contract is substantial, the deviations are minor, and the failure to per-form completely is not willful (that is, the performance is in good faith), the party who substantially performed is entitled to collect payment for that performance. The amount of the payment is the contract price less the costs to make the performance complete. When the cost to complete the performance is high in relation to the contract price, the party is en-ti-tled to the contract price less the amount by which the object of the con-tract is diminished in value by the failure to completely perform.  In this problem, the “breach” may have been so minor that it was no breach at all, because Floors n’ More was not denied the benefit of its bargain by Gordon’s conduct. In that interpretation, Floors n’ More rejected Gordon’s good faith ten-der of complete performance, and this rejection would allow Gordon to col-lect payment for the work. |

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| 72. Performance far below reasonable expectations is not sub-stantial. When performance is not substantial, a breach is material. The non-breaching party is excused from performing and can sue for dam-ages caused by the breach. Any breach entitles the non-breaching party to sue for damages, but only a material breach discharges the non-breach-ing party from the contract. In this question, the contract asked for an all-weather communications system, but the system func-tioned effec-tively only in good weather. Thus, Quest is excused from paying for the system and can sue for damages caused by the breach. |