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Problems in COMMERCIAL TRANSACTIONS
Semester 2, 2002-2003

UNM School of Law
Final Examination

Professor Frederick M. Hart
One Credit

INSTRUCTIONS

1. There is **ONE question** on this examination. You have **TWO hours** to complete it.
2. This is a **MODIFIED OPEN BOOK EXAMINATION**. You may bring to the examination a copy of the Uniform Commercial Code, any materials that I have distributed in class, and any notes or outlines that you have prepared yourself or in conjunction with others in the class.
YOU MAY NOT USE ANY OTHER MATERIALS DURING THE EXAMINATION SUCH AS BOOKS FROM THE LIBRARY, BOOKS THAT YOU HAVE PURCHASED, COMMERCIAL OUTLINES OR OUTLINES PREPARED BY OTHERS.
3. The Question is on the reverse side.

QUESTION

On June 1, Danielle Construction Company purchased an earth-moving machine from Peter's Equipment Company for \$35,000. The machine was to be delivered on June 15. Danielle had only \$10,000 on hand, but she expected a large payment before the 30th of the month from What's-a-Burger for whom she had constructed a restaurant. Peter said that he would give her credit until the end of June if she got someone to guaranty her obligation. Freddie Friendly agreed to guaranty the obligation, so Danielle paid Peter \$10,000 down and she and Freddie signed the following document on June 3:

I promise to pay Peter's Equipment Company or order \$25,000 on July 1, or as soon as What's-a-Burger pays me. This note is given as part payment of the purchase price of a machine that is to be delivered on June 15. I understand that if I fail to pay on July 1, the amount of the note will increase by \$25 for each day that I am late, and if I do not pay and I am sued, I will pay all costs of collection including a lawyer's fee.

Signed/ Danielle
Signed Freddie Friendly

On June 2, Peter indorsed the note specially to Frank's Factors and sold it to Frank for \$23,000. On July 2, Frank asked Danielle to pay it, but she refused stating that the machinery was defective and did not conform warranties in the contract of sale. Frank then sold the note to Crul Collection Company for \$20,000. Danielle still has not been paid by What's-a-Burger.

Crul would like to recover what he can on the note. Advise him of his rights against all parties who may be liable. Discuss fully your theories of recovery and state the chances of success.