

**INSTRUCTIONS:**

1. The Midterm Exam is on **October 19th** and is worth 300 course points.
2. This exam is closed book and closed notes.
3. The student shall provide both a single **blue book** and an **ink pen** for this exam.
4. The Midterm Exam is an essay exam. It contains three questions about a shared set of facts.
5. Each of those three questions shall require the student to engage in detailed legal analysis.
6. The student shall select one of those three questions to demonstrate the student's mastery of ethical analysis. For the single question that student chooses for demonstration of ethical analysis the first word in the student's answer shall be the word **ETHICS** in all capital letters.
7. Correct use of legal vocabulary (i.e., objectively demonstrate having read and understood the assigned b-law readings) is critical to earning a passing grade on this essay exams.
8. This exam tests the student's master of the assigned readings from the *Business Law: Text and Cases* textbook and the instructor's classroom handouts as well as your professor's lectures over that textbook material and those classroom handouts. Exam answers may, but are not required to, include appropriate information from other readings and/or lectures.
9. Each question on each exam will be graded using the truncated scale of:  
A = 100%; C = 75%; and F = 30%.

**QUESTIONS:**

1. [1A] Pick one person from the facts.  
[1B] Identify three separate causes of action for which that person has standing to sue.  
[1C] For one of the three separate causes of action in [1B] identify one person for whom the [1A] does and one person for whom the [1A] does not have privity.  
[1D] Explain your answers in [1C].
2. For one of the three separate causes of action in [1B] other than the one selected in [1C] explain how The Law is operating as a system while using the concepts of [2A] closed system; [2B] feedback loop; and [2C] synchronicity.
3. For one of the three separate causes of action in [1B] other than the one selected in [1C] and other than the one selected in [2] explain the law's use of knowing and voluntary.

**SHARED FACTS:**

Alice Able, Bob Baker, Charleen Charlie, and David Dumbledore respectively AA, BB, CC, and DD. Each is a solo proprietor in the same small town. Each deals in goods as well as services.

AA as buyer contracted with BB as seller for the purchase of a turn-key website to support AA's business' sales to consumers. The website proved to be widely successful.

Success tends to draw attention. In the third year of AA's website's operation CC's lawyer contacted AA about infringement of intellectual property rights that CC claimed were owned by CC. At all relevant times CC is an employee of BB.

By year two the website was sufficiently successful that AA had to increase all aspects of AA's operations. AA as buyer contracted with DD as seller for the purchase of a turn-key office building. CC owns real property adjacent to office building AA purchased. CC's lawyer contacted AA about many annoying attributes of AA's operations. CC's concerns included, but were not limited to, AA's employees parking in CC's parking lot, late night business activities that disturbed CC's sleep, and liquids and smells of a noxious type emanating from AA's storage area. CC's lawyer informed AA that all such complaints had been registered with DD prior to DD's sale and were being renewed against AA.

As the disputes between AA and CC drained off AA's cash in an erratic manner, AA's bank balance also became erratic.

At the outset of development of the website AA issued a promissory note to BB. Each month since then AA has issued at least one draft to BB for various payments related to the website.

At the date of purchase of the office building AA issued a promissory note to DD. Each month since then AA issued at least one draft to DD for various payments related to the office building.

BB factored AA's promissory note with BB as payee, but none of the drafts, to CC. Instead, BB indorsed to DD for face value cash all of AA's drafts with BB as payee. DD then factored all of those drafts of AA to CC.

DD factored AA's promissory note and all of AA's drafts with DD as payee to CC. Erratically, some of AA's drafts to BB are bouncing and all of AA's drafts to DD are bouncing. Less erratically, AA is missing payments on the promissory notes to BB and DD.

If BB or if DD could protect a good faith claim to an ownership interest with prior, written, signed agreement, then the lawyer representing BB and the lawyer representing DD made sure that formal agreement was signed.