February 2022 MEE Questions

MEE Question 1

A man decided to start a business repairing diesel-engine trucks. His mother's farm had a large metal barn that had been used in the past to repair farm machinery. As his mother no longer used the barn for that purpose, she agreed to let the man perform truck repairs in it. The barn contained a large portable welding machine (worth approximately $25,000) that would be useful for making repairs on large trucks. The mother made it clear to her son that he could use the barn but not her welding machine. Nonetheless, without his mother's knowledge, the man frequently used the welding machine for truck repairs.

On June 1, the man obtained a $50,000 business loan from a local bank. The man and the bank signed a loan agreement. It contained a provision pursuant to which the man granted the bank a security interest "in all my equipment, including equipment hereafter acquired" to secure his repayment obligation. On the same day, the bank properly filed a financing statement listing the man as the debtor and indicating that the collateral was "all equipment, including equipment hereafter acquired."

On June 10, the man bought some specialized tools used for diesel-engine repair. The man agreed to pay the tool seller $15,000 for the tools, paying $1,500 down and agreeing to pay the remaining $13,500 to the tool seller in monthly installments over a two-year period. The man signed a written agreement granting the seller a security interest in these tools to secure the man's obligation to pay the remaining $13,500. The next day, the tool seller properly filed a financing statement listing the man as the debtor and indicating that the collateral was "diesel-engine repair tools."

The man has defaulted on his obligations to the bank and the tool seller.

1. Does the bank have an enforceable security interest in the portable welding machine? Explain.

2. Both the bank and the tool seller are asserting interests in the diesel-engine repair tools that the tool seller sold to the man.

   (a) Does the bank have an enforceable security interest in these tools? Explain.

   (b) Does the tool seller have an enforceable security interest in the tools? Explain.

   (c) Assuming that both the bank and the tool seller have such security interests in these tools, whose interest has priority? Explain.

MEE Question 2

A woman runs a gardening and landscaping business in State A. She uses a manual push mower to cut the grass and pruning shears to cut unwanted small branches from trees and large bushes.

Five months ago, the woman was hired to provide common-area mowing and landscaping services to a townhome community in which homeowners own some land commonly and some land individually. She also agreed to accept online service requests from homeowners in the community for individual landscaping jobs.

Last week, the woman was at the community cutting thick brush and small branches using her pruning shears. She finished the work at noon and decided to try to collect an overdue payment from a homeowner who had ordered and received $100 worth of landscaping services from the woman's business but had never paid for the services. The woman, carrying her pruning shears, walked directly to the homeowner's townhome. When she reached the front door, she was still holding the pruning shears (but down at her side, pointed toward the ground). The woman rang the doorbell, and the homeowner, who was just leaving on an errand, opened the door.

The woman asked bluntly, "Where's the money?" The homeowner did not recognize the woman because the two had communicated only online. Neither the woman's clothing nor her truck bore the name of her landscaping business. Frightened by the woman's cold tone and the pruning shears in the woman's hand, the homeowner immediately pulled five $20 bills from her purse, held the cash out toward the woman, and said, "Take it. This is all I have!" The woman said, "Fine. That's what I was expecting." The woman put the $100 in her pocket and walked toward her truck. The homeowner slammed the door and called the police.

On the way to her truck, the woman was still annoyed that it had taken so long for payment. She muttered to herself, "More than three months overdue and not even a tip!" She decided that she was entitled to something extra. She glanced over her shoulder to make sure the homeowner wasn't looking and grabbed a bronze garden figurine from the homeowner's front lawn, put it in her truck, and drove away.

When the woman got back to her workshop, she offered the figurine to her assistant, saying, "I'll sell you this cheap. How about $10? Just don't ask where I got it." The figurine looked new, and the assistant noticed a $200 price tag attached to the bottom of the figurine. The assistant quickly handed the woman $10, saying, "Wow. That's a great deal. These things are in high demand, and I bet I can sell it for a hefty profit."

State A has the following criminal statutes:

Theft: Theft is the unlawful taking and carrying away of property from the person or custody of another, with intent to permanently deprive the owner of the property.

Armed Robbery: Armed robbery is theft of property, when in the course of the theft the offender is carrying a dangerous weapon and either (1) uses force, violence, or assault or (2) puts the victim in fear of serious injury.

Criminal Possession of Stolen Property: A person commits criminal possession of stolen property when the person possesses property that the person knows or reasonably should know is stolen property with intent either (1) to benefit that person or a person other than an owner thereof or (2) to impede the recovery by an owner.

Dangerous Weapon: A dangerous weapon is any (1) firearm, (2) device that was designed for use as a weapon and capable of producing death or great bodily harm, or (3) device that is being used in a manner likely to produce death or great bodily harm.

State A courts have determined that all State A criminal statutes should be interpreted to incorporate common law mens rea requirements.

1. Analyzing all elements of each crime, did the woman commit

   (a) armed robbery of the $100 cash? Explain.

   (b) theft of the figurine? Explain.

   (c) criminal possession of the figurine as stolen property? Explain.

2. Did the woman's assistant commit criminal possession of stolen property? Explain.

MEE Question 3

Six years ago, Amy and Bill incorporated a craft beer business as Beer Corporation (BC) in State A, whose corporate statute is modeled on the Model Business Corporation Act. Amy and Bill were the corporation's sole shareholders and sole directors at the time it was incorporated, and both of them were employed by BC.

Every fall after incorporation, Amy and Bill traveled to an internationally famous craft breweries trade show held in Germany to learn about the latest in craft brewing. Employees of other craft beer businesses that competed with BC did so as well. BC treated all expenses associated with attending the trade show as "ordinary and necessary" business expenses for accounting and tax purposes, and every year Amy and Bill used the corporate credit card to pay these expenses.

BC was successful, and Amy and Bill wanted to expand the business if they could get a significant capital infusion. Last year, they met Sharon, who agreed to invest in BC. In exchange for her investment, BC issued her new shares in the corporation. Sharon then owned 40% of the outstanding shares of BC. Amy and Bill then each owned 30% of BC’s outstanding shares, and they continued to run the day-to-day business. Sharon was elected as the third director of BC.

At the first board meeting after Sharon's election to the board, Sharon questioned the need for Amy and Bill to go to Germany every year at corporate expense. Amy explained, "The trips give us new ideas about ingredients and brewing techniques. And incidentally, while we are there, we can do some sightseeing." In fact, many of BC's competitors covered such travel to Europe for their key employees. Sharon was not convinced about the need for this travel and said, "As far as I'm concerned, the practice must stop!"

At last month's regularly scheduled board meeting, Amy and Bill announced to Sharon that they were planning to travel to Belgium and not to Germany. "We believe that Belgium, not Germany, is where innovations in craft brewing are now happening, and we want to bring back fresh ideas for our business. We expect that the trip will take a full week, and while visiting different breweries we can also take in nearby museums and historic sites. As in the past, we will have BC pay all the expenses for that week."

Sharon objected and said, "If you do this, I'm going to sue!" But Amy and Bill were undeterred, and as a majority of the board, they voted to approve their trip to Belgium at corporate expense. The following week, they traveled to Belgium using BC's credit card. Upon their return, they caused BC to pay the credit card bill.

1. Did Amy and Bill have the authority as members of the board to vote to approve their trip to Belgium at corporate expense? Explain.

2. Did Amy and Bill violate the duty of loyalty by having the corporation pay for their Belgium trip over Sharon's objection? Explain.

3. Assuming that Amy and Bill violated the duty of loyalty by having the corporation pay for their Belgium trip, can Sharon personally recover from Amy and Bill all the expenses for that trip paid by BC? Explain.

4. Assuming that Amy and Bill violated the duty of loyalty by having the corporation pay for their prior trips to Germany, can Sharon bring a derivative claim to recover from Amy and Bill the expenses paid by BC that related to their prior trips to Germany? Explain.

MEE Question 4

Peter planned to open a 50-seat pizza parlor that would also make pizzas for home-delivery service. He asked his sister Angela to make some purchases for his pizza parlor. "First, to fit with the parlor's unique decor, I want you to buy 50 red chairs from the local furniture store, but don't spend more than $10,000 on the chairs. Second, I want you to buy a new electric bicycle for pizza deliveries, but don't spend more than $5,000. Finally, I'd like you to buy from the local restaurant supplier a pizza oven for the pizza parlor, but it shouldn't cost more than $12,000." Angela responded, "I fully understand. Agreed."

That day, Angela went to the local furniture store. She told the salesperson that she wanted to buy 50 red chairs and to spend no more than $10,000. The salesperson responded that red chairs were in high demand and that 50 of them would cost $20,000, but that for $10,000, Angela could buy 50 yellow chairs. Believing that Peter would prefer to stay within the $10,000 budget, even though the chairs were yellow, Angela signed a written contract in her name alone to buy the yellow chairs from the store at that price. Angela did not mention to the salesperson that she was buying the chairs for anyone other than herself or that she had authority to buy only red chairs.

The next day, Angela went to a local bike shop to buy a new electric bicycle, again without mentioning that she was buying the bicycle for anyone else. The bike salesperson truthfully told Angela that she could get a used cargo bike that was not electric, but that could carry more than an electric bike. Believing that Peter would prefer the greater carrying capacity of the cargo bike, Angela purchased it for $8,000, paying with her personal check made out to the bike shop. She immediately rode the bike to Peter, who at first was very annoyed with Angela for purchasing a used cargo bike rather than a new electric bike. But two days later, after trying out the cargo bike, he called Angela and said that he would keep the $8,000 cargo bike because he liked its carrying capacity.

The following day, Peter called the local restaurant supplier in the morning and told the owner, "I am going to open a pizza parlor next month. I have asked my sister Angela to come to your store to purchase a pizza oven on my behalf for the pizza parlor." That afternoon Angela went to the supplier and signed a contract to buy a pizza oven as "Angela, on behalf of Peter." The price for the oven was $15,000, which was a fair price for the pizza oven. The contract specified that the price was payable in full upon delivery. When the restaurant supplier delivered the oven to Peter, he refused to accept delivery or pay the $15,000 purchase price, telling the delivery driver, "Take it back; I don't want it. It's too expensive."

Assume that there is an enforceable contract in each case.

1. As to the yellow chairs:

   (a) Is Peter bound by the contract signed by Angela with the furniture store? Explain.

   (b) Is Angela bound by the contract she signed with the furniture store? Explain.

2. As to the used cargo bike, can Angela recoup from Peter the $8,000 that she paid to the bike shop for it? Explain.

3. As to the pizza oven, is Peter bound by the contract signed by Angela? Explain.

MEE Question 5

Ten years ago, Settlor, a widower, established an irrevocable trust. At that time, Settlor had only one child, Daughter, who had two adult children, Ann and Bob.

The trust instrument named Settlor's friend as the sole trustee and stated, in pertinent part:

1. The trustee shall pay all trust income to Daughter, Ann, and Bob, in equal shares.
2. No income beneficiary may alienate or assign his or her trust interest, nor shall such interest be subject to the claims of his or her creditors.
3. Trust principal will be distributed following Daughter's death "as she may appoint by her will, among her heirs at law and in such shares as she, in her sole discretion, may deem appropriate."

Each year after the trust was established, the trustee distributed equal shares of trust income to Daughter, Ann, and Bob.

Two years ago, Settlor remarried. His wife recently gave birth to their twins. Settlor wants to ensure that his twins receive a share of trust principal after Daughter's death. Daughter has agreed to help effectuate this goal.

Last month, the trustee received letters from two of Bob's creditors seeking to have the claims they had against Bob paid from Bob's interest in the trust. One of these creditors, a bank, has a $20,000 judgment against Bob for a loan that Bob did not repay.

The other creditor is Bob's former wife, who seeks to enforce a $30,000 judgment against Bob for unpaid child support owed for their five-year-old child.

Since receiving the letters from the two creditors, the trustee has continued to pay trust income to Daughter, Ann, and Bob, but he has refused to pay anything to either of Bob's creditors.

Under the Uniform Trust Code:

1. May the bank reach Bob's interest in present and future distributions of trust income to satisfy its judgment against Bob? Explain.

2. May Bob's former wife reach Bob's interest in present and future distributions of trust income to satisfy her judgment against Bob? Explain.

3. With respect to the power of appointment:

   (a) What is the proper classification of Daughter's power of appointment? Explain.

(b) Is it likely that an appointment of trust principal by Daughter to Settlor's twins would be effective? Explain.

(c) If Daughter fails to exercise her power of appointment, to whom would the trust principal pass upon her death? Explain.

MEE Question 6

Buyer manufactures scarves from various fabrics, including silk. It buys silk from various fabric importers including Seller, from whom Buyer has made over 250 purchases of silk during the last six years. In each of these earlier transactions, Seller delivered the silk to Buyer at no extra charge, and Buyer paid Seller the purchase price at the time of delivery.

On January 9, Buyer and Seller agreed in a telephone call that Buyer would buy 10,000 yards of silk from Seller on February 1 at a price of $10 per yard. The next morning, Buyer sent a signed note to Seller, stating, "I'm glad that we were able to reach agreement so quickly yesterday on the deal for the 10,000 yards of silk I'm buying from you." Seller received the note two days later, read it, placed it in its files, and did not respond to it in any way. On February 1, Seller did not deliver silk to Buyer's place of business.

The next day, Buyer contacted Seller to complain. Seller replied, "This isn't a delivery order. You didn't say anything about delivery when you placed this order last month. Come pick it up—and hurry! Your order is taking up space in our warehouse." Buyer, who did not have a truck large enough to pick up the silk, responded by saying, "Deliver it by tomorrow or I'll see you in court."

Two days later, on February 4, when Seller had not delivered the silk to Buyer, Buyer made a good-faith and commercially reasonable purchase of 10,000 yards of silk of identical quality from Dealer at a price of $12 per yard, including delivery to Buyer.

Buyer then sued Seller for $20,000, alleging that Seller had breached its obligations under the January 9 agreement.

1. Is there a contract enforceable by Buyer against Seller arising from the January 9 agreement? Explain.

2. Assuming that there is a contract enforceable by Buyer against Seller arising from the January 9 agreement, does the contract require Seller to deliver the silk to Buyer's place of business? Explain.

3. Assume that there is a contract enforceable by Buyer against Seller arising from the January 9 agreement, that the contract requires Seller to deliver the silk to Buyer, and that Buyer suffered no incidental or consequential damages. Is Buyer entitled to damages of $20,000 based on Buyer's purchase of substitute silk? Explain.