

True and False. Make your selection by marking "A" on your answer sheet if the statement is True or "B" if it is False.				
1. In order to be liable under the implied warranty of merchantability, a seller must be a merchant.	A. True	B. False		
2. The purpose of federal securities acts is primarily to impose on issuers of securities, other sellers of securities, and selected buyers of securities the affirmative duty to disclose important information even if investors do not request the disclosures.	A. True	B. False		
3. Under the Model Business Corporation Act, the existence of a corporation begins when the secretary of state files the articles of incorporation.	A. True	B. False		
4. A new partner may be admitted to a limited partnership by a majority vote of the general and limited partners.	A. True	B. False		
5. Unless third parties are informed of limitations on a partner's authority to make contracts, a partner has apparent authority to act as a general manager of the partnership's business.	A. True	B. False		
6. Neither party can simply revoke or renounce an agency-- i.e., walk away from his agency duties--without the agreement of the other.	A. True	B. False		
7. One example of perfection by possession of the collateral is a so-called field warehousing arrangement.	A. True	B. False		
8. A <u>mortgagor</u> is a party (such as a bank) that loans money to a debtor in order for the debtor to purchase real property.	A. True	B. False		
9. A <u>codicil</u> is an amendment of a will.	A. True	B. False		
10. A person's estate does not include personal property.	A. True	B. False		
11. In determining whether consideration exists, the law is not concerned with adequacy of the things exchanged in a contract.	A. True	B. False		
12. In common law, an acceptance that materially differs from the terms of the offer may be a counteroffer.	A. True	B. False		
13. Advertisements for bids usually are treated as invitations to make an offer.	A. True	B. False		
14. The offeror's death automatically terminates an offer, but the offeree's death does not.	A. True	B. False		
15. For Article 2 of the UCC to apply, at least one party to the contract must be a merchant.	A. True	B. False		
16. Patent infringement may occur even if the defendant's use did not involve a literal reproduction of the patented item.	A. True	B. False		
17. Descriptive trademarks cannot be registered on the Principal Register.	A. True	B. False		
18. Both civil and criminal liability can exist at the same time.	A. True	B. False		
Multiple Choice. Mark your answer by selecting the appropriate letter on the scantron sheet.				

19. Which of the following types of law is made by a legislature?	A. Administrative regulations	B. Executive orders	C. Statutes	D. Common Law
20. Which of the following lets courts help parties determine their rights and duties even though neither may yet have been harmed?	A. A declaratory judgment statute	B. The <i>ejusdem generis</i> rule	C. The rule of no liability outside privity of contract	D. The public law
21. Which of the following is both civil and substantive?	A. A state's contract law	B. A state murder statute	C. A state's rules for the conduct of a civil trial	D. A state's rules for appealing a civil judgment
22. The following statements pertain either to patent law or to patent law and trade secret law. Which statement is true?	A. The <i>specification</i> filed by an applicant for a patent must be sufficiently clear and detailed so that any person of ordinary intelligence could reproduce the invention.	B. If the owner of a patentable formula for a food product decided instead to protect the formula as a trade secret, and if the formula is stolen by a competitor more than a year after the first public use of the food product made with the formula, the original owner of the formula cannot get a patent on it.	C. Any item that is subject to trade secret protection will also be entitled to patent protection.	D. Once a patent on an invention expires, competitors of the former patentholder are free to compete with the former patentholder, as long as they do not use any of the information contained in the former patentholder's specification.
23. After being drafted by the Indianapolis Dolts (a professional football team), All-Big One Conference offensive tackle Les Holdem contracted with sports agent Harry Shifty to represent him in contract negotiations with the Dolts. Vic Amoral, a sports agent who was in competition with Shifty, later persuaded Holdem to discharge Shifty as his agent and to retain Amoral instead. Amoral then negotiated, on Holdem's behalf, a lucrative contract with the Dolts. For doing so, Amoral was paid handsomely by Holdem under the terms of the Holdem-Amoral agency agreement, though not quite as much as Shifty would have received under the repudiated Holdem-Shifty agency agreement if Shifty had negotiated a similar deal for Holdem with the Dolts. Shifty has sued Amoral for interference with contractual relations. Which of the following, if true, would be Amoral's best argument for avoiding liability?	A. That he was aiding Holdem by offering a better deal than that agreed to by Shifty and Holdem.	B. That in approaching Holdem, he was merely attempting to advance his competitive position in the sports agent market.	C. That the agency agreement between Holdem and Shifty was terminable at the will of either party.	D. That all Shifty lost was the prospect of profiting from negotiating a contract on Holdem's behalf with the Dolts.

24. Eleanor Rigby is an employee of Strawberry Fields Music, Inc., a firm that specializes in the preparation of original music for possible use by advertisers in TV and radio commercials. In January 1997, Rigby wrote a song that is protected by copyright. She wrote the song as part of her regular duties as a Strawberry Fields employee. Rigby and Strawberry Fields did not have a written agreement concerning ownership of the copyright on the song. In February 1997, Rigby and Strawberry Fields published the song by making large numbers of copies available to the public. Statements A through D deal with ownership of the copyright on the song and with the duration of the copyright. Which statement is legally accurate?	A. Rigby owns the copyright, which will expire 50 years after her death.	B. Rigby owns the copyright, which will expire in 2097.	C. Strawberry Fields owns the copyright, which will expire in 2072.	D. Strawberry Fields owns the copyright, which will expire 50 years after Rigby's death.
25. Which of the following cannot qualify for registration as a trademark on the Principal Register?	A. KZGVQER, a made-up term used by Bogus Corp. as the name of one of its products, which it began selling in June 1997.	B. V IS FOR WEST VIRGINIA, used by Mountaineer Co. as the name of its meat products (canned squirrel and similar delicacies) for so many years that the public associates the name with Mountaineer.	C. The color purple, as used by Barkmore Co. in connection with its longstanding and well-known business practice of artificially giving such a color to the dog food it produces and sells.	D. None of the above (i.e., it is possible that each of the above could qualify for registration on the Principal Register).
26. Joe says to Sue: "I promise to pay you \$1500 if you'll paint my house." Sue begins to paint Joe's house. Right now, she is half-finished. At this point in time, the contract between Joe and Sue is	A. bilateral and executed.	B. bilateral and executory.	C. unilateral and executed.	D. unilateral and executory.
27. A void agreement	A. is a contract that one or both parties can cancel at their option.	B. is a contract, even though the courts will not enforce it.	C. creates no legal obligations.	D. is a contract that is created by operation of law rather than by the agreement of the parties.
28. Twentieth century contract law is generally characterized by	A. rigid, precise, technical rules.	B. increased government intervention into private contracts.	C. less government intervention into private contracts.	D. very little case law.
29. Edna, who runs a flower shop, sells Jim a shotgun. Jim is unemployed, and Edna has never before sold a firearm in her life. Which of the following is true?	A. Article 2 of the UCC applies because Edna is a merchant.	B. Article 2 of the UCC applies because a shotgun is a good.	C. Article 2 of the UCC does not apply because Edna is not a merchant with respect to shotguns.	D. Article 2 of the UCC does not apply because Jim is not a merchant.
30. The Restatement (Second of Contracts)	A. emphasizes precise, strict, technical rules rather than fuzzy, discretionary rules.	B. has been enacted into law by approximately 40 state legislatures as of late 1996.	C. has rules that often resemble the rules stated by Article 2 of the UCC.	D. has abandoned the concepts of good faith and unconscionability.
31. Article 2 of the UCC does NOT apply to a sale of	A. ball bearings.	B. wheat that has been harvested.	C. corporate stock.	D. a new car.

32. In general, when are offerees bound by "fine-print" terms stated in offers? Focus only on the rules regarding offers and do not consider unconscionability.	A. Always	B. Only when they actually read the term	C. Only when they had actual or reasonable notice of the term	D. Never
33. Which of the following normally is effective upon dispatch?	A. An offer	B. A rejection of an offer	C. A revocation of an offer	D. An acceptance
34. The State of Indiana agrees with the Ace Construction Company that Ace will do some repair work on a bridge. The agreement, however, does not specify the exact work to be done, the quality standards Ace must meet, and the time the job must be completed. Also, the agreement states an ambiguous formula for determining Ace's compensation. Later, before either it or the state has done anything, Ace backs out of the job. Then it is sued by the state. Ace defends by arguing that the contract fails because it (or the offer) is indefinite. Which of the following is true?	A. Ace wins, and the state cannot recover.	B. Ace loses because the parties obviously intended to make a contract.	C. Ace loses because the court has a reasonably certain basis for giving an appropriate remedy.	D. Ace loses because the parties obviously intended to make a contract, and the court has a reasonably certain basis for giving an appropriate remedy.
35. X, a manufacturer of pencils, offers to sell Y 1,000,000 pencils for \$1 million. The offer, which is signed by X's President, says that it will remain open for six months. The offer does not request that Y pay any consideration for the promise to keep the offer open, and Y does not pay X any consideration. When can X revoke the offer?	A. At any time, because there is no consideration for X's option promise.	B. After three months.	C. After six months.	D. After a reasonable time.
36. A offers to pay B \$10,000 if B will cut down all the trees in a wooded area on A's land. B promises to cut down the trees and then begins work. A reasonable time to complete the job is ten days. After three days, B has cut down 50 percent of the trees. Then, A says: "I revoke." To this, B says "You can't," and finishes the job eight days after A made his original offer. Which of the following is true under modern contract law?	A. A is not bound under any theory because he revoked before B finished the job.	B. A is not bound contractually because B behaved unreasonably by continuing to cut down the trees even after being told not to.	C. A is bound contractually because B accepted by promising to cut down the trees.	D. A is bound contractually because, under one of several possible approaches, he could not revoke on these facts, and because B finished the job in time.
37. On May 1, X writes Y a letter offering to pay Y \$1000 if Y will promise to paint X's house. The offer says nothing about stipulated or authorized means of acceptance. On May 2, Y sends X a letter rejecting X's offer. On May 3, Y changes his mind and (saying nothing about his May 2 letter) telephones X to accept the offer. On May 4, X goes completely insane. On May 5, X receives Y's rejection letter. Which of the following is true?	A. There is no contract because Y's written rejection was effective upon dispatch.	B. There is no contract because X's insanity terminated the offer on May 4.	C. There is no contract because Y's telephoned May 3 acceptance was inadequate.	D. There is a contract on May 3.

38. A, a merchant, makes a standard-form offer for the sale of ball bearings to B, another merchant. The offer says nothing about arbitration. B's standard-form acceptance, however, says that all disputes under the contract must be submitted to arbitration. Which of the following is true? Assume that an arbitration clause is a material term. Also, assume that B's acceptance was a definite and seasonable expression of acceptance.	A. No contract exists because there is a material difference between offer and acceptance.	B. A contract exists, but the arbitration clause is not part of it.	C. A contract exists, and the arbitration clause is part of it.	D. The only way that there could be a contract on these facts is if there was conduct by both parties recognizing the existence of a contract.
39. In common law, an offer for a unilateral contract	A. is accepted by full performance of the requested act.	B. may be accepted either by an appropriate act or an appropriate promise.	C. may be accepted by whatever means are reasonable under the circumstances.	D. must be accepted by a promise rather than by performance.
40. Which of the following is true regarding the approach taken by the UCC toward the proper means of acceptance and the implications of using it or not using it?	A. If the offer authorizes a certain means of acceptance, the offeree must use that means or else there is no acceptance.	B. If the offer authorizes a certain means of acceptance and the offeree uses another means, a contract is formed but never before the offeror receives the acceptance.	C. Where the offer stipulates a certain means of acceptance, any reasonable means of acceptance will create a contract.	D. The UCC does not change the traditional rule that, where the offer stipulates a certain means of acceptance, the acceptance must use that means or there is no contract.
41. UCC section 2-207 (the Code's "battle of the forms" provision) says that additional terms in the acceptance are part of the contract when both parties are merchants, UNLESS	A. the offer expressly limited acceptance to its own terms.	B. the additional terms materially altered the offer.	C. the offeror gave notice of his objection to the additional terms within a reasonable time.	D. all of the above are exceptions to UCC 2-207.
42. Which of the following normally is an acceptance?	A. Silence	B. A "grumbling acceptance"	C. An inquiry regarding the terms	D. All of the above normally are acceptances
43. A standard-form offer for the sale of goods says that all disputes under the contract must be subjected to arbitration. The standard-form acceptance rejects arbitration. Which of the following is true?	A. No contract exists here because there is a material difference between offer and acceptance.	B. There is a contract only if both parties are merchants.	C. There is no contract if the offeree's acceptance was expressly conditional on the offeror's rejection of arbitration.	D. There is a contract only if neither party is a merchant.
44. A orders 100 19-inch color television sets from B and requests prompt shipment of the goods. B promptly ships A 100 21-inch color TVs. B did not tell A that the shipment of nonconforming TVs was an accommodation. In this case,	A. there is no acceptance because B's shipment materially differed from the terms of the offer.	B. there is an acceptance, and A is bound to pay the reasonable value of the 21-inch TVs.	C. there is an acceptance, but B has breached the contract by shipping nonconforming TVs.	D. by shipping the nonconforming TVs, B has made a counteroffer, which A can accept or reject.
45. Employer promises to pay Retiree a \$10,000 per year pension for the remainder of Retiree's life. Retiree foreseeably relies on the promise by taking out a mortgage on a small vacation home. Later Employer, who never intended to pay the pension, unfairly reneges on his promise. Employer's promise	A. is not binding because there is no bargained-for exchange here.	B. is not binding because \$1 is inadequate legal value for \$10,000.	C. is not binding because it is illegal.	D. is binding under these circumstances.

46. A and B agree that A will sell B all B's requirements of coal at a stated price per ton. This agreement	A. not binding for lack of consideration because it contains an illusory promise.	B. is not binding for lack of consideration because it is a composition agreement.	C. is binding, so long as B's requirements are not disproportionate in good faith.	D. is binding.
47. In which of the following circumstances is a debt settlement NOT a binding contract?	A. Where the amount of the debt is uncertain or subject to dispute.	B. Where the amount of the debt is certain and undisputed.	C. here the only consideration the creditor gives the debtor is his promise not to sue the debtor on the original debt.	D. Where the settlement is part of a composition agreement.
48. X and Y contract for X to build Y a house for \$150,000. Later, without terminating the first contract, X and Y modify that contract so that Y will pay X \$175,000. In return, X promises to build exactly the same house but one day earlier than in the previous contract. Assume that all the other elements of a contract besides consideration are present; this is a consideration question. This second contract	A. is not binding because it is unliquidated.	B. is not binding because X is promising to perform a preexisting legal obligation.	C. is not binding because the earlier completion date is inadequate consideration for \$25,000.	D. is a binding contract because of new consideration.
49. Dad wants to give his daughter Priscilla a new BMW 540i (worth perhaps \$50,000) upon her graduation from high school. Priscilla says: "Let's make it a contract, Dad." So Dad promises to give Priscilla a 540i when she graduates, in exchange for Priscilla's promise to pay Dad \$1. There is no contract here. Why?	A. Because \$1 is inadequate consideration for a \$50,000 automobile.	B. Because Priscilla's promise is illusory.	C. Because a genuine bargained-for exchange is not present here.	D. Because Dad is making a promise to perform a preexisting legal obligation.
50. In order to recover for breach of an express warranty, a plaintiff MUST show that	A. the warranty was part of the basis of the bargain.	B. the seller gave a sample or model of the goods.	C. the warranty was in writing.	D. the warranty used the words "warrant" or "guarantee."
51. Palmer goes to a truck dealership and asks for a truck capable of handling a 5000 pound load. He clearly tells the sales representative to select an appropriate truck. Without saying anything about the truck's load-carrying capacity, the sales representative selects a certain truck for Palmer. Relying on the salesman's choice, Palmer buys the truck in question. Although the truck Palmer buys is mechanically sound, it can handle only a 2500 pound load. Palmer wants to sue the dealership because he didn't get the truck he desired. Which of the following theories gives Palmer his best chance of recovery?	A. Express warranty	B. Implied warranty of fitness	C. Implied warranty of merchantability	D. Section 402A

52. Which of the following is most true regarding a middleman's (wholesaler's or retailer's) duty to inspect the goods in a negligence case?	A. There is no such duty, <i>ever</i> .	B. Generally speaking, retailers must open sealed containers to make sure that there are no defects in the items within.	C. Generally speaking, wholesalers must almost always inspect the goods they sell; but retailers hardly ever must do so.	D. Retailers who install, prepare, or service the goods they sell generally are expected to spot and correct defects that are reasonably apparent given the installation or inspection work they do.
53. For which of the following theories must the seller be a UCC merchant?	A. Implied warranty of fitness	B. Implied warranty of title	C. Implied warranty of merchantability	D. Express warranty
54. An oral statement that "there are no warranties that extend beyond the description on the face of the writing you're signing" will disclaim liability under	A. the implied warranty of merchantability.	B. the implied warranty of fitness.	C. the implied warranty of title	D. express warranties not in writing
55. A trust that is established in a person's will and that takes effect only upon that person's death is called a(n)	A. inter vivos trust.	B. spendthrift trust.	C. totten trust.	D. testamentary trust.
56. A joint or mutual will	A. creates a presumption that the will cannot be revoked or changed.	B. is valid only if the testators are a married couple.	C. cannot be created in a single instrument.	D. cannot be changed after one of the testators dies.
57. Which of the following is MOST likely to breach one of the trustee's fiduciary duties?	A. Selling stock owned by the trust to realize capital gains.	B. Selling stock owned by the trust because it has declined in value over the last three years.	C. Delegating the selection of trust investments to an investment advisor.	D. Delegating the preparation of statements of account to an accountant.
58. A particular trust has income-producing real property as its sole asset. Which of the following trust proceeds or expenditures should be allocated to principal?	A. Annual payments on a fire insurance policy to protect trust property.	B. The cost of a long-term permanent improvement to trust property.	C. Rental income from the trust property.	D. Real estate taxes paid on trust property.
59. The rule against perpetuities does NOT apply to a	A. testamentary trust.	B. spendthrift trust.	C. charitable trust.	D. totten trust.
60. A valid mechanic's lien has priority over all competing liens that are	A. not recorded.	B. not in writing.	C. filed after the filing of the mechanic's lien.	D. perfected after the first work is performed or the first materials are delivered.
61. Today, most artisan's liens	A. have been repealed by statute.	B. are handled by Article 7 of the UCC.	C. require that the artisan have possession of the debtor's property.	D. apply whether or not the owner consented to the work performed by the artisan.
62. Why is it important that a mortgage be recorded?	A. Because recording is necessary for the mortgage to be valid between mortgagor and mortgagee	B. Because recording is necessary for the sale of the property to be valid	C. Because recording is necessary to establish priorities of certain parties with interests in the land	D. Both A and B are true
63. A party who borrows money to buy a home and signs a mortgage agreement giving the bank the right to repossess the home in case of default is called a	A. mortgagor.	B. mortgagee.	C. creditor.	D. trustee.

64. Debbie was completely insane when she took out a \$1 million loan with Carl Creditor. As part of the deal, Carl demanded that Susan serve as a surety. If Debbie defaults on her obligation, who can use her insanity as a defense against Carl?	A. Only Debbie	B. Only Susan	C. Both Debbie and Susan	D. Neither Debbie nor Susan
65. As a favor for a friend and without receiving any compensation, Sam agrees to be a surety on a debt owed by Donna to Cathy. Donna and Cathy contract to extend the time period of the debt. When, if ever, is Sam bound by this extension?	A. This change immediately discharges Sam from his suretyship obligation.	B. Sam is bound by the change only if he consents to it.	C. Sam is bound by the change if it was both material and prejudicial to him.	D. Sam is automatically bound by the change.
66. A security agreement covering the debtor's inventory automatically covers	A. the proceeds of that inventory.	B. after-acquired inventory.	C. future advances by the creditor against the inventory.	D. all of the above
67. Secured Party perfects its security interest in the collateral by filing on January 10. In a contest for that collateral, which of the following parties will Secured Party defeat?	A. Another secured party who perfected on January 10.	B. A party who gets a mechanic's lien on the collateral on January 12.	C. A buyer of the collateral in the ordinary course of business who buys on January 12.	D. None of the above.
68. Which of the following does NOT designate order paper?	A. A check that is payable to the order of cash.	B. A check that is payable to the order of a specific person.	C. A note that is payable to the order of a specific person.	D. A note payable to order of specific payees.
69. Which of the following is NOT negotiable?	A. A check written "pay to order of Sarah Smith."	B. A note written "I promise to pay Sarah Smith only."	C. A note written "I promise to pay Sarah Smith or bearer."	D. A draft payable "to the order of bearer."
70. Where there is an internal conflict in a negotiable instrument, which of the following is the order of priority?	A. Typewritten terms beat printed terms, which beat handwritten terms.	B. Printed terms beat typewritten terms, which beat handwritten terms.	C. Handwritten terms beat printed terms, which beat typewritten terms.	D. Handwritten terms beat typewritten terms, which beat printed terms.
71. Which of the following does NOT affect negotiability?	A. A draft that says: "Pay to the order of Sue Smith once she repairs my computer."	B. An instrument that says only: "This confirms my \$1000 debt to Sue Smith."	C. A note that says: "Payment is conditional upon the terms of the mortgage between the parties dated June 1, 2000."	D. A notes that says: "This note is secured by the property described in the parties' mortgage of June 1, 2000."
72. Jill gets a loan from the B Bank. Jill signs a standard-form note prepared by the bank. The note obligates Jill to pay the bank the amount of the loan, plus interest. What is Jill?	A. The maker of the note.	B. The drawer of the note.	C. The drawee of the note.	D. The payee of the note.
73. Which of the following is MOST likely to be classed as an independent contractor rather than an employee?	A. An assembly line worker.	B. A lawyer who works as in-house counsel for a corporation.	C. A franchisee of a fast-food fried chicken chain.	D. The president of a corporation.
74. In order to terminate an ex-agent's apparent authority to third parties who have previously dealt with the agent, a principal must	A. die or go insane.	B. couple the agency with an interest.	C. circulate a notice in the newspapers where these third parties reside.	D. contact these third parties directly--e.g., by telling them personally or in a letter.

75. Which of the following is true about the formation of an agency?	A. Sometimes courts imply the existence of an agency from the parties' behavior and the surrounding circumstances.	B. For an agency to exist, the parties must subjectively know that they're creating an agency and must subjectively desire to create one too.	C. A contract is necessary for the existence of an agency.	D. A writing is necessary for the existence of an agency.
76. Which of the following is terminated only with the consent of the agent?	A. The agent's apparent authority.	B. An agency coupled with an interest.	C. A gratuitous agency.	D. A constructive agency.
77. Which of the following is LEAST likely to terminate an agency?	A. The bankruptcy of the principal, where the agent was employed to buy works of art for the principal's personal enjoyment.	B. The agent's bankruptcy, where the agent is an assembly line employee.	C. The principal's revocation of the agency.	D. The agent's renunciation of the agency.
78. A partner has authority to issue promissory notes for the partnership if the	A. partnership has a bank account.	B. partner has authority to issue and deposit checks.	C. partnership is a nontrading partnership.	D. partner has authority to borrow money for the partnership.
79. Which of the following partnership decisions must be approved by all the partners of a partnership in the business of providing accounting and auditing services?	A. Buying paper supplies for the partnership.	B. Making a contract to provide audit services.	C. Borrowing money to repay a partnership debt.	D. Hiring a secretary.
80. Lyle is a partner in an ordinary partnership in the business of providing tax services. While serving a client on behalf of the partnership, Lyle's partner Julia intentionally understates the client's taxable income on a federal tax return. When the true income is reported a few years later, the client is required to pay a penalty. The client sues the partnership and its partners. Which of the following is correct?	A. Julia is not liable to the client because she was acting on behalf of the partnership.	B. Lyle is not liable to the client, unless Lyle authorized Julia to understate the client's income.	C. The partnership is not liable to the client because the intentional tort is outside the scope of business.	D. Julia is liable to the client only if she was acting in the ordinary course of business.
81. An accounting of the partnership affairs	A. is the partner's right--to inspect the books of the partnership.	B. is a judicial review of all partnership and partners' transactions.	C. is merely a presentation of financial statements.	D. may be taken only after dissolution.
82. Susan is a partner of Andrusian Consulting, a consulting partnership. Susan agrees with Mimms Company that Andrusian will provide management consulting services for \$75,000 to Mimms if Mimms agrees to pay Susan \$5,000 personally. What fiduciary duty will Susan breach if Mimms pays her \$5,000?	A. Duty to act with care for the partnership's interests.	B. Duty to not profit secretly.	C. Duty to serve.	D. Duty to indemnify the partners.
83. Which of the following activities by a limited partner constitutes control of a limited partnership in the business of operating a professional baseball team?	A. Providing advice concerning which high school players the team should draft.	B. Requesting a meeting of the partners to vote on a proposal to limit the total salary of the baseball players.	C. Deciding which free-agent baseball players the limited partnership should sign for the next season.	D. Acting as a guarantor for a limited partnership obligation to a player.

84. In the absence of an agreement by the partners, the assignment of a general partnership interest	A. terminates the general partner's status as a general partner.	B. makes the assignee a substitute general partner.	C. makes the assignee a limited partner.	D. is prohibited by the RULPA.
85. Which of the following causes a dissolution of a limited partnership?	A. The adjudicated insanity of a limited partner.	B. The dissolution of one of two corporate general partners.	C. The withdrawal of a limited partner.	D. The written consent of partners' owning a majority of the partnership.
86. A limited liability company	A. must have one or more limited members and one or more general members.	B. has general members whose liability for LLC obligations is unlimited and limited members whose liability is limited to their capital contributions.	C. must file with the secretary of state articles of organization signed only by the general members.	D. is an entity separate from its owners.
87. When a promoter is liable on a pre-incorporation contract, the promoter is released from liability on the contract	A. only after the contract has been fully performed.	B. when the corporation ratifies the contract.	C. when the corporation and the other party to the contract agree to release the promoter from liability.	D. when the corporation's articles have been filed by the secretary of state.
88. Under the MBCA, which of the following is NOT a proper type of consideration for which a corporation may issue its common shares?	A. A promoter's preincorporation services worth \$25,000, which services were performed prior to incorporation.	B. A gratuitous promise to contribute \$35,000 cash to the corporation.	C. Bonds of another corporation, which are worth \$15,000.	D. The president's actual performance of services for the corporation, which are worth \$50,000.
89. When the promoters fail to comply with some of the mandatory conditions precedent to incorporation, but substantially comply with the provisions taken as a whole, what kind of corporation is created?	A. A de facto corporation.	B. A corporation by estoppel.	C. A corporation quo warranto.	D. A de jure corporation.
90. A corporation is liable on a preincorporation contract made on behalf of the corporation by a promoter	A. When the third party agrees to look only to the corporation for performance.	B. when the promoter discloses the nonexistence of the corporation at the time the contract was made.	C. when the third party to the contract insists that the promoter sign the contract in the name of the corporation.	D. when the corporation's board of directors adopts the contract.
91. Which of the following concerning a corporate promoter is incorrect?	A. A promoter is not liable on preincorporation contracts signed in the name of the prospective corporation, if the promoter's name is nowhere on the contract.	B. A promoter is prohibited from diverting a business opportunity from the prospective corporation to himself.	C. A promoter may be compensated by the corporation for the value of his services performed prior to incorporation.	D. A promoter may not profit personally by transacting secretly with the corporation in his personal capacity.

92. Under the Model Business Corporation Act, a corporation's existence begins	A. only after the promoters substantially comply with each of the mandatory conditions precedent to incorporation and hold an organization meeting.	B. only after the articles of incorporation are filed by the secretary of state.	C. when the secretary of state returns to the corporation a copy of the articles stamped "Filed."	D. when the corporation drafts and submits its article for filing to the secretary of state.
93. Ultra vires is of small importance today because	A. corporation statutes prevent corporations from placing self-imposed limits on their purposes.	B. courts do not permit the parties to a contract to use ultra vires as a defense to a contract.	C. the MBCA prevents shareholders from using ultra vires to enjoin a corporate action that is beyond the powers of the corporation.	D. corporations are well advised by their lawyers to draft specific purpose clauses and not to act beyond the purposes stated.
94. Under the MBCA, the board of directors may	A. remove directors.	B. not set its own compensation.	C. adopt and amend bylaws.	D. not fill vacancies in the board of directors.
95. The proxy solicitation process	A. usually results in the chief executive officer controlling the corporation.	B. usually results in shareholders dominating management of the corporation.	C. is corporate democracy working at its best.	D. usually results in the board of directors dominating the management of the corporation.
96. Which of the following is incorrect concerning the Foreign Corrupt Practices Act?	A. The FCPA prohibits payments used for the purpose of influencing a governmental decision.	B. The FCPA requires the keeping of accounts that accurately reflect the dispositions of the issuer's assets.	C. The FCPA bribery provisions apply to all American firms, not merely firms with equity securities registered under the 1934 Act.	D. The FCPA prohibits facilitating of grease payments.
97. Cartman Company wants to make an offering of securities exempt from registration under Rule 505 of the Securities Act of 1933. In order to do this, Cartman	A. may sell to any number of unaccredited purchasers.	B. may sell to any number of accredited purchasers.	C. may sell only to purchasers who are sophisticated purchasers.	D. cannot restrict resale of securities
98. Which of the following is NOT a security under the Securities Act of 1933?	A. A general partnership interest issued to a passive investor.	B. A promissory note due in 15 months issued by a corporation to a bank to evidence the corporation's obligation to repay a loan by the bank.	C. A limited partnership interest.	D. Common shares issued to a majority shareholder in a closely held corporation.
99. To prove her due diligence defense under Securities Act section 11 with regard to audited financial statements, an officer of the issuer must prove which of the following?	A. The officer made a reasonable investigation into the accuracy of the audited financial statements.	B. The officer believed the financial statements did not omit or misstate a material fact.	C. The officer had no intent to misstate or omit a material fact in the audited financial statements.	D. The officer had no reason to believe the financial statements omitted or misstated a material fact.

<p>100. Barnacle Company plans to make a registered offering of its preferred shares pursuant to the Securities Act of 1933. After filing a registration statement with the Securities and Exchange Commission but prior to its effective date, which of the following will violate section 5 of the Securities Act of 1933?</p>	<p>A. Sending a letter to a prospective investor noting that projected earnings are up 15 percent, which letter is accompanied by a preliminary prospectus.</p>	<p>B. An oral offer at a sales meeting attended by 37 prospective investors and lasting for four hours, after which the investors have no questions.</p>	<p>C. An oral offer to sell the shares made by telephone.</p>	<p>D. An in-person oral offer to sell the shares.</p>
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