

## Essay Question No. 9

### Answer this question in booklet #9.

Alan is the owner of a coal mine. He would like to sell an undeveloped piece of property that is separated from the coal mine by a creek. Beth is interested in the property for the sole purpose of building and operating a flower shop on it, which she tells Alan. Alan and Beth meet and walk the boundaries of the property, and Alan explains that it consists of all land that Alan owns north of the creek.

Alan tells Beth that he will sell her the property for \$100,000, and that he will accept a down payment in the amount of \$10,000. Alan also tells Beth that she can pay the remaining balance, plus accrued interest at eight percent per year, at any time within the next two years. Beth agrees to buy the property on those terms, pays Alan the \$10,000 down payment in cash, and tells him that she intends to pay the entire remaining balance including interest two years from now with profits from her flower shop. Alan gives Beth a receipt signed and dated by him that states: "this receipt acknowledges that on this date Beth gave me \$10,000 as a down payment on my land north of the creek; total price \$100,000."

The next week, Beth spends substantial amounts of money to improve the property. While excavation work is being done for the flower shop, she discovers that there are large quantities of coal on the land. Beth also finds out that a new zoning law, which became effective one day before she purchased the property, prohibits her from operating a flower shop on the property. Neither Beth nor Alan knew about the new zoning law when the property transaction took place.

- A. Assume for purposes of this subpart only that Alan decides that he wants the coal on the property, and tells Beth that "the deal is off" and that he will not give her the deed even if she pays the remaining balance. Assume also that Beth still wants the property, and that she brings an action for specific performance. Explain and discuss whether there is an enforceable contract, and whether Beth is likely to prevail in her action for specific performance.
- B. Assume for purposes of this subpart only that Beth decides that she no longer wants the property because she cannot operate a flower shop on it. Explain and discuss whether the effect of the new zoning law on Beth's plans is a basis for her to obtain a refund of her down payment and the money she spent to improve the property from Alan, and to be relieved from the contract.