

COMMERCIAL LAW

SHELTER RULE PRACTICE PROBLEMS

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1. Mary Maker issued a promissory note payable on August 15, 2011 to Peter Payee for \$100 in exchange for Peter's promise to repair Mary's television. Peter specially indorsed the note over to Harold Holder under circumstances which made Harold a holder in due course. Harold then specially indorsed the note to you on September 6, 2011 in exchange for \$90. You present the note to Mary demanding \$100 and Mary tells you the following: "Peter is a scumbucket. He refuses to repair my television unless I pay him another \$100. I am not going to pay you until my television works. Get lost." Undaunted, you bring suit against Mary. What result and why?

2. Paula Payee induced Mark Maker to make a note payable to Paula by fraud. Paula negotiated the instrument to Hal Holder who qualified as a holder in due course. Hal further negotiated the instrument to Irma Indorser who then sold the note to Paula. Paula presented the note to Mark demanding payment. Mark refused raising the defense of fraud. Paula brought suit against Mark. What result and why?

3. Max Maker issued a promissory note payable to Pat Payee in exchange for Pat's promise to fumigate Max's house for roaches. Pat gave the note to you as a present. When you received the note, you thought the Pat was an upstanding citizen but later you discovered that she was a sleaze and had skipped town without ever fulfilling her promise to Max. Quickly, you sell Pat's note to Heather Holder who qualified as a holder in due course. Later, after Heather found out about Pat's behavior, Heather demanded that you buy back the note and you agree. You then demand payment from Max and Max refuses to pay. When you bring a lawsuit against Max, what result and why?

4. Marissa Maker purchased a set of Southwest Reporters from Penny Payee and signed a promissory note for the purchase price. Penny, who needed money rapidly, sold the note to Henry Holder who qualified as a holder in due course. Henry's grandson, Tom, was getting ready to go to college so he indorsed the note over to Tom as a present. Tom, however, had just won the lottery and thus gave the note with a proper indorsement to his brother, Frank. When the note was due, Frank presented the note to Marissa for payment. Marissa refused stating that

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many of Reporters had missing pages and that she was suing Penny for recession of the contract. Frank then sued Marissa. What result and why?

5. Same facts as Problem 4 except that Marissa is a turnip, i.e., she has no money.
 - A. What result if Frank sues Penny?
 - B. What result if Frank sues Henry?
 - C. What result if Frank sues Tom?
 - D. Would any of your answers to A, B, or C change if Frank qualified as a holder in due course?