<u>QUESTION 14</u>   THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK V

Smith Tire Company is located in West Bloomfield, Michigan. The company manufactures tires for motorized vehicles. Jane Smith is the president of Smith Tire Company.

On March 1, 2012, Ms. Smith received a letter from Super Bikes, Inc., which was in need of purchasing tires. Super Bikes, Inc. is a well-known manufacturer of motorcycles located in St. Joseph, Michigan. Larry Jones is the president of the company.

The letter, which was printed on the company's letterhead said, "Super Bikes, Inc. offers to purchase 1,000 18/65B16 tires for $300 per tire. The total contract price is $300,000. This offer is firm and will not expire until May 30, 2012. Please ship on May 30, 2012 using Allied Freight Company (FOB-West Bloomfield)." The letter was initialed by Larry Jones.

Because this was such a large order, Ms. Smith immediately gave the letter to her production manager in order to begin the manufacturing process to fulfill the order. On the evening of May 29, 2012, Mr. Jones left a voicemail message for Ms. Smith and cancelled the order. Ms. Smith did not receive this message.

Smith Tire completed the production and shipped the tires to Super Bikes on the morning of May 30, 2012. After Allied Freight picked up the tires, Ms. Smith faxed Super Bikes notice of the shipment along with all the documents necessary to enable it to obtain possession of the tires. That afternoon, Ms. Smith heard the voicemail message from Mr. Jones. While in transit, the truck carrying the tires was involved in an accident and all of the contents of the truck were destroyed.

(1) Is there a contract between Smith Tire Company and Super Bikes, Inc. for the 1,000 tires?

(2) Who has the risk of loss and why?

Explain your answers.

*******THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK V*******