

**QUESTION 4 THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK
II OR IN EXAMPLIFY ANSWER SCREEN 4**

Michael was born and raised in Monroe, Michigan where he lived in the same house for over 30 years. Three years ago, Michael received an inheritance and used the money to purchase a 90-acre farm and a farmhouse in Toledo, Ohio. He moved many of his personal belongings to the farmhouse, and now spends 7 ½ months a year growing and selling produce on his farm and living in the farmhouse.

Michael has not completely cut his connection with Monroe, however. For 4 ½ months every year since purchasing the farm, he lives in his Monroe house, which he refers to as his "home." He maintains an active social life in Monroe, is a member of a church and health club in town, and obtains medical and dental care from his long-time doctors in Monroe. He also votes in Monroe and he still has his Michigan driver's license and car registration.

Sally Foods, Inc. is a food distributor that sells fresh produce to grocery stores throughout a five-state region, including Michigan and Ohio. Sally Foods is incorporated in Minnesota and is headquartered in Ohio. It has food processing, warehousing, and distribution facilities in each of the five states in its distribution region.

Three years ago, Michael and Sally Foods entered into a four year contract providing that Michael would sell all the produce grown on his farm each year to Sally Foods. The contract was negotiated and signed by the parties at Sally Foods's corporate headquarters. Michael only earned \$20,000 for each of the first two years of the contract, and did not expect to earn any more than that in the next two years. Recently, Sally Foods learned that Michael's prices were higher than other farms in the area. At a meeting at its corporate headquarters, Sally Foods's CEO asked Michael to drop his prices. When Michael refused, the CEO informed him that Sally Foods was terminating the contract.

Michael sued Sally Foods for violating a federal statute which prohibits "material misstatements, omissions or non-performance in contracts in connection with the distribution of perishable goods." He is seeking \$80,000 in damages for his expected loss of produce sales for the two years remaining on the contract. The lawsuit has been filed in the United States District Court for the Eastern District of Michigan. Due to some unexpected litigation costs Michael incurred after filing his lawsuit, Michael has sold his Monroe house and now resides full-time in his Toledo farmhouse.

*******THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK II*****
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Sally Foods has moved to dismiss Michael's lawsuit for lack of subject matter jurisdiction. Michael argues that diversity and federal question jurisdiction exist.

Analyze whether both forms of jurisdiction can be established.

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