

**QUESTION 2 THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK I OR IN
SOFTEST ANSWER SCREEN 2**

In anticipation of his upcoming birthday, Derwin Dennis planned to have a huge party. He asked Carolyn Cook whether she would consider being the party planner. Two days before Carolyn was scheduled to meet with Derwin to discuss the details and sign the provided contract, Carolyn stopped at Exclusive Edibles and ordered a 7-tiered chocolate birthday cake for Derwin's party. Carolyn informed Exclusive Edibles that she was the party planner for Derwin's birthday party. The contract signed by Derwin and Carolyn authorized her to plan and execute Derwin's birthday party, and provided that Carolyn would receive \$500 in payment for her efforts. The contract included instructions regarding budgetary limits--no more than \$10,000 for food and beverages, \$500 for the cake, and \$5,000 for entertainment.

Carolyn then entered into a contract with Saucy Sean's to provide the food and beverages for Derwin's birthday party. The contract was for \$11,000. Carolyn also entered into a contract with a local band, Valerina and the Vixens, to provide the entertainment for the party. After intense negotiations, the band agreed to perform for \$4,000.

The party--including the birthday cake--was a huge success. At the end of the evening, Derwin gave Carolyn \$5,000 for the musical performers. Carolyn paid them \$4,000 per the contract, and kept the negotiated discount. Derwin told Carolyn that he had no intention of paying either Exclusive Edibles or Saucy Sean's.

Applying principles of Michigan agency law, explain whether Derwin is required to pay (1) Exclusive Edibles, and (2) Saucy Sean's, and (3) whether Carolyn may keep the \$1,000.

Explain your answers.

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