

**QUESTION 7 THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK
III OR IN EXAMPLIFY ANSWER SCREEN 7**

Sally has financial problems. She purchased a desktop computer for her apartment for \$2,000 from XYZ Electronics (XYZ) with a store credit card. Shortly thereafter, she lost her job and knew she would be unable to afford the monthly payments for the computer. Not wanting to lose the computer, Sally sent a \$100 check to XYZ as her first credit card payment and conspicuously wrote "payment in full" on the back of the check, as well as on the memo line on the front of the check. XYZ received the check, deposited it, and the check cleared. Soon thereafter, Sally received XYZ's credit card statement reflecting a \$100 payment and a remaining balance of \$1,900 for the computer.

Sally quickly found a new job as a receptionist for a dentist, Dr. Jones. In her first week there, Sally stole three checks (totaling \$18,200) from Dr. Jones' desk drawer, each made payable to Dr. Jones for services rendered. On each check, she forged Dr. Jones' endorsement on the back, signed her own name, and deposited the checks in her own individual bank account at First State Bank. The funds were collected from the payor banks by First State Bank. Dr. Jones subsequently discovered the theft.

Applying Michigan law, fully discuss:

1. Does Sally still owe \$1,900 to XYZ? Explain why or why not.
2. Does Dr. Jones have a valid cause of action against First State Bank?

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