

Law of Obligations 1 – 24 April 2009

- The duration of the examination is 75 minutes.
- During the course of the examination, candidates may freely consult Statutes and dictionaries of their own.
- On each Answer sheet, candidates must write their **student number only**. Please do not write your name or major subject.
- **All** candidates must attempt Question 1.
- Candidates may attempt **only one** topic from the two topics presented in Question 2.

[1] Question 1

Tiger Foundation's Memorandum of Incorporation ("MOI") states that the Foundation's objectives are "to promote animal welfare, to educate the general public about the plight of wild life, and to be engaged in all activities relevant to the foregoing."

The MOI further states that the Foundation shall have 7 directors, each of whom shall have the representative authority. But MOI provides that any contract which exceeds 1 billion KRW shall require an approval of the Board of Directors.

Mr Lee, a Director of Tiger Foundation, decided to buy a plot of land in the name of the Foundation. The plot is located in the outskirts of Seoul. Mr Lee expected that the land price will continue to rise due to the proposed redevelopment plan recently leaked to a local newspaper. The contract price was 3 billion KRW. In order to finance this transaction, Mr Lee approached KU Bank and YS Bank. Each of these banks approved a loan to the Tiger Foundation in the amount of 1 billion KRW each, repayable in one year.

Neither the purchase of land nor the loan agreements were approved by the Board of Directors. The purchase of land turned out to be disastrous. The local government canceled the redevelopment plan due to the premature leak and the employees of the local government responsible for the leak were being prosecuted. The land price plummeted and the plot is currently worth much less than 3 billion KRW. Mr Lee, meanwhile, decided to escape from the embarrassment by taking the 2 billion KRW from the Foundation's account and he disappeared.

Ms Kang, the owner of the land, demanded completion of the land conveyance. When the Foundation was unable to pay the balance, Ms Kang deposited with the court all documents necessary to complete the transfer of ownership to the Foundation and demanded payment from the Foundation. The Foundation denied the obligation, pointing out that the purchase of the land shall not be binding upon the Foundation.

While the dispute continued, KU Bank and YS Bank also demanded repayment of the loan. The Foundation argues that the Banks shall have to sue Mr Lee because the Foundation is also a victim of Mr Lee's criminal manoeuvre.

Will the Foundation be required to pay the balance of the purchase price to Ms Kang?

Will the Foundation be required to repay the loans to KU Bank and YS Bank?

What other remedies can be resorted to by Ms Kang, KU Bank and YS Bank?

[Please turn to the next page]

[2] Question 2

Please choose and answer only **one** of the following topics:

What are the means of protecting a party who entered into a contract with a minor?

Or

Discuss and comment on Art. 527 of Civil Code, "An offer shall not be revoked."

[End of questions]