

## Korean Contract Law II

11 December 2019

- The duration of the examination is 75 minutes (from 12:00 am to 13:15).
- During the examination, you may freely consult materials in your own possession, including online resources.
- On each Answer Sheet, you must write your **student number only**. Please do **not** write your name.
- You must attempt the following **two (2)** Questions. They have an equal weight in assessment.

### [1] Question 1 (50 points)

Anam Co. and Beta Co. concluded a share purchase agreement (“SPA”) whereby Beta bought 100% shares of Gamma Industries, Inc (the “Company”). The agreed date of closing of the SPA was 1 May 2018. Near the agreed closing date, Beta informed that the Company’s financial statements which were provided by Anam are inaccurate. Beta wrote to Anam that due to Anam’s breach of warranty, Beta terminated the SPA.

Anam is indignant. Anam claims that Beta’s allegation of Anam’s breach of warranty is preposterous. Anam further claims that Beta is in breach of the SPA. Anam asserts that it is ready and willing to deliver the shares. Anam demands Beta to pay the agreed contract price plus delay damage from 2 May 2018.

How should this dispute be resolved?

### [2] Question 2 (50 points)

Mr Lee leased a gas station (petrol station) near Anam Junction from Grease Co., who owns and operates a number of gas stations all over the country. The contract stipulates that neither the lessee shall be required to restore the leased property to its original condition, nor the lessor shall be required to reimburse the lessee in respect of any improvement of the leased property.

Mr Lee’s gas station was doing well and he needed additional storage capacity and more gas pumps (petrol pumps).

Mr Lee asked Grease Co. whether the company can install another underground storage tank and 5 more gas pumps. Grease Co refused but suggested that Mr Lee could, if he wishes, make those additions at his own costs. Mr Lee carried out the necessary work to bury an additional underground storage tank and installed 5 more gas pumps. The underground storage tank cost 200 million KRW and gas pumps cost 30 million KRW each.

When the lease period was over, Grease refused to renew the lease and demanded Mr Lee to leave. Mr Lee requested Grease to purchase 5 gas pumps. Grease refused on the ground that the lessor is not required to make any reimbursement. Mr Lee argued that the lessee’s statutory put option under Article 646 of the Civil Code is not excluded by any of the parties’ agreement.

Grease, on the other hand, discovered that the soil under the gas station is heavily contaminated due to leaked fuel. Grease demanded damage from Mr Lee. Mr Lee refused by saying that perhaps the soil was already contaminated even before Mr Lee came, and even if the contamination occurred afterwards, it is not Mr Lee's responsibility.

Discuss how the dispute must be resolved.

[End of questions. You must answer **both questions.**]