

# CALIFORNIA

# BAR

# EXAM

## INTENSIVE TESTING DAY #2

**You must treat this practice exam as though it is REAL!**

**Stay on time. Start essays at 9:00 a.m.**

**Please turn your answers in by 1:00 p.m. TODAY, Thursday.**

***Late arrivals will not be graded (just like the bar).***

# QUESTION ONE

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5 Corp is a publicly held corporation whose stock is registered under section 12 of the Securities  
6 Exchange Act of 1934. The following sequence of events occurred in 2003:

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8 January 2: Corp publicly announced that it expected a 25% revenue increase this year.

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10 March 1: A corp director (“Director”) sold 1,000 Corp shares for 25\$ each.

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12 June 15: Corp learned that, because of unforeseen expenses, its revenues would decrease by 50%  
13 this year, contrary to its January 2 announcement.

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15 June 16: A Corp officer (“officer”) consulted his lawyer (“Lawyer”) for personal tax advice.  
16 Officer mentioned, among other things, the probably devaluation of his Corp stock.

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18 June 17: Lawyer telephoned his stockbroker and bought a put option for \$1,000 from OptionCo.  
19 This put option entitled Lawyer to require OptionCo to buy 1,000 Corp shares from Lawyer for  
20 \$20 per share.

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22 June 18: Corp publicly announced its revenues would decrease by 50% this year. Its stock price  
23 fell from \$30 to \$5 per share.

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25 June 19: Lawyer bought 1000 Corp shares at \$5 per share and required OptionCo to buy shares  
26 for \$20,000 pursuant to the put option.

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28 July 1: Director bought 1,000 Corp shares for \$5 per share.

- 29  
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31 1. In each of the foregoing events, which of the actions by Director, Officer, and Lawyer  
32 constituted a violation of federal securities laws and which do not? Discuss.  
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34 2. Did Lawyer violate any rules of professional responsibility? Discuss.  
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# QUESTION TWO

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Mike had a 30-year master lease on a downtown office building and had sublet to others the individual office suites for five-year terms. At the conclusion of the 30-year term, Olive, the building's owner, did not renew Mike's master lease.

When Olive resumed control of the building, she learned that Mike had failed to comply with the terms in the 30-year lease that required him to renew an easement for weekday parking on a lot between the building and a theatre. The theatre, which, in the past, had always renewed the easement, used the lot for its own customers on evenings and weekends.

Olive also learned that a week before the end of the 30-year lease Mike had renewed for another five years the sublease of one tenant, Toby, at a rate much below market. Toby ran an art gallery, which Mike thought was "classy." Upon signing the renewal, Toby purchased and installed expensive custom lighting and wall treatments to enhance the showing of the art in his gallery.

Because of Mike's failure to renew the parking easement, the theatre granted it to another landowner. As a result, Olive had to request a variance from the town ordinance requiring off-street parking. The Board of Zoning Appeals (BZA) denied the request because a nearby parking-lot operator objected. The off-street parking requirement, combined with the loss of the parking easement, meant that several offices in Olive's building would have to be left vacant. The BZA had recently granted a parking variance for a nearby building under very similar circumstances.

Olive commences the following actions:

1. A suit against Mike to recover damages for waste resulting from Mike's failing to renew the parking easement.
2. An action for ejectment against Toby and to require him to leave the lighting and wall treatments when he vacates the premises.
3. An appeal of BZA's denial of Olive's variance request.

What is the likelihood that Olive will prevail in each action? Discuss.

# QUESTION THREE

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Two years ago, Lawyer represented Sis in her divorce. Last week, Sis made an appointment with Lawyer to assist her father, Dad, with an estate plan. Sis brought Dad to Lawyer's office. Dad was 80 years old, a widower, and competent. In Sis's presence, Dad told Lawyer he wanted to create a will leaving everything he owned to his three adult children, Sis, Bob, and Chuck, in equal shares. Dad's assets consisted of several bank accounts, which he held in joint tenancy with Sis, and his home, which he held in his name alone. Sis then asked Dad whether he wanted to do something special about his house. Dad thanked Sis for asking, and told Lawyer that he wanted Lawyer to draft a deed that would place his house in joint tenancy with Sis.

At the conclusion of the meeting, Lawyer told Sis and Dad that his customary fee was \$750 for drafting such a will and deed. Sis gave Lawyer a check for \$750 in payment drawn on her personal account. Lawyer then drafted the will and deed as directed.

What ethical violations has Lawyer committed, and what should Lawyer have done to avoid those violations? Discuss.