

QUESTION 4

Doug, a developer, and Bill, a builder, entered into a contract. Under the contract, Bill was to build a building for Doug for \$100,000, and was to receive a \$10,000 “on-time bonus” if he were to complete construction by a specified date.

Bill, in turn, entered into a contract with Ellen, an electrical contractor. Under this contract, Ellen was to do the electrical work for the building for \$15,000. At the time she entered into the contract, Ellen was not aware of Bill’s on-time bonus, but learned about it before she was to begin the job.

In the midst of the job, after receiving \$3,000 in progress payments, Ellen decided she could not profitably do the electrical work for \$15,000 and quit. Bill looked diligently for an electrical contractor to complete the work at the lowest cost. The only electrical contractor Bill could locate was Roger. Roger demanded \$20,000 to complete the work. Bill agreed and paid Roger \$20,000 upon completion.

In spite of Bill’s best efforts, and solely because Ellen had quit the job, Bill completed construction late and, as a result, did not receive the on-time bonus.

1. Is Ellen liable to Doug for any damages Doug may have incurred as a result of the late completion of the construction? Discuss.
2. Is Ellen liable to Bill for:
 - a. The loss of the on-time bonus? Discuss.
 - b. For any other damages? Discuss.