**Contracts Analysis Case Study**

Marshall Petersen and his wife, Gloria, began visiting the Sunday school class you teach in Huntsville, Alabama, about six months ago. Marshall is not a Christian, but with the encouragement of his wife, who is a believer, he says he is beginning to explore the faith.

After his first visit to the class, you spent some time talking with Marshall and you discovered that he owns a small, local health food products business, and that he is interested in growing the business by adding some new product lines. You informed him of the high antioxidant qualities of the Muscadine grapes your family’s produce company sells, and you asked him if he might be interested in promoting either the grapes themselves or the various products developed using their seeds. Marshall was interested, and a few days later you supplied him with some samples. The samples turned out to be a very popular item with his regular customers, so he placed a modest phone order with your company. Over time, Marshall placed regular, increasing phone orders, and he began investing heavily in advertising for the Muscadine products at his store. Your company has faithfully delivered everything requested, promptly, and at consistent prices. You typically sent an invoice with each delivery, requiring payment within 30 days, and though Marshall has frequently been late making payment, he has generally paid each invoice within 45 to 60 days. You have elected not to charge him any interest or penalties, though your invoices state that you reserve the right to do so.

On one occasion when your son, a part-time deliveryman for your company, delivered some product to Marshall’s store, Marshall handed your son a requirements contract and asked him to sign it on behalf of your company. The contract includes a guaranteed price schedule consistent with what he had been paying. Marshall told him that it was “just a formality” to guarantee a continuing business relationship. Your son signed the contract and gave it back to Marshall. Neither Marshall nor your son mentioned the contract to you. Your son was 17 years old at the time, but turned 18 last month.

After a columnist for *The Huffington Post* wrote an article praising the antioxidant qualities of Muscadines, the demand for Muscadines skyrocketed nationwide. Your company became inundated with orders, far in excess of your ability to meet the demand. A company in Texas offered to pay you twice the going rate for your products, but the company also required you to sign an output contract as a part of the deal.

Though this contract would represent a substantial financial windfall for your company, you felt bad about potentially leaving Marshall out to dry. You called Marshall, advised him of the offer you had received, and you suggested to him the names of other reputable potential suppliers in the area to try and soften the blow.

To your surprise, Marshall became very angry and told you that he expected you to continue to supply him with all the product he needs, when he needs it, and at the prices he had always paid, per the requirements contract between your businesses and in accordance with an implied duty of good faith and fair dealing that had evolved based on your ongoing business relationship. When you asked what requirements contract he was talking about, he faxed you a copy of the contract that had been signed by your son.