

1978

Bills' Roofing, Inc. v. Salt Lake City School District : Brief of Respondent

Utah Supreme Court

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CASES CITED

Brigham Young University vs. Industrial Commission of Utah,
 279 P 889 (Utah 1929)

Campbell Bldg. Co. vs. State Road Commission, 70 P2d 857 (Utah 1937)

Cheney vs. Rucker, 381 P2d 86 (Utah 1963).

Mabee vs. Continental Casualty Company, 219 P 598 (Idaho 1923)

McKune vs. Continental Casualty Company, 154 P 990 (Idaho 1915).

OTHER AUTHORITIES

120 A.L.R. 8, p. 76.

3 Am Jur2d, Agency, §76.

17 Am Jur2d, Contracts, §390.

28 Am Jur2d, Estoppel and Waiver, §154.

28 Am Jur2d, Estoppel and Waiver, §155.

28 Am Jur2d, Estoppel and Waiver, §169.

Rule 8(c), Utah Rules of Civil Procedure

IN THE SUPREME COURT OF THE STATE OF UTAH

BILLS' ROOFING, INC.,)

Plaintiff-)
Respondent,)

vs.)

Case No. 15346

SALT LAKE CITY SCHOOL)
DISTRICT,)

Defendant-)
Appellant.)

STATEMENT OF KIND OF CASE

This is an action brought by Plaintiff roofing company against the Defendant school district based upon an alleged breach of contract concerning the roofing of a local high school.

DISPOSITION IN LOWER COURT

A trial was held before the Honorable Ernest F. Baldwin, Jr., District Judge of the Third Judicial District. The case was submitted to the jury on special interrogatories and a Judgment was subsequently entered in favor of the Plaintiff in the approximate sum of \$14,000.

RELIEF SOUGHT ON APPEAL

Plaintiff-Respondent seeks affirmation of the District Court Judgment.

STATEMENT OF FACTS

On Sunday night, October 20, 1974, a rainstorm occurred which caused damage to the Highland High School. Although the damage of about \$1,200 was paid for by Plaintiff-Respondent's insurance carrier, the event

precipitated the dismissal and termination of Plaintiff-Respondent from the job. Relative to that wrongful termination, Defendant-Appellant states that "the main issue in dispute in this case is whether the conduct of Defendant's agents waived the requirement of sealing the roof" as provided for in paragraph 11 of the contract. In this regard, the following were testified to at trial:

1. Ken Bills testified as to a conversation on about October 1974 with Bruce Ririe, who was "the director of buildings and grounds" for Defendant (Tr 3) and with Walter Jensen a few days later, who was the "inspector on the job" (Tr 62), as follows:

"Mr. Ririe told me that because it was getting late in the year and they didn't want winter to set in before we were finished that they wanted us to move faster. I then told Mr. Ririe it would be possible for me to get a large group of men, an Elder's Quorum, to come up and rip off a large section of roof, assisting in that and then we could go ahead and roof it. However, doing that we could not cover it all at one time. We had had very good weather up to that point and Mr. Ririe and I discussed the use of visqueen with weighting it down and Mr. Ririe told me if I had the visqueen on the project on the roof that we could go ahead and do that.

Q (By Mr. Morgan): After that conversation what did you do concerning the upper roof over the classrooms?

A. My crews continued tearing off during the day and on Friday, October 18th, I believe or 17th or 18th, I had this Elder's Quorum come and we did -- continued tearing off and ripped off a large section of roof and during the week Mr. Jensen, Russ, my brother and myself had a similar discussion concerning the visqueen and the visqueen was on the job and we were told that if it was to rain --"

(Tr 164:1-22)

"Mr. Jensen and Russ and I discussed the use of visqueen should any storms come up and we did have the visqueen on the roof.

Q. You discussed that, what was said.

A. That should we have any bad weather come before we got all of the roof covered we were to lay out the visqueen, overlap it and weight it down. When I mean overlap the roof slopes slightly to the drains and that we would take the sheet of visqueen going into the drain secured with the next sheet overlapping it so if water, a reasonable amount of water were to fall it would run over the visqueen and go down into the drain."

(Tr 165:18-29)

2. Russell Bills testified that he was a party to the conversation with Walter Jensen and that the following was said:

"Well, at that time as was indicated earlier by Mr. Jensen the discussion about the roof being left open was brought into it and at that time he told us that it would be all right to tear it off and go ahead without covering it each night."

(Tr 96:22-26)

". . . Ken brought up the point he would be bringing up a crew to tear off the roof at a much faster rate so we could get it layed down and at that time we told him we wouldn't be able to cover it every night. He said that was all right, we wouldn't have to cover it every night that we were doing that."

(Tr 97:5-10)

3. Donald Bills testified he also had a conversation with Walter Jensen, when they started to tear off the roof, as follows:

". . . It was discussed that because things were going so slowly we would have to change normal procedures of covering things each day and as long as we had material there to cover, not seal but to cover the roof in the event of an impending storm that that would be all right and so this is how we proceeded. That is the only reason we tore up such a large area."

(Tr 117:25-30; 118:1)

4. Walter Jensen, as an adverse witness, testified as to his conversation with one of the Bills brothers as follows:

'Well, as I recall it, Mr. Bills said that -- or proposed, rather, that he bring in a rather large crew, an Elder's Quorum, to tear off the remaining part of the roof and he said that way his crews could work at a greater speed and accomplish more relaying the roof and that would speed up the project which was a good idea from that standpoint because things had been going very slow up to that point. So I said, well, that the responsibility is yours, in effect not the exact conversation, I said you can't open that much roof off and leave it open, you have got to seal it, you have got to cover it and in our discussion I proposed it first that he put on two plys of asphalt and membrane to seal it and both of us were aware that was a rather costly procedure to do that and he said well, we are insured. I said I don't want any hassle with insurance companies or anyone else, I don't want any water getting through the roof. Then he suggested placing tarps and when I found out what he intended -- he was thinking of placing plastic tarps on the deck, I said well, you will have some problems and I outlined what they were. I didn't attempt to discourage him or anything else because it was his responsibility to take care of that. I merely pointed out he would have to seal the edges completely.

Q. What do you mean by sealing the edges completely?

A. Well, you would have to seal the edges of the plastic so that no water would go through them.

Q. By the plastic you mean --

A. The tarps they put down.

Q. Are these also referred to as visqueen.

A. Visqueen, yes, that is the trade name for it. Then I further said that you would have to be careful, he would have to be careful when he placed it down there would be no gravel or anything on the deck so if a person walking over would perforate it because that would destroy the value of the thing because any leak would eventually find its way into the building and you would still have problems. Then I called his attention to the wind factor because we had had a section of the roof blown off from the north end the previous winter, had to replace three or four squares and I called his attention to the fact he would have to either adhere it to the deck or put some weight down, then he made the recommendation as I recall or another recommendation and that was that he make the seams standing seams and make it secure as much as possible so there would be no

possibility of water going through those areas. Then the next -- in our discussion, I am just getting my side of our discussion, I suggested he contact other roofers as I had no experience with that on a flat deck like that and that I would consult with Mr. Ririe on the matter and see what he thought about it and that was where we left it at that point."

(Tr 82:8-30; 83:1-29)

Based on the above facts, the jury apparently believed the Billses and determined that the Defendant-Appellant, through its agents Bruce Ririe and Walter Jensen, had waived the provisions of paragraph 11 of the contract and thus were estopped to rely upon it in claiming that Plaintiff-Respondent had breached the contract.

Since there was no question as to Defendant-Appellant's breach of the contract in that they terminated the contract and told the Billses to get off the project, the Court found in favor of Plaintiff-Respondent and awarded the damages determined by the jury, which are not in dispute in this Appeal.

ARGUMENT

POINT I

THE TRIAL COURT DID NOT COMMIT ERROR IN FAILING TO RULE AS A MATTER OF LAW THAT PLAINTIFF BREACHED ITS CONTRACT WITH DEFENDANT.

Defendant-Appellant states in its Brief (Appellant's Brief p. 12-13) that "Defendant school district answered this claim (Plaintiff's breach of contract claim) by alleging that it was justified in terminating the contract because of the breach of contract committed by Plaintiff in its failure to properly seal the roof as required by the specific contractual provisions and its subsequent failure to protect the building as was also required by

the contract." This statement is an outright fabrication of what the Defendant-Appellant's Answer really was. If the Court will read said Answer, it will find that there is no allegation of a breach of contract by Defendant for failure to properly seal the roof. Defendant-Appellant simply denies the claims of breach alleged by Plaintiff-Respondent and then by affirmative defense alleges "that Plaintiff failed to perform work requested by Defendant in a professional, workmanlike and expert manner."

Defendant-Appellant then bases its entire argument on the fact that it had alleged in its Answer that Plaintiff breached the contract. The truth of the matter is that Defendant-Appellant did not raise the issue of breach by reason of failing to properly seal the roof until trial. In response to such allegation at trial, Plaintiff-Respondent then alleged that there was no breach relative to the failure to seal because Defendant-Appellant had waived the provision of the contract relating thereto (para. 11). Defendant-Appellant then argued that it had been surprised because Plaintiff-Respondent did not allege waiver in its Complaint.

Plaintiff-Respondent had no obligation to plead waiver since its affirmative defense was only in response to Defendant-Appellant's claim at trial that Plaintiff-Respondent breached the contract. Even if Defendant-Appellant had claimed a breach of contract in its Answer, there is no obligation under the Utah Rules of Civil Procedure for Plaintiff-Respondent to file an affirmative pleading to an Answer. Further argument on this matter is treated later in this Brief.

Defendant-Appellant then argues that the Court should have decided the question of breach as a matter of law based on what Defendant-Appellant

alleges were undisputed facts. A simple reading of the Statement of Facts of Appellant and Respondent clearly establishes that the facts were not undisputed.

In the face of disputed facts, the question of Plaintiff's breach was a question of fact rightly submitted to the jury. The breach of contract that Defendant claims should have been determined as a matter of law by the trial Court was Plaintiff's failure to seal the roof at the end of each working day as required by paragraph 11 of the contract (Appellant's Brief p. 14). However, the breach claimed occurred after discussions between Defendant-Appellant's director of buildings and grounds, Bruce Ririe, and its inspector on the job, Walter Jensen, and the Bills brothers as set forth in the Statement of Facts. Based on those discussions, it is clear that the jury could have found, as they did, that paragraph 11 had been waived. That being true, there was no breach at all.

In 17 Am Jur 2d Contracts, §390, the author states the general law as follows:

"Strict and full performance of a contract by one party may be waived by the other party, in which case there is, to the extent of the waiver, no right to damages for the failure to perform strictly or fully. This is in accord with the elementary principle that either party to a contract may waive any of the provisions made for his benefit. . . . A defense that work was not properly done may also be waived, and there may be a mutual estoppel, by waiver, as to the effect of a default.

* * * *

". . . contract provisions may be waived expressly or the waiver thereof may be implied from the acts of the parties. Where one entitled to performance is present to receive performance, whatever is not exacted is considered as waived, for if objection had been made on the ground of those matters in which the proposed performance was deficient, these might have been supplied at the time."

The question of waiver, where facts indicate it occurred before an alleged breach, must be determined before the question of breach and not vice versa. The question of breach is entirely dependent upon the question of waiver and would have been incorrectly determined as a matter of law by the trial court in the face of the disputed facts.

In a case cited by Defendant-Appellant, Campbell Bldg. Co. vs. State Road Commission, 70 P2d 857 (Utah 1937) at page 865, the Court is clear that the question of waiver

" . . . is a fact question to be determined by the Court or the jury, as the case may be."

Defendant-Appellant bases its entire first argument on the premise that the facts were undisputed as to Plaintiff's breach. As previously stated there would be no breach if, prior thereto, Defendant-Appellant waived compliance with the provisions of paragraph 11 of the contract. Thus, if the question of waiver is disputed, based on the evidence, that would fortiori put the question of breach in dispute, since it would be disputed whether in fact at the time of the alleged breach there was even a claim of the contract to be breached.

As set forth in the Statement of Facts in this Brief as compared with the Statement of Facts in Defendant-Appellant's Brief, the facts are in dispute as to whether there was a waiver and thus, the trial court rightly submitted the question of breach to the jury to be considered in light of the question of waiver.

POINT II

THE TRIAL COURT CORRECTLY ALLOWED THE JURY TO CONSIDER
AND DECIDE THE ISSUE OF WAIVER WITH THE QUESTION OF BREACH
AND CORRECTLY INSTRUCTED THE JURY.

A. There is no obligation to plead waiver in Response to an Answer because no responsive pleading is necessary or required.

Appellant's contention is that the issue of waiver was improperly raised well after the trial was underway and without prior notice to Defendant in a pleading.

The rule of pleading affirmative defenses comes from Rule 8(c) U.R.C.P., which states:

"In a pleading to a preceding pleading, a party shall set forth affirmatively. . . any . . . affirmative defenses."
(Emphasis added)

Waiver is one affirmative defense listed. Plaintiff-Respondent filed a Complaint and alleged therein that Defendant-Respondent had breached the contract by unlawfully terminating Plaintiff-Respondent as a result of which damages were suffered. Defendant-Respondent answered by denying such allegations and pleading an affirmative defense that the work was not done in a "professional, workmanlike and expeditious manner". There was no affirmative defense raised that Plaintiff-Respondent breached its contract. At trial, for the first time, Defendant-Appellant claimed that Plaintiff-Respondent breached the contract. In response to such claim of Defendant-Appellant at trial, Plaintiff-Respondent claimed that it did not breach the contract because Defendant-Respondent had waived the provision of the contract allegedly breached (paragraph 11) and was thus estopped to rely on it.

It was then that Defendant-Appellant claimed Plaintiff-Respondent could not rely on waiver because it had not plead it in its Complaint. This is a ridiculous argument because Plaintiff was under no obligation to plead waiver in its Complaint. Its Complaint was based on Defendant-

Appellant's breach of contract, not waiver. Waiver is a defense raised to Defendant-Appellant's claim that Plaintiff-Respondent breached its contract.

Even if Defendant-Appellant claimed a breach of contract in its Answer, Plaintiff-Respondent had no obligation to respond to such allegation because there is no obligation under the Utah Rules of Civil Procedure to file a response to an Answer.

If Defendant-Appellant had filed a Counterclaim alleging breach of contract, then Plaintiff-Respondent would have been obligated to file a Reply and to allege therein any affirmative defenses, such as waiver or estoppel, which it may have had to the allegations of the Counterclaim. However, in this case no Counterclaim was filed.

In 28 Am Jur2d §169, under Estoppel and Waiver, the author states that

"One well-settled exception to the rule requiring a waiver to be pleaded specially is when a party has no opportunity to plead a waiver. In such case, evidence of the waiver may be given at the trial with the same conclusive effect as if it had been pleaded specially as a waiver."

See also 120 ALR 8 at page 76, which collects the cases that support this rule of law which are too numerous to cite here.

Appellant cites Cheney vs. Rucker, 381 P2d 86 (Utah 1963) as authority. In this case, the Defendant failed to plead a subsequent defense as an affirmative defense and Plaintiff claimed he should not have been permitted to rely on it. The Defendant's Answer was the opportunity to plead the affirmative defense which he failed to do. In spite of this failure, the Court stated that the Rules of Civil Procedure

". . . must all be looked to in the light of their even more fundamental purpose of liberalizing both pleading and procedure to the end that the parties are afforded the privilege of presenting whatever legitimate contentions they have pertaining to their dispute." 381 P2d 86, at 91.

The Court thereupon excused Defendant's failure and affirmed the lower court judgment in his favor.

A case more similar to the case at bar is Mabee vs. Continental Casualty Company, 219 P. 598 (Idaho 1923) where Defendant contended that the evidence of waiver was not admissible in the absence of an allegation of waiver in the Plaintiff's Complaint. It was the Appellant-Defendant who first alleged a contract provision and its breach as an affirmative defense. As in Utah's system of pleading, no response to Appellant's allegation was required in Idaho. The Court stated:

"The tender of this issue by the affirmative Answer joined the issue, and the Respondent, under the issue so joined, was entitled to avail herself of all defenses which she could command, whether they consisted of matters of mere denial or admitted the facts as pleaded and sought to avoid the same by reason of waiver, estoppel or other legal reason." 219 P 598, at 602.

Citing McKune vs. Continental Casualty Company, 154 P 990 (Idaho 1915), the Court repeated:

"Under these facts, we think that it would be the height of technicality to refuse to consider the question of waiver." 219 P 598 at 602.

It is clear from the authority cited that Plaintiff-Respondent had every right to rely on waiver as a defense to Defendant-Appellant's claim that it had breached the contract.

B. The Court correctly submitted the question of breach to the jury on special verdict.

The Court determined that it would be best to submit this to the jury on a special verdict and the following question was asked relative to breach of contract:

"Did the actions of the Plaintiff in late October and early November of 1974, in removing a portion of the roofing on Highland High School, and the manner in which it was left, constitute a material breach of the contract between Plaintiff and Defendant?"

"Answer: Yes _____ No _____"

The Court properly instructed the jury as to what constitutes a "material" breach of contract and also correctly instructed the jury that a default in performance of the contract may be "waived." The Court instructed the jury as to what would constitute a waiver of a breach of contract.

It is submitted that the Court acted properly with respect to the special verdict question and the instructions.

C. There was sufficient evidence to allow the jury to decide whether Defendant's agents had the necessary authority to waive compliance with the provisions of paragraph 11 of the contract.

Defendant-Appellant argues that it must be determined whether Walter Jensen, Defendant's inspector at the building site, or Bruce [unclear] Defendant's director of building and grounds, had authority or were estopped to deny authority to waive strict performance with paragraph 11 of the contract.

1. Defendant-Respondent is estopped to deny its agents authority.

In 28 Am Jur2d §155, under Estoppel and Waiver, the authority

"Rights or privileges may be waived by the person for whose benefit they were intended, or by his duly authorized agent."

In 3 Am Jur2d §76, under Agency, the author states:

"It is a general principle of the law of agency, running through all contracts made by agents with third parties, that the principals are bound by the acts of their agents which fall within the apparent scope of the authority of the agents, and that the principals will not be permitted to deny the authority of their agents against innocent third parties who have dealt with those agents in good faith." Harrison vs. Auto Securities Co., 257 P 677 (Utah 1927) at 679.

Mr. Ririe, in his direct examination by Defendant-Appellant's attorney, said he had authority to modify the specifications on a limited basis for types of materials, completion dates, prices, but not paragraph 11. (Tr 250). Yet, earlier, he admitted that Mr. Jensen had, according to his instructions, told Plaintiff they were cancelling out part of the original contract and not to complete a portion of another section of the roof. (Tr 33-34, 56) In addition, Mr. Ririe had authority to grant approval of Mr. Bills' bid for additional work which increased the contract from \$29,800 to \$51,604. (Exhibit 13-P; T 15)

Mr. Ririe and Mr. Jensen both testified that Mr. Jensen was on the jobsite everyday just prior to the alleged breach with the responsibility and authority to enforce the contract and be sure all provisions were complied with. (Tr 55, 269-270)

About ten days prior to the alleged breach, Ken Bills, president of Plaintiff company, met with Mr. Ririe in his office and discussed the possibility of tearing up a large section of the roof to speed up the re-roofing to attempt its completion before winter as Mr. Ririe expressed a desire to have done. He explained that they wouldn't be able to cover it

each day and Mr. Ririe said that was ok if they had some visqueen available for a storm. (Tr 164) Mr. Ririe denies this. (Tr 246)

Five or six days prior to the alleged breach, Mr. Jensen called the Bills brothers up on the roof that Plaintiff was repairing, and discussed the same proposal. (Tr 82, 271-272) Mr. Jensen thought "It was good news. They were making very slow progress at this stage." (Tr 82) It is clear from the testimony that Mr. Jensen did not object. (Tr 82, 165, 271-272, 117-118) The roof remained open for at least five days. Mr. Jensen still did not object. In fact, he gave his tacit approval of the procedure being followed.

Even if Mr. Ririe or Mr. Jensen had no express or actual authority to waive strict compliance with paragraph 11, all of their actions and conversations with Plaintiff-Respondent would have led Plaintiff-Respondent to reasonably and honestly believe that they had such authority.

Appellant cites Campbell Bldg. Co. vs. State Road Commission, supra, in an attempt to show that Plaintiff-Respondent's belief in Defendant's agent's authority was unreasonable. Perhaps it may have been so under the facts of the Campbell case, wherein the authority of the agent was clearly spelled out in the contract and well known to the contractor. The provision in the contract claimed to have been waived was the requirement of written purchase orders, going to the heart of the engineer's authority. But, these are not the facts of this case. Nothing in the specifications or contract spelled out Mr. Ririe's or Mr. Jensen's authority and Plaintiff-Respondent had no notice of any limitations to it, nor of anyone else who would have more authority than Mr. Ririe or Mr. Jensen.

In light of these facts, justice would require Defendant to

be estopped from denying Mr. Ririe's or Mr. Jensen's authority to waive paragraph 11.

2. The issue of waiver was properly submitted to the jury.

Assuming the jury determined that Mr. Jensen and/or Mr. Ririe either had actual authority, apparent authority, or were estopped from denying authority, it could then determine whether these agents waived paragraph 11.

A waiver, according to the generally accepted definition, is the voluntary and intentional relinquishment of a known right. 28 Am Jur2d §154, Estoppel and Waiver. Brigham Young University vs. Industrial Commission of Utah, 279 P 889 (Utah 1929).

The testimony is in conflict as to the conversation between Ken Bills and Mr. Ririe in his office about ten days prior to the alleged breach, (Tr 164, 246) but is not in dispute as to the occurrence of the conversation between Mr. Jensen, Ken Bills and Russell Bills on the roof of the building less than a week before the alleged breach. There may, however, be some conflict as to the conclusion reached at the end of that conversation as far as Mr. Jensen was concerned, but not as far as the Billses were concerned. Mr. Jensen claimed his intention was to check with Mr. Ririe before going ahead with the proposal, although he never objected to it. (Tr 84) The Billses understood they were to go ahead with the proposal as long as there was visqueen on hand to cover the roof if it rained. (Tr 165) It is disputed whether two days later Mr. Jensen told Ken Bills to get the roof sealed up. Mr. Jensen said he did. (Tr 273) Ken Bills said he didn't. (Tr 166) These are all facts going directly to

the issue of whether or not Defendant's right to have the roof sealed day was waived. In the face of such disputed facts, it was proper for trial court to submit the issue to the jury. Campbell Bldg. Co. vs. Road Commission, supra.

D. The instruction to the jury concerning waiver was proper.

Defendant-Appellant's contention is that instruction #14, concerning waiver, was confusing because it allowed the jury to consider as an integral part of determining the material breach. (Appellant's page 23) As stated in the first argument, waiver is an integral part of determining breach since if the waiver occurred before the breach, there would be no paragraph 11 in the contract to breach.

The second fault found with the instruction is that Plaintiff failed to show the prerequisite authority of Defendant's agents. The previous discussion concerning the agent's authority, with evidence cited from the transcript, clearly indicates sufficient evidence of authority to allow the waiver instruction to be given to the jury.

CONCLUSION

It appears from Defendant-Appellant's Brief that the basic fault with the action of the trial court is that it allowed the jury to consider all of the evidence with respect to the questions of Plaintiff's breach, concluding whether or not Plaintiff breached the contract, rather than instructing the jury that Defendant's agents had no authority to waive and that Defendant didn't waive and, in turn, that Plaintiff breached the contract as a matter of law. To do so would have kept numerous factual issues from the jury that they alone must determine in light of the disputed facts. All of the factual issues relating to Plaintiff's alleged breach are

closely related and dependent upon each other that it was not improper for the trial court to submit the entire matter to the jury pursuant to the instructions given, and the final conclusion of whether there was a breach by the Plaintiff-Respondent to be the only one to which a special interrogatory was addressed.

Once the jury determined that Plaintiff-Respondent did not breach paragraph 11 of the contract, obviously because they determined Defendant-Appellant had waived its right to require compliance with said paragraph, the Court then determined as a matter of law that Defendant-Appellant breached the contract by unlawfully terminating Plaintiff-Respondent, and entered Judgment for the damages assessed by the jury in the sum of \$13,898.87.

It is respectfully submitted by Plaintiff-Respondent that this Honorable Court should affirm the Judgment of the trial court and jury in favor of Plaintiff-Respondent and against Defendant-Appellant.

Respectfully submitted,

MORGAN, SCALLEY, LUNT & KIMBLE


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CERTIFICATE OF DELIVERY

I HEREBY CERTIFY that a true and correct copy of the foregoing Brief of Respondent was hand delivered to Tim Dalton Dunn, Esquire, 702 Kearns Building, Salt Lake City, Utah, Attorney for Defendant-Appellant, on this 22nd day of February, 1978.


STEPHEN G. MORGAN