

### **Answer to Critical Legal Case 36.4**

**36.4 Promoters' Contracts:** Jacobson is incorrect, since a novation of the contract between the two parties did not occur. A corporation can become liable on a promoter's contract by executing a novation. A novation is a three-party agreement whereby one party (the corporation) agrees to assume the contractual liability of another party (the promoter) with the consent of the original contracting party (the third party). When a novation is executed, the promoter is released from liability on the contract. In this case, Jacobson was the promoter who formed a contract for architectural services with Stern. Jacobson later formed a corporation, Lake Enterprises, to own and operate the new casino for which Stern was drawing plans. Although the corporation may have adopted this promoter's contract, Stern, the third party, never gave his consent for a novation. Thus, Jacobson remains liable for the contract with Stern, since a novation cannot occur without the consent of the third party. *Jacobson v. Stern*, 96 Nev. 56, 605 P.2d 198, **Web** 1980 Nev. Lexis 522 (Supreme Court of Nevada).