THIS EXAMINATION CONSISTS OF 3 PAGES
PLEASE ENSURE THAT YOU HAVE A COMPLETE PAPER

THE UNIVERSITY OF BRITISH COLUMBIA
FACULTY OF LAW

EXAMINATION – DECEMBER 2016

LAW 508D
Section 1
Business Organisations

Professor Bruce MacDougall

TOTAL MARKS: 100

TIME ALLOWED: 3 HOURS (i.e. 180 minutes)

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NOTE: 1. Open book exam - except students may not use materials borrowed from the UBC library.

THIS EXAMINATION CONSISTS OF FOUR QUESTIONS
DO ALL 4.
MARKS
50
Question 1

Chester and Dylan play tennis with Benjie, a new member of the tennis club. Benjie says he has invented a revolutionary type of bicycle and is seeking finance to put the prototype into production. Chester, unbeknownst to Benjie, is a non-executive (i.e. outside) director of Rotary Ltd., a large manufacturer and distributor of bicycles and a BC BCA company. Chester did not attend the last board meeting of Rotary and has not read the minutes of that meeting, though it was seven weeks ago and has long ago received a copy of the minutes which disclose that the company has a large cash surplus to invest, although the managing director is reported in the minutes as being against any further investment in the company’s traditional area of business. Chester tells Benjie that he should form a company to develop and sell the bicycles because Rotary Ltd. has been successful in that area. Chester tells Benjie that Rotary Ltd. has been successful partly because they have used the advertising services of Ethan Ltd. Chester buys shares in the BC BCA company (Smart Ltd.) which Benjie then establishes to produce the bicycle. Smart Ltd. uses Ethan Ltd.’s services to great effect, so much so that Ethan Ltd. drops Rotary Ltd. as a client, to the detriment of Rotary’s publicity campaign. Two years later the shares in Smart Ltd. have doubled in value, but financial analysts are of the opinion that the company would have been much more profitable had it had access to an established distribution organization to complement its successful ad campaign. Dylan is an executive (i.e. inside) director of Qualidad Ltd., a BC BCA engineering company that has fallen on hard times. Dylan secures the consent of the board of Qualidad to his purchase on his own account of shares in Smart. Dylan then uses the goodwill Qualidad has acquired with its suppliers over the years to obtain contracts on favourable terms for Smart. Benjie, who holds all the other voting shares in Smart and is its managing director, is aware of Dylan’s dealings with the board of Qualidad and of the influence Dylan has exercised in obtaining favourable supply contracts for Smart. Advise Rotary and Qualidad of their legal rights and also Abraham, who has a small shareholding in Rotary and Qualidad and also 10 non-voting shares in Smart Ltd. (Assume you have no conflict of interest in giving such advice.)

MARKS
13
Question 2

How would your advice to Abraham be different in the previous question if all corporations were CBCA corporations?
MARKS
21
Question 3

Comment on the proposition that, in terms of the statutes we have seen, partnerships are too easily said to have come into existence and corporations too difficult to be said to have come into existence. Substantiate your answer with reference to specific provisions and examples. How would you suggest the laws be changed – or why would you leave them unchanged?

MARKS
16
Question 4

"The shareholders in a general meeting should be sovereign." Do you agree? Give a reasoned answer.

END OF EXAMINATION