

UGANDA MARTYRS UNIVERSITY,
NKOZI/LUBAGA/MASAKA CAMPUSES

FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT

DEPARTMENT OF MANAGEMENT SCIENCE

BAM 3 & BSC ACC & FIN 3 AND BREM 3 SEMESTER TWO
2022/2023

COURSE UNIT: LAW OF BUSINESS ORGANISATIONS/
COMPANY LAW/ LAW OF REAL ESTATES

DATE: Wednesday, 17th May 2023

Time allowed: 2:00pm -5:00pm

Instructions to Candidates:

Read the following before answering the examination questions.

1. Do not write anything on this question paper.
2. Write neatly and show all workings clearly.
3. Start every question on a new page
4. Clearly state the question number & sections attempted.
5. Section A is compulsory and shall be awarded 50 marks and makes up 25% of your final exam.
6. Choose 2 questions from Section B, each question shall be awarded 25 marks. Both questions make up the other 25% of your final exam
7. Credit will be given to students who quote the appropriate sections of the law.

Section A: Compulsory (50 marks)

Oreo Ltd is a software development company that has created a cutting-edge application for project management. The company has already raised \$2 million in seed funding from a group of angel investors, but they now need to raise an additional \$5 million to scale their business and expand their product offering.

The CEO of Oreo Ltd has been in talks with a venture capital firm, PARITY Capital, which is interested in investing \$5 million in exchange for preference shares amounting to a 25% stake in the company plus venture debt of up to \$1 million.

The CEO believes that this investment would be the perfect fit for OreoLtd.'s future growth plans. As part of the due diligence process, PARITY Capital has formed a Due diligence team, and Oreo Ltd has retained a financial advisory firm to represent them during the investment process.

As Financial advisors for Oreo Ltd advise on the following:

1. As financial advisors for Oreo Ltd, what steps do you need to take to ensure that the investment proposal by PARITY Capital is legally binding and protects the interests of Oreo Ltd?
2. Assume that Oreo. successfully raises the capital from the investors and issues new shares to them. Discuss the following: how would this affect the share capitalization and members of Oreo Ltd? How can the founders overcome the challenges posed by increase of share capitalization by shares?
3. During your review of Oreo Ltd, you discover that one of the co-founders of the company has recently transferred 10% of their shares to their brother, who is not involved in the business. How does this affect the investment proposal by PARITY Capital? What are the possible instruments and protective measures that can be put in place to minimize the brother from selling out and exiting the company to make quick cash.

4. Suppose that Oreo Ltd is unable to repay the borrowed money or meet its financial obligations to PARITY Capital. What are the potential remedies that the involved financiers, such as the equity investors, convertible equity investors and banks, can use? How does the existence of charges on the company assets affect these remedies?

Section B: Choose any Two questions

1. Write short notes on:

- a) The advantages and disadvantages of partnerships over private companies.
- b) Dissolution of partnerships.
- c) Relations between partners and third parties. **(25 marks)**

2. The doctrine of constructive notice in company law has been made irrelevant by common law and the companies act of 2012. Do you agree? **(25 marks)**

3. "To protect creditors against the opportunistic conduct on the part of shareholders or directors to which the doctrine limited liability exposes them, sometimes the corporate veil may be lifted" Discuss the circumstances in Uganda's case and statue law when the corporate veil may be lifted. **(25 marks)**

4. The case of *Olive Kigongo v Mosa Courts Apartments* is relevant to Ugandan company law in clarifying how a person becomes a member of company. Discuss **(25 marks)**

Success!