



**Federation of Law Societies of Canada**

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**National Committee on Accreditation**

**SAMPLE**

# **Examination for Commercial Law**

**Candidate No.:** \_\_\_\_\_

*(To ensure your anonymity, please do not print or sign your name)*

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## **SAMPLE**

### **Examination for Commercial Law**

#### **General conditions of the exam:**

This is a **three (3) hour, open book** exam.

Answers should be **double-spaced** and written in **blue or black ink** (no pencils).

All answers **must** be completed on the pads provided unless space is expressly provided within the examination booklet.

The examination will be graded on a pass/fail basis (50% is a pass).

**WRITE LEGIBLY.** Writing considered illegible by the examiner may result in your exam not being fully graded **or your exam being disqualified.**

You must **return the exam questions in the envelope provided** along with your answers. Failure to return the questions will result in the **automatic disqualification** of your exam.

The contents of the examination, including the exam questions, **must not be disclosed** or discussed with others.

#### **Instructions specific to this exam:**

1. Each exam may have its own special instructions therefore it is important for you to read these carefully before starting. Instructions begin following the cover page of the exam questions booklet.
2. These samples are simply indications of the style/types of questions which may be asked on each exam; they do not reflect the content or actual format/breakdown of questions nor their respective values.



## **QUESTION ONE (50%)**

Credit Co. Ltd. (“Credit”) signs a security agreement dated February 10, 2016 in which it loans \$80,000 to U. Tours Ltd. (“U”). U will use all of those funds to pay salaries of its employees. In return for the loan, the security agreement stipulates that U is providing Credit with a security interest in “*all boats now owned or hereafter acquired by U. Tours Ltd.*” Credit registers its security interest on February 10, 2016 in an error free manner in the Ontario Personal Property Security Act (“PPSA”) registry, against the correct debtor name of U. Tours Ltd.

On April 1, 2016 the Bank of Toronto (the “Bank”) loans U the sum of \$65,000 for the purpose of enabling U to pay down other debts. As a result of that loan from the Bank,

U eventually manages to accumulate enough of its own funds which U uses to purchase a fancy “Hornet” boat for its boating business. The security agreement signed during the summer of 2016 by U and the Bank stipulates that: (a) U is providing the Bank with a security interest in that same Hornet boat; and (b) in the event that U defaults in repaying the loan, the Bank may repossess and sell off the Hornet boat “at such time and place as the Bank considers appropriate.”

The Bank registers its security interest in the Ontario PPSA against under the correct debtor name of U. Tours Ltd. on June 1, 2016.

U takes possession of the Hornet during the summer of 2016 and commences to use it in its business of transporting tourists for boat rides on Lake Ontario. U soon realizes that the spelling of its corporate name is making it difficult for potential customers to find its phone number in the telephone book. Therefore, on July 1, 2016 it changes its corporate name to “You Tours Ltd.”. It continues to be the same corporation – only the spelling of its corporate name has been amended. Credit learns of the corporate name change immediately, but Credit never does anything about it. The Bank never learns of the corporate name change at all.

About one month later, Credit repossesses the Hornet from You Tours Ltd. due to default in the repayment by You Tours Ltd. of the \$80,000 loan.

Advise the Bank and Credit of which party will have priority in law to the Hornet boat. Explain how you arrived at your answer. Your answer should consider all reasonable arguments suggested by the facts.



**QUESTION TWO (50%)**

The Olympic Committee (“Olympic”) contracts to purchase 10,000 uniforms of various sizes for Canadian coaches and athletes from a Canadian uniform manufacturer called Ice Sun Ltd. (“Ice”). The contract, signed by both parties in Ontario, contains the following terms:

- (a) Olympic will pay Ice a down payment of \$600,000. The balance of \$400,000 must be paid once Olympic is notified that the uniforms are ready for delivery, at which time Olympic is responsible to pick up the uniforms; and
- (b) Ice will maintain fire insurance on the uniforms, until they have all been picked up by Olympic.

Olympic pays Ice the \$600,000 down payment as agreed. Ice then proceeds to manufacture all 10,000 uniforms in accordance with the contract. However, before Ice can notify Olympic to pay the balance of \$400,000 and to pick up the uniforms, Ice shuts its doors and goes out of business. Assume that Ice is not and will not be in bankruptcy, but that the 10,000 newly manufactured uniforms are all sitting in its Toronto warehouse. Also assume that unknown to Olympic, (a) these 10,000 uniforms represent the sale of all of Ice’s remaining stock of inventory; and (b) Ice was at all material times planning to discontinue its business upon completion of the manufacture and sale of these 10,000 uniforms for Olympic.

In addition, Olympic now discovers for the first time that one year before it signed its contract with Ice for the uniforms, the Bank of Ontario had registered an error free security interest in the Ontario Personal Property Security Act (“PPSA”) registry, against the correct name of Ice Sun Ltd. This security interest was registered to secure a \$20 million dollar loan made by Bank of Ontario to Ice, which remains unpaid. This security interest covers all of the assets of Ice that were then owned or acquired at any time thereafter.

Advise the parties of who has the legal right to the 10,000 uniforms, and explain your answer.

**END OF EXAMINATION**



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