

MAJOR CONTENTIOUS ISSUES WITH THE PURCHASE OF ASSETS AND ASSUMPTION OF
LIABILITIES AGREEMENT ENTERED INTO BETWEEN BANK OF UGANDA AND DFCU BANK
LIMITED DATED 25TH JANUARY, 2017:

1. THE AGREEMENT WAS ENTERED INTO WITHOUT HAVING REGARD TO THE RIGHTS OF THE SHAREHOLDERS OF CRANE BANK, CONTRARY TO THE FINANCIAL INSTITUTIONS ACT.
 - I. Recital B on page 3 of the Agreement states that the Receiver (BOU) has “negotiated and concluded an arrangement in the interests of and for the benefit of the depositors and creditors of CBL, with the purpose of releasing the Receiver from depositors’ and creditors’ claims.”
 - II. This is wrong because the Receiver is also obliged by law to also cater to the interests of the shareholders of CBL.
 - III. The nature, structure and detail of the agreement are directly intended to defraud the shareholders and to benefit DFCU and Bank of Uganda at the expense of the Shareholders.
 - IV. Because the interests of the shareholders were completely ignored and deliberately disregarded, DFCU now finds itself embroiled in a series of expensive and ruinous suits relating to this transaction, valued at several million dollars, from which it may never recover. DFCU is going to wish it had never bought these assets in the first place.
 - V. In addition, Bank of Uganda is also going to face legal liability from shareholders for the fraud perpetrated in this transaction against them. Bank of Uganda’s immunity under the Financial Institutions Act, does not cover fraud. Because there is fraud against the shareholders, Bank of Uganda, Bank of Uganda’s employees and legal advisors involved in the fraud shall also face ruinous civil and criminal legal liability.

2. THE AGREEMENT IS DELIBERATELY SILENT ON MATERIAL TERMS THAT ARE REQUIRED TO BE SPECIFIED IN AN AGREEMENT OF THIS KIND ENTERED INTO BETWEEN A PUBLIC INSTITUTION REGULATOR AND A PUBLICALLY LISTED FINANCIAL INSTITUTION. THIS WAS DONE TO PERPETRATE FRAUD AGAINST THE SHAREHOLDERS OF CBL AND TAX PAYERS:
 - I. The Agreement does not state the value of liabilities assumed by DFCU or the value of Assets taken over by DFCU. It also doesn’t indicate how such liability was arrived at or how the assets were valued.
 - II. The Agreement does not state the amounts of money to be paid by DFCU as a net purchase price. What kind of sale agreement doesn’t state a purchase price?
 - III. The Agreement does not state payment terms for monies DFCU was supposed to pay to BOU. How can an agreement not state payment terms?
 - IV. The Agreement does not list assets (outside branches) that DFCU was taking over. The Agreement does not itemize the list of assets acquired (save for leases). This is very strange given that CBL’s total assets were worth 1.3 trillion at the time of BOU’s takeover of the Bank, but the listed leases in the agreement were given an undervalued book value

of only 10 billion by BOU's accountants PWC. How can this agreement covering assets worth 1.3 trillion only itemize UGX 10 billion only worth of assets?

- V. None of the above material terms are covered in the sale agreement.
- VI. Instead, all these material terms were agreed fraudulently and secretly outside this agreement by BOU officials and their legal advisors together with DFCU employees in a series of secret documents outside the main sale agreement.
- VII. The net result of these fraudulent side deals was that DFCU got a bank with 1.3 trillion of Assets for a net payment of just 200 billion (payable under side deals over a period of about 3 years)!
- VIII. All of this was to the detriment of the shareholders and other legitimate creditors and for the benefit of DFCU and the BOU officials and their transaction advisors.
- IX. Within just three months of taking over the assets of CBL, DFCU reported a growth in its profits from those of the previous year from 31 billion to over 150 billion! This is a five-fold increase in profits in just 90 days, when all other banks in the economy were reporting drops in performance.
- X. DFCU published a report to its shareholders in a prospectus for a rights issue, bragging that it got the assets of CBL at a giveaway price!
- XI. The terms of sale, the sale price and terms of payment demonstrate that DFCU got the assets of CBL for nothing (because it was given three years to pay the small purchase price which price was being raised directly out of the very assets it acquired). This constitutes a fraud against the shareholders of CBL and the taxpayers (whose money was invested in CBL after BOU's takeover of the bank).
- XII. The officials of BOU and their legal advisors shall be sued and criminal proceedings will be taken out against them for this fraud perpetrated against shareholders of CBL and the Ugandan tax payer.

3. DFCU FRAUDULENTLY AND IN CONIVANCE WITH BANK OF UGANDA OFFICIALS TOOK OVER A PORTFOLIO OF BAD LOANS WORTH ALMOST SIX HUNDRED BILLION SHILLINGS FOR NO PAYMENT AT ALL!

- I. When BOU was taking over CBL, it classified a set of loans of approximately 600 billion as non-performing loans and removed them from the list of assets of the CBL balance sheet.
- II. BOU made the shareholders of CBL pay for these loans out of their share capital. As a result of this transaction, the shareholders of CBL lost capital worth UGX. 350 billion shillings (as payment for these loans). In addition the shareholders subsequently paid to BOU an additional amount of US\$ 23.5 (UGX 85 billion) in three additional shareholder payments (US\$ 8M, US\$ 7.5M and US\$ 8M).
- III. By this arrangement, these non-performing were no longer property of CBL, but belonged to the shareholders who had paid for them with their capital contributions.
- IV. Under the sale agreement, DFCU only took the assets that were on the balance sheet of CBL.
- V. Surprisingly, the non-performing loan book (which was not an asset on CBL's balance sheet) was also secretly transferred to DFCU in this transaction.

- VI. Justine Bagyenda of Bank of Uganda then gave DFCU permission to secretly account for these bad loans on a secret basis outside the official books of DFCU Bank! How can a regulator allow a bank to have secret side books of account?
 - VII. Bank of Uganda did this knowing that although these non-performing loans were classified as worthless for accounting purposes, they were all fully secured by valuable securities and a large portion of them were collectable.
 - VIII. Bank of Uganda officials therefore secretly entered into a side accounting arrangement with DFCU bank to collect from these loans and secretly account for and share proceeds of these collections amongst DFCU and BOU officials.
 - IX. These loans were the property of the shareholders who had paid for them in the above capital contributions. Bank of Uganda officials and DFCU employees were defrauding them.
4. BOU AND DFCU HATCHED A PLAN TO TAKE OVER LEASES WITHOUT THE KNOWLEDGE OR CONSENT OF THE LEASE GRANTOR AS REQUIRED UNDER THE LEASES.
- I. Both BOU and DFCU were aware when they were entering into this Agreement that they could not transfer the leases from CBL to DFCU without the knowledge or written consent of the Owner (Meera Investments Limited). Nevertheless, they went ahead to purport to transfer them on the understanding that BOU would try to procure the Freehold ownership and sell the same to DFCU within 2 years.
 - II. Now DFCU has been sued by the owner and is going to lose all the leases on the basis of this illegal and fraudulent transfer.
 - III. In the meantime, BOU agreed with DFCU that DFCU was going to use the leases rent-free (without paying any ground rents), and BOU undertook to pay the ground rents to the owner. BOU made that undertaking at shareholder expense, because any money it would pay would not come from BOU, but from CBL!
 - IV. DFCU has been occupying 48 leases rent free for two years now and BOU has never paid the rents to the owner for over.
 - V. Now the owner has applied to the High Court to cancel the leases on the grounds that they were entered into illegally and without the owner's consent and further that they automatically determined when DFCU did not pay ground rent for over two years now.
5. THERE WAS NO VALUATION OF CBL ASSETS IN DETERMINING THEIR MARKET VALUE PRIOR TO THEIR TRANSFER TO DFCU:
- I. There was no market valuation of the assets of CBL prior to their transfer to DFCU as required by law under the FIA. This gave DFCU a bonanza at tax payer and shareholder expense. BOU officials deliberately undervalued assets so as to give DFCU a sweetheart deal. That is the reason that this Agreement is deliberately vague on the value of assets taken over by DFCU (yet this would be a material point to include in an agreement of this kind).
 - II. By way of example, when one looks at the CBL balance sheet at the time of take-over by DFCU, the Branch network was valued at UGX 10 billion only. Within just days of taking over the assets, DFCU revalued the same at 47 billion!!! Showing a discrepancy of 37 billion shillings value given to DFCU for nothing.

- III. This undervaluation benefitted DFCU and Bank of Uganda officials (as well as their legal advisors) on this transaction.
6. THE LEGAL ADVISORS OF THE BANK OF UGANDA IN THIS SALE TRANSACTION WITH DFCU IMMEDIATELY BECAME THE LEGAL ADVISORS OF DFCU BANK AND BEGAN TO MAKE COLLECTIONS FOR DFCU ON THE SAME ASSETS AND PORTFOLIO THEY HAD JUST TRANSFERRED TO IT. THIS IS EVIDENCE OF COLLUSION TO DEFRAUD THE TAX PAYER AND SHAREHOLDERS OF CBL:
- I. MMAKS ADVOCATES and AF MPANGA (BOWMANS) Advocates were the legal advisors to Bank of Uganda on the resolution of the matters of CBL, including the sale transaction to DFCU.
 - II. These lawyers structured, drafted and negotiated the sale agreement with DFCU on behalf of BOU and CBL. At the same time they secretly represented the interests of DFCU. This explains why the agreement is lopsided and in favour of DFCU and completely against the interests of CBL and BOU and CBL's shareholders.
 - III. Immediately after concluding this sale, both MMAKS Advocates and AF MPANGA (BOWMANS) went to work for DFCU to collect loans and earn fees from the CBL loan portfolio and they continue to work for DFCU up to this day on this very portfolio they sold.
 - IV. The lawyers who structured the sale transaction appear to have been compromised and working for both parties secretly. They represented BOU and connived with some BOU officials to give DFCU a sweetheart deal and then they immediately crossed over and went to work for DFCU to collect money and fees on the same assets they had just transferred to DFCU.
 - V. These are the same lawyers who the High Court of Uganda condemned as having acted for Dr. Sudhir Ruparelia and then gone on to act for BOU against him on matters on which they were his advisors. This seems to be the same case here. They acted for BOU and DFCU to make money on both sides! That is illegal, fraudulent and unprofessional conduct.
 - VI. They have made billions of shillings in fees from both BOU and DFCU. The money BOU has paid them is on account of CBL's shareholders.
 - VII. The shareholders intend to file a legal claim against these lawyers to recover all the legal fees that have been made on these illegal transactions.