

Willis Works Out Ownership Deal with France's Gras Savoye

Willis Group Holdings Ltd. said it and the original family shareholders of French insurance broker Gras Savoye & Cie. have signed an agreement with Astorg Partners, a private equity fund, to reorganize the capital of Gras Savoye in a leveraged transaction.

Under terms of the transaction, Astorg Partners will acquire 33.3% of the voting rights (31.8% of outstanding shares) of a new holding company while Willis and the family shareholders will sell part of their stakes in Gras Savoye to Astorg Partners and roll over their remaining shares into the new holding company through a combination of equity, convertible debt and seller financing. Willis, the family shareholders of Gras Savoye, and Astorg will hold equal stakes of 31.8% in the new holding company and have equal representation of 33.3% of the voting rights on its board. The remaining 4.5% stake will be held by a pool of Gras Savoye managers.

The transaction values Willis' existing investment in Gras Savoye at about US\$343 million (229.9 million euros). Willis will roll over about \$135 million in equity and convertible debt and lend about \$48 million to the new holding company at a rate of 6% per year. Willis said it expects to generate about \$160 million of tax-free net cash proceeds from the transaction, which it will use to pay down existing debt.

Gras Savoye has been an associate company of Willis since 1997 when Willis acquired a 33% ownership interest. Since then, Willis has gradually increased its shareholding to 48.6% of voting rights (46.2% of outstanding shares). The family shareholders and management currently own 51.4% of the voting shares of Gras Savoye.

The agreement also gives Willis the option to purchase 100% of the capital in the new holding company in 2015, should it choose to do so, with notification in 2014. An existing put option, which gave family shareholders an option to sell their shares in Gras Savoye to Willis between now and 2011, will be canceled at the closing of the transaction. The transaction is expected to close in the fourth quarter of 2009, subject to approvals and completion of financing.

"Willis looks forward to building on the strong and valuable relationship we have established with Gras Savoye over the past 12 years, and we remain fully committed to our partnership," said Joe Plumeri, chairman and chief executive officer of Willis Group Holdings, in a statement. "This new arrangement enhances Willis's financial flexibility, while at the same time, engaging an important new strategic partner in its Gras Savoye investment."

Patrick Lucas will continue to head Gras Savoye as chairman and CEO.

Gras Savoye is the largest insurance broker in France and the ninth-largest broker in the world, according to Willis. The group has 3,650 employees and 105 offices in 36 countries with a focus on France, where it claims the largest regional network of insurance brokers. It is also focused on Europe, Africa, the Middle East and Southeast Asia.