



Irish ProShare Association
Annual Conference
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Introduction

- Key items to be addressed:
 - Background to the Bord Gáis ESOP
 - Issues facing the ESOP
 - Addressing the issues
 - The Solution
 - Stakeholders

Background

Bord Gáis Employee Share Ownership Plan (ESOP):

- Established in April 2008.
- Acquired Capital Stock, in three tranches 2008 – 2010.
- Holding equated to 3.27% of Capital Stock in Bord Gáis Éireann (BGE).
- To retain tax-free status stock must be held for three years.
- Capital Stock remained within the ESOT and dividends had been received in respect of this holding.
- Beneficiaries in two jurisdictions – Republic of Ireland and Northern Ireland

Issues facing ESOP

- Threefold
 1. Energy Third Directive
 - Directive 2009/73/EC – unbundling legislation
 2. Corporate restructuring of BGE to facilitate sale of Bord Gáis Energy
 3. Requirement to hold an Internal Market

Addressing the Issues

Following negotiations the following was proposed:

- A buy-out of the ESOT Capital Stock over-time;
- Resulting in the ultimate wind-up of the ESOT;
- To occur simultaneously with the sale of Bord Gáis Energy.

Ministerial approval and Revenue approval also required.

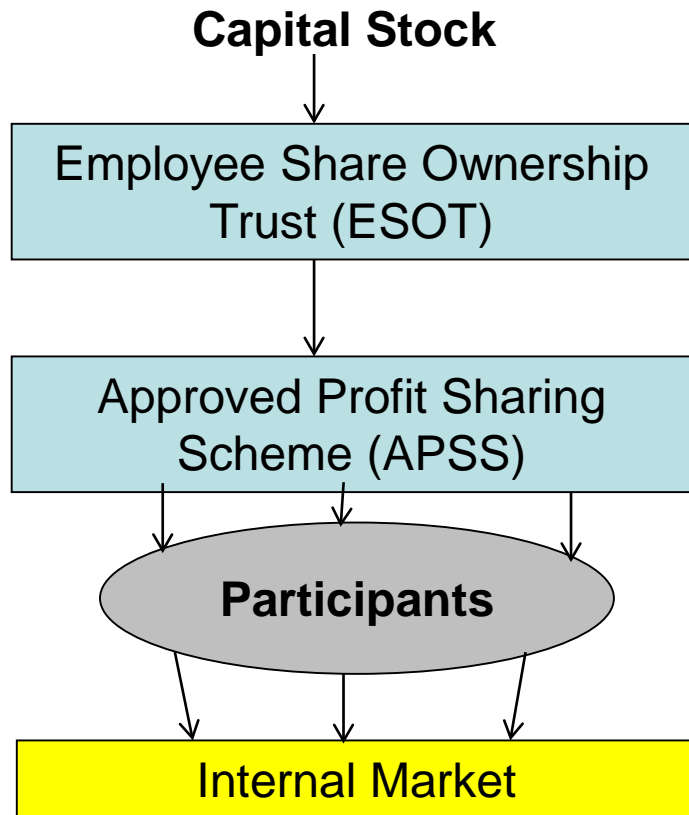
Proposal was recommended by the Trustee Board but was subject to ballot and acceptance by Beneficiaries.

The Solution

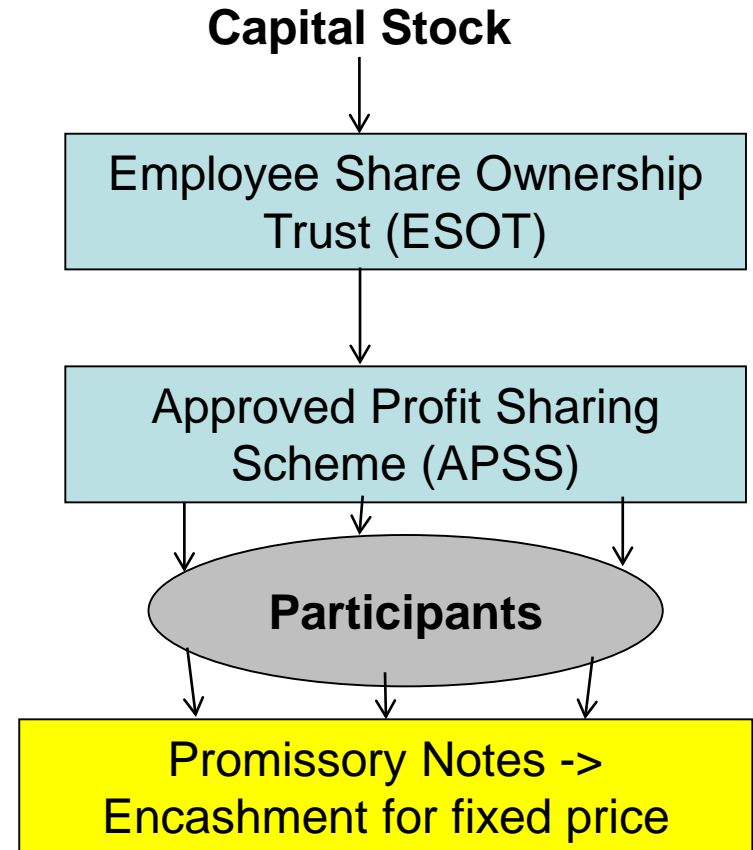
- Steps involved:
 1. Capital Stock to be transferred from the ESOT to the APSS Trust
 2. Once received into APSS it will be appropriated in stages to Beneficiaries
 3. Once appropriated, the Capital Stock will immediately pass into another Trust (“The Bord Gáis 2014 Trust”)
 4. Finally, the Capital Stock will then be swapped for BGE promissory notes
 5. Promissory Notes:
 - Will have a fixed value.
 - Redeemable / encashed over time in a tax efficient manner.
- A comparison of structures under original ESOT structure and under the current proposal is shown on the following slide.

The Solution (cont'd)

- Original ESOT Structure



- Proposed Structure



The Solution (cont'd)

Key points to note

- Valuation
- Redemption schedule
- Once appropriated, Capital Stock immediately swapped for Promissory Notes
- Appeals and Claims
- Administration

Other Considerations

- Stakeholders
- ESOT Cash
- Tax Implications

Outcome

- Ministerial approval and Revenue approval received
- Trustees in a position to recommend proposal to Beneficiaries
- Requirement to ballot Beneficiaries
 - 98% of Beneficiaries who voted accepted the proposal
- Once positive ballot received the ESOT Trustee, Group of Unions and the Company entered into an Implementation Agreement which outlined the terms and conditions of the ESOP buyout
- Completion simultaneous with the completion of the sale of Bord Gáis Energy

Key points to note

- Long process with multi-party interaction
- Trustee responsibilities
 - protect the assets and deliver “best” deal to beneficiaries in the “best” way
- Achieved by
 - Interaction with the company, primarily
 - Interface with other parties
 - Communication with Beneficiaries
- Advisors to the ESOT, who understood the issues, were key to entering into effective negotiation with relevant parties and assisted the Trustee in delivering a proposal capable of acceptance by the Beneficiaries



ANY QUESTIONS?