

Case Study: AEGON USA Realty Advisors, Inc.

Challenge – Investing Institutional Tax Equity

AEGON (USA) Realty Advisors (“AEGON”) sources investments for the AEGON family of life insurance companies. AEGON decided in late 2004 to begin investing in renewable power generation projects as a tax-oriented institutional investor. AEGON was asked to consider investing in a 27MW wind power project. AEGON viewed the project as an opportunity to establish a relationship with a leading wind project developer, but lacked the internal staff to evaluate and negotiate the transaction on a timely basis.

Approach

Birch Tree Capital quickly assembled and led a senior-level team of independent advisors experienced in wind power project investments, including *RENEWergy*, LLC and Deacon Harbor Financial, L.P. The team worked closely with AEGON staff and project counsel to review the investment transaction. The team worked with AEGON’s counsel to craft a viable equity investment structure that meshed with the debt financing already in place for the project. Birch Tree Capital helped to negotiate the initial commitment letter, conduct the due diligence review of the project, review the pro forma financial model, identify principal equity concerns and suitable risk mitigants, resolve conflicts between AEGON’s needs and the lender’s loan covenants and terms, prepare the investment memorandum and sensitivity analyses needed for AEGON’s internal approvals, and negotiate the equity documentation with the project developer.

Solution

AEGON approved and closed on the investment with the project developer within the time constraints required for the transaction. AEGON’s satisfaction led to partnering with the developer on financing of a larger portfolio of several wind projects located in three Western states. The new financing drew heavily on the relationships and investment terms created for the first transaction, including AEGON as the sole tax equity investor. AEGON again retained Birch Tree Capital as its equity investment advisor. The developer had several projects in various stages of development, yet was under pressure to close financing so that the projects could be completed prior to the then-expected expiration of the Federal production tax credit at the end of 2005. Birch Tree Capital helped create an investment structure to allow the transaction to move forward, while giving the developer flexibility in selecting the projects to include in the portfolio. The deal ultimately featured three wind projects aggregating 260MW and \$400 million in capitalization. At its closing in mid-2005, the deal was the largest bank financing for a wind portfolio to that date and the first fully greenfield construction financing for a wind portfolio. *Project Finance* magazine named the transaction as its **North American Portfolio Finance Deal of the Year** for 2005. Birch Tree Capital thereafter assisted AEGON in asset management reviews of the transactions, and reviewed for AEGON multiple other wind, solar, and other renewable project investment opportunities.

“As our wind sector expert, Birch Tree Capital made it possible for AEGON to enter the sector by providing equity advisory support when we needed it most. The firm was key to our doing the deals.” – Michael Mercure, Director, Agribusiness, Renewable Energy, and Minerals, AEGON USA Realty Advisors, Inc.