

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. In 2004, AEGON decided to invest 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 formed and led a team of senior advisors experienced in wind power project investments. The team worked closely with AEGON staff and project counsel to review the investment transaction. Birch Tree Capital team members devised a viable equity investment structure that meshed with the debt financing already committed for the project. Birch Tree Capital helped negotiate the initial commitment, conduct due diligence on the project, review the pro forma financial model, identify principal equity concerns and suitable risk mitigants, resolve conflicts between AEGON’s needs and lender’s terms, draft the AEGON internal investment memorandum and sensitivity analyses, and to negotiate the equity terms with the developer.

Solution

AEGON closed on the investment within the developer’s time constraints. AEGON’s satisfaction led the parties to partner on financing a portfolio of large wind projects located in three Western states. The financing drew heavily on the relationships and investment terms created for the first transaction. 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 select and build the projects before 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 included 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. The Birch Tree Capital team provided ongoing financial modeling updates for measuring investment performance. After the ten year anniversaries of the projects, Birch Tree Capital helped AEGON negotiate purchase offers for their interests in the projects. The firm also reviewed other renewable project investment opportunities on behalf of AEGON.

“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.