

AEGON USA Realty Advisors, Inc.

Challenge

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

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 to consider the investment transaction. Birch Tree Capital team members provided assistance in devising a viable equity investment structure that meshed with the developer’s debt financing already in place for the project, negotiating the initial letter of intent, conducting the due diligence review of the project, reviewing the pro forma financial model, preparing reports and sensitivity analyses needed for AEGON’s internal approvals, identifying principal equity concerns and suitable risk mitigants, meshing equity needs with lender requirements, joining with AEGON and its external counsel in negotiating the equity documentation with the project developer, and monitoring satisfaction of necessary conditions precedent for wiring of the investment funds.

Solution

AEGON approved the investment and reached final agreement with the project developer within the time constraints required for the transaction. The satisfaction of the developer and AEGON with the initial transaction led the parties to collaborate on the \$400 million financing of a much larger portfolio of three wind projects aggregating 260MW located in three Western states. The parties were under pressure to quickly close on the financing so that the projects could be completed and operational prior to the then-expected expiration of the Federal production tax credits at the end of 2005. The \$400 million financing drew heavily on the relationships and terms established for the first transaction, including AEGON as the tax-oriented equity investor. Birch Tree Capital again was the lead equity advisor for the larger transaction. At its closing in mid-2005, the deal was the largest bank financing for a wind portfolio to date and the first fully greenfield construction financing for a wind portfolio. Project Finance magazine ultimately named the transaction as its North American Portfolio Finance Deal of the Year for 2005. Birch Tree Capital continues to assist AEGON on new renewable sector opportunities.

“As our wind sector expert, Birch Tree Capital has 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.