

Power Finance & Risk

Exclusive Insight on Power M&A and Project Financing

By the publisher of GlobalCapital

● MERGERS & ACQUISITIONS

● STRATEGIES

● MERGERS & ACQUISITIONS

First Solar Deal Raises Eyebrows

First Solar and Southern Power are in talks about a joint cash equity deal, with Southern stepping in as tax equity investor. [page 5](#)

Exelon Chases Div Recap

Exelon Corp. has launched a \$700 million term loan B backed by a portfolio of Texas gas-fired plants. [page 8](#)

BayWa Lands Wind Project

BayWa r.e. has bought a wind project after production tax credit guidance ensured it would qualify. [page 6](#)

YieldCo Sweep - August 2014

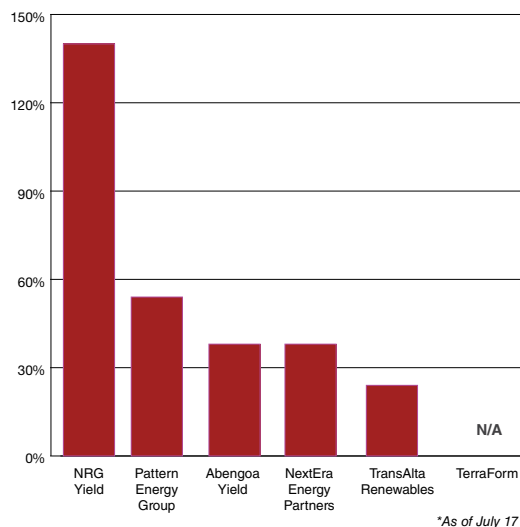
● Yieldcos hunt acquisitions, tax equity structures to maintain growth

Sara Rosner

NRG Yield made the biggest headlines this past month as it wrapped a \$2.47 billion acquisition of **Terra-Gen Power's** Alta wind series in California (PFR, 8/13).

Yield companies are pegged to change the landscape of power M&A, as the shops take advantage of their access to relatively low-cost of capital to wrangle assets for growth. "These yieldcos have become the most competitive acquisition vehicles out there because of the low cost of capital," said **Eli Katz**, partner at **Chadbourne & Parke** in a [PAGE 12 »](#)

YieldCo Total Returns*



Source: Power Finance & Risk

Apex Hits Hurdles In Financing Okla. Wind Pair

Holly Fletcher

Apex Clean Energy has hit a series of snags that may delay the financing of a pair of 300 MW wind projects in Oklahoma.

The Charlottesville, Va.-based shop launched a request for proposals in August to finance its 300 MW Balko wind project in Beaver County, Okla., and expected to bring its 300 MW Kingfisher project to market shortly thereafter, observers say. However, questions over whether Balko can meet certain production tax credit deadlines and a lawsuit brought against Kingfisher on Aug. 27, could derail those plans.

For Balko, Apex has still not mandated a lead lender, as of press time, despite having planned to have one on board by the end of August, deal watchers say. The company has had some issues signing on tax equity investors because of concerns about whether there was enough time to construct Balko and have it fully online before the PTC [PAGE 12 »](#)

Q&A: Frank Napolitano, Credit Suisse, Part 1

Frank Napolitano joined Credit Suisse in June as global head of power and utilities. He leads a team that has seen a wave of departures as it moves into an era of deals dominated by a host of new players. Napolitano called Managing Editor **Holly**

Fletcher from the road to talk about who is active in M&A and why hedge funds are making a return as asset owners.

PFR: You are pretty new to Credit Suisse. Tell me a bit about what goals you have for the team.

Napolitano: Being the newest member of a very established team with a great track record, and some current deals in the market like the Dynegy transaction, I've had the pleasure of meeting quite a capable team. It is a great opportunity to come into a leadership position to take what we have—which is in fine shape—and return it to what people may remember the broader Credit Suisse power and utilities franchise to be. [PAGE 9 »](#)



● IN THIS ISSUE

MERGERS & ACQUISITIONS

- 5 | NTR To Take Wind Mandate Pitches
- 5 | First Solar Deal Piques Yieldco Debate
- 5 | Infra Fund Buys Solar From Stonepeak
- 6 | BayWa Scoops S.D. Wind Project
- 6 | JPMCC Hawks Tax Equity Stakes

PROJECT FINANCE

- 6 | BNP Chats Up Lenders For EIF CCGT
- 6 | Invenergy Seals Wind Deal Pair

STRATEGIES

- 8 | Exelon Chases Div Recap
- 8 | CAISO Tees Up Transmission RFP

DEPARTMENTS

- 3 | Generation Auction & Sale Calendar
- 4 | Project Finance Deal Book
- 8 | PowerTweets
- 12 | Alternating Current

● THE BUZZ



Wind trades are cropping up in all corners of the market. **NTR** is teasing up a sale of its **Wind Capital Group** subsidiary while **JPMorgan Capital Corp.** has floated a portfolio of tax equity stakes. **NTR** is looking to exit the U.S. wind business with a sale of **Wind Capital Group** as a platform. The St. Louis-based developer owns two wind farms and has a management team (see story, page 5). The likeliest outcome, at this point, is for a yield company to pick up the two spinning farms, say observers, noting that **Pattern Energy** has been on the hunt.

JPMCC is looking to do a third tax equity stake deal after inking a pair of transactions in the last year with a subsidiary of **Macquarie Capital** and **Infigen Energy** (see story, page 6).

On the lending front, **Invenergy** has successfully sealed financing for two wind projects in the U.S. and Canada. The Chicago-based shop worked with **Rabobank** and **BayernLB** on the individual deals (see story, page 6). Meanwhile, financiers and tax equi-

ty investors are seeing a flurry of wind proposals come across desks as developers try to cram projects through the financing channels to bring them online to meet deadlines for the production tax credit by year-end.

The U.S. **Internal Revenue Service's** recent and eagerly anticipated guidance on certain qualifications for the PTC may have come just in the nick of time for some projects, and potentially too late for others, however. **Apex Clean Energy** is developing two, 300 MW projects in Oklahoma (see story, page 1). Lenders are wary of the first project, **Balko**, up for financing. The wait for the IRS guidance stalled the project and it's now unclear whether it will meet deadlines for the PTC. For many projects, the IRS' clarifications that it issued last month may have come too late (PFR, 8/8). The timing has worked for others, though. San Diego-based **BayWa r.e.** picked up a contracted 80 MW project in Minnesota, after the IRS guidance took the project off hold (see story, page 6).

In the debt capital markets, an **Exelon Corp.** subsidiary tagged a term loan B for a \$552 million dividend recapitalization (see story, page 8). The deal is backed by 3,476 MW of hedged, merchant generation in ERCOT and is remarkable for its high ratio of peakers to baseload capacity, notes an observer. "The peakers are usually just sprinkled in with baseload," he says, adding that there is plenty of demand for the paper. **Bank of America Merrill Lynch** is the lead arranger on the \$720 million package, which includes a \$20 million revolver. ■

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TELL US WHAT YOU THINK!

Do you have questions, comments or criticisms about a story that appeared in **PFR**? Should we be covering more or less of a given area? The staff of **PFR** is committed as ever to evolving with the markets and we welcome your feedback.

Feel free to contact **Holly Fletcher**, managing editor, at (212) 224-3293 or h.fletcher@powerfinancerisk.com

GENERATION AUCTION & SALE CALENDAR ●

These are the current live generation asset sales and auctions, according to Power Intelligence's database.
A full listing of completed sales for the last 10 years is available at www.powerintelligence.com/AuctionSalesData.html

Generation Sale ■ DATABASE

Seller	Assets	Location	Advisor	Status/Comment
ArcLight Capital Partners	Juniper Generation (Cogen portfolio)	Various, California	McManus & Miles	Sale relaunched after several PPAs were extended (PFR, 3/17).
ArcLight Capital Partners	Peakers (2 GW Gas)	Various, Georgia	TBA	Carved peakers out of Southeast PowerGen to sell (PFR, 3/24).
ArcLight Capital Partners	Victoria (330 MW CCGT)	Victoria, Texas	UBS	Sale is near launch (PFR, 4/7).
ArcLight Capital Partners	Sun Peak (222 MW Gas)	Las Vegas, Nev.		Nevada Power is buying them (PFR, 5/12).
ArcLight Capital Partners	Hamakua (60 MW CCGT)	Hawaii	Energy Advisory Partners	Teasers out (PFR, 7/28).
Atlantic Power Corp.	Fleet (2.1 GW)	Various	Goldman Sachs, Greenhill	First round bids are in (PFR, 6/30).
Burrows Paper Corp.	Lyonsdale Associates (19 MW Hydro)	New York		Burrows in final stages of selling (PFR, 8/25)
Exelon Corp.	Fore River (809MW Gas-Fired)	Massachusetts	Citi, Morgan Stanley	Calpine is buying it (PFR, 9/1).
Calpine	Osprey (550MW CCGT)	Florida	TBA	Comes after Duke recently said it wanted to build not buy plants (PFR, 9/1)
Corona Power	Stake (Sunbury, 900 MW Repowering)	Shamokin Dam, Pa.	Perella Weinberg	First round offers due April 14 (PFR, 3/31).
Coronado Power Ventures	La Paloma (690 MW CCGT)	Harlingen, Texas	Blackstone	Looking for equity and debt (PFR, 8/11).
Duke Energy	Portfolio (6.6 GW Coal, Gas, Oil)	Various	Citi, Morgan Stanley	Dynegy is buying it (PFR, 9/1).
EDP Renewables	EDPR Wind (394.5MW of 1.1GW Wind)	Various		This is the second asset rotation transaction made between the companies (PFR, 9/1)
Energy Capital Partners	EquiPower (Portfolio)	Various	Goldman, Barclays	On a dual track to IPO or sale (PFR, 9/1).
Entegra Power Group	Portfolio	Arizona, Arkansas	Houlihan Lokey	Filed for Ch. 11 bankruptcy (PFR, 8/11).
Exelon Corp.	Quail Run (488 MW)	Odessa, Texas	Morgan Stanley	First round teasers came in recently (PFR, 7/7).
Exelon Corp.	Fore River (726 MW CCGT)	North Weymouth, Mass.	Citi	Process launched recently (PFR, 6/16).
Exergy Development Group	Stake (Wind Portfolio)	Idaho		Macquarie Infrastructure Co. is buying it (PFR, 8/11).
FGE Power	Portfolio (1.5 GW CCGT)	Texas	Fieldstone	Starwood has taken equity in two projects (PFR, 7/28).
● First Solar	Imperial Valley (150 MW Solar)	Imperial County, Calif.	TBA	First Solar is considering retaining a passive stake (see story, page 5).
NTE Energy	Portfolio (1.3 GW CCGT)	Various	Whitehall	Capital Dynamics has taken equity stakes (PFR, 7/28).
● NTR	Portfolio (Wind)	Various	TBA	Will take pitches to sell Wind Capital Group (see story, page 5).
NaturEner USA	Portfolio (399 MW Wind)	Montana		Morgan Stanley fund is taking over the assets (PFR, 8/25)
North Carolina Eastern Municipal Power Agency	Stakes (700 MW Portfolio)	North Carolina		Duke Energy is buying out the agency's stakes (PFR, 8/4).
Olympus Power	Grant County Wind Farm (20MW Wind)	Minnesota	Ewing Bemiss	The deal power price is set at \$69.10 per MWh for first ten years (PFR, 9/1) .
Optim Energy	Portfolio (1.4 GW Coal, Gas)	Texas	Barclays	ArcLight, Blackstone face off for the coal-fired plant in court-run sale (PFR, 7/28).
Riverstone Holdings	Sapphire Power (807 MW Gas)	Various	Barclays	On the market recently (PFR, 8/25).
Stark Investments	Grays Harbor (723 MW Gas)	Grays Harbor County, Wash.	TBA	Invenegy is buying out Stark's stake (PFR, 8/18).
● Stonepeak Infrastructure	Stone Mills (11 MW Solar)	Napanee, Ontario		DIF Infrastructure is buying it (see story, page 5).
SunShare	Portfolio (9.6 MW Solar)	Colorado	Infrastructure Finance Advisors	High interest; moved to second round (PFR, 8/18).
Tenaska	Westmoreland (950 MW Gas)	Pittsburgh, Pa.	Whitehall	Looking for development capital (PFR, 8/18).
Traxys	White Pine (40MW Gas-Fired)	Michigan	TBA	Biotech shop bought as backup generation for underground garden (PFR, 9/1).
Upstate New York Power Producers	Cayuga (306 MW Coal)	Lansing, N.Y.	Blackstone	Teasers recently went out (PFR, 6/23).
	Somerset (675 MW Coal)	Barker, N.Y.		
Waste Management	Portfolio (Waste-To-Energy)	Various	Barclays, Centerview Partners	ECP is buying Wheelabrator for \$1.94B (PFR, 8/4).

● New or updated listing

The accuracy of the information, which is derived from many sources, is deemed reliable but cannot be guaranteed.

To report updates or provide additional information on the status of financings, please call Managing Editor Holly Fletcher at (212) 224-3293 or e-mail h.fletcher@powerfinancerisk.com

● PROJECT FINANCE DEAL BOOK

Deal Book is a matrix of energy project finance deals that Power Intelligence is tracking in the energy sector. A full listing of deals for the last several years is available at <http://www.powerintelligence.com/projectfinancedeal.html>

Live Deals: Americas

Sponsor	Project	Location	Lead(s)	Loan	Loan Amount	Tenor	Notes
Alterra, Fierro Axiom	Jimmie Creek (62 MW Hydro)	British Columbia	TBA	TBA	TBA	TBA	Sponsor will likely tap LifeCos for the debt (PFR, 5/5).
● Apex Wind	Balko Wind (300 MW Wind)	Oklahoma	TBA	TBA	TBA	TBA	Sponsor takes pitches from prospective MLAs (see story, page 1).
BluEarth Renewables	Bow Lake (58.23 MW Wind)	Sault Ste. Marie, Ontario	BMO Capital	Term	C\$203M	7-yr	Four banks participated (PFR, 8/4).
Cape Wind Associates	Cape Wind (468 MW Wind)	Cape Cod, Mass.	MUFJ, Natixis, Rabobank	TBA	\$150M	TBA	Conditional loan guarantee came from the Department of Energy (PFR, 7/1).
Cobra Energia	Peru Portfolio (122 MW Wind)	Peru	U.S Ex-Im	TBA	\$65M	17-yr	The Cobra projects have 20-year offtaker contracts with Peruvian government (see story, page 00).
Coronado Power Ventures	La Paloma (690 MW CCGT)	Cameron County, Texas	Blackstone	TBA	TBA	TBA	Debt and capital raise has had several setbacks (PFR, 8/11).
Dalkia/Fengate	Merrit (40 MW Biomass)	Merrit, B.C.	MUFJ	TBA	\$168M	TBA	Sponsor aims to wrap the financing early next year (PFR, 12/2).
Dominion Energy	Cove Point (LNG Export)	Calvert County, Md.	Barclays, Citi, JPM	TBA	TBA	TBA	Dominion plans to IPO an MLP to partially fundy (PFR, 8/4).
Energy Investors Funds	Newark (705 MW Gas)	Newark, N.J.	Credit Ag, GE EFS, MUFJ	TBA	\$590M	TBA	Deal closed on strong interest (PFR, 6/30).
● Energy Investors Funds	Oregon (800 MW Gas)	Oregon, Ohio	BNP, Credit Ag	TBA	TBA	TBA	BNP meeting with lenders this week (see story, page 6).
Exmar NV	Floating Liquefaction Project	Colombia	TBA	B Loan	\$170M	TBA	Sponsor looking to land a B loan for the debt on the project (PFR, 5/5).
FGE Power	FGE Texas (726 MW Gas)	Westbrook, Texas	TBA	TBA	\$1B	TBA	Has opted for project finance loan over B loan (PFR, 7/28).
Firelight Infrastructure Partners, SunEdison	Bruining (18 MW Solar)	Ontario	NordLB	Construc. Term	C\$113.5M	TBA	NordLB has also agreed to a C\$63 million loan that will set at the project level once it's operating (PFR, 8/11).
GDF Suez, Pemex	Los Ramones II Sur (178-mile Pipeline)	Mexico	Santander	TBA	TBA	TBA	BNP Paribas is also advising on the \$1B project (PFR, 8/11).
● Invenenergy	Le Plateau 2 (21.5 MW Wind)	Quebec	BayernLB	TBA	TBA	TBA	Deal wraps (see story, page 6).
● Invenenergy	Spring Canyo (60 MW Wind)	Spring Canyon, Colo.	Rabobank	TBA	TBA	TBA	Deal wraps (see story, page 6).
NextEra Energy Resources	Bluewater (60 MW Wind)	Lake Huron, Ontario	TBA	TBA	TBA	TBA	Sponsor is talking to lenders in the U.S. to finance the project (PFR, 5/19).
New Generation Power	NGP Texas (400 MW Wind)	Haskell County, Texas	TBA	Construction /Term/Tax Equity	-\$700M	TBA	This is the sponsor's largest deal to date (PFR, 4/14).
NTE Energy	Multiple (Gas)	Various, U.S.	Whitehall	TBA	TBA	TBA	Looking to arrange PPAs for a portion of gas-fired trio (PFR, 8/4).
Pattern Energy	Armow (180 MW Wind)	Kincardine, Ontario	TBA	TBA	TBA	TBA	Sponsor is looking for tighter pricing than its K2 financing (PFR, 5/26).
Samsung Renewable Energy	Kingston (100 MW Solar)	Ontario	RBC, Connor Clark & Lunn	TBA	\$500M	TBA	Lenders are beginning to circle up (PFR, 7/21).
D.E. Shaw	Red Horse 2 (51 MW Wind)	Arizona	Santander, Sabadell	TBA	\$170M	20-yr	Near financial close (PFR, 8/25).
Starwood Energy Global Group	Stephens Ranch II (165 MW Wind)	Texas	Citi, Morgan, MUFJ	Construction	\$207M	TBA	Firms will also make tax equity investments in the project (PFR, 8/25).
Sempra U.S. Gas & Power	Energía Sierra Juárez (156 MW Wind)	Baja California, Mexico	MUFJ	TBA	-\$250M	TBA	On track to close within two weeks (PFR, 6/2).
Tenaska	Brownsville (800 MW CCGT)	Brownsville, Texas	TBA	TBA	TBA	TBA	Tenaska is in early stages of talks, plans to wrap by year-end (PFR, 6/30).
Tenaska	Westmoreland (950 MW CCGT)	Pittsburgh, Pa.	Whitehall	TBA	TBA	TBA	Looking for development capital (PFR, 8/18).
Transmission Developers	Champlain Hunson (Transmission)	New York	RBC	TBA	-\$1.6B	TBA	Sponsor is aiming to line up the debt by year-end (PFR, 3/3).

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MERGERS & ACQUISITIONS ●

Advisors Pitch For Wind Capital Mandate

NTR is looking to hire advisors to sell its U.S. wind subsidiary **Wind Capital Group**.

NTR, the Dublin-based renewables developer, will meet with prospective advisors in New York this week, say two bankers who will be pitching for the mandate.

The company is evaluating whether to sell its U.S. wind business, according to a statement from the NTR's board of directors. Observers say that NTR is expected to take a strategy that will market Wind Capital Group as a platform.

Currently, Wind Capital Group owns two wind farms totaling 351 MW, according to a filing with the U.S. **Federal Energy Regulatory Commission** in 2013. The farms are the 150 MW Lost Creek wind farm in Dekalb County, Mo., which went online in 2010 and has a long-term power purchase agreement with **Associated Electric Cooperative**, Inc.; and the 201 MW Post Rock

wind farm in Ellsworth, Lincoln and Rice counties in Kansas, which has a PPA with **Westar Energy**.

Wind Capital Group is based in St. Louis, Mo., and has sporadically sold assets over the last two years. Boutique advisory shop **Energy Advisory Partners** ran an auction of a 1.3 GW portfolio of development projects two years ago (PFR, 5/4/12).

Wind Capital Group recently sold the 150.4 MW Osage wind project in Osage County, Okla., to **TradeWind Energy** in April for \$60 million. **Enel Green Power North America** and **GE Energy Financial Services** are buying Osage from TradeWind (PFR, 8/6).

Whether there is a development pipeline remaining at Wind Capital Group could not be immediately learned. A message left for **David Boyce**, ceo, was not immediately returned. An inquiry to NTR was not immediately returned. ■

Bankers Eye First Solar Southern Power Deal For YieldCo Signals

A prospective deal between First Solar and **Southern Power** has piqued interest around the advisory space as to whether or not this is an indication that First Solar has decided to pursue a yield company.

The two companies are in talks about an ownership structure for the 150 MW Imperial Valley solar project in Imperial County, Calif., that would have them sharing the cash flow—a departure from First Solar's develop-and-sell model. Southern Power would be the managing owner of the project and would receive 51% of the cash flow, while First Solar received 49%, according to a filing with the U.S. **Federal Energy Regulatory Commission**.

The deal is also notable because it's unusual to see utilities step in as tax equity investors, notes a renewables banker. Southern Power would be the tax equity investor in the deal, taking 99% of the tax incentives and First Solar 1% until the eleventh year

after the project goes into operation. The Imperial Valley project has a 25-year power purchase agreement with **San Diego Gas & Electric**.

First Solar has not typically retained stakes when it sells solar projects. The company could be looking to hold onto some of its solar projects rather than flipping them as it weighs the possibility of taking a yield company public. First Solar is still evaluating internally and has not reached a conclusion about whether it would pursue that route, according to **Jim Hughes**, ceo of First Solar, on the second quarter earnings call.

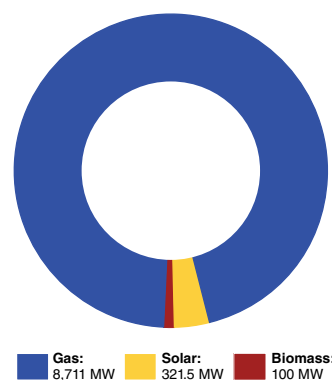
First Solar has been having a "rousing internal debate" over whether to stick to its current model or keep a portion of its development pipeline, one observer says. The company has not set a timeline for making a decision on the potential yieldco. A First Solar spokesman says the companies are in negotiations and that the deal is not finalized. He declined

to comment on whether the deal with Southern pointed toward an internal decision on a yieldco.

First Solar has a 1.5 GW development pipeline, according to the earnings call.

A timeline for finalizing the ownership structure or whether Southern Power has done prior tax equity deals could not be immediately learned. A Southern Power spokeswoman declined to comment. ■

Southern Power Portfolio



Source: Southern Power

Infra Fund Buys Stonepeak's Ontario Solar Farm

DIF Infrastructure has bought a solar farm in Napanee, Ontario, from **Stonepeak Infrastructure**, a deal that doubles its portfolio in the province.

DIF, an infrastructure investor with a large presence in Europe, has bought the 11 MW Stone Mills solar farm that is owned by Stonepeak subsidiary **Northstar Renewable Power Corp.**

Northstar was established to own solar assets in Ontario.

Stone Mills has a 20-year power purchase agreement with the **Ontario Power Authority** and went online in August 2012. **Manulife Financial** financed the project, which is operated by a **Canadian Solar** affiliate, with a long-term loan.

DIF is also in the process of buying a portfolio of four contracted solar projects in Ontario from Canadian Solar that are targeted to be online this year (PFR, 11/26).

The shop closed its **DIF Infrastructure III** fund last year at EUR800 million (\$1.08 billion), topping its goal of EUR600 million (\$812 million). The fund targets infrastructure assets that have long-term contracted cashflows.

DIF has offices in Amsterdam, London, Paris, Frankfurt, Luxembourg and Toronto. **Paul Huebener** is head of DIF in Canada.

Details such as financing or whether all of DIF's solar assets will be owned by the Northstar Renewable subsidiary could not be immediately learned. ■

● MERGERS & ACQUISITIONS

PTC Guidance Spurs BayWa Purchase

BayWa r.e. has acquired an 80 MW wind project in South Dakota, after guidance from the U.S. **Internal Revenue Service** on the production tax credit strengthens the project's viability. The buyer will fund its purchase from **B&H Wind** on balance sheet.

The IRS guidance on physical work qualifications specifically took the project off hold, notes an observer, adding that he expects several more deals to move forward as a result of the clarifications. Officials at BayWa in San Diego and B&H in Chokio, Minn., did not respond to inquiries and the purchase price and whether there any

tax equity investors in the project, could not be learned.

BayWa is naming the project Beethoven and aims to have it in operation next year. Beethoven is in Charles Mix, Bon Homme and Hutchinson Counties and will use **GE** turbines. The project is contracted to **NorthWestern Energy**.

BayWa, a subsidiary of German turn-key developer and operator BayWa, has been on the hunt for development-stage acquisitions (PFR, 7/10). The project is B&H's only wind development, reportedly. Whether B&H has plans for more projects could not be learned by press time. ■

JPMCC Floats Tax Equity Cash Flow Portfolio

JPMorgan Capital Corp. is out to sell a stream of cash flows associated with a portfolio of wind tax equity deals.

JPMCC is looking to sell stakes in the cash flow streams from a quartet of tax equity deals that encompass 10 wind farms, according to observers who have seen the teaser. The auction is in the early stages, notes one observer.

The sponsors of the 10 wind farms are **EDP Renewables**, **E.ON Climate & Renewables**, **Invenergy** and **EDF Renewable Energy**. The farms include the 151 MW Blue Canyon II farm in Lawton, Okla., as well as phases of the Lone Star wind series in Texas and Twin Groves in Illinois, says one observer.

Structural Precedents

JPMCC has inked two types of deals involving its tax equity stakes after testing the waters with at least two

failed deals. In one successful structure, it partnered with **Macquarie Corporate and Asset Funding** on tax equity investments in a 1.3 GW wind portfolio. JPMCC contributes the tax benefits to an upper tier partnership where the cash largely goes to Macquarie and the tax benefits to JPMCC (PFR, 4/16/13).

In a separate deal, **Infigen Energy** bought some of the tax equity stakes in a portfolio totaling 804 MW of its wind farms for \$95 million (PFR, 11/14).

Potential buyers would have the opportunity to back-leverage the acquisition, according to an observer. JPMCC has not used an advisor in the past auctions.

Details, such as the full portfolio of farms and which structure JPMCC prefers in this deal, could not be immediately learned. A JPMCC spokeswoman declined to comment. ■

● PROJECT FINANCE

● FALL DOCKET

BNP Courts Prospective Oregon CCGT Financiers

BNP Paribas is meeting with prospective lenders to **Energy Investors Funds'** \$860 million Oregon gas-fired project in Oregon, Ohio.

Lead arranger BNP is holding meetings with banks this week, say two financiers. **Crédit Agricole** is already tapped to be a joint lead arranger (PFR, 8/15).

The deal initially hit the market in the middle of August but the process was slowed for a couple of weeks because many financiers were on vacation, say observers.

EIF is targeting pricing of LIBOR plus 325 basis points. Oregon is an 800 MW gas-fired project that is scheduled to be operational in 2017. It's owned by the **United States Power Fund IV**, according to EIF's website.

Details regarding the meetings, such as identities of participants or results, with BNP could not be immediately learned. A spokesman for EIF declined to comment as did officials or spokespeople for BNP and **Crédit Agricole**. ■

Invenergy Seals Pair Of Wind Deals

Invenergy has wrapped two project financings backing the 60 MW Spring Canyon and the 21.15 MW Le Plateau 2 wind projects, respectively. The deals closed late last month.

BayernLB is the sole lead arranger, administrative agent and lender for Le Plateau 2, which is in the Ruisseau-Ferguson territory of Quebec. **Rabobank** is the sole lead arranger, administrative agent and lender for Spring Canyon in Logan County, Colo. Bankers had said that Invenergy would be working with lenders from the original bank group, which included Rabo, backing the first 138 MW phase of Le Plateau for the second phase of

the project (PFR, 8/21/14).

An official at BayernLB not respond to an inquiry by press time. An Invenergy spokeswoman in Chicago declined to comment on the terms of each deal, including size, pricing, tenor and structure. A Rabobank official also declined to comment.

Le Plateau 2 will utilize Enercon turbines and sell output to **Hydro-Quebec Distribution** under a 20-year power purchase agreement. Spring Canyon will utilize **GE** turbines and will sell output to the **Platte River Power Authority** under a 25-year PPA. Both of the projects are slated for operation in the fourth quarter. ■



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By the publisher of GlobalCapital

● STRATEGIES

Exelon Taps TLB Appetite For Dividend Recap

Exelon Corp. subsidiary **ExGen Texas Power** has floated a \$700 million term loan B and a \$20 million revolver to take advantage of investor demand and fund a dividend. "The term loan B market is still very, very strong and the appetite for those types of assets is there," says an analyst, of quasi-merchant generation.

ExGen owns five projects totaling 3,476 MW in ERCOT:

- the 720 MW Wolf Hollow combined cycle plant in Hood County;
- the 550 MW Colorado Bend combined cycle near Wharton;
- the 1,265 Handley peaker in Fort Worth;
- the 152 MW LaPorte peaker in LaPorte; and
- the 805 MW Mountain Creek peaker in Dallas.

Bank of America Merrill Lynch is the arranger on the seven-

year, senior secured term loan, which launched Wednesday and is floating in the range of 400-425 basis points over LIBOR. An affiliate of Merrill Lynch has put a commodity hedge in place for about 70% of the gross margin of the portfolio for the next three years, the analyst says. BAML and Exelon aim to wrap the transaction this month.

The original issue discount is pitched at 99-99.5 and the floor is set at 100 bps. The loan has a 1% mandatory annual amortization payment and 100% cash sweep for the first six years. Proceeds from the deal will fund a \$552 million dividend to Exelon. Remaining proceeds will fund various reserves.

A spokespeople for BAML and Exelon did not respond to inquiries by press time, and the deadline for commitments could not be learned. ■

CAISO Launches Transmission RFP

CAISO held a call on Wednesday for parties interested in bidding in its request for proposals for a \$300 million, 115-mile 500 kV transmission line.

The Delaney-Colorado River transmission project has garnered strong interest from a variety of prospective bidders, **Neil Millar**, executive director of infrastructure development at CAISO, told *PFR*. It will start at **Arizona Public Service's** Delaney substation in Southern Arizona and run into California. Prospective sponsors of the transmission line will be tasked with siting the line and getting all the necessary approvals. The development and construction of the project could take up to 10 years (PFR, 7/21). The route will be dependent upon the bidder.

CAISO will be looking at the overall capability of a sponsor to site, develop and finance the line, says Millar, noting the developer

will also be the long-term owner and operator. The Delaney transmission project stands out from recent lines in California because it's more focused on costs than system reliability, says Millar, explaining that the ability of a developer to "contain costs" will be an important factor. CAISO is aiming to have bidders submit proposals by Nov. 19, with a sponsor selected by the middle of June.

CAISO plans to launch an RFP for a similar line that runs from El Dorado, Calif., to **NV Energy's** Harry Allen substation in Nevada. The plans for that line have been pushed back since NV Energy received final approval to join the energy imbalance market, which extends CAISO's real-time market into other balancing authorities in the West. Millar notes that CAISO plans to have the revised economic analysis of the potential project done by year-end. ■

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For clarity on @NRCgov rule on storage of used #nuclear fuel at commercial reactors, read this excellent blogpost. <http://1.usa.gov/1rOdakt>

@IllinoisWind

Dynegy proposes Ameren join PJM. Move would unite #Illinois under one electric grid, impact #wind market: <http://www.chicagobusiness.com/article/20140903/NEWS11/140909983?template=mobile...>

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@EIAgov reports surprisingly big 79-Bcf #natgas build; #NYMEX Oct contract tanks to \$3.789/MMBtu low in knee-jerk response

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@SenatorReid vows to bring up green energy tax credit extensions for vote this year.

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4th Annual Right of Way Processes for Electric Transmission: October 22, 2014 12:00 am to October 23, 2014 12:00... <http://bit.ly/1r4brB8>



Q&A: Frank Napolitano, Credit Suisse

« FROM PAGE 1

PFR: How are you going to do that?

Napolitano: This is going to be an evolution, not a revolution, of our approach to the market. There are three or four major items that we are focusing on currently and that we will continue to focus on. The first important thing is clients first.

The firm has clearly come through the financial crisis in good stead, and in the market cycle, and in the client cycle, we are absolutely back in client aggregation mode and back into client service as it relates to the value-added aspects of client needs. In this market, that's largely M&A and structured financing execution. These are two things that suit my historical skill set very well, that suit the firm's existing product areas well, and that

“Increasingly, we have a new entrant, back into the space—the hedge fund component. It's focused not just on securities trading but the re-emergence also includes a private equity strategy.”

suit the deal experience and the training of the bankers that are now senior bankers on a team that has grown up here.

PFR: Who do you work with and is that changing?

Napolitano: In the client base, we have regulated utilities and independent power producers. But we, like other financial service firms and investment banks, are now focused on the growing alternative asset manager community. That includes pure play private equity funds, both the global macro-type and the power and energy type, as well as the infrastructure types. Those infrastructure types

could include direct invest pension funds and insurance companies.

Increasingly, we have a new entrant, back into the space—the hedge fund component. It's focused not just on securities trading but the re-emergence also includes a private equity strategy. They are integrating the securities activities, the commodities activities, and the private equities activities on an industry vertical basis. We're seeing activities with those clients trend more toward power plants more than say with regulated utilities.

I go to the trouble of mentioning it because I think it is going to continue. There are some forces at work pushing banks and financial services firms out of the commodity intermediation role that they have been playing over the last decade.

PFR: And how are hedge funds stepping in?

Napolitano: A few of the banks are saying they will stay in the commodities product lines but others have exited the commodities product line in a complete fashion. That has created, according to my clients on the consuming and producing side of physical commodities, such as power and natural gas, a gap in the market place that needs to get filled at some point to provide market-making liquidity. It does appear that alternative asset managers are stepping into that role.

So if they're going to see these commodity flows, which they are, which is very good information for them, I think they are going to be able to make some informed decisions around their desires to physically own assets in the space. We see that as a very interesting call it “renewed entrance” since this was a strategy back in the early 2000s. It certainly has some legs for going forward.

PFR: Are you seeing hedge funds look at the space that haven't played a lot in the downstream power or are these alternative asset managers who already have sophistication in the power space? What's the learning curve?



Frank Napolitano

Napolitano: I'd say the majority, 99% of the market participants that are looking at the space today, either have talented teams that have spent time in the space and/or those talented teams have been with those exact firms while they've spent time in the space, so it's a very sophisticated audience. As a result, the friction cost of doing business, meaning the startup time, learning curve, etc, are done.

PFR: Done?

Napolitano: These are actual parties that are able to and ready to, and already have been transactors in the current state of the market. Some of it is around complete growth stories. Some of it is around restructuring stories. The large EFH situation has clearly got many different types of investors in many different places in the capital structure and ultimately there may be two businesses there. There may be a wires business on the regulated side suiting one investor base, and there may be a genco with a large retailer involved on the other side.

Bottom line, plenty of clients, never enough bankers on any given platform, so we have to find the places where we

PAGE 10 »

● Q&A: FRANK NAPOLITANO, CREDIT SUISSE

« FROM PAGE 9 can focus and produce results. In terms of the kinds of business that we're doing, it varies by client type. For investment grade utilities, it is lending and capital markets, it is interest rate derivatives, and it is strategic positioning, so whether that's corporate M&A, asset buy-sides, or asset sell-sides.

“There is absolutely well-funded and robust competition on the buy-side. In short, at this moment in the financial cycle, there is no lack of money, both debt and equity, to accommodate cash acquisitions of properties of a spectrum of varying quality.”

Folks are still growing their strategies and harvesting existing assets that are no longer as core to the new strategy as they used to be, and that is creating a lot of flow in the physical asset, M&A market.

PFR: Renewables are coveted by yieldcos and make up a swath of the financing arena. What's the outlook for where the activity will be on this side?

Napolitano: We're seeing impacts from activity on utility holding company and independent power producers spill over into the renewables area. Tax policy in this country is still a key part of financing a renewable capital structure. The industries are evolving to a point where some day they may not depend on subsidies of that nature, but be that as it may, where we are today in the cycle, tax equity is extremely important. Credit Suisse does have a tax equity business and does serve clients in that regard, as do other banks. So we are spending a good amount of time with regulated utility companies who want to let their holding company level participate in renewables, both for public policy as well as for financial benefits. That's typically been solar as of late, but we're still seeing a fair amount of wind activity.

These conversations then help us make

some introductions among our developer client base, independent power client base, which is now evolving into the yieldco client base as they continue to grow or aggregate pools of renewable assets. So for a number of the recent equity research calls held by large utility holding companies, the Q&A that they're hearing is concerns their intentions for these renewable assets. Are they going to leave them in the C-corp as they are, or are they going to carve them out in some form of yieldco IPO, or in the case of midstream assets an MLP IPO? Or if the company is fortunate enough to have both business lines working on their behalf—meaning growing—are they going to put it all together for a super yieldco?

Right now the equity markets are supporting the momentum by voting with higher stock prices for any and all of those quality carve out strategies. It is a very beneficial time for CFOs and CEOs to be considering matching capital structure with strategy, simply because it seems to be a value creating exercise.

PFR: It strikes me that with all the funds and publicly listed companies the competition to buy a power plant is really steep.

Napolitano: There is absolutely well-funded and robust competition on the buy-side. In short, at this moment in the financial cycle, there is no lack of money, both debt and equity, to accommodate cash acquisitions of properties of a spectrum of varying quality. The issue is deal flow. It is why the pressure on owners of assets is coming from bilateral overtures. These are not necessarily bankers trying to create transactions, but buyers and sellers going directly to each other, which is a threat to the investment banking business model—but that's something bankers will deal with as the market conditions evolve.

We are seeing those who have the better cost of capital and/or the better funded balance sheet making those calls directly to try to pry the assets out of the hands of the existing owners. So then you deal with a reality of life, which is that there are only so many assets that can transact. Not every owner is a seller. And so that fixed set of an addressable universe is fairly well touched at this point.

PFR: To your point, I'm hearing from different types of lenders these days that they

are routinely being called up by potential buyers engaged in a bilateral transaction. Do you as an investment banker think that sellers are more comfortable in that type of deal, or do they have questions about whether they are getting a good value for their assets?

Napolitano: I think you framed the question very nicely. The reality is that there are quite a lot of capable transactors or deal people all around the space, whether they're on the banking side, investment bank or commercial bank, or the industry side. The acumen to do deals is well-populated. Since we are at a point where values are good, certainly with the yieldco IPOs, etc., it's clear that there is a cost of capital advantage on the buy-side. But returns are still tight.

We are still in a fundamental commodity supply-demand market in power where demand is not growing leaps and bounds, so we're still dealing with somewhat of a headroom-constrained market. Returns are tight, and so the costs of doing a deal are important to keep low. In a bilateral transaction, there are unique circumstances. People entering

“New assets need to be created to satiate the employment of the capital that is floating around in the system. That really gets to the development game, which can consume book-value dollars.”

into these deals are influenced by what they know. What people know what people? What unique characteristic of this asset might uniquely fit the one particular buyer who's made the bilateral call? And does the seller acknowledge that? You can get to a whole host of reasons why people would or would not want to do something other than an auction.

If they do openly get down the road together and get to the point of an actual transaction—terms, conditions, price that seem to make sense—there is always the thought on the back of a seller's mind, could I have done better if I'd run an auction.

PAGE 11 »

Q&A: FRANK NAPOLITANO, CREDIT SUISSE ●

« FROM PAGE 10 Sellers are now sophisticated and have a pretty good view of the value of their assets. It's rare that someone does not know completely, within reasonable bounds, what something might be worth. If that's true that they do not know then I encourage those sellers to give me a call, we'll help them out.

The situation is that are you better off using the bilateral market to be more direct, more certain of your outcome with a given counterparty that you've spent time with. If your asset has certain characteristics, such as size, complexity or attractiveness to a broad group of buyers then it may make more sense to come through the auction process. We have seen large deals go bilateral. We have seen small deals go bilateral. We have typically seen the majority of large deals be auction processes simply because of what we said before, plenty of money on the buy-side in all different forms and needing to get employed.

If it is a somewhat homogenous business that truly doesn't have unique characteristics to operation, in this market you're prob-

ably best served trying to find the best buyer via an auction.

PFR: With bilateral deals taking a larger piece of the M&A pie and large turnouts for competitive auctions, where are folks looking to spend their money?

Napolitano: New assets need to be created to satiate the employment of the capital that is floating around in the system. That really gets to the development game, which can consume book-value dollars. When you build an asset you're paying full price for it because you're building it. The book-value development game is more around renewables, and hopefully contracted renewables at this point in that cycle because contracts are still available. There are some thermal PPAs for new assets are available in certain markets. We've seen California being one of those markets; from time to time they let out 10-year contracts for reliability purposes, on gas plants. We may see some of that activity, but by and large the industry is not

expecting a whole lot of that activity.

The lack of PPAs is what led us to green field merchant plant financing. We've seen a number of markets supporting capital structures and assets of that type. Take PJM and Texas, for instance. We're taking an awful lot of meetings here in the second half of 2014 on those two markets in particular.

There additional markets, too, where folks see potential within the next five years. They see signals that new capacity would be required, either due to relative load growth and/or accelerated retirements of coal plants as an example, and/or transmission solutions that people are depending upon not getting built fast enough and that power plants would be required. So the debt markets are very supportive of these greenfield type situations if the fundamentals are correct. We are also seeing private equity returns being available to the funders of developments of this type. ■

Check back next week for the second installment when Napolitano discusses the financing markets and corporate M&A.

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For inquiries, please contact Editor Sara Rosner
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YieldCo Sweep - August 2014

« FROM PAGE 1 webinar hosted by **Info-cast** on Sept. 4.

Pattern Energy Group is out shopping the aisles, aggressively seeking purchases as it looks to show investors that it can grow via acquisitions, observers note. To-date its privately-held affiliate **Pattern Development** has snapped up development projects, including a 200 MW wind project in Texas from **Pioneer Green Energy**, that will be dropped down into the public Pattern upon operation (PFR, 8/8).

While the current environment has highlighted investors' appetite for vehicles that provide some kind of yield or dividend, a potential increase in interest rates and concerns over monetizing tax benefits are lurking, participants in the

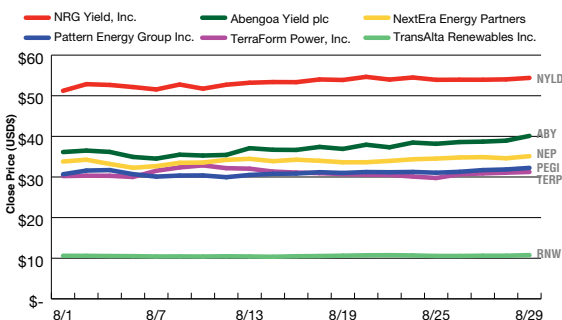
webinar said. "Shareholders may no longer find the 2.175% yield attractive if Treasuries go up to 5%, so there's an inherent interest rate risk," noted **David Burton**, partner at **Akin Gump, Strauss, Hauer & Feld**. **TransAlta Renewables** has the highest current dividend yield of the six yieldcos, at 6.55% as of July 17 and Pattern comes in second at 3.9%, according to webinar participants.

Rectifying the interests and necessity of tax equity investors with shareholders, is another challenge for yieldcos, which are expected to generate excess tax benefits, explained **Amit Kalra**, partner at **Winston & Strawn**. "There's a constant concern that there could be events where the cash could be directed away from the dividend," Kalra said. Yieldcos have been talk-

ing with tax equity investors about finding a structure that allows them to pay dividends while keeping the tax equity investors involved (PFR, 6/27).

"How do you combine this type of vehicle with the conventional types of tax equity structures from the past? The yieldcos that are most efficient at putting these structures together will be the most competitive," Katz added. ■

Yieldco Sweep - August



Source: Yahoo! Finance/Andrea Inniss

ALTERNATING CURRENT

Singing Windy Praises: Turbines Orchestrate Strauss



In Iowa, the hills are alive with the sound of music, specifically Johan Strauss II's "Blue Danube."

William Bates, a musician based in Williamsburg, N.Y., has worked with **Siemens Energy** to capture various sounds around operating and in-construction turbines in the Hawkeye state and arranged them into the Austrian composer's 19th century masterpiece. A video shows the musician holding mics on bespoke tripods inside massive turbine shafts and directing factory workers and hoisting pieces of plastic pipe, larger than Bates, in blustery cornfields.

"Every gust of wind has it's own tones, its just finding the right ones," Bates says in the flick, adding that he had originally aimed to make a custom piece but settled on Strauss when he gathered and evaluated the melodies.

Strauss is not the only European composer to make an appearance in U.S. wind projects this year. **BayWa r.e.**, a renewables developer based in San Diego and subsidiary of German company **BayWa**, regularly names its projects after German composers. It recently offloaded its 19.8 MW Brahms wind project in New Mexico (PFR, 7/7). The project's namesake, Johannes Brahms, was a close personal friend of Strauss. BayWa r.e. recently added, Beethoven, an 80 MW project in South Dakota, to its pipeline (see story, page 6). ■

Apex Hits Hurdles

« FROM PAGE 1

deadline in 2015, say observers.

Scheduling concerns are being felt by several developers, note a banker and lawyer, who say that tax equity investors are still skittish about signing agreements when there are questions about timeline. The Balko financing process was delayed initially because the wind industry was awaiting clarification from the U.S. **Internal Revenue Service** about qualifying projects for the PTC (PFR, 7/21).

There is a "continuous efforts"

clause in the PTC framework that allows a project to come online in 2016—after the Dec. 31, 2015, deadline—but no one wants to be the company that tests what it means to show continuous efforts, say a developer and lawyer. It's doubtful, say a developer and banker, that a project could get financed or a tax equity investor under a continuous efforts strategy.

Financiers are optimistic that Balko will get sold to a third party and financed with the PTC, say a handful of observers, with one

noting that the company is "close" to making it to the next phase of financing. Apex has been working to find a buyer for Balko in a process run by **Macquarie Capital**, which also provided some development capital to the project (PFR, 12/12). Apex has also expressed interest in putting debt at the operating company level of Balko.

For the Kingfisher project, however, the outlook is less rosy, say observers. The **Oklahoma Wind Action Association** brought a class-action lawsuit on behalf of a group of seven landowners in the U.S. **District Court for the**

Western District of Oklahoma.

The suit alleges that Kingfisher will devalue property, impact health and be a nuisance to its neighbors.

It's the timing of the suit that is important to Kingfisher, say observers, explaining that Apex was already on a tight deadline to finance and construct Kingfisher. Now, the new suit adds a complicating layer to the process.

Balko will sell 200 MW to the **Public Service Company of Oklahoma** and 100 MW to **Western Farmers**.

A message left for **Sandy Reisky**, ceo of Apex, were not immediately returned. ■