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Barclays Center Owner Prokhorov to Refinance Arena's Debt.

Mikhail Prokhorov, the Russian-born billionaire owner of the Brooklyn Nets and the Barclays Center, is taking advantage of rock-bottom interest rates in the U.S. municipal bond market to refinance about \$480 million of debt issued in 2009.

The bonds, which are backed by payments in lieu of taxes, were issued at a top yield of 8 percent and rated BBB- by S&P Global Ratings Inc., and Baa3 by Moody's Investors Service, the lowest investment grade. BBB rated revenue bonds maturing in 30 years yield 3.42 percent, according to data compiled by Bloomberg. The 17,732-seat arena, which is also home to the National Hockey League's New York Islanders, will generate operating profits of \$46 million before paying debt service in 2016-2017, according to the preliminary offering statement.

Refinancing the 2009 bonds may reduce debt payments by \$6 million annually, according to the statement. Net debt service for the proposed 2016 bonds will peak at an estimated \$48 million in 2043.

Prokhorov, who has a net worth of \$10 billion, according to the Bloomberg Billionaires Index, completed his acquisition of the National Basketball Association's Nets and the arena from developer Bruce Ratner's Forest City Enterprises Inc. in December 2015. Bloomberg News reported last month that the Islanders were in talks with the owners of Major League Baseball's New York Mets about building a hockey arena in Queens.

Prokhorov and the Islanders have the right following the upcoming NHL season to start talks regarding modifying their 25-year license agreement. If the parties can't reach an agreement by Jan. 1, 2018, either party has the right to terminate the agreement, according to the offering statement.

"Although the loss of the Islanders would result in the immediate availability of a minimum of 44 event dates, arena management could leverage the Advisory Board, its Los Angeles-based office, and other existing relationships to fill a portion of those dates with third party events," according to a consulting report included in the offering statement. The Advisory Board is made up of media, music, live entertainment and artist management "industry leaders" and advises the arena's event booking team.

Past Advisory Board-aided concerts include shows by Rihanna, Justin Bieber, and Ariana Grande. The Los Angeles office of the board has secured shows by Selena Gomez and Kygo.

In addition to the Nets, Islanders, and concerts, Barclays hosts family shows, boxing, college basketball and professional wrestling. Last year, the arena has the second-highest concert ticket sales of any arena in the U.S. and the eighth-highest worldwide, according to the consulting report. Third-party events generated \$14.7 million in profits for the arena last year.

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by Martin Z Braun

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