In March 2006, the New Jersey MetroStars were sold to Red Bull. The reported US$100million sale price for the franchise included US$45million for a stake in the stadium's ownership, US$25million for the team itself, and US$30million for stadium naming rights of the future Red Bull Park in Harrison, New Jersey.

IMAGE COURTESY: ROSSETTI ARCHITECTURE

Feature-writer Kevin N. Kovalycsik discusses how Barclays Bank plans to quietly conquer the world of finance, alongside the 'Looking Glass' strategy of the contemporary New York-Metropolitan area's Naming Rights agreement, which will shape the global financial sector and world of sport.

WHAT'S

Since the late 20th century, naming rights contracts have been an intrinsic component of sport facility finance, providing windfalls of private equity to balance public contributions toward their build. As irrational exuberance in disenfranchised business halted with the 'bursting' of the US stock market 'bubble' in 1998, these once lavish agreements were re-evaluated and renegotiated, more often at the expense of existing and future facilities.

"The lesson learned in the 1980s and 1990s is that naming rights, as a platform alone, [pose] a risk," said Bruce Wilson, Partner and leading member of Covington & Burlington LLP sport practice, in an exclusive PanStadia interview. He continued: "Naming rights agreements need to build on brand equity, and involve the corporation in the full sport facility and surrounding community to establish meaningful returns."

Naming rights contracts of today are a marriage between a facility and private business. The foundations of the relationships are reasonable, scaled to meet the business expectations of the naming corporation and the scope of the facility and community. They are by no means a financial disappointment.

Last year alone, there were thirteen major US naming rights agreements for the 'Big Five' sports — MLB, NFL, NBA, NHL and MLS — negotiated. The total sum of these contracts exceeded US$4.5billion. And, already in 2007, two more deals with a value of more than US$505million have been announced.

> "Must a name mean something?" Alice asked doubtfully. "Of course it must," Humpty Dumpty said with a short laugh: "My name means the shape I am—and a good handsome shape it is, too. With a name like yours, you might be any shape, almost..."
>
> **— Lewis Carroll, Through the Looking Glass, Ch. VI.**

IN A NAME

"The lesson learned in the 1980s and 1990s is that naming rights, as a platform alone, [pose] a risk. Naming rights agreements need to build on brand equity, and involve the corporation in the full sport facility and surrounding community to establish meaningful returns..."

— Bruce Wilson, Partner, Covington & Burlington LLP.

WHAT'S IN A NAME

Exponential Growth in Naming Rights Deals

With fifteen new facility naming rights deals in fourteen months exceeding US$5billion and future forward US economic stability, it's fair for industry professionals and academics alike to examine if history is indeed repeating itself. If naming rights agreements and competition for their privilege are once again on the rise, as they were in the 1980s and 1990s, if new marketplace trends are identifiable.

One may begin with an examination of public and private equity, the foundation of which is the strength of the US and Global markets, and those corporations that have profited most from it; those with a vision of the future of sport and its integrated international ambitions — global financial institutions.

These corporations, rich from a decade of growth and consolidation, are relentlessly aggressive in their pursuit of competitive advantage and expansion. They are increasingly adapting their individual 'shapes' to those of changing local and global demands. Failure to adapt is unacceptable, while for the most part their services are — strengths and weaknesses considered — indistinguishable. Local activism and community presence creates a distinguishing competitive advantage toward sector supremacy in an increasingly global world.

Global Stage

Global financial institutions require a global stage, and none is larger than that of New York City, the 'financial capital' of the world. Fortunately for team owners, fans and corporate sponsors alike, State and local politicians in the New York-Metropolitan area have 'lifted the curtain'. An unprecedented seven new major sport and entertainment facilities are scheduled to open in the New York-Metropolitan area between 2008 and 2010. These include individual facilities for the New York Yankees (MLB), New York Mets (MLB), New Jersey Nets (NBA), New Jersey Devils (NHL), and New York Red Bulls (MLS), and a joint stadium for New York Giants (NFL) and New York Jets (NFL). A new, soon-to-be announced Madison Square Garden project is also in the design and negotiation phases.

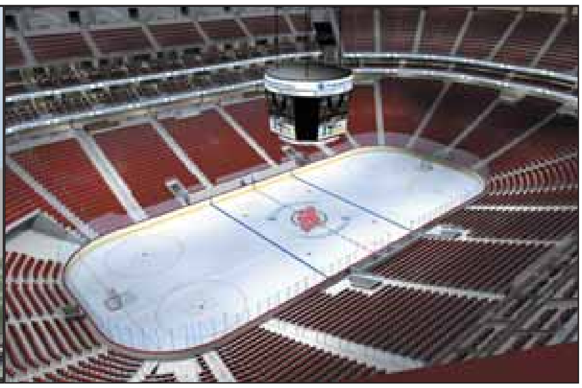
To play as a naming rights sponsor on this stage, corporations must pay big bucks. And already the returns are exceeding estimates, consequently skewing national valuation figures.

In March 2006, the New Jersey MetroStars were sold to Red Bull. The reported US$100million sale price for the franchise included US$45million for a stake in the stadium's ownership, US$25million for the team itself, and US$30million for stadium naming rights of the future Red Bull Park in Harrison, New Jersey.

In November of the same year, the New York Mets and Citigroup announced a twenty-year naming rights agreement, which will be worth at least US$20million annually, and include an option to extend the agreement to thirty-five-years. Over the life of the agreement, the Mets stand to generate between US$400 and US$650million from the sponsorship agreement.

Sharp Rise

Already in 2007, both the New Jersey Devils and the New Jersey Nets (soon to be the Brooklyn Nets) have announced their own agreements with Prudential Financial and Barclays Bank respectively. Prudential Financial will pay the New Jersey Devils US$105.3million over twenty-years to call its future facility 'Prudential Center' — designed by HOK Sport Architecture — in Newark, New Jersey. Barclays Bank will pay an astonishing US$400million over an identical twenty-year time period to name 'Barclays Center' — designed by Frank Gehry of Gehry Partners LLP — as the new home of Brooklyn Nets in Brooklyn, New York, above the Atlantic Rail Yards.



Prudential Financial will pay the New Jersey Devils US$105.3million over twenty-years to call its future facility 'Prudential Center' — designed by HOK — in Newark, New Jersey.

IMAGE COURTESY: WWW.NEWJERSEYDEVILS.COM

WHAT'S IN A NAME

Just how 'Big' are these Deals?

Think about this: the most expensive arena naming rights deal before Barclays Center was the twenty-year, US$182million, Philips Arena deal in Atlanta, Georgia. And that deal was only brokered back in 1999. Consider then that the New York market had barely entered the naming rights arena, except for the twelve-year, US$29million deal to rename Brendan Byrne Arena to Continental Airlines Arena in 1996. And yet now, a combined US$800million in naming rights fees is going to the Nets and the Mets. In less than two months, three separate stadium/arena naming rights agreements in the Greater New York area have generated close to US$1billion in sponsorship fees. Such is the financial power of the New York marketplace in 2007; the financial power of location.

Barclays Bank is a full global financial services provider, operating in Asia, Africa, Europe and North and South America. Its history traces back to the 17th century. With total assets of more than US$1.5trillion, it is the largest bank in the world. Its stock trades on the London, New York and Tokyo Stock Exchanges. Still, before January 18, 2007, most New York residents were neither familiar with its name nor operations.

Barclay's Bank does not have a bank branch in New York. In fact, it does not have one in the United States, period. However, on January 18, 2007, Barclays Bank and the NBA New Jersey (soon to be Brooklyn) Nets announced a US$400million, twenty-year naming rights agreement for a future multi-purpose sport and entertainment facility in Brooklyn. Construction for the new facility, or Barclays Center, is set to commence upon final approval, and is expected to be complete prior to the beginning of the 2009-2010 NBA season in fall/autumn 2009.

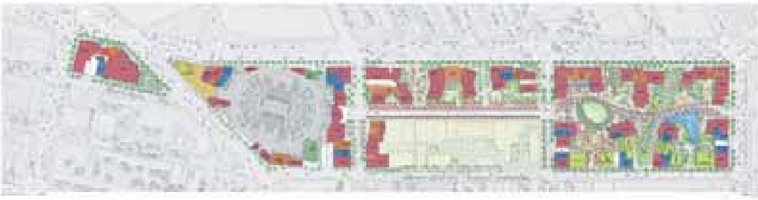
"Barclays is thrilled to partner with the Nets in this exciting endeavour. We are delighted to put our name to a development that will be a visual and economic landmark in the renaissance of Brooklyn," said Robert E. Diamond, Jr., President, Barclays PLC. "This opportunity brings together economic prosperity for Brooklyn and the chance to participate, in a unique way, in the cultural and sporting life of New York."

Atlantic Yards

The proposed arena is the final component of a US$4billion residential and business project, which is to be built partly on a platform over the Metropolitan Transportation Authority (MTA) owned Atlantic Yards. The facility is the consummation of the original intention of project developer and Nets Chairman, Bruce Ratner, who purchased the New Jersey Nets in 2004, with the sole purpose of relocating the NBA franchise from a Meadowlands area that lacks a public transportation system to one of the most mass transit-accessible locations in all of Manhattan. It marks the

Barclays Bank and the NBA's New Jersey (soon to be Brooklyn) Nets recently announced a US$400million, twenty-year naming rights agreement for a future multi-purpose sport and entertainment facility in Brooklyn — namely Barclays Center, designed by Frank Gehry.

IMAGES COURTESY: GEHRY PARTNERS LLP



The proposed Barclays Center is the final component of a US$4billion residential and business project, which is to be built partly on a platform over the Metropolitan Transportation Authority (MTA) owned Atlantic Yards.

IMAGE COURTESY: OLIN PARTNERSHIP

WHAT'S IN A NAME

return of professional major league sports to Brooklyn, absent since the 1957 departure of the MLB Brooklyn Dodgers to Los Angeles.

"We are very proud to be a partner with Barclays, a prestigious company that exemplifies and shares our commitment to excellence, leadership and success," said Bruce Ratner, President and CEO of FCRC (Forest City Ratner Companies), and Chairman of the Nets. "We believe this partnership marks an important moment in Brooklyn's history and its place on the international stage. With this essential investment in Atlantic Yards and the borough, we are now one step closer to our goal of bringing thousands of jobs, mixed-income housing, and, of course, a world-class arena and franchise to Brooklyn."

Local Community Partnership

In addition to the naming rights agreement, Barclays has also engaged in a local community partnership with the Nets. The Nets-Barclays Sports Alliance will be a non-profit organisation whose goal is to promote athletics, education and personal development among Brooklyn's youth.

"We are excited that one of the most respected global financial services companies has chosen to partner with an NBA team to demonstrate its commitment to the United States market, as well as its desire to make a difference in the communities where it operates," said NBA Commissioner David Stern.

As its first objective, the alliance will repair and renovate basketball courts and other sports facilities throughout the borough, and sponsor amateur athletic tournaments and clinics. The initiative mirrors the Barclays Spaces for Sports programme in the UK, which helps local communities transform neglected land into custom-use recreation spaces. To date, Barclays has opened more than 100 community sports sites across the UK.

"This partnership is a defining moment for the Nets business and brand," said Brett Yormark, President & CEO of Nets Sports and Entertainment. "It truly strengthens our position as a leading sports and entertainment franchise. We could not be more pleased than to have a partner as distinguished and well-respected as Barclays."

Courting Controversy

But, not every 'shape' fits every hole, and the development of the Atlantic Yards site and its association with Barclays Bank, is not without controversy.

Despite the support of New York City Mayor, Michael Bloomberg, and Brooklyn Borough President, Marty Markowitz, community opposition has been vocal. Led by New York City Councilwoman, Letitia James, activists note the use eminent domain to remove long-time residents from their homes, fair value pricing and the massive landscape as reasons to abort the project. ➲

"We are very proud to be a partner with Barclays, a prestigious company that exemplifies and shares our commitment to excellence, leadership and success. We believe this partnership marks an important moment in Brooklyn's history and its place on the international stage. With this essential investment in Atlantic Yards and the borough, we are now one step closer to our goal of bringing thousands of jobs, mixed-income housing, and, of course, a world-class arena and franchise to Brooklyn..."

— Bruce Ratner, President and CEO of FCRC, and Chairman of the Nets.

> "We are excited that one of the most respected global financial services companies has chosen to partner with an NBA team to demonstrate its commitment to the United States market, as well as its desire to make a difference in the communities where it operates..."

- David Stern, NBA Commissioner.

WHAT'S IN A NAME

"Ratner says this is about basketball and jobs," said Councilwoman James. "The fact is that it's a classic land grab, whose bottom line is that Ratner and his investors are going to get very, very rich."

In order to invoke the use of eminent domain, advocates of the project contend that the construction area is blighted. Experts have publicly disagreed. Opposition has shown that Mr Ratner paid less than fair value for the land and development rights.

"There is this ridiculous notion that if you're against Ratner, you're against development. That's not it at all. We want development. Just not like this," continued Councilwoman James. "This is about Ratner building a new city. This is about profoundly changing the demographic of this borough forever, killing neighbourhoods in the process, and for what? They say the affordable housing will be 30 percent (of the units), but the truth is, it will be a lot lower than that."

Public opposition yielded public hearings. As a result, nearly 10,000 residential units, including rental apartments, affordable housing units and condominiums were added to the original scope of the project.

Misleading Information

However, the opposition did not stop here. New fuel to the fire of controversy was kindled by a New York Times report, which wrote that Barclay's had a past association with slavery. Cited in the editor's notes was a book entitled: "Capitalism and Slavery" written in 1944 by English scholar Eric Williams, who became the Prime Minister of Trinidad from 1961-1981. The book not only remains in print but also was reissued in 1994 with a new introduction by Princeton professor Colin Palmer, who said its central points had never been repudiated.

"Much of the wealth generated in the 18th century came either directly or indirectly out of either the slave trade or plantations," Rutgers professor Christopher Leslie Brown, an expert on early British history, told The New York Times. Brown went on to say that "All banks" profited from the trade of slaves. "Barclays is not unusual in being connected to the history of slavery, nor is it unusually innocent," he concluded.

Barclays Bank issued a statement strongly disagreeing with the report and asking for a retraction. The courtesy was not extended, but Barclay's comments were reported, as follows: "We have looked into your allegations that Barclays was founded on the proceeds of slave trade by Quaker slave traders in the West Indies," Barclays spokesman Peter Truell said in an open letter. "This simply is not true. These allegations appear to have originated in a book published in 1944 entitled 'Capitalism and Slavery'. The book makes serious, unsupported and mistaken allegations about Barclays.

"As a preliminary point, our research shows that Alexander Barclay was never a partner, employee or agent of the bank and the 'David Barclay' referred to in this book also had no connection with our Bank," continued Truell. "Barclays was actually founded by John Freame and Thomas Gould in 1690, and later took its name from Freame's son-in-law, James Barclay. The David Barclay who was a partner in our Bank (and different to the David Barclay mentioned above) was not 'engaged in slave trade'. To the contrary, 'our' David Barclay formed a committee of London Quakers to oppose the slave trade…Slavery was a heinous period in the history of both the United States and the United Kingdom, and indeed the whole world. We condemn it and are firm in our belief that the partnership on which we were founded did not profit from slave trade or slavery."

Regardless of consequence, the Nets, City of New York, and indeed the international sport facility community in general, were reminded of one of the Golden Rules of business: Buyer Beware! It is essential for sport facility managers to conduct thorough and complete background research on all of its associates, naming rights corporations especially. Fortunately, the New Jersey Nets, along with the City of New York, have. And, while the history of Barclays Bank may still be in question to some, its modern day condemnation of slavery and presence in sport is not. ➲

WHAT'S IN A NAME

Up until this year, the most expensive naming rights deal to be brokered was the twenty-year, US$182 million, Philips Arena deal.

Barclay's Worldwide Sponsorship Portfolio

Sports are a significant part of the Barclays worldwide sponsorship portfolio, which includes The Barclays — the PGA Tour event at the Westchester Country Club, scheduled for August 20-26 this year. In addition, Barclays sponsors The Barclays Scottish Open golf tournament at Loch Lomond, the Barclays Singapore Open golf tournament, and the Barclays Premiership, the world's leading soccer league.

"To have an international investment bank without a major local presence to invest the way they are in the image of Brooklyn and the image of New York, is just a remarkable vote of confidence," New York City's deputy mayor for economic development, Daniel L. Doctoroff said. "The idea of using Brooklyn and New York to build a global brand is one that we think is a very wise investment."

The New Jersey Nets certainly did their homework. They found Barclays, a British-based company who believes they can generate greater market awareness through a sports naming rights agreement, not vice-versa.

"We said: 'Who needs a game changer here? Who's got a footprint here, but isn't big enough?' and Barclays was on the list," he said in a New York Times report. "As we scoured financial institutions we saw Barclays needed a game changer, that they don't have as big a presence or brand recognition here as in the U.K. And we saw that it got involved with the Barclays Classic in Westchester."

Is it possible, if not probable, that Barclays may be involved in helping to provide some of the financing for the $4billion Atlantic Yards project? If nothing else, the awareness could serve as a catalyst to the many businesses looking to find a bank to help put together their financing.

Private Business & Professional Sport

Rather than an obvious affirmation, the Barclays Center twenty-year agreement represents a symbiotic association between private business equity and professional/international sport. Furthermore, it reveals the appeal of an international financial institution to become more localised — the objective of which is to actually further global expansion, planting itself in 'the international financial capital of the world' and perhaps 'eyeing' the NBA's not so distant future ambitions of league expansion in China.

"Barclays' desire to enhance market awareness of their brand in the United States played a key role in their decision to enter such a significant naming rights deal," said Bruce Wilson, chief negotiator for Barclays in the agreement. He continued: "Barclays not only bought the naming rights of a facility, it entered a global relationship — one that in time can take almost any shape."

Global Branding

But, was it a good deal? Brian Schecter, an analyst who tracks naming rights for Kagan Research, told The New York Times the deal made perfect sense. "It strikes me as a nice price tag," he said.

And, what of value? Consider that Forbes magazine values the Nets slightly above US$200million. Why then did Barclays, like Red Bull, not just buy the team, and, by these numbers, save itself US$180million in the process? The answer, according to anonymous sources, was that this was not an option.

Barclays overpaid the current value of the Nets as a franchise for the right to have its name on the new facility. However, the transaction price was current value. The Nets did their homework. Barclays did theirs, and a footprint in the world's largest media and financial market was made by one of the world's most respected financial institutions, while remaining true to its slogan: "Barclay's Bank — Quietly Conquering the World of Finance."

Surely, other teams and global competitors are taking note (no pun intended).

The Shape of the Future

As big as the New Jersey Nets naming rights agreement with Barclays is, that of the future combined stadium of the NFL's New York Giants and New York Jets has the potential to be the largest ever.

"We've watched with a keen eye toward what the Mets and the Nets have done," said Jeff Knapple, President of Marketing for Wasserman Media Group (WMG), the firm overseeing naming rights and marketing interest and negotiation for the new stadium. "It's an indication of the power of the New York marketplace and its position in the nation and the world."

The new stadium, exclusive to the two NFL franchises, will cost upwards of US$1billion, and be constructed aside the current Giants Stadium in East Rutherford, New Jersey — less than five miles from Manhattan. The waiting list for season tickets is so long in the current stadium that both teams have stopped taking requests. An 80,000+ financial sell-out is a guarantee for both teams every pre-season and regular season game into the fifty-year future.

"The New Meadowlands Stadium arguably represents the most unique opportunity in the nascent history of naming rights," said Casey Wasserman, WMG Chairman and CEO. "Combining the power of the NFL, and its reach with two of the greatest sports teams, creates an unparalleled platform for a marketer to align itself with the most prominent media, entertainment and sports destination in the world."

Jets & Giants enter the Frey

In addition to NFL football, the new stadium will boast an expansive schedule of concerts and international sporting events.

"I think the Jets and Giants right now are licking their chops," said Michael Kelley, a senior VP for the Bonham Group, a consulting firm with vast experience in naming rights. When asked what his 'best guess' would be as to a figure for the deal, he commented: "With people seeing US$20million annually for the [future Brooklyn] Nets, they [the New York Giants and New York Jets] could get up to US$30million a year. The question is who can afford that? There are a small handful of companies that can."

Knapple negotiated the most expensive arena naming-rights deal before the Barclays Center, the twenty-year, US$182million Philips Arena deal in Atlanta.

"Philips was a massive leap above Staples Center, and it's held for seven, nearly eight years," he said. "Given the strength and heritage of the Jets and Giants, coupled with the appeal and size of the market they serve, we anticipate there will be monumental interest in this historic opportunity." A press conference with final design concepts for the new stadium and a formal groundbreaking ceremony are anticipated this spring.

New York Yankees

Perhaps the only team in the United States that can surpass the naming rights expectations of the New York Giants and New York Jets is the New York Yankees. No team in the world is more recognised, and its new stadium is being constructed as an icon of this storied image.

Still, the Yankees, who broke ground on their US$800million stadium in August 2006, have no plans at the present time to sell the naming rights, keeping the 'Yankee' name and hallowed tradition in brand.

Instead, the new Yankee Stadium has been designed to generate tens of millions of dollars annually in corporate sponsorship naming rights fees throughout the facility itself. Gates, seating sections, and concourses will display title sponsors. Some estimate these 'mini naming rights' have the potential to generate all if not more than stadium naming rights alone.

Conclusion: What is in a Name

Must a name mean something? No. But, names can reveal meanings. The financial sector has been (and remains) one of the strongest economic sectors of the US and global economies. The projected forecast for its forward growth and earnings is outperforming.

The names of major financial institutions on major sport facilities in the New York-Metropolitan marketplace reveals, first and foremost, the financial and economic strength and resilience in the midst of previous US economic downturn, and the tragedy of September 11th. It affirms the stability of the four major sport leagues in the United States, and respects their international ambitions. Lastly, it confirms the international market appeal of these teams and how interconnected today's world really is; that whether it be the NBA in China, the NHL in Eastern Europe, the NFL in the UK, and MLB in Japan, anyone, anywhere with an internet connection can watch and listen, and dream to play in New York or actually be there.

In the end, though, the key isn't the team that is playing in the facilities. It isn't the leagues, or the number of teams using those facilities. It really is location and timing. New York City today has both. Professional sport in the United States has a brand new capitol and its facilities a brilliant, brand new 'shape', for many years to come.

picname
xxx dpi

caption