

Arena Lawsuit Depositions Shine Light on City Mismanagement of “Whale” Negotiations, Failure by City Officials to Conduct Due Diligence, and Intent to Hide Value of Subsidy from the Public

Sacramento – Attorneys Patrick Soluri and Jeff Anderson, currently conducting depositions of key witnesses in a lawsuit alleging that high-level city officials defrauded the public when they crafted the arena’s “Term Sheet” that will hand over millions of dollars in public assets to the Sacramento Kings ownership team, have released new details of sworn testimony by Councilmember Kevin McCarty and Economic Director Jim Rinehart establishing that public assets were used to subsidize the purchase of the Sacramento Kings Basketball team in 2013, constituting an illegal gift of public funds.

Councilmember McCarty testified that multiple representatives of the Kings Ownership group demanded that the city compensate the so-called “whale” investors by \$125 million because they were “overpaying” for the franchise. Officials with the city, unable to contribute any more cash than the \$258 million offered to the Maloof family in 2012, instead agreed to provide a litany of “sweeteners” in the form of city assets including properties located throughout the city, thousands of off-street parking spaces, and digital billboard leases. In order to avoid disclosing that the true subsidy to the “whale” investors was \$125 million more than previously offered to the Maloofs, these city officials failed to assign true values for these sweeteners in the Term Sheet. Councilmember McCarty protested to city officials last year and requested that these issues, among others, be addressed in a 27-question letter to City Manager John Shirey prior to the Council vote on the term sheet. Councilmember McCarty never received a reply to his questions. When pressed on the issue, city officials justified their stonewalling by stating, “[Y]ou’re not going to vote for it anyway.”

“This testimony squarely supports our serious allegations that city officials were caving into the will of the NBA and neglecting to consider the best interests of Sacramento’s citizens when they promised millions of dollars of corporate welfare to the Kings Ownership group in 2013,” says Patrick Soluri of Soluri Meserve. “These officials neglected to do basic due diligence, to negotiate in good faith to get the best deal for the taxpayers who will be on the hook for this deal, and worst of all, took steps to deceive the public about the true nature and scope of the city’s public subsidy. It’s shameful.”

According to the sworn testimony of Jim Rinehart, the city of Sacramento has never conducted its own analysis of the economic benefits of a downtown arena. Mr. Rinehart also confirmed that the city has never made an attempt to place a value on the digital billboard leases that are being gifted to the Kings Ownership group. Councilmember McCarty and an independent watchdog organization valued those and other “sweetener” assets at “tens of millions of dollars.”

“I’m a Kings fan, and I want an arena, but just not like this,” says Jeffery Anderson of Cohen Durrett LLP. “The people of Sacramento deserve to know the true value and intention of all parts of the Term Sheet, which will create over 30 years of bond debt backed by the general fund. It’s the people’s money; it’s time the city was honest with the public about how it’s going to be handed over to the billionaire Kings owners.”

Soluri and Anderson will be conducting further depositions in the weeks to come as they continue to gather more evidence in their suit against the City of Sacramento.

Deposition transcripts and exhibits concerning the matters referenced herein are attached to this release. All court filings in the case are available online at:

<https://services.saccourt.ca.gov/publicdms/Search.aspx> (input case number: 34-2013-80001489)

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