



# SACRAMENTO BUSINESS JOURNAL

sacramento.bizjournals.com

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## Allegations fly as south Sac projects crumble

### Claims include racketeering, money laundering

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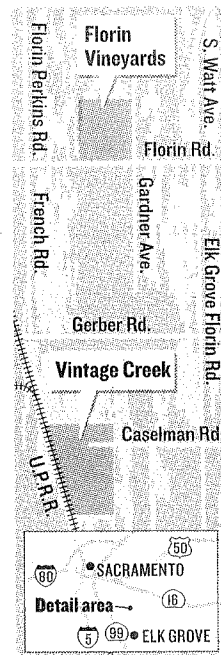
When a novice developer and a well-connected lawyer teamed up to buy property in south Sacramento and flip it to homebuilders — with the alleged endorsement of Sacramento's top land developer — it looked like a sure bet.

But the partnership has shattered with allegations of racketeering, money laundering, self-dealing and tax dodges. The participants are embroiled in a legal battle even as some continue work to keep the

development plans rolling.

On the defense from racketeering allegations is lawyer John Sinadinos, who at times has represented Sacramento's largest landowner, the venerable AKT Development Corp. founded by Angelo K. Tsakopoulos. Sinadinos provided capital, outside investors and development experience to a project launched by Eric Solorio, an entrepreneur who had only limited background in land development.

#### Disputed projects



# LAWSUITS | Developments fell apart after Tim Lewis Communities, KB Home pulled out

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Now, Solorio alleges Sinadinos and others misused those funds.

Sinadinos and his lawyers vehemently deny any wrongdoing and suggest in court documents there was plenty of wrongdoing on the other side.

Solorio is a project manager with the California Energy Commission but sensed an opportunity for profit during the housing boom and in 2003 began discretely assembling purchase agreements for more than 200 acres in the Florin area of Sacramento County. Homebuilders at that time were looking for new territory as suburban land prices soared. Solorio needed investors and that's when Sinadinos entered the picture.

Tsakopoulos himself signaled his approval of the venture, court documents said, congratulating Solorio on the progress and telling him he had "hit a home run."

Tsakopoulos, who is not named in the lawsuit, did not return a call seeking comment.

The project initially seemed successful — homebuilders KB Home and Tim Lewis Communities invested more than \$10 million in deposits — but then the housing market began to turn. Now, the principals are trading barbs in separate lawsuits; a hearing next month could decide ultimate control of the developments.

Solorio claims in a federal lawsuit that "racketeering activity" by Sinadinos and others resulted in lost business opportunities with damages exceeding \$3 million. The lawsuit is filed on behalf of Natomas

Gardens Investment Group LLC, the development entity of which Solorio has majority ownership.

In a separate lawsuit filed in state court, another partner in the venture, Larry Deane, is seeking to dissolve Natomas Gardens, claiming Solorio was trying to sabotage the venture. Deane was a longtime friend of Sinadinos who bought in as a minority investor in Natomas Gardens.

In that case, Sinadinos in a declaration claimed Solorio intended to "abuse" Natomas Gardens in order to "gain leverage in securing a more lucrative buyout for himself." He also accused Solorio of demanding that IRS forms not be issued if he agreed to a buyout.

"Mr. Solorio desired assurance that I would not issue him a 1099 (form) for the loans he had taken," Sinadinos declared. "I flatly refused."

## SERIOUS ALLEGATIONS

Solorio agreed to answer some questions by e-mail. His most serious allegations are that Sinadinos and others transferred \$1.3 million from one development project — with the intention of killing it — to prop up the other. He also claims there were undocumented payments to Sinadinos and that Sinadinos confided to him that he had swindled an investor.

Solorio said he has personally spent in the "six-figure" range defending his interests but declined to say whether he regrets getting into the development business or how the fight has affected him personally.

He denied that he ever asked that tax forms not be issued or that he tried to go

behind the partnership's back to sabotage it.

Sinadinos and his lawyers declined to comment because the matter is still in the courts, except for issuing a single statement:

"All of the allegations are bullshit," said Matt Jacobs, who represents Sinadinos.

In addition to being an experienced land developer, Sinadinos was one of five landowners who donated 15 acres of south Placer County land, then worth \$8 million, to UC Davis Health System in 2007.

Natomas Gardens is in receivership, so ordered by a judge who ruled Solorio has been "more interested in obtaining a favorable buyout of his own interest than in protecting the interests," of the company, according to court documents. But the receiver stepped down after a flap over mounting attorneys fees and the case has been halted until issues in the federal case are resolved.

Next month, the participants reconvene in federal court to determine if Solorio can appoint a lawyer to press the case on behalf of Natomas Gardens — after his chosen law firm was removed. If not, it could spell the end for his claims.

## DISSOLVING NATOMAS GARDENS

How did things go so wrong?

By mid-2007, Tim Lewis Communities had walked away from the project, abandoning its \$3.9 million deposit, Sinadinos said in a declaration. KB Home terminated its contract shortly thereafter, but demanded the return of a \$6.7 million deposit.

When homebuilding was hot and

developable land was trading for \$600,000 an acre, the developments could have fetched tens of millions of dollars. But the land value now may have plummeted to a price of \$20,000 an acre, according to a recent appraisal of the property.

There is hope that at least one of the projects is still viable. The Florin Village project envisions 372 single-family homes on Florin Road near South Watt Avenue. Despite the broken relationships, the project was presented to a Sacramento County planning advisory council in August where members recommended the site be rezoned for residential use.

But the accusations have irrevocably soiled relationships among the partners, meaning Natomas Gardens can't function any longer, Deane's lawsuit states.

His lawyer, Don Wanland, said Deane thoroughly investigated Solorio's claims and found them meritless.

"We're being swept up in something we don't belong in," Wanland said of the accusations flying back and forth.

The federal case hasn't even entered the discovery phase. That means the participants haven't had to turn over documents that could support or refute their allegations.

According to Wanland, it could take another two years or more before the federal case is ready for a trial. And the dispute could end much quicker than that if a judge rules Solorio isn't allowed to pick a lawyer to represent Natomas Gardens.

"No lawyer wants this case," Wanland said.