Sports & Entertainment Beat

Hoops Fans Get a Lesson in Trusts

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The decision of a Los Angeles probate judge on Monday, July 28, 2014, provides a glimpse into the private lives of owners of an NBA franchise.

Judge Michael Levanas, in the Sterling Family Trust matter, evaluated the testimony of both Shelly Sterling and Donald Sterling, found Mrs. Sterling to be more credible and issued a tentative oral ruling giving her authority to move forward with the sale of the Los Angeles Clippers for $2 billion to former Microsoft CEO Steve Ballmer. Mrs. Sterling entered into the sale as the sole trustee of the Sterling Family Trust.

The husband and wife trust agreement in the Sterling Trust allows one spouse to take over administration of the trust if two doctors find the other spouse to be mentally incompetent. An organic brain disease, such as dementia or Alzheimer's disease, that results in progressive mental decline, often does not provide a clear line demonstrating lack of competence. This leaves room for debate on when precisely an individual should no longer have a "say" in his or her affairs and whether decisions made during a time of vulnerability should be binding at a later time.

One issue Donald Sterling's attorneys argued to Judge Levanas was that Shelly Sterling had tricked him into being examined by the two doctors. Earlier this month, Mr. Sterling's attorneys had unsuccessfully argued that medical privacy rules such as those under HIPPA (the Health Insurance Portability and Accountability Act) and the California Confidentiality of Medical Information Act should serve as a basis to exclude the doctors' testimony. Counsel for Mr. Sterling also argued that Mr. Sterling had revoked the trust in June. That revocation, if upheld, would have caused $500 million in trust debt to become due. Yet another argument from Mr. Sterling, which did not impress Judge Levanas, was that he should be allowed to present testimony as to the 'intent' of the trust document.

The July 28 ruling was an oral decision, and like many probate orders is appealable, but Judge Levanas indicated there would not be a stay of the ruling during the pendency of the anticipated appeal. Since the NBA put a September 15 deadline on the sale, that aspect of the order was especially good news to Mr. Ballmer, Mrs. Sterling and the NBA.

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Bill Keeler is an Owner with Garvey Schubert Barer, working out of its Portland office. He is also the Editor of the GSB's West Coast Trust & Estates Litigation Blog.

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