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8	BEFORE THE CALIFORNIA FAIR POLITICAL	
9	PRACTICES COMMISSION	
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11		)
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14	IN THE MATTER OF:	
15	THE REQUEST FOR	Case No. COM 02252022-00527
16	INVESTIGATION OF ALFREDO	[Government Code § 1090 and Government Code §§ 81000-91014]
17	PEDROZA, SUPERVISOR OF THE 4th DISTRICT OF THE COUNTY	
18	OF NAPA	
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20		
21	DATED M. 1.2.2022	
22	DATED: March 3, 2022	
23	APALLAS LAW GROUP	
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26	Attorney for EMILY BETH NELSEN, Complainant	
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INTRODUCTION

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Alfredo Pedroza (Pedroza) is an able, articulate, and ingratiating member of the Napa County Board of Supervisors, representing the 4th supervisorial district (eastern district of Napa County). In his zeal to monetize his evanescent fame and "arguable" popularity in the Napa Valley, he, in and around March 2021, embarked upon a scheme to "involve himself" in a development project, Walt Ranch, and profit from its approval and development by its owners, the multibillionaires from Texas—Craig Hall a real estate mogul, and Kathryn Hall, the former U.S. ambassador to Austria under the Clinton Administration. (See, San Francisco Chronicle, February 27, 2022, Food//Wine, Wine, Beer & Spirits Section). The Halls Walt Ranch Project (HWRP) has been before the Board of Supervisors of Napa County (BoS) for at least ten (10) years. Admittedly, Pedroza was not a member of BoS for the entire application process of, but since becoming a member<sup>1</sup>, he has voted in favor of every substantive aspect of the project from planning to the certification of the Environmental Impact Reports. Most recently, Pedroza voted for the approval of the project during its first reading (certification of the EIR addressing unhealthy gasses from the destruction of 14,000 mature oak trees) and on February 8, 2022, was about to vote on its second and final reading. Prior to the commencement of the meeting on the HWRP, the Napa County CEO announced to the public that Pedroza's alleged involvement and participation in certain activities

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<sup>&#</sup>x27;Alfredo Pedroza is a lifelong Napa resident and elected District 4 Supervisor in 2016, after being appointed by the Governor in 2014 to finish his predecessor's term. Before joining the Board of Supervisors, Alfredo was elected to the Napa City Council in 2012, becoming the youngest and first Latino Council member ever elected. (BoS Biography of Alfredo Pedroza.)

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<sup>&</sup>lt;sup>2</sup>The Political Reform Act (hereinafter <u>PRA</u>) is codified in Government Code Sections 81000 to 91014. Th specific referral was to determine whether Pedroza should be disqualified from continued participation in the WRP if it was determined that he violated the conflict-of-interest provisions, as codified in the PRA.

compelled the county to refer the matter to the California Fair Political Practices Commission (FPPC). It was also announced to the public, that the referral was made in order for the county to receive a determination from the FPPC as to whether the alleged activities of Pedroza violated the provisions of California's Political Reform Act<sup>2</sup>. Immediately after this announcement was made in the BoS Chambers, Pedroza announced to the audience that he would recuse himself from any further proceedings involving the HWRP<sup>3</sup>.

Concerned about the alleged conflict revelations, several citizens, among them, Emily Beth Nelsen, the petitioner herein, filed under oath a number of complaints with the FPPC, alleging among other things, that Pedroza violated Government Code §1090. In her filings she also alleges that various sections of the Political Reform Act, (Government Code §\$81000 to 91014 dealing with conflicts of interest) were violated, when he, Pedroza, at various times since January 2021, and thereafter, participated in hearings involving approvals of various aspects of the WRP. These violations are, to her knowledge, ongoing.

## THE FACTS

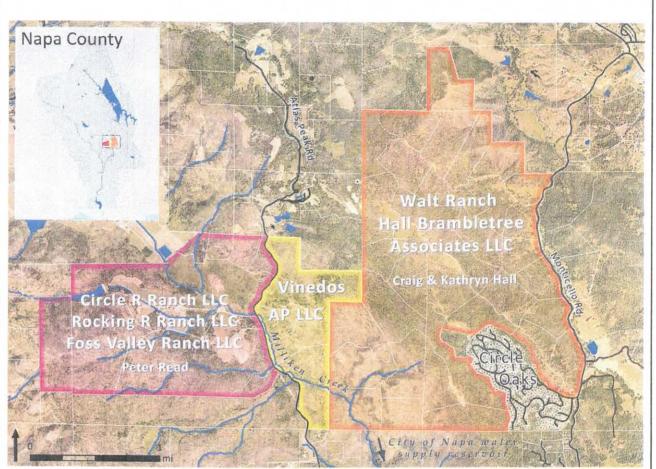
The "facts" surrounding (a) the self-dealing (Government <u>Code §109</u>0) and (b) the conflict-of-interest issues under the PRA, are joined by the following undisputed documentary "facts"<sup>4</sup>.

<sup>3</sup> Although at the time he had every opportunity to make a full disclosure of his involvement with Vinedos AP, LLC, he chose to obfuscate. It was only later that he admitted to his and his wife membership in Vinedos at an interview with the Napa Valley Register (*see, infra, at* page 3).

<sup>4</sup> Quotes are placed around facts because there has been little if any transparency regarding this entire transaction. Ms. Nelsen spent many hours trying to collect much of what documentary evidence she has gathered and has compiled these documents on a website, www.napacountycash.com. The list of documents is not complete, as with any opaque enterprise trying to hide its tracks, Ms. Nelsen's search has encountered many challenges. Poppy Bank, one of the enablers of Mr. Pedroza's, has been particularly adroit in its refusal to provide applications for loans, financial statements submitted in support thereof, and other such things that, to a

traditional bank, would be readily available through legal process.

They were created to cover up the true identity of the purchaser of a substantial piece of valuable property at a substantial discount. Below is a color rendering of the Vinedos AP LLC parcel (Vinedos Lands) sandwiched between the Walt Ranch and the lands of Peter Read (see, www.napacountycash.com).



The land was acquired on May 28, 2021, by Vinedos AP, LLC. Although at the time of the acquisition of the property, there was considerable darkness surrounding the principals behind the ownership of the Vinedos Lands, and denials that Pedroza had anything to do with Vinedos, the most recent interviews of Pedroza by the Napa Valley Register Reporter, Barry Eberling, revealed

to and including November 1, 2021.<sup>5</sup> Here is what Mr. Eberling reported:

Pedroza's admission that he and his wife were in fact members of the LLC from January 29, 2021,

"Pedroza initially told the Napa Valley Register his role with Vinedos was using his house as a guarantee to help secure a \$2.7 million bank loan to Vinedos and he subsequently told the Register he and his wife were members of Vinedos from Jan. 29 to Nov 1, 2021, to help with financing. He and his wife left Vinedos without financial gain before the Dec. 14 Walt Ranch vote, Pedroza said." (See, Napa Valley Register, February 27, 2022, pages 1 and 6.)6.

This revelation came after repeated denials by Pedroza that he had anything to do with Vinedos' organic affairs and the acquisition by it of the Vinedos Lands. Yet we now know, based on his admission, that he was indeed an integral part of Vinedos when it, Vinedos, purchased the property from the seller, a Mr. Peter Read, on May 25, 2021.

Significantly, it was after these revelations were made to the newspaper, that Pedroza and his handlers were rallied by a Sacramento politician to come to the BoS hearing and attest to Pedroza's newly discovered (by only them) Lincolnesque character. (Listen to the panegyric by the vineyard owners and the hired tourist director of Napa Valley). The speakers Board of Supervisors

<sup>&</sup>lt;sup>5</sup> It was during the period that the Pedroza's were members of Vinedos that the acquisition of the Vinedos Property was made. The representation that Pedroza had nothing to do with Vinedos is a simply not true. In this regard, the FPPC should be mindful of <u>California Jury Instruction CICA No. 107</u>, <u>Witnesses</u>, wherein it is said that "However, if you decide that a witness did not tell the truth about something important, you may choose not to believe anything that witness said. On the other hand, if you think the witness did not tell the truth about some things but told the truth about others, you may accept the part you think is true and ignore the rest."

<sup>&</sup>lt;sup>6</sup> The fact that Pedroza was a member of Vinedos for the period January 29 to and including November 21, 2021, was conveniently not mentioned to the FPPC, when Pedroza sought and obtained an informal opinion from the Commission stating that on the basis of the information he submitted, the Commission could find no conflict of interest regarding his votes on the HWRP. He "played" the Commission staff as he played the Napa County public by broadcasting the FPPC opinion to all the media. As the FPPC well knows, having dealt with professional politicians its entire regulatory life, their (most but certainly not all politicians') moral compass is more than slightly askew.

Public Hearing dated March 1, 2022, 9:00 A.M. (play, napa.granicus.com/player/clip) do not address the substance of the allegations leveled by the massive number of documents that support those allegations, (see, napacountycash.com), but rather, make ad hominem statements against the gatherers of the facts. And rather than support a solution to this issue by referring the matter to a special counsel to fully and impartially investigate "Pedrozagate", one state senator, who is supposed to represent an entire community, decided to rally the monied interests of Napa in order to blunt the factual presentations that were made by the people of Napa, and attempt to diminish the unchallenged public documents displayed at napacountycash.com. The senator's rather situational ethics will not and cannot salvage what little, if any, credibility Pedroza may still have with the people of Napa County. (See, Board of Supervisors Public Hearing dated March 1, 2022, 9:00 A.M. (napa.granicus.com/player/clip).

It is against this background that the FPPC is being asked by Complainant, Emily Beth Nelsen, to open an investigation about the facts and circumstances regarding Pedroza's alleged violations of Government Code § 1090 and the Political Reform Act codified in Government Code §§ 81000 through 91014 and Regulations 18110 through 18997 of Title 2 of California Code of Regulations.

**ARGUMENT** 

I. SUPERVISOR PEDROZA VIOLATED GOVERNMENT CODE SECTION 1090's SELF-DEALING AND DUTY OF LOYALTY PROVISIONS BY CREATING, THROUGH ARTIFICES, THE PURCHASE OF LAND DIRECTLY ADJACENT TO THE HALL'S WALT RANCH PROJECT (HWRPZ) AND THEN VOTING ON THE APPROVAL OF THE HWRP-ESSENTIALLY THE LAST STEP TO OBTAINING DEVELOPMENT ENTITLEMENTS FOR THE HWRP.

California Government Code, section 1090 states, in part:

"(a) Members of the Legislature, state, county, district, judicial district, and city officers or employees shall not be financially interested in any contract made by them in their official capacity, or by any body or board of which they are members. Nor shall state, county, district, judicial district, and city officers or employees be purchasers at any sale or vendors at any purchase made by them in their official capacity.

- (b) An individual shall not aid or abet a Member of the Legislature or a state, county, district, judicial district, or city officer or employee in violating subdivision (a).
- (c) As used in this article, "district" means any agency of the state formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries."

Section 1090 was enacted to girdle the natural instincts of mankind to put self-interest above that called for by a position of trust and responsibility that would be owed to the public by an elected official. A conflict of interest, it has been established, involves a conflict between the public duty and the private interest of a public official, in which the official's private capacity interest could improperly influence the performance of their official duties and responsibilities. It has been written in numerous legal tomes (too many to mention here) that the "apparent conflict of interest" can be as serious as an actual conflict of interest, because of the potential for doubt to arise about the official's integrity and the integrity of the official on the government organization on which he serves.

Section 1090 is supposed to keep public officials honest and prevent them from putting their personal financial interests above those of the governmental organization to which they were appointed or elected. The legal principles codified in Section 1090 are often referred as "the duty of loyalty", a fiduciary duty singularly devoted to the tasks to which a public official was elected to execute—*i.e.*, the duty to consider projects that come before an elected or appointed official, on their merits without regard to whatever direct or indirect financial entanglements the official may

have. Only the most remote and most indirect interests can be considered as possible safe harbors for public officials.<sup>7</sup>

Chief Judge Cardozo defined the duty of loyalty, which has been enshrined in many court opinions, as follows:

"Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden to those bound by fiduciary ties. A trustee is held to something stricter than the morals of the marketplace. Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behavior. As to this there has developed a tradition that is unbending and inveterate. Uncompromising rigidity has been the attitude of courts of equity when petitioned to undermine the rule of undivided loyalty by the "disintegrating erosion" of particular exceptions (*Wendt v. Fischer*, 243 N. Y. 439, 444). Only thus has the level of conduct for fiduciaries been kept at a level higher than that trodden by the crowd. It will not consciously be lowered by any judgment of this court." Meinhard v. Salmon, 164 N.E. 545, at p. 464, (N.Y. 1928). (Emphasis added)

Any attorney worth his chops as a trial lawyer in fiduciary law has this statement of the law regarding the duty of loyalty, seared in his or her mind. This statement has been woven in the legal hornbooks, laws of the nation's states, and numerous published opinions involving the fiduciary duty of loyalty owed by public officials to their voters, to shareholders by boards of directors, and yes, lawyers owed to their clients.

But even more troublesome to those who have a flexible moral compass, was the enactment, in 2015, by the <u>California Legislature</u>, of section (b) to § <u>1090</u> by the following:

"(b) An individual shall not aid or abet a Member of the Legislature or a state, county, district, judicial district, or city officer or employee in violating subdivision (a)."

Thus, any person who happens to lobby, encourage or unwittingly engage in efforts to aid a member of the legislature or a member of the BoS to violate the prohibition on self-dealing is as

<sup>&</sup>lt;sup>7</sup> Cal. Gov't Code § 1091 (a).

guilty of breaching Section 1090 as is the legislator or BoS member. Pedroza violated Section 1090 by knowingly voting on the WRP without first announcing that he and his family were owners of land directly adjacent to the project whose value might be affected by his voting for the project's approval. (See, An Overview of Government Code Section 1090, Prepared by FPPC Senior Counsels Jack Woodside and Sukhi K. Brar, and presented to the League of California Cities on May 3, 2017). Although the benefit to be derived from Pedroza's vote to move the HWRP forward, was not immediately apparent without a deep dive into the facts and circumstances surrounding the HWRP and the proximity of the Vinedos Lands to the WRP, it need not be through direct evidence. The Supreme Court, in People v. Superior Court (2017) 3 Cal.5th 230 (Sahlolbei) noted that prohibited financial interests are not limited to express agreements for benefit and need not be proven by direct evidence. Rather, forbidden interests extend to expectations of benefit by

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There is no question that the actions of the BoS on the WRP are essentially contract formation activities. The FPPC, in its most recent discussion of <u>Section 1090</u> stated the following: "To determine whether a contract is involved in a

decision, the Section 1090 analysis looks to general principles of contract law (84 Ops. Cal. Atty. Gen. 34, 36 (2001); 78 Ops. Cal. Atty. Gen. 230, 234 (1995)), while keeping in mind that "specific rules applicable to Sections 1090 and 1097 require that we view the transactions in a broad manner and avoid narrow and technical definitions

of 'contract.'" (People v. Honig, (1996) 48 Cal. App. 4<sup>th</sup> 289, 351 citing Stigall v. City of Taft (1962) 58 Cal.2d at 569, 571, See also Wilson Advice Letter No. A-16-269). Under general principles of law, a contract is made on the

mutual assent of the parties and consideration. If an agency agrees to a purchase, there is mutual assent by the parties and consideration. A basic element of a contract is consideration. If an entity provides a good or service without receiving any compensation, or other consideration, there is no contract. (Webber Advice Letter, No. A-

16-007.) b Advice. In the Bettenhausen Advice Letter, No. A-16-229, citing Attorney General opinions and case

law, we advised that development agreements are contracts:

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"A development agreement contemplates that both the city or county and the developer will agree to do or not to do certain things. Both parties will mutually consent to terms and conditions allowable under the law. Both will receive consideration. The developer will essentially receive the local agency's assurance that he can complete the project. The local agency in turn will reap the benefit of the development, with all the conditions it might legitimately require, such as streets, parks, and other public improvements or facilities. (78 Ops. Cal. Atty. Gen. 230.)"

<sup>&</sup>lt;sup>8</sup> The breach of Section 1090 may be punishable through proceedings outlined in Sections 3060 to 3074.

<sup>13</sup> 

express or implied agreement and may be inferred from the circumstances. <u>People v. Superior Court</u> (2017) 3 Cal.5th 230 (<u>Sahlolbei</u>).

In sum, Pedroza, without disclosing his beneficial interests in Vinedos AP, LLC, violated Section 1090 and must be held to account both in civil and criminal court if the facts and circumstances support such action. The FPPC and the California Attorney General must open an investigation into all the matters to which Pedroza was active and connected financially or otherwise. The various loans and deeds of trust obtained on Pedroza's home to secure the indebtedness of Vinedos' purchase of the six parcels of land directly adjacent to WRP, certainly raise legitimate and important ethical and economic issues for the supervisor. He, arguably, breached Section 1090 through his morally and legally challenged actions.

II. THE ACTIVITIES OF SUPERVISOR PEDROZA IN THE CREATION AND IMPLEMENTATION OF A SCHEME TO CONCEAL THE PARTICIPATION AND ALLEGED OWNERSHIP INTERESTS IN LANDS ADJACENT TO HALL'S WALT RANCH, THROUGH THE ARTIFICE OF AN LLC, VIOLATE THE FUNDAMENTAL LEGISLATIVE PURPOSES OF THE POLITICAL REFORM ACT CODIFIED IN GOVERNMENT CODE SECTIONS 81000 THROUGH 91014 AND THE ENABLING REGULATIONS OF THE FPPC CONTAINED IN SECTIONS 18110 THROUGH 18997 OF TITLE 2 OF THE CALIFORNIA CODE OF REGULATIONS.

The People of the State of California, on June 4, 1974, enacted the Political Reform Act through Proposition 9 (the Act). Its intent was and is to keep politicians honest and discourage them from making governmental decisions that enrich their political and personal coffers with votes in contravention of the Act and in their (the politicians') favor. Since its enactment, the Act has developed a plethora of appellate decisions and regulations that attempt to define what activities are sanctioned by the Act and what are not. In addition, the FPPC, which is designated as the lead agency with authority to address citizens' concerns about political actions that may be deemed

outside the law, has developed a robust library of literature that gives guidance to both politicians and the public. One such publication is entitled, Recognizing Conflicts of Interest—A Guide to the Conflict of Interest will have a financial impact on the official's personal finances or other financial interests." Act, Section Gov't Code 87100.

Elsewhere in the FPPC Publication it defines the concept of conflict of interest by stating that if a decision by a political body subject to the Act, (such as the BoS) "Causes a reasonably prudent person, using due care and consideration under the circumstances, to believe that the governmental decision was of such a nature that its reasonably foreseeable effect would influence the market value of the official's property" [then the a government official subject to the act has a conflict. Page 8 of the FPPC Publication. *Id.*, at Page 8. It goes on to state that a material financial effect is also assumed if the decision "Affects real property value located within 500 feet of the official's property line" [which the Vinedos Property is. *Id.*, at Page 8.

There is little question that Pedroza's actions in regard to the HWRP, will have an incredible beneficial effect on his and allegedly his father's-in-law real property, adjacent to HWRP. The material financial effect is assumed to exist by the FPPC if the decision of the official "involves the issuance, denial or revocation of a license, permit or other land use entitlement authorizing a specific use of or improvement to the property or any variance that changes the permitted use of, or restrictions placed on it" [the HWPR and because of its proximity, also to the Vinedos Property]. *Id.*, Page 7

Pedroza's recent first vote regarding the mitigation of GHG impacts in light of the development of the HWRP is one step closer to the project's approval, thus elevating his and his father's-in-law property value which is adjacent to the HWRP. By extension, the benefits that have been bestowed on HWRP are equally available to the Vinedos Property and undoubtedly will elevate that property's value. The fact that Pedroza went to the lengths he did to shroud the Vinedos Property

ownership in a cloak of secret, is implied, if not by direct evidence of those benefits. Would such a discovery have been made had a dogged citizen of Napa County, Ms. Nelsen, not devoted hundreds of hours of her time and untold amounts of her funds, to uncover this massive "for-profit" scheme. Unlikely!

Personal Finances. An official has a financial interest in decisions that affect the official's personal expenses, income, assets, or liabilities, as well as those of the official's immediate family. This is known as the "personal financial effects" rule.

The Act and the guidance provided by the legal department of the FPPC, clearly and beyond peradventure establishes a conflict of interest on the part of Pedroza when he cast votes in favor of the HWRP as early as January 2021 and at all times thereafter. Noble as his act may have been when he recused himself from the Hall Walt Ranch Project on February 8, 2022, he committed these violations with full knowledge of what he was doing and clearly revealed his *mens rea*.

## **CONCLUSION**

Sadly, Alfredo Pedroza, as an elected official of the Napa County Board of Supervisors and a young and promising political figure, has chosen the road to quick riches through prevarications and concealment and at the expense of his Napa County 4<sup>th</sup> District voters, among them the undersigned. He has told one story to the press only to change it when he is confronted with irrefutable documentary evidence that puts a lie to his previous denials. And now he finds himself confronted by the ineluctable conclusion that yes, he and his wife were indeed part of the Vinedos AP, LLC but according to Pedroza, neither he nor his wife profited from the year-long association with Vinedos. Should the public, in light of previous denials of any participation in Vinedos, take his word for it? The answer is a resounding NO? The only way to test Pedroza's protestations and vacuous assertions is to subject them to that great fact finding and cleansing process of a subpoena

powered investigation conducted by both, the California Attorney General (CAG) and the FPPC (collectively, Investigation Authorities or (IAs). Anything less will only elide the facts and disenfranchise Pedroza's constituents and the faith they have in their government. Moreover, it will put into question the great democratic principles on which this country was founded. It will surely encourage other politicians, holding office in this and other California counties, to emulate the Pedroza Playbook and the sources and methods employed by Supervisor Pedroza to acquire the Vinedos Property. Finally, it will encourage donors, with little or no incentive to maintain an even playing field in California politics, to put a heavy thumb on the scale of official decision making by creating artifices such as those described herein.

Complainant asserts that this matter requires, indeed compels, a full investigation by the California Attorney General and the Fair Political Practices Commission. The voters of Napa and Supervisor Pedroza deserve nothing less.

## PRAYER FOR RELIEF

Complainant, therefore, prays that the IAs open an investigation into:

- All facts and circumstances surrounding the creation, implementation, funding of Vinedos AP, LLC, its finances, and its funding of the acquisition of the Vinedos Properties and determine whether Supervisor Pedroza was in fact the moving force behind the scheme to create the LLC and to acquire the Vinedos Property.
- The sources and methods of funding Vinedos AP, LLC including Poppy Bank and all subsidiaries, and shareholders thereof, and the creditworthiness of Vinedos to qualify for a \$2.7 million bank loan from Poppy Bank.

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- 3. Mr. George Altamura's funding of a \$1.76 million dollar loan to Vinedos, and the financial disclosures made by Vinedos AP, LLC, and whether there was any discussion, planning and/and or a quid pro quo for the loan made to Vinedos and its members by Altamura.
- 4. For any and all further relief as the IAs determine to be proper and within their respective jurisdictions so as to prevent further property acquisition activities by Vinedos AP, LLC and its managers and members by the methods described herein.
- For fines and penalties consistent with the IAs' enabling legislation, levied against
  Supervisor Pedroza, and to the extent lawful, all joint venturers including Vinedos AP,
  LLC.

Respectfully submitted,

YEORYIOS C. APALLAS (CBN 053076)

Artorney for Complainant, EMILY BETH NELSEN