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TO THE NAPA COUNTY BOARD OF SUPERVISORS

SUPERVISOR PEDROZA’S POSSIBLE BREACH OF PUBLIC TRUST

The Walt Ranch vineyard development owned by the Hall Family has been controversial on environmental factors during the past 8 years with its mitigations approved by the Board of Supervisors on a vote 3 to 2 on December 14, 2021. The approval votes by Supervisors Pedroza, Gregory and Ramos, were the only from Supervisors who received sizeable donations from the Hall Family.

In my following comments, I will not repeat the substantial conflict of interest evidence of Supervisor Pedroza (Pedroza) already in the record but concentrate on questions which a reasonable person would have regarded as unethical conduct, and perhaps that of additional persons and institutions. Without the complete facts that a thorough independent investigation would establish, these questions will linger and continue to implicate and imperil the entire Napa County Board of Supervisors.

VINEDOS AP, LLC / FPPC CONFLICT OF INTEREST RULING

On February 7, 2021, Pedroza asked the California Fair Political Fair Practices Commission (FPPC) to rule on whether the property adjacent to Walt Ranch, “owned by Vinedos AP, LLC and Esteban Llamas” (V-prop), constituted conflict of interest. Esteban Llamas is Pedroza’s father-in-law. The next day, February 8, in a preliminary finding, the FPPC notified Pedroza that Section 82029 defines conflicts solely as the “immediate family” including only the spouse and dependent children of an official and does not extend to Pedroza’s in-laws.

This ruling, however, issued only one day after the requested inquiry, was solely based on “the background defense” provided by Pedroza as italicized above at face value without further independent investigation, facts or inquiry. As a result, such FPPC preliminary ruling was based on insufficient and misleading information and did not address the correct conflict relation in question.

First, V-prop was purchased solely by Vinedos, a legal business entity but not “and” by Esteban Llamas. So, the question the FPPC ought to have answered was whether Pedroza had a conflict of interest with Vinedos, not with his father-in-law Esteban Llamas. Second, Pedroza failed to disclose to the FPPC that he had a business relation with Vinedos, including but not limited to: (a), Vinedos using Pedroza’s home as its business address; (b),
Pedroza signing the V-prop property tax checks from the Vinedos bank account (more on this below); (c), Pedroza guaranteeing the Vinedos’ purchase money loan using Pedroza’s own home as collateral; and (d), Pedroza’s involvement and most likely negotiating the purchase of V-prop on behalf of Vinedos as well as other more incriminating connections outlined below.

By universally accepted definition, banking and loans between entities, constitute a business relationship which Pedroza failed to disclose to the FPPC. This material fact would have clearly established a business connection with Vinedos, which would have influenced the FPPC review and ruling.

However, the undisputed proof of Pedroza’s business connection with Vinedos lies in the organizational structure of an AP, LLC which Vinedos is. An LLC is a business entity shielding its members from liability. AP stands for designated “Authorized Persons” who execute and file records on the LLC’s behalf, and who are eligible to draw a salary or other compensation at any time at the pleasure of its members, one of who we know is Pedroza’s father in-law.

We do not know who all Vinedos’ members or APs are, but we do know that Pedroza himself is one of them as evidenced by the fact that he was authorized to sign Vinedos checks for V-prop’s property taxes. This is Pedroza’s business connection to V-prop through Vinedos. This in itself, constitutes Pedroza’s conflict of interest which was concealed from FPPC scrutiny.

Several questions arise:

To what purpose was Vinedos organized? (2) It seems that the only purpose was for it to purchase V-prop (3). To that end, we need to know what the internal communications regarding the creation of Vinedos were. (4). And what was the origin of the funds ($19,696.97) used to pay V-prop’s property taxes. (5).

CIRCLE RANCH SALE TO VINEDOS

Pedroza explained his involvement in the purchase of V-prop as an accommodation to his father in-law whom he portrayed as an unsophisticated immigrant, vineyard farmer who was pursuing the American dream.

But the purchase of V-prop is anything but an ordinary real estate transaction. It is a complex, long term scheme to dramatically increase its value, all hinged on the approval of Walt Ranch for which Pedroza voted in favor.

Walt Ranch is accessed via a substandard road at Circle Oaks, enough to satisfy safety standards to access a vineyard. It is highly improbable that sophisticated real estate developers as the Halls are would have spent the enormous amounts of funds on their Walt Ranch project to date (and on subsequent massive future tree removal), in order to merely end up with a vineyard. It is entirely reasonable to believe that only a future subdivision of luxury vineyard estates would justify the Halls’ considerable Walt Ranch expense. But for this to happen, it needs safe access
roads, especially a secondary one to satisfy what will be increasingly scrutinized fire evacuation routes.

Enter 389-acre V-prop. V-prop borders Walt Ranch, but more significantly has access to Atlas Peak Road. Situated within Pedroza’s District, Atlas Peak Road was recently improved at substantial public cost, perhaps jumping ahead of other hillside roads in much more dire state of disrepair and equally fire-ravaged are waiting in line for similar funding. Did Pedroza use the power of his office to facilitate inappropriate fast-track funding for these improvements to benefit future V-prop development? (6).

With the environmental hurdles reviewed and controversially mitigated by the Halls and an all-important secondary access to the rapidly improved Atlas Peak Road through V-prop, both Walt Ranch and V-prop would have satisfied the most important regulatory hurdles for luxury vineyard estate subdivisions, multiplying their value many times over. V-prop could accommodate at least 12 such estates valued at a minimum $12-14 million each in today’s market.

The question is, why did the Halls not purchase the property in their 8-year campaign before Pedroza / Vinedos did? (7). Or for that matter, why did Circle Ranch not retain the property and reap the benefits of the Walt Ranch approval for itself? (8). Why was Vinedos selected as the lucky buyer? (9). The answer to both questions is that without Pedroza’s power and his vote as Supervisor, Walt Ranch would not have received Napa County approval on December 14, 2021. This is hardly a scheme an unsophisticated immigrant, farmer realizing the American dream could have envisioned and plotted on his own. Who did? (10).

The details of the Circle Ranch sale to Vinedos are material because Circle Ranch itself would also benefit from a Walt Ranch approval. How did this extraordinary sale come about? (11). How long, if ever, was the property offered for sale on the open market? (12). Who approached whom proposing a sale or purchase? (13). Who represented Vinedos and who negotiated the Circle Ranch deal? (14). Why did Circle Ranch accept a sale, apparently with no money down and carried a note for the entire amount from an underfunded buyer? (15). What was the specific content of communications and negotiations between buyer and seller? (16).

It is highly unlikely that such a sophisticated scheme was not conceived, planned and shepherded months if not years before Pedroza’s Walt Ranch approval vote on December 14, 2021, including the creation of Vinedos. If so, Pedroza’s vote by law must be nullified. What were the internal communications within the Pedroza extended family regarding this purchase? (17).

There is nothing wrong with developing vineyard estates in the hills provided they comply with environmental laws, nothing wrong – in fact inspiring - for an immigrant farmer to pursue the American dream, nothing wrong with risky, speculative land purchases hoping for future surrounding development which may skyrocket their value. It is wrong however for an elected
official using the power of their office to influence and shape this future in order to favor and enrich their families.

But there are more lingering questions needing investigation:

POPPY BANK LOANS

The assets listed by Pedroza on his required California Form 700 do not seem to remotely support a loan of the $2,700,000 magnitude Poppy Bank approved for Pedroza as a guarantor of the Vinedos loan. Is Pedroza’s Form 700 disclosure accurate and transparent? (18), and if so, what additional assets if any, did he list on his Poppy Bank loan application to satisfy ordinary bank loan standards? (19).

Pedroza listed Poppy Bank as a source of income of $10,000.00 “or more” in his state filed documents. What is the nature of this connection or investment? (20).

The loan process of the Vinedos property and loan transaction is complex, convoluted and compels clarification (21). But as far as we know, the Poppy Bank Vinedos loan was secured only by a piece of bare land with an LLC owner shielded from personal liability, plus a mere loan guarantee with Pedroza’s home as collateral, a home with a Zillow current value of $1,300,000, less than 50% of the loan amount. If this were not enough, Poppy Bank had to retire the existing Pedroza home mortgage of approx. $700,000. This raises the total bank exposure to $3,400,000. The bank exposure amount versus its collateral security is nothing but astonishing!

Did Poppy Bank ignore or grossly relax, if not violate prudent loan standards for Vinedos / Pedroza in a way they would not have been for an ordinary citizen with similar assets? (22). Did Poppy Bank appraise the value of V-prop by pre-factoring its potential of luxury vineyard estate development aided by a Walt Ranch approval? (23). If so, based on whose representations and assurances? (24). Did Poppy Bank employ non-standard, imprudent practices in approving a loan of such magnitude by accepting such substandard collateral? If so, what was its motivation? (25).

The question of a down payment in this transaction is even more crucial. Ordinarily, banks require a 50% down payment, if at all for a land purchase. Was a customary down payment requested by Poppy Bank and if not, why? (26). If yes, out of whose funds and by whom was a down payment made? (27).

The fact that George Altamura was enlisted to make what appears to be an additional subordinated loan to Vinedos / Pedroza in order to bring the Poppy Bank loan on a sound financial bank footing, is a probable indication that Poppy Bank’s Vinedos / Pedroza loan procedures may have breached prudent banking practices. Why did Poppy Bank make what appears to be such a risky loan accommodation to Vinedos / Pedroza? (28). Finally, all these questions and communications between Vinedos, Pedroza, bank officers, including loan applications documents require exposure (29).
WHO IS THE V-PROP DE FACTO OWNER?

The evidence in the record and the above considerations lead a reasonable person to surmise that Pedroza’s father in-law was a mere shill – a strawman - who through the creation of Vinedos covered up the fact that Pedroza’s family was the de facto owner of V-prop, a scheme seemingly engineered with the sole purpose to enable Pedroza to claim no narrowly defined conflict of interest.

The plot failed when in addition to evidence in the record, Pedroza’s signature on Vinedos checks revealed his Authorized Person status at Vinedos, thus at a minimum, establishing a business connection and conflict of interest.

NAPA COUNTY CEO MINGH TRAN

When requested, Napa County CEO Mingh Tran agreed to release the V-prop’s Napa County property tax checks but only with the executed signatures redacted. Only under the threat of litigation, he subsequently released them which revealed Pedroza as the signer. Such initial action by a Napa County’s CEO - an attempt to conceal incriminating evidence against a sitting Supervisor – is an unacceptable breach of trust.

The County CEO’s primary duty and responsibility is to the citizens of Napa County. It is not to evade the law or shield Supervisors from public scrutiny and embarrassment. The Board must investigate such behavior (30).

INDEPENDENT INVESTIGATION

The many questions behind the numbered parentheses (1) through (30) above, require a rigorous investigation by a credible independent entity, particularly one with subpoena powers as several of the entities involved, almost certainly will try to withhold evidence. Such investigation will also expose not only the persons involved in the initial scheme of deception but also the several players, if any who were complicit along the way in promoting and further facilitating such deception. The question is who such an investigating authority will be.

Obviously, legal counsel guidance ought to be sought by citizens, but preliminary inquiries seem to suggest that:

Questions 6 and 30 are in Napa County’s domain to investigate.
Questions 19 through 29 are in the SEC’s or other banking oversight agencies’ domain.
However, the totality of questions is in the domain of the DA or AG but ultimately the Department of Justice.

Napa County owes it to the public to clear the troubling lingering questions which may or may not uncover systemic corruption and restore the public’s confidence in our local government and institutions. That said, until all investigations are concluded, all parties and their behavior under question, should be afforded the benefit of the doubt.
WALT RANCH / PEDROZAS VOTING STATUS

In the meantime, while under the lingering cloud of suspicion, Pedroza must recuse himself from voting on Napa County matters. In addition, while the legitimacy of his Walt Ranch December 14, 2021, vote remains in question, the Board of Supervisors must not reconsider the Walt Ranch approval until such time as the investigation is transparently and comprehensively completed.

At the same time, one must recognize that the applicant has a right to a timely resolution.