



# Friends of the Gualala River

PO Box 1543, Gualala, CA 95445 (707) 886-5355 [GualalaRiver.org](http://GualalaRiver.org)

December 20, 2011  
Via e-mail and USPS

Joseph Dear  
Chief Investment Officer, CalPERS

George Diehr, Ph.D.  
Chair, CalPERS Investment Committee  
Vice President, CalPERS Board of Administration

Janine Guillot  
Chief Operating Investment Officer, CalPERS

CalPERS Board  
CalPERS Headquarters  
Lincoln Plaza North  
400 Q Street  
Sacramento, CA 95811

**SUBJECT: Preservation Ranch** (former Premier Pacific Vineyards real estate investment portfolio):  
**Reconsideration of investment prospects and alternatives**

To the Board of Directors, Mr. Dear, Mr. Diehr, Ms. Guillot, CalPERS:

We understand that CalPERS has recently removed Premier Pacific Vineyards as the project manager for a major vineyard real estate investment portfolio for which CalPERS retains majority interest and control.

In the interim, while CalPERS selects a replacement manager for the vineyard real estate investment and its future direction, Friends of the Gualala River, in alliance with the undersigned environmental organizations, respectfully requests that you direct the new project manager to withdraw the controversial Preservation Ranch (Sonoma County) forest-vineyard conversion proposal and permit application. The reasons for this request are explained below.

We believe that eliminating the controversial forest to-vineyard conversion proposal would minimize CalPERS' exposure to continued investment losses in this portfolio due to foreseeable delays and potential protracted legal challenges in review and approval of this inherently controversial project. As you know, the deforestation aspect of this vineyard project has recently gained national media attention [see links below to articles in the Associated Press, New York Times, Los Angeles Times, Santa Rosa Press Democrat] and protest, culminating in an on-line petition with over 90,000 signatures as of the date of this letter. Friends of the Gualala River and the undersigned allied organizations are deeply committed to oppose the conversion of redwood forests to vineyards above our river. We especially focused on the largest forest-vineyard conversion proposal in the history of California, Preservation Ranch.

We assume that your decision to sever financial relationship with Premiere Pacific Vineyards reflects prudent concerns about the performance of this investment, and its reasonable prospects for generating adequate future returns on the original \$200 million investment after nearly 40% loss in value. The Preservation Ranch proposal originated a decade ago, when exuberant expectations prevailed for the luxury wine grape market in the Coast Ranges of California. Circumstances are dramatically different now.

The Preservation Ranch project has proceeded at a glacial pace through the regulatory review process, with no permit approvals, and at least four years of delay in the release of the draft Environmental Impact Report that is required for all permits. Because this is a forest conversion project, far longer delays would be physically required for project implementation even if it were already approved: construction is proposed to occur over five years, and actual planting, vine maturation, and wine grape production would occur years after construction. Given the unprecedented controversy and committed public opposition to the project, estimating the date (or decade) of project approval and completion of construction, or revenue generation, must remain highly uncertain and speculative.

We would urge you to consider options to limit exposure to risk of further investment losses that are inherent in proceeding with the project as proposed. Alternatives available would include selling the forestlands to recoup the original land purchase cost, preferably to sustainable forestry interests in either the non-profit or private sector. The foreseeable U.S. luxury wine market has declined far below past inflated, speculative expectations. We believe the economic premises for this project are now obsolete, and are ripe for reconsideration and alternative land uses, such as the sustainable forestry projects on recently acquired parcels adjacent to the Preservation Ranch parcel. We would welcome an opportunity to assist in putting you in touch with the principals in these purchases. Other options could include long-range investment in sustainable forestry.

We believe any forestry option involving no fundamental change in land use or zoning would circumvent the high costs, risks, delays and uncertainties in project approvals based on intensification of agricultural or residential land uses in coastal redwood forestlands. Acquisition of previously established vineyards with revenue generated from Preservation Ranch forestland sale would largely eliminate the high uncertainty inherent in converting forest-vineyard conversion. This may be an opportunity for CalPERS to avoid environmental conflicts while retaining some reasonable investment risk in vineyards.

Friends of the Gualala River and the undersigned organizations look forward to prudent, substantive action by CalPERS to address the serious investment and environmental issues presented by the speculative Preservation Ranch project.

Thank you for your attention. Please contact me if you have any questions.

Sincerely,



Chris Poehlmann, President, **Friends of the Gualala River**  
[poehlman@mcn.org](mailto:poehlman@mcn.org), [www.gualalariver.org](http://www.gualalariver.org) with

Greg Suba, Conservation Director,  
**California Native Plant Society**, Sacramento, CA  
[www.cnps.org](http://www.cnps.org)

Bill Jennings, Chairman & Executive Director  
**California Sportfishing Protection Alliance**, Stockton, CA  
[www.calsport.org](http://www.calsport.org)

Peter Galvin, Conservation Director  
**Center for Biodiversity**, Oakland, CA  
[www.biodiversity.org](http://www.biodiversity.org) [continued next page]

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Florence LaRiviere, Chair  
**Citizen's Committee to Complete the Refuge**, Palo Alto CA  
[florence@refuge.org](mailto:florence@refuge.org)  
<http://www.cccrrefuge.org/>

Carolee Krieger, President & Executive Director  
**California Water Impact Network (C-WIN)**, Santa Barbara, CA  
[www.c-win.org](http://www.c-win.org)

Andrew Orahoske, Conservation Director  
**Environmental Protection Information Center (EPIC)**, Arcata, CA  
[Andrew@wildcalifornia.org](mailto:Andrew@wildcalifornia.org)

John Hooper, President  
**Friends of the Garcia River**, Point Arena, CA  
[hooparb@aol.com](mailto:hooparb@aol.com)

H.R. Downs, President,  
**Open Space, Water Resource Protection & Land Use Foundation (O.W.L.)**, Petaluma, CA  
[www.owlfoundation.net](http://www.owlfoundation.net)

Lindsey Allen, Program Director, Forests  
**Rainforest Action Network (RAN)**, San Francisco, CA  
[www.ran.org](http://www.ran.org)

Jay Halcomb, Chair  
**Sierra Club, Redwood Chapter**, Santa Rosa, CA  
<http://redwood.sierraclub.org/>  
[halcomb@sonic.net](mailto:halcomb@sonic.net)

Jane E. Nielson, Ph.D.,  
**Sebastopol Water Information Network**, Sebastopol, CA  
[www.owlfoundation.net/swig.html](http://www.owlfoundation.net/swig.html)

Caroline Higgins,  
**Surfrider Foundation**, Sonoma Coast Chapter, Sebastopol, CA  
[www.surfrider.org/sonomacoast](http://www.surfrider.org/sonomacoast)

Brent Plater, President & Executive Director  
**Wild Equity Institute**, San Francisco  
[webmaster@wildequity.org](mailto:webmaster@wildequity.org)

Links/online references cited:

"Forest lands eyed for vineyards", July 11, 2011, Santa Rosa Press Democrat,  
<http://www.pressdemocrat.com/article/20110731/ARTICLES/110739987/1334/news?p=all&tc=pgall>

"Plan to cut forest for vineyard faces opposition", June 12, 2011, Associated Press, Bloomberg Business Week  
<http://www.businessweek.com/ap/financialnews/D9NQHQ800.htm>

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"Water Use by Vineyards Is Challenged", August 26, 2011, New York Times  
<http://www.nytimes.com/2011/08/26/us/26bcsalmon.html?r=1>

"A tale of grape versus redwood", August 25, 2011, Los Angeles Times, <http://articles.latimes.com/2011/aug/25/local/la-me-0825-redwoods-vineyards-20110825>

"Warmer temperatures may threaten California vineyards", July 6, 2011, Los Angeles Times,  
<http://www.latimes.com/news/local/la-me-adv-california-vineyards-20110706,0,4502551.story>

Change.org petition, "Stop wineries from destroying redwoods and Native American Heritage" (>90,000 signatures December 2011), <http://www.change.org/petitions/stop-wineries-from-destroying-ca-redwoods-and-native-american-heritage>