



**Powerful
solutions
for the
environment
and
economy.**



DEAR FRIENDS,

Thanks to you, our generous supporters and partners, 2005 was a tremendous year of growth for Sustainable Conservation. As you'll read, with the help of a dynamic group of individuals, foundations, corporations and collaborators, Sustainable Conservation made great strides last year in helping California agriculture and industries protect clean air, clean water and healthy ecosystems.

Over and over, we showed that when business, agriculture and government leaders work together, we can find powerful solutions that help the environment and industry thrive. And these aren't just good ideas that sit on a shelf. Private landowners and businesses voluntarily implement these solutions – and enthusiastically spread the word – because the solutions are practical and profitable.

In 2005, we made exciting progress in addressing one of the nation's greatest environmental problems: our society's love affair with fossil fuels. Sustainable Conservation's approach? Biofuels – renewable, eco-friendly fuels derived from plant oils and sugars, cow manure and other organic materials. Building on our strong partnership with California's agricultural community, we showed that these fuels can be a powerful part of the solution.

We also expanded our successful Partners in Restoration program into California's resource-rich Central Valley. Working with a variety of public agencies and landowners, the program simplifies the complex and costly approval process local landowners face when restoring ecosystems on their properties. Many of the area's remaining wild places and threatened species reside on or near privately owned land. So, making it easy for property owners to do the right thing is crucial to protecting nearly two million acres of sensitive landscapes that enhance important natural resources like water and wildlife.

With a dynamic group of partners, Sustainable Conservation made great strides last year in helping protect clean air, clean water and healthy ecosystems.

None of this would have happened without you. We sincerely appreciate your tremendous support – and look forward to working with you in 2006 and beyond to make sound environmental stewardship “business as usual.”

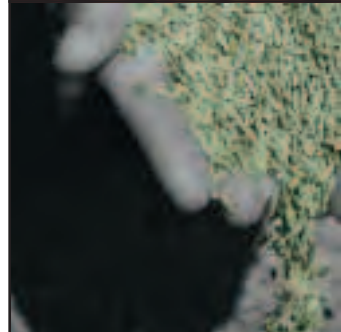
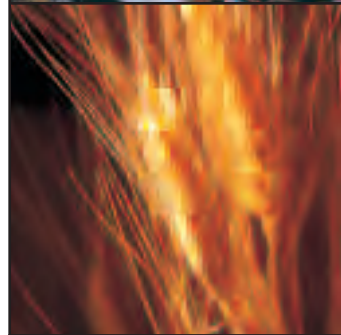
Warmest regards,



Russell Siegelman, Board Chairman



Ashley Boren, Executive Director



Sustainable Agriculture

Promoting the adoption of innovative farming practices so that farmers can protect the environment, boost their bottom lines and keep their land.

- Produced a groundbreaking report on the promise of “cow power,” or biomethane. The report details technologies for converting the methane generated from cow manure into natural gas to power automobiles. The report is part of Sustainable Conservation’s ongoing investigation into environmentally and economically sound renewable energy sources for California and beyond.
- Expanded conservation tillage methods in the Central Valley to reduce air pollution and farming costs. In one year, we increased our demonstration program from two farms and 16 acres to eight farms and almost 3,000 acres throughout the San Joaquin Valley. Statewide, the practice could potentially cut dust pollution from farms by over 85% and save millions in fuel costs.

Restoration on Private Lands

Helping landowners be good stewards of the environment by facilitating restoration projects and species protection.

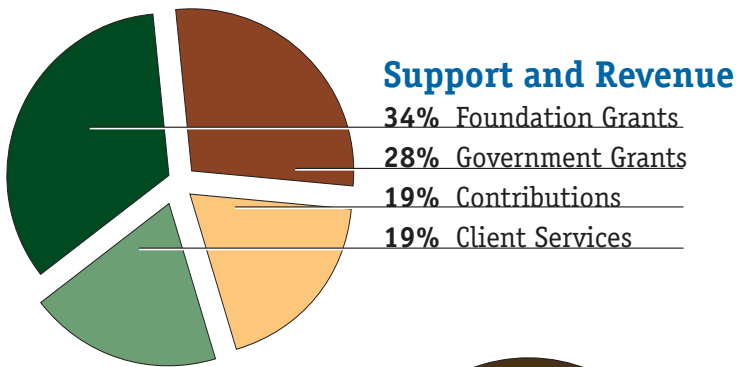
- Led a multi-stakeholder partnership to protect the imperiled Tricolored blackbird *before* it lands on the endangered species list. With its partners, Sustainable Conservation promoted a voluntary program to protect the bird during nesting season, which could become a national model for strengthening species in decline, as well as a viable alternative to habitat related regulation and litigation.
- Expanded our successful permit coordination program into four environmentally sensitive areas throughout California’s Central Valley. The expansion will simplify the highly complex permitting process to make it faster, easier and cheaper for even more private landowners to restore natural resources on their land.

Sustainable Business

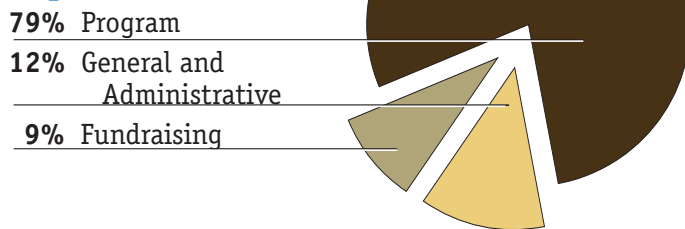
Stopping pollution at the source by working proactively with business and regulatory agencies to solve problems through cooperation, rather than litigation.

- Launched a powerful collaboration within the horticulture industry to prevent invasive garden and landscaping plants from invading California’s wildlands. California Horticultural Invasives Prevention (Cal-HIP) will help trim the more than \$135 billion spent nationally on invasive species control and eradication. We can all help by not adding an invasive plant to our gardens.
- Partnered with the State of California Auto Dismantlers Association (SCADA) to advance its innovative Partners in the Solution certification program among all SCADA-member auto recyclers in the Santa Clara Valley. The environmental, safety, business and regulatory standards this innovative program encourages helped prevent the spread of many hazardous pollutants into area waterways.

2005 FINANCIAL HIGHLIGHTS



Expenses



Statement of Activities and Changes in Net Assets

Foundation Grants	\$642,174
Government Grants	\$533,408
Contributions	\$363,496
Client Services	\$354,266
Other	\$2,914
Total Support and Revenue	\$1,896,258

Program	\$1,572,284
General and Administrative	\$255,100
Fundraising	\$175,329
Total Expenses	\$2,002,713

Net Assets at Beginning of Year	\$1,284,872
Net Assets at End of Year	\$1,178,417
Increase in Net Assets	\$-106,455

For a complete financial report audited by Crosby & Kaneda, Certified Public Accountants, please contact Sustainable Conservation.

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