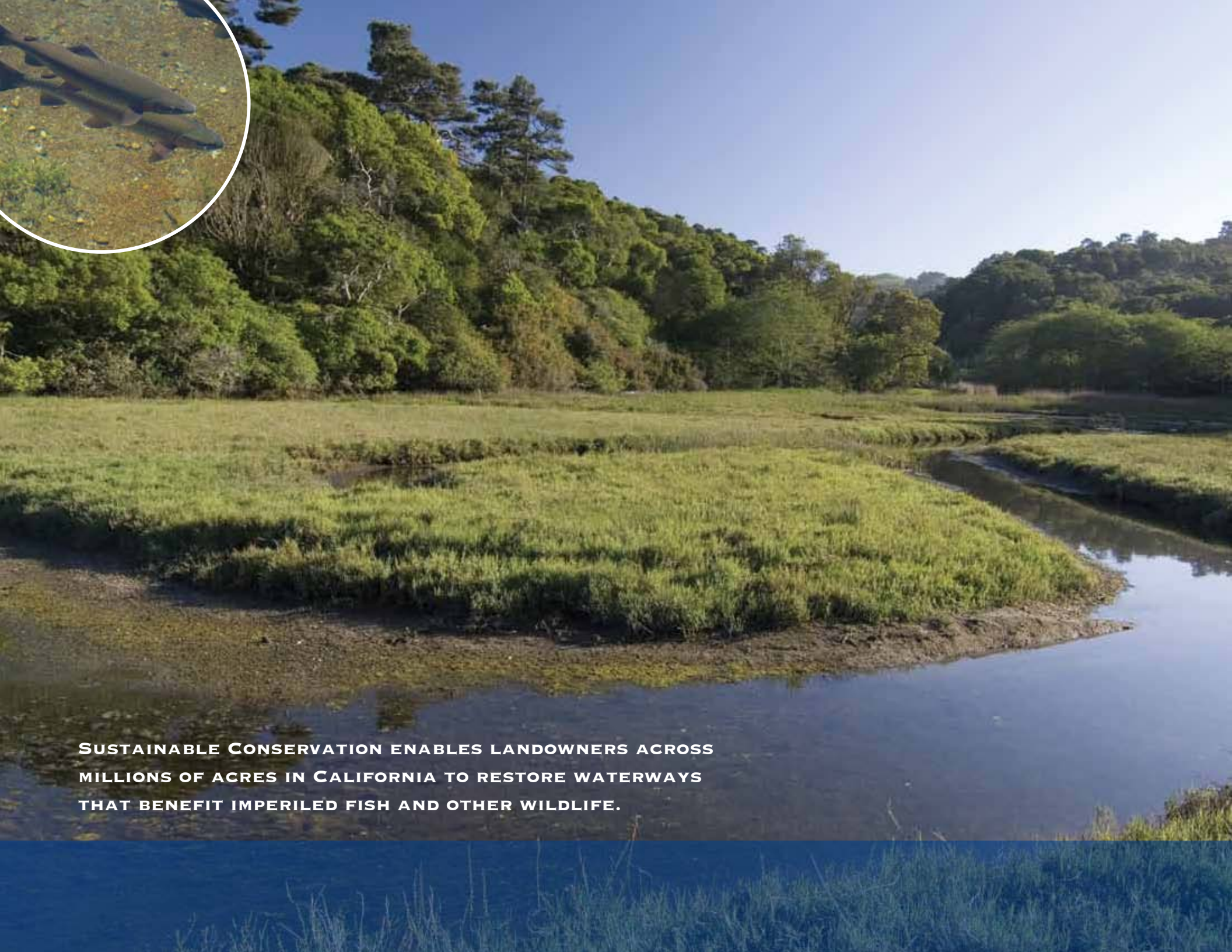


THE JOURNEY HOME



**SUSTAINABLE CONSERVATION ENABLES LANDOWNERS ACROSS
MILLIONS OF ACRES IN CALIFORNIA TO RESTORE WATERWAYS
THAT BENEFIT IMPERILED FISH AND OTHER WILDLIFE.**

DEAR FRIENDS,

2009 was a tough year for fish in California.

Fewer than 70,000 endangered salmon paddled their way beneath the shadow of the Golden Gate Bridge to spawn in the Bay-Delta river system. It was the most dismal homecoming on record. While returns in 2010 have improved slightly, last year was the second consecutive time California's commercial salmon season was canceled outright – another sobering first for the state.

A number of compounding factors contributed to the crash, including the loss of streamside forests, pollution, water diversions and barriers to spawning grounds. The unintended consequences of well-intentioned regulations have also made it difficult for many willing landowners to restore the health of waterways – and the wildlife that depends on them – flowing through their properties. Faced with numerous hurdles, the number of landowners engaged in restoration, like the state's imperiled fish, has dwindled.

That's where the power of Sustainable Conservation's popular Partners in Restoration program shines.

Launched in 1998, Partners in Restoration makes it faster, easier and cheaper for stewardship-minded landowners to provide imperiled fish greater access to vital habitat, clear up murky water, and keep farmland and ranchland from eroding into waterways. More than a decade later, we're witnessing big payoffs.

As you'll read inside, with the help of our program and partners, landowners in Marin and Santa Cruz counties implemented a constellation of restoration projects across a variety of critical watersheds – from coastal lowlands to forested mountains. While each individual project was small, collectively, they've restored and/or opened up nearly 30 miles of streams previously unreachable for fish. The projects also reduced sediment in area waterways by more than 30,000 tons and re-established extensive areas of streamside vegetation.

And, our impact goes well beyond Marin and Santa Cruz counties.

Thanks to you, Partners in Restoration now simplifies restoration on millions of acres, and along hundreds of miles of rivers and streams in 50 key watersheds up and down California. Begun as a pilot project implemented one watershed at a time, the program has emerged as a powerful model of voluntary restoration we're working to expand on a statewide basis. With your continued support, we're helping the state's struggling fish make their way home again.

Warm regards,



Ashley Boren, Executive Director



Russell Siegelman, Board Chairman



PROFILES IN RESTORATION

Highlights of the numerous restoration projects carried out under Partners in Restoration in Calif.



CHILENO CREEK, PETALUMA

Re-establishing creekside habitat means more shelter and water for threatened steelhead trout, and improved spawning habitat to help rebuild populations.



DEER CREEK, BOULDER CREEK

Opening up a major passageway helps imperiled fish in Santa Cruz County reach spawning grounds inaccessible for decades.



CORRALITOS CREEK, WATSONVILLE

Stabilizing this important waterway improves water quality, stops erosion and provides critical fish habitat.

STATEWIDE IMPACT

Launched in 1998. By 2011, Partners in Restoration will cover nearly 4.4 million acres of farmland and ranchland, and hundreds of miles of rivers and streams across California.

Established or in development in nine counties and 50 key watersheds from Mendocino to Santa Barbara.

More than 200 projects implemented, and over 200,000 tons of sediment kept out of waterways and fish habitat.

Received the 2004 Governor's Environmental and Economic Leadership Award for effectiveness in enhancing watersheds and working landscapes.



ORIGINS OF PARTNERS IN RESTORATION

Situated north and south of the San Francisco Bay-Delta estuary – the largest on the west coast of the Americas – Marin and Santa Cruz counties have historically supported some of the most productive salmon and trout streams in all of California. But, decades of dam building, pollution, and pumping for cities and farms have taken their toll. Today, populations of these endangered fish have declined by upwards of 90% in these two counties alone.

While local, state and federal agencies have instituted large-scale programs to bring fish numbers up, small restoration projects carried out by private landowners are crucial in promoting long-term fish health. That's because more than 50% of the state is privately owned – and a vast majority of California's rivers and streams flow through or along private property.

HELPING PEOPLE HELP NATURE

That's why Sustainable Conservation launched its award-winning Partners in Restoration program more than a decade ago: we saw the vital role individuals play in protecting natural resources. The program simplifies the otherwise complex and costly process landowners face when implementing voluntary projects in and around waterways – projects that also conserve land for growing crops and raising livestock. Restoring an eroded streambank without Partners in Restoration can require permits from as many as eight different agencies, cost thousands of dollars in fees and take years to be approved.

In concert with the federal Natural Resources Conservation Service and local Resource Conservation Districts, Sustainable Conservation develops "pre-approved" permits for small-scale restoration efforts. These permits eliminate the need for landowners to gain case-by-case approval from multiple regulatory agencies, making restoration projects much easier and cheaper to implement. Our coordinated permitting process also enables agencies to tailor projects in ways that maximize environmental benefits and address landowners' needs.

RESULTS

Launched in 1998, Partners in Restoration now covers 50 watersheds throughout California, nearly 4.4 million acres and hundreds of miles of critical waterways. With the help of committed landowners, more than 200 erosion control and habitat enhancement projects have been completed along almost 40 miles of rivers and streams, preventing over 200,000 tons of sediment from washing downstream. That's enough dirt to fill a line of pick-up trucks parked end to end from Portland to San Diego – a distance of more than 1,000 miles.

Inside, we feature three projects completed in, around and even above streams by forward-thinking landowners in Marin and Santa Cruz counties. They're proof that making it easier for people to care for natural resources can help make once-thriving regions of California, again, a welcoming home for fish.

BEFORE A BARE STRETCH OF CHILENO CREEK THAT FLOWS THROUGH THE GALE RANCH
NEAR PETALUMA LEFT THREATENED TROUT HIGH AND DRY IN THE SUMMER.



1 CHILENO CREEK, PETALUMA

AFTER SALLY AND MIKE GALE REPLANTED NATIVE TREES ALONG CHILENO CREEK TO KEEP EVAPORATION IN CHECK,
MORE WATER IN THE CREEK, AND SOIL IN PLACE TO BENEFIT FISH AND OTHER WILDLIFE.



"It's not just about taking care of the land ... it's also about perpetuating a family legacy."

That's Marin County rancher Sally Gale. She and her husband Mike run cattle on their 600-acre Gale Ranch tucked away among the postcard-perfect hills stretching west from Petaluma to Tomales Bay. First purchased by Sally's great-great-grandfather in 1856, Sally and Mike took it over in 1993. The state of the ranch when the Gales received it, though, wasn't what it had been.

"When we moved here, the house, the barns, everything was falling down," Sally said. "We considered calling it Falling Down Ranch." Mike added, "The nearby creek looked like a moonscape. We basically just had to start over."

Starting over meant a new life for Chileno Creek, which zigzags through their property, and for the populations of now-threatened steelhead trout that, like the Gale family, have relied on the creek for generations.

MADE IN THE SHADE

In collaboration with Sustainable Conservation, the Marin Resource Conservation District and other local nonprofits, the Gales revived Chileno Creek by planting hundreds of native, shade-producing trees along their stretch of the creek. The spot had previously been a popular hangout for fish, but over the years had become barren and was dry during the summertime.

Today, the lush bower of trees prevents evaporation and allows the creek to recharge the groundwater table that lies beneath it.

The trees also keep the water temperature down, essential for healthy fish, and have prevented as much as 600 tons of sediment from clouding the creek and pristine Tomales Bay, into which the creek eventually empties. Trout migrating to and from the Pacific Ocean now enjoy clear, cool water even in hot months.

"Not only is the creek wet year-round now, but I've personally seen trout nesting [laying eggs] in the creek ... something I've never seen before," Sally noted. "Neighboring ranches got interested in doing the same thing. Now, more than six miles of stream have been planted."

Fish aren't the only ones returning. Native songbirds are flocking back to nest in the thick streamside vegetation.

PRBO Conservation Science biologist Tom Gardali: "The number of bird species found on the Gale Ranch has increased significantly since their restoration project began. The growing populations of the 33 bird species inhabiting the ranch tell us the restoration is really paying off."

Asked what past generations of her family think about the legacy she and her husband are leaving for the Gales, fish and other wildlife to come, Sally exclaims, "My 93-year-old mother is very proud. I wish my father were alive to see it ... he would love it."

"I've personally seen trout nesting in the creek ... something I've never seen before."

Sally Gale,
Gale Ranch

BEFORE AN OLD CONCRETE BRIDGE AND NARROW CULVERTS BLOCKED FISH FROM MIGRATING UPSTREAM IN DEER CREEK.



2 DEER CREEK, BOULDER CREEK

AFTER TOM BIRD AND HIS WIFE MANUELA POSE IN FRONT OF A NEW BRIDGE INSTALLED WITH HELP FROM PARTNERS IN RESTORATION. THE BRIDGE GIVES THREATENED STEELHEAD TROUT UNRESTRICTED PASSAGE TO THEIR HISTORIC SPAWNING GROUNDS.



As a teen during the summer, Tom Bird called streams like Deer Creek – nestled high in the lush Santa Cruz mountains – home. After a successful career in Silicon Valley, Tom and his wife Manuela retired to this childhood home in Boulder Creek. Since then, they haven't rested for a minute in helping threatened steelhead trout return home, too.

An outdated concrete bridge over Deer Creek that connected area landowners stood as a major roadblock to steelhead migration.

"During storms, debris would be caught in the culverts, preventing fish from passing through," Tom explained. "During drier periods, the water flowed under the damaged culverts, preventing the fish from traveling upstream to their spawning grounds."

Historically, thousands of fish inhabited Deer Creek. The San Lorenzo River watershed, of which Deer Creek is part, once supported the largest salmon and steelhead fishery south of San Francisco. But, in recent years only a tiny fraction of fish have reached headwaters because of barriers like antiquated bridges.

The bulky bridge and undersized culverts also caused extreme flooding during heavy rains, eroding the streambank and sending hundreds of tons of sediment downstream each year. That resulted in muddying the otherwise clear creek and eventually the Monterey Bay National Marine Sanctuary, of which Deer Creek is a tributary.

BRIDGE OVER TROUBLED WATERS

Through Partners in Restoration, developed in concert with the Natural Resources Conservation Service and Resource Conservation District (RCD) of Santa Cruz County, Tom, Manuela and their neighborhood road association replaced the old bridge and rusty metal culverts with a free-span crossing that gives fish much-needed wiggle room. They also planted native trees and grasses to keep soil along the streambanks in place and out of the water.

According to RCD of Santa Cruz County Project Manager Kelli Camara, the new bridge gives imperiled fish unrestricted access to more than two miles of high-quality breeding habitat upstream.

"We're helping turn this part of Deer Creek back into the fish highway it used to be," Kelli said. "Tom and Manuela have seen more fish in the last two years than in the previous 15."

Kelli is also quick to point out that if it weren't for Partners in Restoration, the project never would have happened. She estimates Tom and Manuela would have had to secure permits from six government agencies, spend upwards of \$15,000 of their road association's money, and devote two to three years (perhaps more) to shepherd the permits through the approval process.

"We're helping turn this part of Deer Creek back into the fish highway it used to be."

Kelli Camara,
Project Manager
RCD of Santa Cruz County

IN PROGRESS INSTALLATION OF STREAMBANK PROTECTIONS AFTER A FLOODED CORRALITOS CREEK CARVED OUT PART OF AN APPLE ORCHARD. WORK WAS CONDUCTED IN THE SUMMERTIME TO AVOID HARMING FISH.



3

CORRALITOS CREEK, WATSONVILLE

AFTER APPLE FARMER MITCH BULICH SHOWS OFF THE RESTORED SECTION OF CORRALITOS CREEK HE HOPES WILL ONCE AGAIN SUPPORT LARGE NUMBERS OF THREATENED FISH.



Second-generation apple farmer Mitch Bulich will tell you he doesn't smile much. But, he can't keep from smiling about his work to restore a vital stretch of Corralitos Creek that runs through his 60-acre apple orchard in bucolic Watsonville.

During a recent visit, Mitch said (with a smile), "I hope this project will bring back the fish that used to be here. I remember coming down to the creek when I was younger. There were so many, I never had trouble catching the limit."

Through the mid-1900s, Corralitos Creek was one of Santa Cruz County's most productive steelhead breeding grounds. By the 1990s, steelhead populations had declined dramatically on Corralitos Creek and across the southern part of California's Central Coast. In 1997, the federal government listed the species as "threatened."

Among other factors, decades of dirt-laden runoff has clogged once-clean streams and buried gravel beds needed for spawning. Sediment in the creek also flows into the Pajaro River – one of the nation's most ailing waterways according to the nonprofit American Rivers – and eventually the ecologically rich Monterey Bay National Marine Sanctuary.

That was Mitch's problem. In 2006, a series of heavy rains turned the usually calm stretch of Corralitos Creek that meanders through his orchards into a rushing, theme-park water ride. Fast-moving currents broke off and swallowed a large swath of his orchard – more than 15,000 cubic yards of soil, enough to fill nearly a half-dozen Olympic-sized swimming pools.

STANDING HIS GROUND

To keep from losing more land and help the Corralitos return to the fish-friendly waterway it was decades ago, Mitch and the RCD of Santa Cruz County completed an audacious streambank stabilization project using Sustainable Conservation's Partners in Restoration program.

Restoration efforts involved installing a series of timber and rock "speed bumps" that not only slow the creek down to a less-destructive pace, but also redirect its flow away from the streambank to keep Mitch's orchards safe and the creek dirt-free. Engineers used redwood trees that fell into the creek back in 2006 to construct the velocity-reducing bumps (pictured behind Mitch).

According to RCD of Santa Cruz County Executive Director Karen Christensen, "The cool water and riparian cover Mitch's project has produced is critical to bring back populations of endangered fish to this important watershed. Corralitos Creek is the lowest tributary to the Pajaro River, and is accessible to fish even in dry years when other portions of the river aren't."

More fish will mean more smiles from Bulich ... something he's getting used to.

"[Mitch's project] is critical to bring back populations of endangered fish..."

Karen Christensen,
Executive Director
RCD of Santa Cruz County

2009 PARTNERS SUSTAINABLE CONSERVATION EXTENDS OUR SINCERE GRATITUDE TO OUR DEDICATED PARTNERS.

Advanced Drainage Systems
Affinia
Agflex, Inc.
Ag Innovations Network
Agricultural Leadership
Foundation
Akebono Brake Corporation
Alameda County Resource
Conservation District
Alameda Countywide Clean
Water Program
American Farmland Trust
American Nursery and
Landscape Association
American Society of
Landscape Architects,
Northern California Chapter
Amyris Biotechnology
AQUA TERRA Consultants
Aquarium of the Pacific
Association of Bay Area
Governments
Association of Landscape
Design Professionals
Atmospheric and
Environmental Research,
Inc.
Audubon California
Automotive Aftermarket
Industry Association
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Bay Area Open Space Council
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Belmont Nursery
Biodiesel Industries
BiRite Food Service
Bosch Brake Components
LLC
Brake Manufacturers Council
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Committee
Brake Parts, Inc.
Cachuma Resource
Conservation District
CALFED Bay-Delta Program
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California Agricultural
Commissioners and Sealers
Association
California Agricultural
Leadership Foundation
California Air Resources
Board
California Association of
Nurseries and Garden
Centers
California Association of
Resource Conservation
Districts
California Biodiversity
Council
California Cattlemen's
Association
California Climate Action
Registry

California Coastal
Commission
California State Coastal
Conservancy
California Cotton Growers
and Ginners Association
California Dairy Campaign
California Dairy Quality
Assurance Program
California Department of
Conservation
California Department of Fish
and Game
California Department of
Fish and Game – Wildlife
Conservation Board
California Department of
Food and Agriculture
California Department of
Transportation
California Department of
Water Resources
California Energy
Commission
California Environmental
Dialogue
California Environmental
Protection Agency
California Farm Bureau
Federation
California Invasive Plant
Council
California Invasive Species
Advisory Committee
California Landscape
Contractors Association
California Master Gardener
Program

California Native Plant
Society, Santa Cruz County
Chapter
California-Nevada Chapter,
Soil and Water Conservation
Society
California Polytechnic State
University, San Luis Obispo
California Rangeland
Conservation Coalition
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California State Water
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California Stormwater Quality
Association
California Water Institute
CALSTART
Castelanelli Brothers Dairy
Central Coast Resource
Conservation and
Development Council

Central Coast Salmon
Enhancement
Central Valley Bird Club
Central Valley Joint Venture
Clean South Bay
Clemson University
Coastal San Luis Resource
Conservation District
Community Fuels
Contra Costa County
Department of Public Works
Contra Costa County
Resource Conservation
District
Cottonwood Creek Watershed
Group
Crowell Dairy Farm
Defenders of Wildlife
Dixon Ridge Farms
E2 – Environmental
Entrepreneurs
East Lake County Resource
Conservation District
East Merced Resource
Conservation District
East Stanislaus Resource
Conservation District
Ecological Solutions, Inc.
Elkhorn Slough Foundation
Environmental Defense Fund
Erb Institute for Global
Sustainable Enterprise,
University of Michigan
Extengine Transport Systems
Fiscalini Farms
Friends of Fiscalini Ranch
Preserve

Friends of Marsh Creek Watershed	Monrovia	Regional Water Quality Control Board (North Coast Region)	San Mateo County Resource Conservation District	UC Davis – RIDNIS Project
Friends of the RanchLand	Monterey Bay National Marine Sanctuary	Regional Water Quality Control Board (San Diego Region)	Sand County Foundation	UC Division of Agriculture and Natural Resources
Joseph Gallo Farms	Morro Bay National Estuary Program	Regional Water Quality Control Board (San Francisco Bay Region)	Santa Cruz County	Conservation Tillage Workgroup
Glenn County Resource Conservation District	Morse Automotive	Resource Conservation District of Monterey County	Sierra Club	UC Santa Cruz Arboretum
Great Valley Center	Motor & Equipment Manufacturers Association	Resource Conservation District of Santa Cruz County	South Coast Habitat Restoration	UC Sustainable Agriculture Research and Education Program
Grower-Shipper Association	National Marine Fisheries Service	Resource Landowners Coalition	State of California Auto Dismantlers Association	University of Washington
Hilarides Dairy	Natural Resources Defense Council	Riparian Habitat Joint Venture	SureHarvest	Upper Salinas-Las Tablas Resource Conservation District
Hilmar Cheese	Olsen-Ecologic Engine Testing Laboratories	River Partners	TDC Environmental	URS Corporation
Humboldt County Resource Conservation District	Pacific Coast Producers	Sacramento Municipal Utilities District	Tamarisk Coalition	US Army Corps of Engineers
Huntington Botanical Gardens	Pacific Gas and Electric Company	San Benito Resource Conservation District	Tennessee Valley Authority	US Department of Agriculture, Natural Resources Conservation Service
Hydro Engineering, Inc.	Peninsula Open Space Trust	San Diego County	The Nature Conservancy	US Department of Interior
Indian Valley Organic Farm at the College of Marin	Point Reyes National Seashore – National Park Service	San Francisco Estuary Institute	Tollenaar Dairy	US Environmental Protection Agency
Inland Empire Utilities Agency	Process Profiles	San Francisco Estuary Project	Tollenaar Dairy	US Environmental Protection Agency, Region 9
Land Conservancy of San Luis Obispo County	PRBO Conservation Science	San Joaquin County Resource Conservation District	Tri-County FISH Team	US Fish and Wildlife Service
Lawrence Livermore National Laboratory	Quikrete	San Joaquin Valley Air Pollution Control District	Trout Unlimited	US Geological Survey
Loma Prieta Resource Conservation District	RCM Digesters	San Joaquin Valley Clean Energy Organization	Tulare Basin Wildlife Partners	Ventura County Resource Conservation District
Longfellow Farming Company	Redwood Community Action Agency	San Luis Obispo County	Tulare Lake Basin Working Group	Village Nurseries
Marin Resource Conservation District	Regional Water Quality Control Board (Central Coast Region)	San Mateo County Farm Bureau	UC Cooperative Extension, Master Gardener Program	West Lake County Resource Conservation District
Mendocino County Resource Conservation District	Regional Water Quality Control Board (Central Valley Region)		UC Cooperative Extension, Davis	Western United Dairymen
Merced County Department of Public Works	Regional Water Quality Control Board (Los Angeles Region)		UC Cooperative Extension, Kearney Agricultural Center	Westside Resource Conservation District
Merced County Resource Conservation District			UC Cooperative Extension, Kings	Xerces Society
Tim Merkel, Ph.D.			UC Cooperative Extension, Riverside	Yamagami's Nursery
Milk Producers Council			UC Cooperative Extension, Stanislaus	Yolo County Resource Conservation District
Mission Resource Conservation District			UC Cooperative Extension, Tulare	
			UC Davis	
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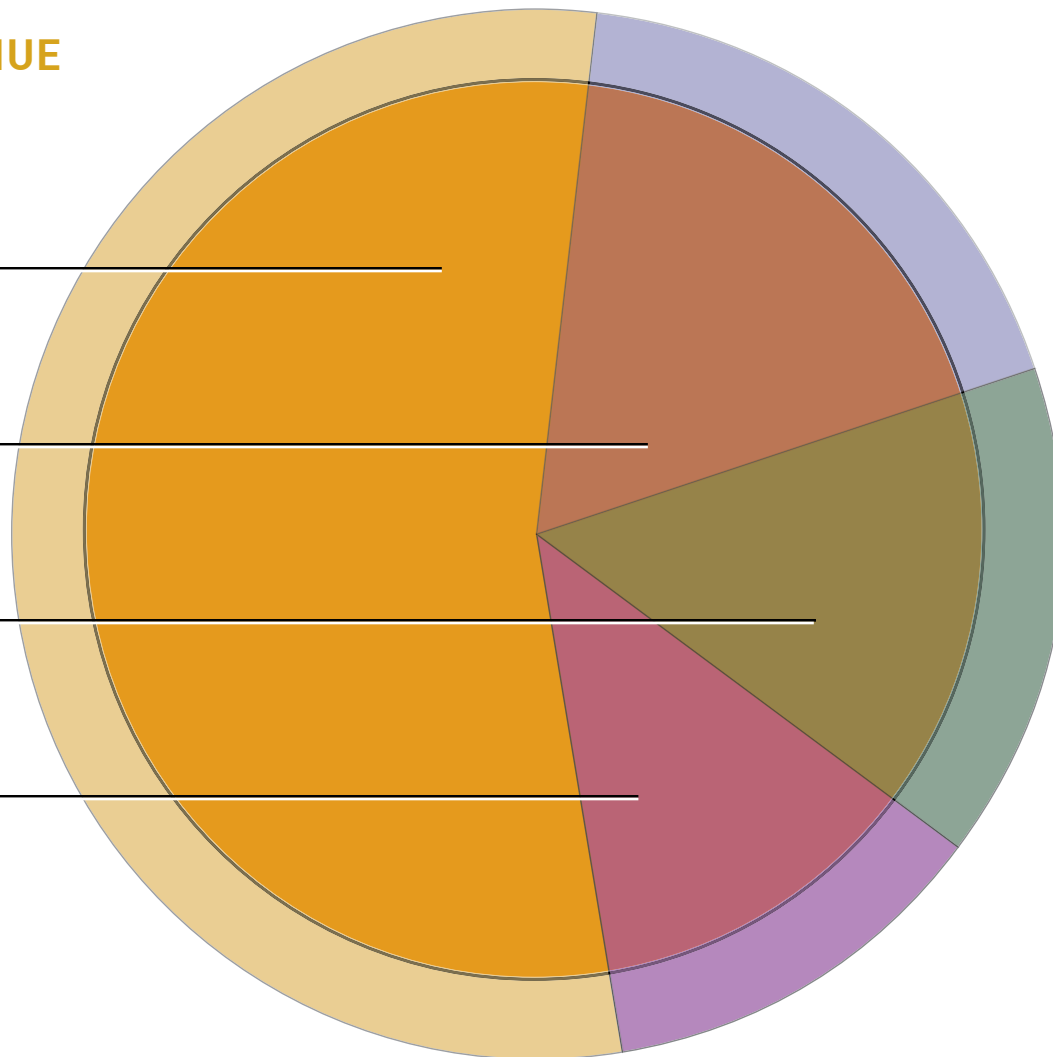
SUPPORT AND REVENUE

54% Foundation Grants

18% Individual Contributions

16% Other

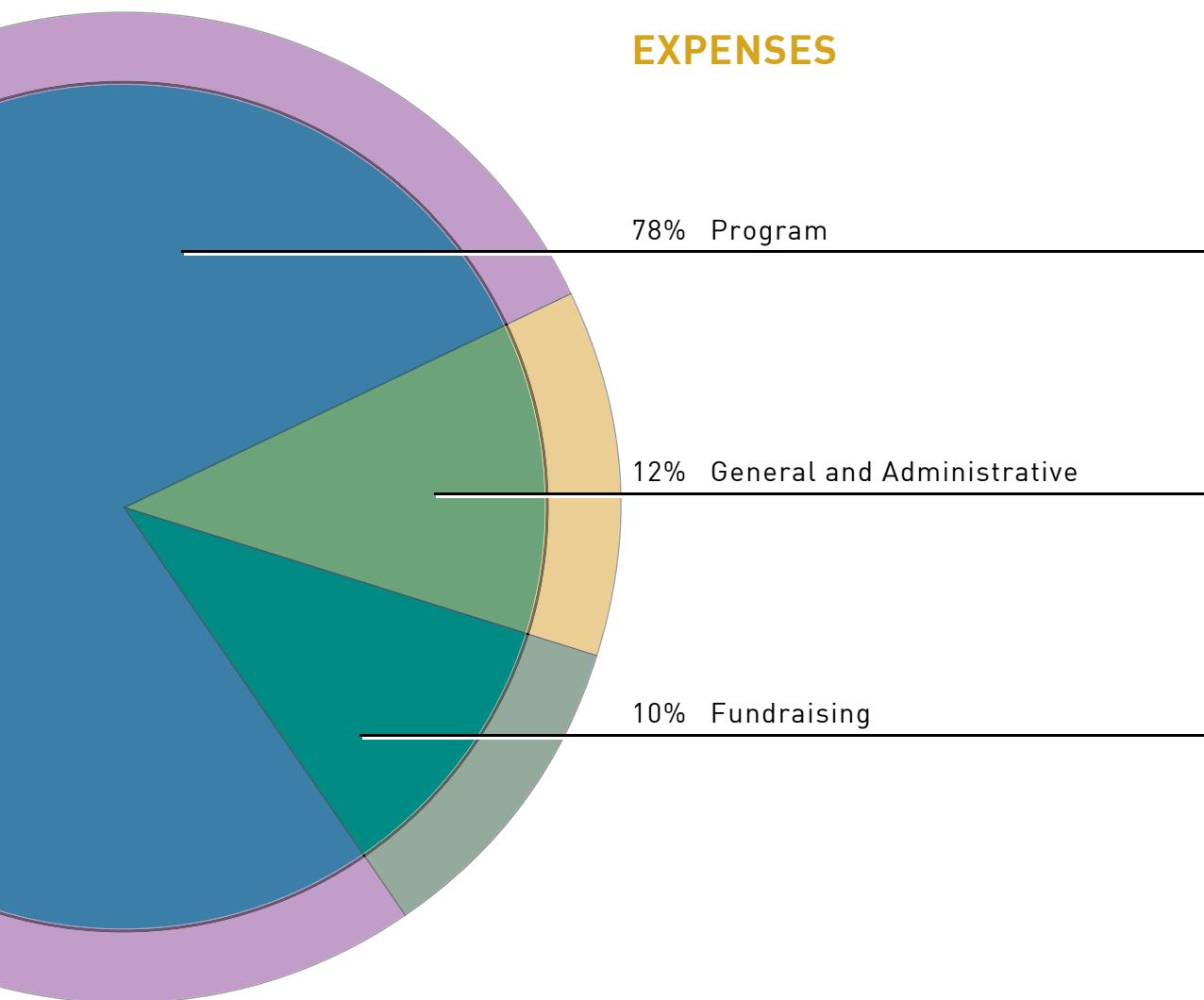
12% Government Grants



TOP HONORS 6 YEARS RUNNING

In 2009, Sustainable Conservation received top honors from the country's premier independent non-profit evaluator, Charity Navigator, for our financial strength and ability to maximize donations. That makes six years in a row – a ranking only 3% of all non-profits nationwide have achieved.

EXPENSES



STATEMENT OF ACTIVITIES

Foundation Grants	\$ 1,288,458
Government Grants	\$ 285,227
Individual Contributions	\$ 421,359
Other	\$ 371,264
Total Support and Revenue	\$ 2,366,308
Program	\$ 2,109,486
General and Administrative	\$ 326,228
Fundraising	\$ 285,669
Total Expenses	\$ 2,721,383
Net Assets Beginning of Year	\$ 2,848,623
Net Assets End of Year	\$ 2,652,652
Change in Net Assets	(\$ 195,971)

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Since 1993, Sustainable Conservation

has partnered with the private sector

to find environmental solutions that

make economic sense. Our climate,

clean air and water, and biodiversity

initiatives promote practical solutions

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benefits for California.