

News Release

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CALIFORNIA'S COASTAL FORESTLANDS, SALMON AND FOREST INDUSTRY BENEFIT FROM FIRST-OF-ITS-KIND LAND PROTECTION EFFORT

The Conservation Fund's Acquisition of 16,000 Acres in Mendocino County Leverages Unusual Funding Sources to Restore Wildlife Habitat, Protect Water Quality and Ensure Sustainable Forestry

Sacramento, CA (November 17, 2006) The Conservation Fund, in partnership with the State of California's Water Resources Control Board, Coastal Conservancy and Wildlife Conservation Board, and with support from ACE Group and Dallas-based Centex, announced today the conservation of approximately 16,000 acres, known as the Big River and Salmon Creek Forests, purchased from Hawthorne Timber Company, LLC for \$48.5 million.

Today's announcement ensures that the redwood and Douglas fir forests surrounding Big River and Salmon Creek will be permanently protected from fragmentation, development and conversion to non-forest uses. The forestland acquisition was made possible thanks in part to a \$25 million loan from the State Revolving Fund (SRF), the largest loan of its kind in US history. The Conservation Fund will implement sustainable forestry practices across both properties that will restore water quality and protect habitat for coho salmon, steelhead trout and spotted owl.

"This is a creative, innovative and unique approach to improving water quality and preserving watersheds that we at the California State Water Resources Control Board are proud to support through this \$25 million SRF loan," said State Water Resources Board member Charles Hoppin. "This project offers the best of both worlds: it supports the local economy while protecting wildlife habitat, improves prospects for fish, and ensures the forest will continue its beneficial impact on our air quality, as it remains productive in a sustainable way."

SRF is a low-interest loan program established under the Clean Water Act to fund water quality projects. While the program has traditionally been tapped to pay for construction of publicly owned wastewater treatment facilities and related infrastructure, SRF loans can also be used to address non-point source pollution issues, including those related to silviculture.

"This project is a model for large-scale forestland conservation in California and across the northwest," said The Conservation Fund's president, Larry Selzer. "By balancing economic and environmental objectives and leveraging new sources of conservation capital, we are pioneering a unique brand of conservation that combats land fragmentation, preserves water quality and wildlife habitat and ensures the long-term restoration and management of these forests."

Located in the middle of California's coastal redwood region, the forests surrounding Big River and Salmon Creek were managed by The Campbell Group and acquired from The Hawthorne Timber Company.

"The Hawthorne Timber Company and The Campbell Group are pleased to make this unique opportunity available to The Conservation Fund. We strongly support maintaining California's working forestlands so that our environment is conserved and timber supply is sustained to fulfill the needs of the local forest products industry," said The Campbell Group's managing director, Jerry Brodie. "We would also like to thank US Forest Capital, who played a pivotal role in originating this transaction and negotiating among the parties."

In addition to the \$25 million loan, the Fund received grants of \$7.25 million each from the Coastal Conservancy and Wildlife Conservation Board. To help support the cost of the acquisition and long-term forest restoration efforts, the Fund aims to raise an additional \$7.5 million from private philanthropic sources.

"We are pleased to see a partnership of this magnitude come together," said John John P. Donnelly, executive director of the Wildlife Conservation Board. "Many folks worked long-hard hours to bring closure to this project and the benefits to the forest resources, local economies and wildlife will be realized for generations to come."

"If you think that a healthy environment is at odds with a productive economy, think again," said Sam Schuchat, executive officer of the Coastal Conservancy. "We will demonstrate that forestry, done correctly, can coexist with sound environmental stewardship."

Private support was provided by ACE Group and Centex through the ACE Land Legacy Fund and the Centex Land Legacy Fund – both of which are used to support The Conservation Fund's top conservation priorities.

Evan Greenberg, President and Chief Executive Officer of ACE Limited, said, "Environmental stewardship is a responsibility for both the public and private sectors. At ACE, we take this responsibility seriously. Through the ACE Land Legacy Fund, ACE will help protect endangered and other high-priority conservation lands such as this beautiful California coastal redwood region."

"Centex is excited to be able to support this unique approach to conservation," said David Barclay, president and COO of Centex's Western US home building operations. "As one of the country's largest home builders, Centex has a company-wide commitment to balancing responsible development with land conservation. We want to enhance the communities we build as well as preserve a legacy of historic resources and important wildlife habitat for future generations to enjoy."

Across both forests, the Fund will implement sustainable management practices that include decreasing the intensity of harvests, increasing the time between harvests and widening riparian buffers to improve water quality in streams impaired by erosion resulting from a century of timber harvesting.

Owning and managing working forests in California is a new undertaking for the Fund, which in 2004 purchased the 24,000-acre Garcia River Forest from Coastal Forestlands Ltd. for \$18 million in partnership with the Coastal Conservancy, the Wildlife Conservation Board and The Nature Conservancy. The management plan for the Garcia River Forest specifies that two-thirds of the property will be managed for sustainable timber production with the balance set aside as a reserve.

“Acquiring the land is a critical part of protecting the watershed, but the hardest part is yet to come,” said The Conservation Fund’s California program director, Chris Kelly. “Conservationists managing forests is new territory; we’re learning as we go.”

Although northern California’s coastal forests have long supported abundant wildlife and a thriving economy—nearly 40% of the value of all timber harvested in California comes from privately owned forests in Humboldt and Mendocino counties—many of California’s forest-based communities are at a crossroads.

“Thirty years ago, it was rare that environmentalists and foresters were sitting down together to hammer out solutions, rather than lawsuits,” said Art Harwood, CEO of Harwood Products, a family-owned lumber mill and the third-largest private employer in Mendocino County. “In the future, I think that this sort of collaboration will establish a model for innovative and cost-effective forest conservation and job creation in Northern California and beyond, perhaps at a scale never before seen in the United States.”

THE CONSERVATION FUND

The Conservation Fund is the nation’s foremost environmental nonprofit dedicated to protecting America’s land and water legacy for current and future generations. Seeking innovative conservation solutions for the 21st century, the Fund works to integrate economic and environmental goals. Since its founding in 1985, the Fund has helped its partners safeguard wildlife habitat, working landscapes, community “greenspace,” and historic sites totaling more than 5.5 million acres nationwide. With 1 percent fundraising costs and 96 percent program allocation, The Conservation Fund is recognized as the nation’s top rated environmental nonprofit by both the American Institute of Philanthropy and Charity Navigator. www.conservationfund.org

US FOREST CAPITAL

US Forest Capital, LLC is a Portland, OR based forestry and financial services company that provides integrated advisory services to current and prospective landowners in the areas of conservation finance, governance and public policy.

THE CAMPBELL GROUP

The Campbell Group, LLC (TCG) is a vertically integrated, full-service timberland investment advisory firm founded in 1981 to acquire and manage timberland for investors. Our focus is exclusively on sourcing acquisition opportunities and managing timberland properties to produce superior risk-adjusted returns. With assets under management of approximately \$950 million, The Campbell Group is an entrepreneurial firm with a history of putting our clients first, and providing excellent performance and expert timberland management.

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