

CALERA

WINE OFFERING SUMMER 2000

by Josh Jensen

FIRST, I want to apologize to all parties about having taken so long to organize and write this brochure, not least to Diana, Judy and Dora in our office, who have had to ask me repeatedly to write the darn thing for months and months now. I especially ask forgiveness from those of you who have telephoned to ask if we removed your name from our mailing list. As you can see from getting this offering in the mail, we didn't.

BUT it has been exactly a year since we last mailed you a brochure, and for that, as I said, I take full responsibility. This has been a busy 12 months at Calera, as I am about to explain, and I don't really have a legitimate excuse for such tardiness, but the excuse that I will put forward in this short (hopefully) essay is that the internet made me do it.

Be that as it may, one of the many consequences of our going (note the first person plural) a full year without mailing a brochure is that now we must offer you twice as many new wines in this mailer, nine, as compared to the four or five we normally offer in each mailer. For space reasons, therefore, this brochure does not offer you any older, library or previously offered wines. We will offer one or two of those in our next brochure, which I hereby, personally promise to organize, write and make sure gets mailed out...soon.

**IT TURNS OUT THE UNIVERSE,
NOT THE EARTH, IS FLAT.**

"In balloon-borne experiments that could revolutionize the science of physics, a team of researchers peering back in time to the very beginning of the cosmos reported new evidence confirming that the universe is indeed 'flat,' and largely pervaded by an unknown force called 'dark energy.'" David Perlman, Chronicle Science Editor, *San Francisco Chronicle*, May 10, 2000.

I'd always thought the *earth* was flat, and that the whole "sphere" theory was just a fad. But reading this article finally convinced me I've been wrong all these years. I admit it. I'm resigning my membership

in the Flat Earth Society. The scientific evidence for a round, or should I say spherical, planet Earth does indeed seem incontrovertible by now, especially with all the supporting photos taken from satellites. But *the Universe* is flat. My original theory was wrong only in the details. I was almost right.

I was fascinated to read further in Mr. Perlman's article, cited above, and this is a direct quote, that "only 5% of the universe today must be composed of the ordinary matter that is familiar to all of us, while 30% consists of the unknown 'dark matter' whose mass binds everything in the universe together, but which scientists have yet to detect despite many frustrating experiments. The remaining 65% of the universe, the two teams of experimenters say, is the mysterious repulsive force called 'dark energy,' otherwise known to physicists as the 'cosmological constant' that keeps our runaway universe expanding ever faster, on and on into infinity."

So let's see if I get this straight. Only 5% of everything we know or know about is stuff such as toothpaste, asparagus, marbles, old t-shirts, palm trees, bicycle tires, humans and other animals, wine critics, banana peels, earthworms, dirt, water, flies, bugs, buildings, paper clips, dust balls, styrofoam, bacteria and viruses, baseballs, clouds, volcanic lava, plus all the planets, stars (of both the celestial and Hollywood varieties), meteors, meteorites, comets and moons. All those things amount to only 5% of all matter. Astronomers posit a further 30% as something they call "dark matter," and all the rest is something they call "dark energy."

Is that the best they can do? They should have asked the help of some kindergarten or first grade students, who surely would have come up with better, or at least more imaginative, names such as "dark goo," or "black binding stuff," or "invisible hidden martians," or "creepy slimy things," or even the ubiquitous "and (dark) stuff like that," in place of the bland term "dark matter." And for "dark energy" first graders might have come up with "invisible power bursts," or "mystery fourth dimension rays," or "dark repulsers."

And why did 2 teams of researchers both conclude that this so-called "dark matter" amounts to exactly 30% of everything, and "dark energy" exactly 65%? Doesn't that sound suspicious, a little too neat and tidy? Why not 28% and 67%? How can they be so sure it's 30 - 65, especially if they don't know what these two things actually are? If they do insist on this rudimentary 5 - 30 - 65 split, why not, just for fun, make it 5 - 30 - 60 - 5 instead, with the final 5% being a "fudge factor," or, since they seem enamored of the word "dark," then "dark fudge," or "dark fudge factor," or even "dark other stuff," in case there turns out to be something else?

In fact, although I only recently read about all these exotic subjects, I've decided to become the first entrepreneur of what I will call the "dark new economy" since I've already figured out what dark matter, dark

energy, and dark fudge factor really are. Sure, I could just blurt out my discoveries right here but I'm not going to. Instead, I'm going to take a page from the playbooks of all the internet entrepreneurs who've been madly trying to figure out how to make money from the internet. And since I'm the only player— that also automatically makes me the biggest player – in the “dark new economy,” I'm going to exploit this technological and market lead as Microsoft has always done, and also make all the rules. To start with, I hereby officially re-name these 3 hypothesized exotic unknown (to everyone except myself) matters as follows: “and dark stuff like that” (30%), “dark repulsers” (60%), and “dark fudge factor” (5%).

COMPARING THE “NEW ECONOMY” TO THE “DARK NEW ECONOMY”

As one who until just a month ago believed the earth to be flat, I will here freely – proudly! –proclaim that for some time I've believed that the internet, the lynchpin and main engine of the new economy, is merely a fad and that it will soon die out, like hula hoops and bell bottom trousers. (But I still do have a few pair of the latter, just in case I turn out to be wrong once again, and bell bottoms manage to come back into style. You can't be too careful. Or too thrifty.)

The internet may be just a fad, as I and at least 3 or 4 other humans (one of whom, the Unabomber Theodore Kaczynski, Harvard Class of 1964, is behind bars) assert, but there's no denying it's a huge element in today's overall economy, certainly if you measure companies by how much money they manage to lose. This was brought home to me when I read the December 31, 1999, issue of *Time* magazine, in which they named Jeff Bezos, the visionary and founder of Amazon.com and now a billionaire several times (pun intended) over, as Man of the Year. I was blithely reading this entrepreneur's life story when suddenly I came across the information that his company **lost \$650 million** last year. Such a minor and apparently trivial detail was mentioned almost in passing, the way you might note that a company's headquarters building could use a new coat of paint. (Calera's does.) (We're working on it).

Mr. Bezos hopes that Amazon will make money this year or next. Most analysts, though, believe that Amazon will lose several hundred million more dollars this year. Imagine how much Mr. Bezos might be worth if and when his company actually makes money!

I must confess that I fantasized about my being in Mr. Bezos' shoes, not as *Time's* Man of the Year, nor even as a billionaire. Actually, the thought of someone making a billion dollars from wine strikes me as the ultimate oxymoron, although *The Wine Spectator* found six or so wine billionaires around the world for an article last year. Most were men who had made their money in the financial sector, or by putting together

non-wine conglomerates first, and who then bought a prestige chateau afterward.

No, I was putting myself in Mr. Bezo's place by imagining what would happen if Calera lost \$650 million for even a few years, say 3 or 4. Well for one thing, San Benito Bank, our locally owned financial institution - and lender - would be nonplussed to say the least. I'm sure they'd convey some serious concerns to us about our financial performance. They might even go so far as to say something along the lines of, "Are you completely crazy, you morons? What the hell do you think you're doing, losing \$650 million? Do you think this is funny? Do you think we're gonna renew your line of credit if you keep this up for a few more years? No way!"

But I don't think my bankers would be my only, or even my primary, worry if Calera started losing \$650 million every year. Among other things, cash flow would start to be a problem at some point with losses that large. Then there are the 2 cosmopolitan governments, the humongous octopods of Washington, DC and Sacramento whose tentacles emanate in all directions. Those 2 giants have grown accustomed to my annual support. They've been pretty happy getting 51% of my income for years now - mind you, they can never bring themselves to say "thank you" or anything else so mundane; they limit themselves to brutal threats of incarceration, confiscation, seizures and liquidation if I should ever happen to be 3 or 4 seconds late with one of my substantial contributions - and the only reason I have any income for them to help themselves to in the first place is because Calera makes money - you know, a profit - every year. So if the 2 monster governments suddenly found themselves getting nothing or even, in their worst nightmare scenario, having to fork over to me 51% of a \$650 million net loss, or \$331.5 million, you can be sure they'd simply play their trump card, declare Calera a "hobby," and not only withhold the \$331.5 million I'd "earned" by virtue of my business losing \$650 million a year, but also tell me that I couldn't even deduct as business expenses any of the salaries I paid, grape purchases, utility bills or the many other costs of making wine because, they'd say, Calera doesn't even qualify as a "business" if it's losing that much money year after year.

If you think governments don't do this to normal folks, just try declaring your yacht, or your vintage car "museum" an official "business," and try to deduct from your annual income the very substantial expenses you spend operating your yacht "business" or your "museum" and see how far you get. Those governments would slap you down big-time, and probably throw in some jail time to teach you a lesson and to make an example of you expressly to intimidate any others who might be thinking of trying just such a hair-brained scheme.

But it's different for internet companies, because they're in the "new economy" where the old time religion, the old rules that say a busi-

ness has to make a profit at least occasionally, don't apply.

[Consumer Warning: Do not take any of the information provided herein as tax advice, legal advice, or even as serious commentary. The writer is not a certified public accountant, lawyer, venture capitalist, internet savant, nor even a savvy investor or else he would have been putting his money into internet start-ups for the last 6 years like everybody else instead of investing in 2 of the largest governments ever known to mankind or to any other aliens who may be alive in this flat universe, plus planting 28 acres of new vineyards, buying a very expensive new German wine press, building an expensive underground wine library to house all of Calera's older wines starting with the very first wine made, in 1975, and beginning construction on a building for actual permanent offices, bathrooms, showers, lunch rooms, storage and more warehouse space (estimated completion: 2001 or 2002). **Do not** listen to a winery owner for any sort of advice, except when he gives you unselfish, learned, reliable suggestions on how to spend your money on his wines. For tax advice, consult your tax adviser. For legal advice consult your lawyer or your team of lawyers. For normal investment advice consult your investment adviser or counselor. For advice on investing in the internet consult your daughter or your son (or both).]

If Amazon.com, a paragon of the "new economy," can lose \$650 million selling books and other known objects via the internet, imagine how much money I will be able to lose when I blaze an entirely new trail with my "dark new economy" and begin marketing "and dark stuff like that" (30% of all matter), "dark repulsers" (60%), and "dark fudge factor" (5%) to an entire world that doesn't even know what those things are! (As reported above, even the scientists don't know.) The possibilities, and the opportunities, are limitless. My goal is to see if I can lose a billion dollars a year for at least 10 straight years. What a major company I'll have then! The red ink will flow like the Mississippi, earning me instant respect throughout the world's investment communities. Wider recognition and major honors are sure to follow.

All of this came to me in a blinding flash, what inventors and engineers and entrepreneurs call a "Eureka moment." There I was, sweeping the warehouse floor over Memorial Day weekend, when the concept spontaneously blasted itself into my cranium: I'd fuse my theoretical scientific knowledge of what astronomers had formerly been called "dark matter" and "dark energy" with sophisticated financial techniques that internet entrepreneurs have honed to a fine point: I'd hire just a handful of eager young employees, give them stock options, tell them to speak only in generalities about future growth possibilities, "new technologies," critical mass, brand building and market share, and above all tell them to stress over and over again how different this "dark new economy" was from any former paradigm, model or template, and how the old rules no longer apply in this darker, newer world.

CALERA AND THE INTERNET

But when it comes to actually using today's internet, for instance to sell wine, I appear to be the last skeptic on this newly spherical earth. I don't care how many individual billionaires the internet has floated, I still think it's just a fad.

Modern-type folks of all ages are constantly asking me for my e-mail address, and are curious upon learning that I don't have one.

Everyone: "Are you on-line?"

Me: "No."

Everyone: "But surely you have an e-mail address?"

Me: "No."

Everyone: "Does Calera have a website, for people to 'visit'?"

Me: "No."

At this point my interlocutors break off the conversation, or at least the futile line of questioning, with an innocuous comment such as, "Hmm, that's pretty interesting." Or, "Well, you're certainly an original fellow." But what they're really thinking is, "*This guy's an Idiot!*"

So, why no internet at Calera? Why no e-mail?

Well, I'm running out of space so I'll just have to summarize my reasons here, and continue this discussion in the next brochure.

e-mail In the first place, although I neither send nor receive e-mail myself, I have been appalled by the desecration of the English language I've observed in the e-mails I've seen. People no longer punctuate, they don't capitalize, they don't use complete sentences, they don't form complete thoughts, they don't make cogent or well-reasoned points, and they don't proof-read before hitting the send button. I blame the internet for all that. Our language is a cultural treasure that I, for one, revere to perhaps an extreme degree. I blame the internet, with its exclusive emphasis on lightning speed over quality, and its aversion to capital letters and to spaces between words, for the bastardization of English that we're presently witnessing. An e-mail I had the misfortune of reading, from an English teacher and poet, contained the following word: "idon-tunderstand."

In my opinion, people might just as well send actual garbage to their friends, like fish bones and potato peels and oily rags, as electronic garbage such as that.

sellingwineviatheinternet People tell me we could sell so much wine via the internet. My answer to that is that we don't really want to. We like knowing our customers. What's wrong with the telephone, even if that technology was invented more than a century ago? It enables people to talk to one another, and thus requires – and keeps current – at least a modicum of human interaction skills. We also have a fax machine. And

we've recently gotten voice-mail, although when you phone us during business hours I should perhaps warn you that you'll almost certainly find your call answered by one of our humans. If you then tell our human that you'd rather talk to someone's voice-mail, they'll accommodate you.

I know I'm guilty of blind and irrational prejudice against selling over the internet. I admit that. And what I'm about to write doesn't apply to you or any other readers of this brochure or any of our other fine customers. But I just feel in my bones that most people who buy things on the internet are insomniac zombies who have nothing going on in their lives, no friends, no social skills, so they sit awake at 3 in the morning playing with their keyboards and ordering books from you-know-who, and wines from obscure wineries they don't know anything about. I view selling wine that way as sterile-selling, and I don't want to do it for the same reasons that I don't want to sterile-filter our wines. Sterile-selling and sterile-filtering are not nice. They're not friendly. They don't denote nor promote quality. And they both take away from, rather than adding to, our lives as humans.

I imagine one or two of you will let me know your thoughts on all this. But rest assured that I'm a very flexible, open-minded person. I'm willing to listen to others' opinions, and I have been known to change my mind. As just one example of my ability to change on a dime, I no longer believe the earth is flat.

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