

So You Want To Go Into The Wine Biz?

by Josh Jensen

About a year ago Judy Vargas, who has worked for us since 1991, walked over to my desk and said, "Houston -- I mean Josh -- we have a problem." I could tell she was upset.

Just the Facts, Ma'am

She told me that I had waited too long, back in the fall of 2005, before signing and mailing one of our many out-of-state license renewal forms. We currently sell wine to wholesalers or state governments (what!?) in 45 of our finest American states plus the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

We have always put the latter two markets in our Export category, rightly or wrongly. Last year our total Export sales, to about 20 different countries, were fully 25% of our entire sales volume. We may be the only U.S. winery exporting such a significant percentage of its total production. If not the only one, we are certainly one of the leaders in exporting the finest California wines. More about exports later in this essay.

We consider the District of Columbia to be part of the U.S., for now.

The "missing" five U.S. states, the only ones where our wines cannot be found in any wine shop or restaurant, are Indiana, North & South Dakota, Nebraska and Kansas. There may be a regional pattern there but I can't say for sure. In every other state you should be able to walk into a really good shop and buy some Calera. If you try that and they say, "Never heard of 'em," just tell ask them to special-order a case for you and they'll get in touch with our wholesaler pronto, because that is a very, very easy way for the store to make money.

Almost every one of the 45 state governments in whose states our wines are commercially available via a wholesaler or a state government office (what!?) requires Calera to have some sort of license, permit, registration or certificate. You should see our bulletin board that proudly displays these beautiful licenses -- it's almost as big as the new Jumbotron at Phone Company Park in San Francisco, home of the Giants. (It used to be named Pac Bell Park, then for a couple years they called it SBC Park. Now they've changed the name again, to still another phone company name, so it's easier just to call it Phone Company Park.) Go, Giants!

These governments think their state permits and licenses are really swell, and very important for preventing all sorts of nasty things from happening. But mostly they want our money, in the form of fees, and the ability to tell us how to run our business and to make us jump through hoops.

Some states' forms can only be signed by the owner or Chief Executing Officer (CEO), and in both cases that would be me, at least here at Calera. A small subset of those states

require said signatures to take place in front of the eyeballs of a Notary Public, for whatever that accomplishes. For those forms I've always had to make a special 20 minute drive down out of our hills, crossing the San Andreas Fault each time, to our bank in Hollister, where they have several extremely nice Notary Publics who cheerfully listen, or pretend to listen, to me each time they notarize something as I belly-ache -- I'm a real broken record -- about how unnecessary and ridiculous this whole ritual is. Then I drive another 20 minutes back to the winery.

So it came to pass that in early 2006, a few months after I'd caused us to miss one of the dozens of deadlines all these many states impose on us, Judy found herself informing me that we were in hot water with a state that's small both in territory and in the amount of wine they buy from us. She had given me "the packet" in mid-September, 2005, complete with the reams of forms already filled out, our \$90 check for the 2-year renewal fee, the envelope stamped and ready to be stuffed and mailed, lacking only the "required" owner's signature attested to and sworn by a notary public as being an honest-to-God signature written by the honest-to-God owner. So there should have been plenty of time for me to get it done before their October 1st deadline. Trouble was, the last 2 weeks of September are absolutely the craziest, most frenzied part of our yearly harvest and crush season, and I ended up missing the deadline.

Believe it or not, the owner or CEO of a small California winery does have one or two things on his or her plate during the middle of harvest that might even take precedence over getting a small state's license renewal form signed and notarized at the bank. It could have been that I was, like, working 24 or more hours a days trying to get the grapes picked at the right time and the winery refrigeration unit, which kept breaking down on us, back working so the fermentation temperatures wouldn't go through the roof, and sometimes driving into town at night when the bank isn't open to get dinner for the cellar crew, who will also be working 'til midnight or even later, having first asked them if they want pizzas or burritos or, if they're lucky, sushi, and answering the telephone unlike most people these days because the call at 10 o'clock at night is probably coming from a trucker with 22 tons of Chardonnay grapes who's on the wrong road heading away from our winery instead of toward it. It's always fun when truckers wait until they're completely lost out here in the hills and then try to call us on their cell phones for directions instead of planning ahead, knowing they'll probably get lost and phoning earlier in the day because -- guess what? -- there's practically no cell phone reception out here! That's always good for laughs, especially

by the cellar crew because it means that instead of maybe getting home at 11 p.m. and at least being able to say hello to their wives, they'll be here at the winery working until 3 a.m. and then...no hello.

Another delightful part of the harvest experience is getting calls from our growers asking if it's o.k. to go ahead and pick the grapes right now even though the grapes haven't achieved the ripeness we stipulated in the contract and the answer had better be yes because a big rain storm may be on the way – you never know for sure! -- and the grapes will surely rot on the vine before their very eyes if any rain touches a single grape and, by the way, their pickers are all about to leave for some other part of America or God knows what other country and surely won't be around next week if we unreasonably insist that they wait 'til then.

None of this harvest craziness, I realize, constitutes an excuse, certainly not to a government official in a far away state, for my being late with their forms, and now we had their Complaint informing us we had been found "in violation for your failure to renew your liquor license within the allotted time period." Further, "You may accept a Voluntary Assessment of \$250.00 plus \$37.50 in court costs, for a total of \$287.50 and pay your fine directly to this office." They neglected to mention that they'd already cashed and presumably spent the \$90 check we'd just sent them. Be that as it may, they gave us one month to decide whether to pay this "Voluntary Assessment plus court costs" (what court? what costs?) or to appeal it.

Judy's signatures and handwriting were all over these forms and my puny signature was on just one line, so they named her and only her on the Complaint, identifying her as our "LIC & SHIP CONTACT," and it was to her that they extended their kind offer to appear in person in their capital city, located, if memory serves me, quite some distance from Hollister, to make our appeal. Although they had "required" our packet in their office by October 1, 2005, they claimed they hadn't received it until October 6. I couldn't help wondering if they had witnesses to this alleged late arrival. Did these witnesses sign sworn affidavits in front of a licensed notary public? I don't think so.

And the license in question was not even going to become valid until January 1, 2006 anyway -- that is, 91 full days after their October 1 deadline for submitting our forms and our 90 bucks. So being five days late with our packet shouldn't be too serious, you'd think? Well, you'd be wrong. We were now the proud owners of Complaint #92-06-000022 and Violation #04934. Or I should say, Judy was.

Orphaned Or...Whatever

In the office we began our deliberations over this grave matter. What should we do, in the best interests of all parties? Should we fly Judy to _____, the capital of _____? (This is getting difficult to write, so I'll give the state a ficti-

tious name to protect the innocent – primarily Judy and me. I'll call it Shmelaware.) If we shipped Judy off to that state to plead our case, what if something went terribly wrong and the plane got lost in the Bermuda Triangle? Even worse, what if we lost our appeal and they raised our Voluntary Assessment by \$50, or more, because now there actually might be a "court" and some "costs?" Worse still, what if Judy got sentenced to six months in the slammer and they raised the Voluntary Assessment and threw in additional court costs just to show us who's the boss?

To put this business matter into a human context, it's important to realize how attached we all have become to Judy since she started working here in 1991. To us she is so, so much more than just a "Lic & ship contact:" she's our trusted, honest and loyal friend and co-worker. She's also a loving wife to Frank and a loving mother of Alexandra, then age 8. Judy, imagining a long trip followed perhaps by a few months in the slammer, mused out loud, "Alexandra could be orphaned...or whatever." (Just wondering, but what is the correct term for someone whose mother is incarcerated a continent away?)

Furthermore, Judy has a loving mother, a brother and a sister, all of whom love her dearly and would miss her terribly if she were sent to jail in far-off Shmelaware. She is in every way a model citizen and taxpayer who had never been in trouble with the law. Until now.

Are State Governments Fun, or What?!

Over the next week or so we discussed our few – and not very attractive – options. At one point I said in my usual prudent, reflective manner, "Let's just tell 'em to go to hell." For some reason Judy, Diana and Dora didn't think that would be the optimum solution. They'd heard about "the long arm of the law," and they didn't know whether Shmelaware had an extradition treaty with Shmalifornia for heinous crimes such as being a couple days "late" with license renewal forms that wouldn't even become valid for 91 more days.

We were grappling with this thorny issue, considering the multiple legal, ethical and humanitarian issues, with all their cross-ramifications, when out of the blue arrived a gift literally from the heavens because it came by fax: a request for a charitable donation of (free) wine from a woman I'd met socially a number of times. She and her husband are very close friends of some of my closest friends.

You're thinking, "A request for free wine is great news? Are you crazy?" But bear with me. It dawned on me slowly at first, then gathered momentum like an avalanche that sweeps everything in its path, that this woman's husband was a very, very, VERY senior state government official in – I kid you not – Shmelaware. I joyfully yelled to my co-workers, "OUR WORRIES ARE OVER!" Surely, this striking new development could, if I played my cards right, solve

every aspect of this thorny problem -- the \$287.50 fine that we shouldn't really have to pay, Judy's potential six months in the slammer, guilty pleas, and all that -- simply by making a nice donation to Mrs. Jones' (not her real name) favorite charity. We make donations to charities every single week of the year and never get any "return," so far as I can tell, for our generosity other than our psychic rewards. Here, finally, was a chance to get a "charity dividend!"

So I wrote back to Mrs. Jones and said yes, we would be entirely more than happy, in fact, entirely more than overjoyed, to make a donation of some of our finest vino to their pet charity and oh, by the way, to quote from my actual e-mail, first sketching an outline of our little "issue" with their state ("They're now making this into World War III..."), gently inquired if Bill (not his real name, either) "might be willing to make a call to someone at the ABCDXYZ to see if they could just chill out and put this tempest in a teapot into the 'Resolved Cases' file? Does he know anyone there? If he can get these bureaucrats to call off their dogs, I would be thrilled. Frankly, we sell very little wine in Shmelaware, so unless we can get this happily resolved I'm inclined just to pull out of the state and tell them what they can do with their outrageous demand for \$287.50 on top of their already steep \$90 license fee."

Our Worries Were Not Over

Bill was very nice and wrote back to me two weeks later: "I'm afraid my appeal to the Director [we'll call him Tom] wasn't persuasive. Tom personally reviewed the Calera matter and this is what he found: two previous applications (for each of the last two-year rounds) had also been tardy. I believe Calera's late penalty was waived in one of those cases. In the matter of this year, he was prepared to waive the fee until his enforcement officer pointed out that the postmark date from the mailing machine (I guess somewhere in the Calera office) was two days prior to the date on which the application had been notarized. Given that the Notary didn't attest to the application until the deadline date (or perhaps the day after; I wasn't clear on that), Tom wasn't able to grant a "delayed in the mail" ruling.

"Tom is a reasonable man, but the evidence against the waiver was too compelling. I know the Shmelaware law seems a little much, but Tom tells me many states have these advance filing dates."

He finished, "Mrs. Jones and I hope and trust you won't abandon Shmelaware over this problem. We regularly buy Calera's wines from _____ Wine & Liquor, and think of you often as we enjoy it."

Well, my friend truly did give it a heartfelt college try on our behalf, and I sincerely thanked him. I also totally caved in and decided to pay the fine. But to go with our money they also insisted that Judy -- or someone -- sign the following "Voluntary Assessment Agreement" (this entire

statement was in bright red CAPITAL letters; I've converted it into black and lower case letters to be easier on your eyes): "My signature on this document acknowledges my desire to plead guilty to the charge above. By pleading guilty, I understand that I must mail in the total amount due to the below listed address by the indicated due date. I further understand that by pleading guilty, I waive my right to a hearing before the ABCDXYZ Director and my right to appeal."

Guilty, guilty, guilty, three times over!

I told Judy I would be happy to sign it myself, but she demurred. Was she starting to enjoy her life of crime?

Today, we're still selling very small amounts of wine to our Shmelaware distributor. The charity auction of Mrs. Jones' favorite charity raised \$75,000 last year, of which our small contribution was only a tiny part. Mrs. Jones e-mailed me again a couple months ago to ask for a donation again this year, so we sent them another donation. I also told her she and Bill would have starring roles in our next mailer. She didn't seem to mind -- at that point.

Bill was in the process of retiring from his government career when all this was going down a year ago, and he and I corresponded after we'd paid the rip-off fine. I told him how complicated it is to sell wines in the U.S., where each state has its own set of rules and regulations. He suggested I have one of my staff become a notary so I can get those documents completed right here on the premises!

Well, Calera is run pretty much as a democracy, unfortunately, and every time we've put this notary matter to a vote, which we've done several times over the years, it's been one aye (me) to three nays (Diana, Judy and Dora). I think they'd be willing to vote for it if it involved someone else's being turned into a notary. They just don't want to take any chance of it happening to them. So we drive to the bank every time something needs notarization, which is more often than you'd think.

Bill also thinks the alcohol beverage industry should have "a uniform national permit and tax collection system such as the one the trucking industry got Congress to pass about a dozen years ago." I answered, and again I quote, "If you went to your ex-colleague Tom and his compliance officer and suggested such a thing for alcohol regulations they'd try to have you re-classified as criminally insane and locked you away on Devil's Island. When the 21st Amendment to the U.S. Constitution put an end to Prohibition in 1933 it gave each state the right to regulate all beverages containing alcohol within its own borders, so that's, in effect, embedded in the Constitution. Every state proceeded to set up bureaucracies that have become impregnable entrenched in the 73 years since. Dismantling any of them is near-impossible. Taking away even small slivers of their power requires a huge political fight. And who might lead that fight? Small wineries in California? I don't think so. They wouldn't stand a chance."

End of Part I. The rest of the story – Part II – will be mailed to you in September.

We apologize for not sending out a mailer in more than a year, since November, 2005, in fact. The guy who writes these things may have been thinking, “Give me a break!” and then simply gone ahead and taken that break. He has been, in any case, sternly warned not to let this happen again.

The wines we are offering you in this mailer consist of all 5 of our single-vineyard Mt. Harlan Pinot Noirs from the 2002 harvest, some in very limited quantities (sorry); our mid-priced Central Coast Chardonnay and Pinot Noir from the 2005 vintage, and our other distinctive wines from various vintages.

In the fall mailer you will be offered the next vintage of the above wines, i.e., the 2003 Mt. Harlan Pinots and the 2006 Central Coast-labeled wines, which will have been recently bottled by that time, and all our other wines in the most recent vintages. In that way we hope to get “caught up.”

If you had your heart set on a wine that is not listed for sale in this brochure, call and ask. It never hurts to ask.

Department of Chest Thumping

In the last year and a half or so Calera’s wines have received some of the best reviews in our entire 32 year history: *The Wall Street Journal* on Friday, January 12, 2007, rated Calera’s Central Coast Chardonnay 2004 #1 out of the 70 American Chardonnays they purchased in New York area wine shops for less than \$20. (page W8).

James Laube writing in *Wine Spectator* online on February 12, 2007, called our 2003 Mills Vineyard Mt. Harlan Pinot “delightfully elegant and stylish. It’s one of the best wines from Calera I’ve had in a while (92 points)... And Calera’s back labels are the most informative I can think of.”

The *Washington Times’* respected wine columnist Paul Lukacs wrote a “Special Report: California Pinot Very Popular” on August 2, 2006. Here are the highlights: “The following 14 wines were the best of the lot out of nearly 200 California pinot noirs I have tasted during the past few months. None is cheap, but each can hold its own qualitatively with a first-class Burgundy – itself a wine that usually carries a quite steep price tag... A final note: You’ll see that one winery has four wines included in the following recommendations. That’s because the Calera Wine Co., which back in the early 1980s was the first California producer to make pinots that could consistently compare favorably with premier cru and grand cru Burgundies, is still on top of its game. The hip and happening can obscure the tried and true in the competitive world of California wine, so it can be all too easy to overlook Calera. My experience indicates that doing so would be a definite mistake. First place: Calera 2002 Selleck Vyd. Fourth place (out of nearly 200 wines): Calera 2002 Jensen Vyd. Sixth place: Calera 2002 Reed Vyd. Twelfth place: Calera 2002 Mills Vyd. (Spicy, mintlike

notes introduce a wine of supple sophistication. Nothing weighty here, just elegance and grace.)”

Wine & Spirits magazine, in their Winter 2006 20th Annual Buying Guide Special Issue, named Calera one of its Wineries of the Year, in the “Artisan” category, declaring “Josh Jensen is considered by many to be one of the godfathers of California pinot noir, and his mountain-grown wines are still among the most elegant in the state.”

Wine Enthusiast magazine, in its June 2007 issue, will be reviewing 6 different estate wines of ours, all from our Mt. Harlan appellation, all with scores of 90 points or higher. We received advance notification, so when this issue is published be sure to get a copy!

Finally, the Best Wine Books Ever Written

are available in the “Calera book store” here in our elegant tasting room, now open to the public 7 days a week from 11 am to 4:30 pm. So you can purchase these books on your next visit, or by phone order – let your fingers do the talking, or whatever it was that they used to say -- or online (let your mouse do the talking?)

1. *The Heartbreak Grape: A Journey in Search of the Perfect Pinot Noir* has just been completely revised and updated by the brilliant author Marq de Villiers. The first edition, published in 1993, told about our crazy neighbors, our own somewhat crazy behavior, and our CRAZY lack of rainfall and irrigation water up to that point. This longer, information-packed revised version brings the saga up to the present day. It also discusses one or two other wineries but you can skip those parts. In paperback, \$14.95

2. *The Great Wines of America: The Top Forty Vintners, Vineyards, and Vintages* by Paul Lukacs. An outstanding exploration of what makes a wine “great.” Calera is one of the chosen forty. W.W. Norton, 2005. Hardback, \$29.95

3. *Real Wine: The Rediscovery of Natural Winemaking* by Patrick Matthews. Mitchell Beazley, Publishers, 2000. It has extensive quotes by yours truly. Hardback, \$25

Stop Moving, America!

We are already dreading the huge number of copies of this mailer that will be returned to us marked “No longer at this address – forwarding order expired” because so many of you will have changed your addresses in the last 15 months. So if this mailer was forwarded to you from a previous address, kindly notify us by e-mail, phone call or post card of your new address, or else our September mailer will not reach you. And try to stay in the same house for a few years this time. Put down roots. Get to know your neighbors.