This complies with the annual reporting requirement pursuant to Section 8618 of the Public Resources Code. It is a summary description of title settlements and other transactions entered into by the California State Lands Commission (CSLC) to meet the objectives of the Kapiloff Land Bank Act. This report reflects transactions from July 1, 2002 through June 30, 2003.

BACKGROUND

The Kapiloff Land Bank Act (Act) was introduced by Assemblyman Lawrence Kapiloff and enacted by the Legislature in 1982. The Act is an extension of CSLC authority as set forth in Public Resources Code Section 6307, enacted to facilitate settlements of title to real property with cash payments where exchange parcels are not readily available or are not of equal value and to facilitate mitigation through the pooling of such payments. The State holds and administers the acquired lands as sovereign lands of the legal character of tidelands and submerged lands.

ACQUISITION OF PROPERTY WITH LAND BANK FUNDS

There were no acquisitions of property made during fiscal year 2002-2003.

DEPOSITS INTO LAND BANK FUND

Moneys received into the land bank fund are subject to use restrictions as set forth in Public Resources Code Section 8613 - Moneys in the fund shall be available for expenditure by the trustee to purchase outstanding interests in tide and submerged lands; lands which have been or may be converted to wetlands, or adjoining or nearby lands where the public use and ownership of the land is necessary or extremely beneficial for furtherance of public trust purposes. Furthermore, if a deposit is made into the land bank for purposes of mitigation (by a non-public agency) the moneys donated are subject to a statutory trust limiting its use exclusively to the identified mitigation.

Oliver West

As part of a settlement of title to 121 acres of land in the City of Hayward, Alameda County, $596,101.49 has been deposited into the Kapiloff fund.

Roman Catholic Archbishop of San Francisco

As settlement of title to approximately 9.6 acres of land in the City of San Rafael, Marin County, $150,000 has been deposited into the Kapiloff fund.
Santa Ana River (Federal Condemnation)

On January 7, 2002, the U.S. District court entered judgment pursuant to the stipulation of the parties involving lands that include the historic bed of the Santa Ana River. Under the terms of the judgment, the United States re-vested any public trust interest in the State and its tidelands grantee, the City of Newport Beach, and agreed to pay just compensation for the underlying fee title. Monies received into the account for the fiscal year totaled $8,736.13.

Oil Spill Remediation

On September 28, 1997, a rupture occurred on the pipeline running from Platform Irene to shore, off Vandenberg Air Force Base in Santa Barbara County. A minimum of 163 barrels of petroleum was discharged which spread over an area essentially from Point Sal to Point Conception. In 2002, a settlement was reached between various government agencies and Responsible Parties, Torch Energy Company, Nuevo Energy Company and Black Hawk Oil & Gas Company. As part of that settlement, the Commission called for funds to settle its claim for trespass damages. The claim was brought because the Responsible Parties, in effect, occupied a large area of State tide and submerged lands without authorization. The settlement resulted in a $60,250.62 deposit to the Kapiloff Land Bank Fund.

Trevino Title Settlement

As settlement of title involving certain real property in and adjacent to the San Joaquin River, near Kerman, Fresno County, $3,200 has been deposited into the Kapiloff fund.

United States of America v. 75.45 Acres of Land, More or Less, Situate in the County of Contra Costa, State of California, Et Al

In settlement of the State's claimed sovereign interests taken by the United States in the condemnation, the United States was to deposit $262,500 into the Kapiloff Land Bank Fund in 1980. Said deposit was not made until October 17, 2003, the difference between the $351,464.44 deposited and the initial amount dictated by the judgment ($262,500) is interest earned ($88,964.44).
SPECIAL MITIGATION AND MANAGEMENT PROJECTS

Bolsa Chica

Bolsa Chica consists of 880 acres of lowlands located in Orange County adjacent to the Pacific Ocean and 327 acres of historic wetlands acquired by the California State Lands Commission in 1973 in settlement of long-standing land title claims. The parcel will be transformed into a full tidal basin with the remainder into wetlands. The primary source of funding has come from the Ports of Los Angeles and Long Beach in return for mitigation credits necessary for port expansion. $395,700.15 was expended during fiscal year 2001-2002. The standing balance is $64,067,248.32. These funds will be used for wetland restoration.

City of Newport Beach

Pursuant to Chapter 728, Statutes of 1994 and Chapter 317, Statutes of 1997, the City of Newport Beach has deposited $232,158.99 for the fiscal year into the Kapiloff Land Bank Fund for costs related to the administration of Granted Trust Lands. A total of $364,000 has been expended during the current fiscal year.

Las Tunas State Beach Groin Removal

In 1994, in lieu of litigation, a settlement agreement was reached for the purpose of removing dilapidated groins at Las Tunas State Beach, Malibu, Los Angeles County. During the fiscal year of 2002-2003, a total of $58,551.98 was expended.

UC Davis (Dust mitigation at Owens Lake)

Mitigation monies totaling $234,293.31 for fiscal year 2002/2003 received from Los Angeles Department of Water and Power (LADWP) in order to reduce and mitigate dust emissions at Owens Lake. During the fiscal year of 2002-2003 monies 213,973.73 was paid to the University of California, Davis for work done on reducing dust emissions.
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Title Settlements pursuant to PRC §8625 (a)</td>
<td>6,383,983.78</td>
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<tr>
<td>Bolsa Chica Wetlands Restoration</td>
<td>64,067,248.32</td>
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<td>Special Mitigation and Management Projects</td>
<td>2,756,600.56</td>
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