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, 2004 through June 30, 2005.

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 2004-2005.

LAND BANK FUND DEPOSITS/EXPENDITURES

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.

Ruble Farms

Title settlement between Ruble Farms and State Lands Commission to remove public trust claims to upland parcels that have been filled and cut-off from the waters of the South Fork of the Kings River. Parcels to be conveyed to the State will provide State ownership within the present waterway and adjacent banks and access from a public road to and along a portion of the left bank of the river. $465.00 expended during fiscal year 2004-2005 for title reports for parcels to be placed within the trust.
SPECIAL MITIGATION AND MANAGEMENT PROJECTS

ARCO – Bird Island

In 2001, Atlantic Richfield Company (ARCO) proposed to remove a remnant of a pier built in the early 1930s that was destroyed during a 1980 storm and is in a state of severe deterioration. Upon completion of a Draft Environmental Review one of the project impacts identified was the loss of the remaining pier structure as a roosting/nesting site for California Brown Pelicans and Brandt’s Cormorants. The California Fish and Game (CDFG) expressed concern of the loss of habitat to an endangered species. The project was revised to address CDFG concerns. The project will provide for the removal of the pier remnant and the installation of four steel pilings on which bird roosting/nesting platforms will be attached. Project will also include installation of quarry rock to protect the bases of the pilings and to provide additional hard bottom substrate on the sea floor.

CDFG has leased submerged lands for the maintenance of the four pilings and associated bird roosting/nesting platforms and the artificial hard bottom substrate. ARCO deposited $210,000 to be held in the Kapiloff Fund until the Project has been granted all of its necessary permits and authorizations, at which time such funds would be transferred to an interest bearing account specified by CDFG pursuant to an Interagency Agreement between the CSLC and the CDFG. Should the Project not receive all necessary permits and authorizations, such monies would be refunded to ARCO to be used for any alternative project that may be approved by the CSLC to enable ARCO to fulfill its obligations regarding the removal of the remaining pier structure and associated sub-sea debris.

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. A total of $1,794,254.96 has been deposited to the Land Bank Fund for the fiscal year. A total of $12,654,070.07 has been expended during fiscal year 2004-2005.
SPECIAL MITIGATION AND MANAGEMENT PROJECTS – cont.

Burlingame

In 1999, $200,000 was deposited into Kapiloff Land Bank Fund for the purpose of clean up and improvement for marketing the State owned parcel, known as the Anza Parcel located adjacent to San Francisco Bay, in the City of Burlingame, San Mateo County. In January 2005, $3,371.14 was paid out for the purpose of repairing a footbridge at the site. In February 2005, $1,280.00 was paid out for fencing at the site.

City of Newport Beach

Pursuant to Chapter 728, Statutes of 1994, and Chapter 317, Statutes of 1997, the City of Newport Beach has deposited $287,933.43 for the fiscal year into the Kapiloff Land Bank Fund for costs related to the administration of Granted Trust Lands. A total of $420,944.00 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 2003-2004, a total of $2,000.00 was expended.

Whaley Parcel

The Commission in a joint acquisition with the California Wildlife Conservation Board, acquired a 263 acre parcel located adjacent to the Cosumnes River Preserve in Sacramento County. The parcel has been leased to the U.S. Bureau of Land Management for inclusion into the Cosumnes River Preserve. $77.97 was expended during the fiscal year for a one-time partial tax bill.
FUND BALANCE SUMMARY 07/01/2005

<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>$6,633,089.30</td>
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<tr>
<td>Bolsa Chica Wetlands Restoration</td>
<td>$46,356,564.32</td>
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<tr>
<td>Special Mitigation and Management Projects</td>
<td>$2,537,645.71</td>
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</table>

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