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, 2005 through June 30, 2006.

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 2005-2006.

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.

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. Construction began in the fall of 2004 after 64 oil wells were abandoned under an agreement with the oil field operator. 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 $32,716,195.81 has been deposited to the Land Bank Fund for the fiscal year. A total of $50,436,107.82 has been expended during fiscal year 2005-2006.
City of Newport Beach

Pursuant to Chapter 728, Statutes of 1994, and Chapter 317, Statutes of 1997, the City of Newport Beach has deposited $308,602.66 for the fiscal year into the Kapiloff Land Bank Fund for costs related to the administration of Granted Trust Lands. A total of $543,588.00 was expended during fiscal year 2005-2006.

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. A total of $2,000.00 was expended during fiscal year 2005-2006.

Emerald Bay, Lake Tahoe – removal of non-native plants

In April 2005, the California State Lands Commission, as trustee of the Kapiloff Land Bank Fund, authorized the expenditure of up to $15,000 for a demonstration project to determine the feasibility of controlling and eradicating a non-native, invasive aquatic plant from Emerald Bay, Lake Tahoe. A total of $7,304 was expended during fiscal year 2005-2006.

UC Davis (Dust mitigation at Owens Lake)

A total of $34,186.31 was received for fiscal year 2005-2006 as mitigation monies 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 2005-2006, $166,671.00 was expended during fiscal year 2005-2006.

TITLE SETTLEMENTS

Rancho del Juan

Title settlement between Rancho del Juan, Inc. and State Lands Commission to remove public trust claims on an abandoned loop of the Colorado River north of the City of Blythe in Riverside County. The river at the location was cut off from natural flows in 1919-20 as part of man’s attempt to control flooding. The vacated channel was subsequently filled and leveled. A total of $347,000.00 was deposited into the Kapiloff Fund per terms of the settlement agreement.
FUND BALANCE SUMMARY 07/01/2006

<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>$5,390,747.64</td>
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<tr>
<td>Bolsa Chica Wetlands Restoration</td>
<td>$32,130,279.85</td>
</tr>
<tr>
<td>Special Mitigation and Management Projects</td>
<td>$2,255,356.61</td>
</tr>
</tbody>
</table>

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