KAPILOFF LAND BANK REPORT  
Fiscal Year 2008-2009

This report 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, 2008 through June 30, 2009.

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, which was 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 CSLC 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 2008-2009.

LAND BANK FUND DEPOSITS/EXPENDITURES

Moneys received into the Kapiloff Land Bank Fund (Fund) are subject to use restrictions as set forth in Public Resources Code Section 8613. Moneys in the Fund shall be available for expenditure 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 Fund for purposes of mitigation the moneys deposited are subject to a statutory trust limiting its use exclusively to the identified mitigation.

SPECIAL MITIGATION AND MANAGEMENT PROJECTS

Bolsa Chica Lowlands Restoration

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 CSLC in 1973 in settlement of long-standing land title claims. The property has been 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 $1,627,454.14 has been deposited to the Fund and a total of $3,384,744.89 was expended during fiscal year 2008-2009.
City of Newport Beach

Pursuant to Chapter 728, Statutes of 1994, and Chapter 317, Statutes of 1997, the City of Newport Beach has deposited $427,402.06 for the fiscal year into the Fund for costs related to the administration of Granted Trust Lands. A total of $323,883.43 was expended during fiscal year 2008-2009.

Oil Spill Remediation

On September 26, 1998, the tanker Command left San Francisco Bay bound for Panama. As it traveled in the southbound traffic lane off the San Francisco and San Mateo County coasts, it released an estimated 3,000 gallons of Intermediate Bunker Fuel. That oil washed ashore, largely in the form of scattered tarballs, over 15 miles of beaches, mainly in San Mateo County. The Federal Government and the State of California reached a settlement with the parties responsible designating that funds used for human use loss restoration projects. The Commission has previously approved projects for the Fitzgerald Marine Reserve and Mirada Surf Improvements in San Mateo County. $50,000.00 was expended from these funds in fiscal year 2008-09.

Carnival Cruise

The Commission previously accepted funds in the amount of $200,000 from Carnival Cruise Lines in settlement for failures to comply with ballast water management requirements under Public Resources Code Sections 71200 et seq. Funds were to be used for projects related to ballast water management. In 2008-09, $66,780 was expended to the Smithsonian Institution as final payment for research regarding ballast water exchange verification methodologies.

TITLE SETTLEMENTS

No Title Settlements resulting in deposits to the fund were completed in 2008-09.

FUND BALANCE SUMMARY 07/01/2009

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title Settlements pursuant to PRC §8625 (a)</td>
<td>$ 7,065,121.26</td>
</tr>
<tr>
<td>Bolsa Chica Lowlands Restoration</td>
<td>$19,242,984.44</td>
</tr>
<tr>
<td>Special Mitigation and Management Projects</td>
<td>$2,798,936.19</td>
</tr>
</tbody>
</table>

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 the moneys donated are subject to a statutory trust limiting its use exclusively to the identified mitigation.