



Southern California
LOGISTICS AIRPORT

June 1, 2017

NOTICE TO BONDHOLDERS AND "REPORTING OF SIGNIFICANT EVENTS" CONCERNING THE FOLLOWING BONDS ISSUED BY THE SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY (SCLAA)

FOR: Senior Lien Pledge, Non-Housing Bonds:

- SCLAA, Tax Allocation Parity Bonds, Series 2005A
- SCLAA, Taxable Tax Allocation Revenue Parity Bonds, Series 2006
- SCLAA, Tax Allocation Revenue Parity Bonds, Refunding Series 2006
- SCLAA, Taxable Tax Allocation Revenue Parity Forward Bonds, 2006

Housing Bonds:

- SCLAA, Tax Allocation Revenue Parity Refunding Housing Bonds, 2006
- SCLAA, Taxable Housing Set-Aside Revenue Parity Bonds, Series 2007

Junior Lien Subordinate Pledge, Non-Housing Bond:

- SCLAA, Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006

Subordinate Pledge, Non-Housing Bonds:

- SCLAA, Subordinate Tax Allocation Revenue Bonds, Series 2007
- SCLAA, Subordinate Tax Allocation Revenue Bonds, Series 2008A

SUMMARY

On March 22, 2017, Victor Valley Economic Development Authority (VVEDA) issued a check for \$13,872,934 to the City of Victorville. This distribution consisted of tax increment revenue for the period of April 30, 2016 through December 13, 2016 due to Victorville and SCLAA. Of this amount, \$36,150 will be set aside to be used for bond administration and fiscal agent fees and \$36,730 was deposited with The Bank of New York Mellon on May 9, 2017 to meet the increased reserve requirement for the SCLAA Tax Allocation Revenue Parity Bonds, Series 2006. The remainder amount of \$13,800,054 will be used for interest debt service payments due June 1, 2017 for the Senior Lien Pledge Non-Housing Bonds, the Housing Bonds, the Junior Lien Subordinate Pledge Non-Housing Bond, and the Subordinate Tax Allocation Revenue Bonds, Series 2008A. The total of these debt service payments is \$7,166,993, leaving a remaining amount of \$6,633,061.

The remaining amount of \$6,633,061 will be sent to the Trustee, The Bank of New York Mellon, complying with the Notice to Bondholders that The Bank of New York Mellon issued on October 14, 2016. As stated in this Notice to Bondholders, The Bank of New York Mellon will apply these funds first to the full amount of interest due for the oldest unpaid interest payments outstanding for the two parity bonds, the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. No partial payments will be made, therefore, any surplus funds will be held by the Trustee until the next debt service payment date and will be combined with additional funds received from SCLAA at that time. For additional detailed information on how The Bank of New York Mellon will apply these funds, please see The Bank of New York Mellon's Notices to Bondholders posted on MSRB's Electronic Municipal Market Access system ("EMMA") on May 24, 2017 for the two bond issues.

A default will occur on the current interest debt service payment due June 1, 2017 for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007. There are not enough remaining funds to pay full past due interest and current interest for this bond issue, however, there are sufficient funds to pay full past due interest and current interest payments on SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A since the amount due for this bond issue is significantly less. The Bank of New York Mellon does not provide for use of reserves for principal payments or partial

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interest payments. The remaining interest and principal defaults on the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the principal defaults on the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A will not be cured until sufficient revenue is received and sent to the Trustee to distribute, as stated in The Bank of New York Mellon Notice to Bondholders dated October 14, 2016.

A detailed spreadsheet summarizing the payments, current default, and a projection of reserve balances on June 1, 2017 is attached as Exhibit A.

Several material events have occurred over the last several years that have resulted in SCLAA defaulting on the bond issues and the use of reserves with the Trustee for interest payments:

- (1) As part of adopting its 2009 budget bill, the State of California approved AB 26 4X, which included a provision that required redevelopment agencies to make remittance for FY 10/11 to a county Supplemental Educational Revenue Augmentation Fund. Tax increment on hand from SCLAA paid this obligation of \$9,352,308 in FY 09/10 and \$1,923,641 in FY 10/11. These state-mandated payments severely impacted SCLAA's cash reserves.
- (2) In Fiscal Year 08/09, the assessed value for the Victor Valley Redevelopment Project Area was approximately \$9.49 billion. Beginning in FY 09/10, there were significant decreases in assessed value for the Victor Valley Redevelopment Project Area. Assessed values for the Project Area reached a low point of \$6.6 Billion in FY 12/13. The decrease was largely the result of the Great Recession. Since FY 12/13, assessed values have increased steadily. For Fiscal Year 16-17, the assessed value for the Project Area was approximately \$8.06 billion.
- (3) The State of California enacted legislation in June 2011 which eliminated all Redevelopment Agencies across the state. The Redevelopment Agency (RDA) dissolution process has created cash flow issues. The former RDAs must utilize a Recognized Obligation Payment Schedule (ROPS) process annually to receive funding from the County of San Bernardino only as approved by the State's Department of Finance (DOF). The County collects tax increment of the former RDAs and holds it in the Redevelopment Property Tax Trust Fund (RPTTF). Revenue distributed by the County on January 2 is typically the larger distribution; however, the January 2 distribution is designated for June 1 interest-only debt service payments. The June 1 distribution from the County, which is typically the smaller distribution, is designated for December 1 principal and interest debt service payments.

FUTURE OUTLOOK

As previously disclosed in SCLAA's notices to bondholders, the DOF's prior determination letters to SCLAA had limited SCLAA's ability to remedy previously defaulted amounts by not allowing SCLAA to collect and distribute all tax increment available from the revenues pledged for debt service. However, the DOF changed its position, and in its FY 16-17 ROPS determination letter dated April 13, 2016, the DOF authorized the payment of previously defaulted amounts and reserve shortfalls from all tax increment available from the revenues pledged for debt service. In its most recent April 11, 2017 determination letter for FY 17/18 funding, the DOF continued its position to allow for all tax increment available to be used for payment of previously defaulted amounts and reserve shortfalls.

If there are any questions regarding this notice, please contact Sophie Smith at ssmith@victorvilleca.gov or by phone at 760-955-5032.

The information contained herein has been approved for filing with the MSRB's Electronic Municipal Market Access system ("EMMA") by the Southern California Logistics Airport Authority, which as authorized and instructed the Bank of New York Mellon Global Corporate Trust to file this report in its capacity as the Disseminating Agent for the SCLAA bonds.



Douglas B. Robertson, Disclosure Representative
Southern California Logistics Airport Authority

Exhibit A

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
June 1, 2017 Debt Service Payments

Name of Debt	Original Debt	Reserve Fund Requirement	BNY Reserve 4/1/2017	Debt Service Principal 6/1/2017	Debt Service Interest 6/1/2017	Total Debt Service	Use of VVEDA Distributions	Default	Replenish Reserve	BNY Reserve 5/10/2017	% Reserve Fully Funded 5/10/2017
Senior Lien Pledge, Non-Housing Bonds											
SCLAA Tax Alloc. Rev. Parity Bonds (Partially Refunded)	2005A	26,850,000	1,797,890	1,798,782	402,966.88	402,966.88	402,966.88	-	-	1,798,782	100%
SCLAA Tax Allocation Revenue Parity Bonds	2006	45,020,000	4,441,744	4,405,014	1,283,287.50	1,283,287.50	1,283,287.50	-	36,730	4,441,744	100%
SCLAA Tax Allocation Revenue Parity Bonds (Refunding)	2006	62,780,000	3,519,300	3,520,649	1,247,268.75	1,247,268.75	1,247,268.75	-	-	3,520,649	100%
SCLAA Tax Allocation Revenue Parity Bonds	2006	34,980,000	2,476,455	2,477,406	997,855.00	997,855.00	997,855.00	-	-	2,477,406	100%
Total Senior Lien Pledge, Non-Housing Bonds		169,630,000	12,235,389	12,201,851	3,931,378.13	3,931,378.13	3,931,378.13	-	36,730	12,238,581	
Housing Set-Aside Bonds											
SCLAA Housing Set-Aside Revenue Bonds (Refunding)	2006	16,855,000	945,975	946,364	334,920.63	334,920.63	334,920.63	-	-	946,364	100%
SCLAA Taxable Housing Set-Aside Revenue Parity Bonds (other 50% of Reserve is insured)	2007	41,460,000	1,301,205	1,301,704	989,387.50	989,387.50	989,387.50	-	-	1,301,704	100%
Total Housing Set-Aside Bonds		58,315,000	2,247,180	2,248,068	1,324,308.13	1,324,308.13	1,324,308.13	-	-	2,248,068	
Total Senior and Housing Bonds		227,945,000	14,482,569	14,449,919	5,255,686.26	5,255,686.26	5,255,686.26	-	36,730	14,486,649	
Junior Lien Subordinate Pledge Bonds (Senior Subordinate Debt)											
SCLAA Taxable Subordinate Tax Allocation Revenue Bonds	2006	64,165,000	4,389,930	4,391,397	1,744,668.75	1,744,668.75	1,744,668.75	-	-	4,391,397	100%
TOTAL SENIOR, HOUSING AND SENIOR SUBORDINATE BONDS		292,110,000	18,872,499	18,841,316	7,000,355.01	7,000,355.01	7,000,355.01	-	36,730	18,878,046	
Subordinate Pledge Bonds (Junior Subordinate Debt)											
SCLAA Subordinate Tax Allocation Revenue Bonds	2007	42,000,000	2,824,473	374,392	1,155,961.25	1,155,961.25	-	1,155,961.25	-	374,392	13%
SCLAA Subordinate Tax Allocation Revenue Bonds*	2008A	13,334,925	1,332,492	153,832	166,637.50	166,637.50	166,637.50	-	-	153,832	12%
Total Subordinate Pledge Bonds (Junior Subordinate Debt)		55,334,925	4,156,965	528,224	1,322,598.75	1,322,598.75	166,637.50	1,155,961.25	-	528,224	
TOTAL		347,444,925	23,029,464	19,369,540	8,322,953.76	8,322,953.76	7,166,992.51	1,155,961.25	36,730	19,406,270	
SUMMARY OF FUNDS:											
Payment from VVEDA to SCLAA & Victorville - March 27, 2017											\$ 13,872,933.72
Less: Amount Held at SCLAA for Fiscal Agents Fees & Continuing Disclosure Report (1/2 of FY 2016/17 Budget)											(36,150.00)
Less: Amount wired to BNY 5/9/17 to meet 6/30/17 Reserve Requirement for SCLAA 2006 \$45M Tax Alloc Revenue Parity Bonds											(36,730.00)
Total Funds Available for June 1, 2017 Debt Service Payments											\$ 13,800,053.72
Total of June 1, 2017 Debt Service Payments (does not include default)											(7,166,992.51)
Remaining Funds Sent to Trustee for Past Due Payments and Deposit, per BNY Mellon Notice to Bond Holders dated October 14, 2016											\$ 6,633,061.21

*Per BNY, all past due interest payments and current interest due for SCLAA Subordinate TA Series 2008A Bonds will be paid from remaining funds 6/1/17.
See BNY's Notices posted on EMMA 5/24/17 for additional information