



Southern California

LOGISTICS AIRPORT

June 1, 2016

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, 2016, Victor Valley Economic Development Authority (VVEDA) issued a check for \$13,230,889.94 to the City of Victorville, which consisted of tax increment distribution revenue due to SCLAA from May 1, 2015 through December 16, 2015. Of this amount, \$35,000.00 will be set aside to be used for bond administration and fiscal agent fees and \$35,820.00 was deposited with The Bank of New York Mellon (BNY) on April 4, 2016 to meet the increased reserve requirement for the SCLAA Tax Allocation Revenue Parity Bonds, Series 2006. The remainder amount of \$13,160,069.94 will first be used for interest debt service payments due June 1, 2016 for the Senior Lien Pledge Non-Housing Bonds, the Housing Bonds, and the Junior Lien Subordinate Pledge Non-Housing Bond. The total of these debt service payments is \$7,103,130.64, leaving a remaining amount of \$6,056,939.30.

A portion of the remaining amount of \$6,056,939.30 will be used to fully fund the reserve account for the SCLAA Taxable Subordinate Tax Allocation Revenue Bonds, Series 2006. \$4,113,093.00 will be transferred to BNY to replenish this account to meet the reserve requirement. Based on projections, \$249,970.00 of the remaining amount will be set aside to cover all senior debt service payments due December 1, 2016. The other portion of the remaining amount will be used to pay the past-due debt service payments, starting with the oldest delinquencies first. This includes the principal payment of \$485,000.00 that was due December 1, 2012 for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007, plus \$74,265.63 in interest due to the bondholders on this defaulted principal, the principal payment of \$75,000.00 that was due December 1, 2012 for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A, plus \$3,375.00 in interest due to the bondholders on this defaulted principal, and the interest debt service payment of \$1,166,571.00 that was due June 1, 2013 for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007. In order to make the full interest payment of \$1,166,571.00, reserve funds of \$110,335.33 will be used.

Defaults will occur on the current interest debt service payments due June 1, 2016 for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. The Bank of New York

SOUTHERN CALIFORNIA LOGISTICS AIRPORT

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Mellon does not provide for use of reserves for principal payments or partial interest payments. The remaining defaults on the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A will not be cured until sufficient tax increment is received from Victor Valley Economic Development Authority.

A detailed spreadsheet summarizing the payments, replenishment of reserves, payment of defaults, current defaults, and a projection of remaining reserve balances on June 2, 2016 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:

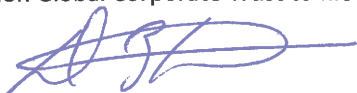
- (1) As part of adopting its 2009 budget bill, the State of California approved AB 26 4X, which included a provision that required redevelopment agencies to make remittance for FY 10/11 to a county Supplemental Educational Revenue Augmentation Fund. Tax increment on hand from SCLAA paid this obligation 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. Since that time, there has been a significant decrease in assessed value for the Victor Valley Redevelopment Project Area. For Fiscal Year 15-16, the assessed value for the Project Area was approximately \$7.5 billion. The decrease was largely the result of the Great Recession.
- (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 June 1 and December 1, 2015 Letters 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, since that time, the DOF has changed its position, and in its most recent FY 16-17 ROPS determination letter dated April 13, 2016, the DOF has authorized the payment of previously defaulted amounts and reserve shortfalls from all tax increment available from the revenues pledged for debt service.

A conference call to address any questions related to this Notice to Bondholders is scheduled for Wednesday, June 8, 2016, at 10:00 AM Pacific Standard Time. Please call (641) 715-3580 Access Code 105-475 to join the call. Additional documents relative to various actions VVEDA and SCLAA have taken in opposition to the State's dissolution process and determinations can be found at <http://victorvillecity.com/investor-relations/>.

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, 2016 Debt Service Payments

Name of Debt	Original Debt	Reserve Fund Requirement	BNY Reserve 4/1/2016	Debt Service Principal 6/1/2016	Debt Service Interest 6/1/2016	Total Debt Service	Use of VVEDA Distributions	Use of Reserve 6/1/2016	Default	Replenish Reserve	BNY Reserve 6/1/2016	% Reserve Fully Funded 6/1/2016
Senior Debt												
SCLA Tax Alloc. Rev. Parity Bonds (Partially Refunded)	2005A	26,850,000	1,797,890	1,798,117	-	422,457.50	422,457.50	-	-	-	1,798,117	100%
SCLA Tax Allocation Revenue Parity Bonds	2006	45,020,000	4,403,373	4,357,625	-	1,286,947.50	1,286,947.50	-	-	35,820	4,403,445	100%
SCLA Tax Allocation Revenue Parity Bonds (Refunding)	2006	62,780,000	3,519,300	3,519,338	-	1,266,868.76	1,266,868.76	-	-	-	3,519,338	100%
SCLA Tax Allocation Revenue Parity Bonds	2006	34,980,000	2,476,455	2,476,522	-	1,011,808.75	1,011,808.75	-	-	-	2,476,522	100%
Total Senior Debt		169,630,000	12,197,018	12,161,602	-	3,988,082.51	3,988,082.51	-	-	35,820	12,197,422	
Housing Set-Aside												
SCLA Housing Set-Aside Revenue Bonds (Refunding)	2006	16,855,000	945,975	946,026	-	340,220.63	340,220.63	-	-	-	946,026	100%
SCLA Taxable Housing Set-Aside Revenue Parity Bonds (other 50% of Reserve is insured)	2007	41,460,000	1,301,205	1,301,229	-	1,004,597.50	1,004,597.50	-	-	-	1,301,229	100%
Total Housing Set-Aside Debt		58,315,000	2,247,180	2,247,255	-	1,344,818.13	1,344,818.13	-	-	-	2,247,255	
Total Senior and Housing Set-Aside Debt		227,945,000	14,444,198	14,408,857	-	5,332,900.64	5,332,900.64	-	-	35,820	14,444,677	
Senior Subordinate Debt												
SCLA Taxable Subordinate Tax Allocation Revenue Bonds	2006	64,165,000	4,389,930	276,837	-	1,770,230.00	1,770,230.00	-	-	4,113,093	4,389,930	100%
TOTAL SENIOR, HOUSING AND SR. SUBORDINATE DEBT		292,110,000	18,834,128	14,685,694	-	7,103,130.64	7,103,130.64	-	-	4,148,913	18,834,607	
Junior Subordinate Debt												
SCLA Subordinate Tax Allocation Revenue Bonds	2007	42,000,000	2,824,473	491,344	-	1,155,961.25	-	110,335.33	1,155,961.25	-	381,009	13%
SCLA Subordinate Tax Allocation Revenue Bonds	2008A	13,334,925	1,332,492	160,230	-	165,062.50	-	-	165,062.50	-	160,230	12%
Total Junior Subordinate Debt		55,334,925	4,156,965	651,574	-	1,321,023.75	-	110,335.33	1,321,023.75	-	541,239	
TOTAL		347,444,925	22,991,093	15,337,268	-	8,424,154.39	7,103,130.64	110,335.33	1,321,023.75	4,148,913	19,375,846	
Payment from VVEDA to SCLAA & Victorville - March 2016							\$ 13,230,889.94					
Less: Amount Held at SCLAA for Fiscal Agents Fees, Continuing Disclosure Reports, Arbitrage fees							(35,000.00)					
Less: Amount wired to BNY 4/6/16 to meet 6/30/16 Reserve Requirement for SCLAA 2006 \$45M Tax Alloc Revenue Parity Bonds							(35,820.00)					
VVEDA Distrib Available for June 1, 2016 Debt Service Payments							\$ 13,160,069.94					
Total of Debt Service Payments from VVEDA Distribution for SENIOR, HOUSING AND SR SUB DEBT							(7,103,130.64)					
Remaining VVEDA Distrib Available after SENIOR, HOUSING AND SR SUB DEBT Debt Service Payments							6,056,939.30					
Replenishment of Reserve - SCLA Taxable Subordinate Tax Alloc Rev Bonds Series 2006							(4,113,093.00)					
Remaining VVEDA Distrib Available							\$ 1,943,846.30					
Less: Amount set aside for 12/1/16 debt service payments to cover senior and housing bonds, based on projections							(249,970.00)					
Remaining VVEDA Distrib Available							\$ 1,693,876.30					
Payment of Defaults :												
12/01/2012 Principal Default - SCLAA Subordinate Tax Alloc Bonds, Series 2007							(485,000.00)					
12/01/2012 Principal Default - SCLAA Subordinate Tax Alloc Bonds, Series 2007 - Accrued interest on principal since last interest payment to bondholders							(74,265.63)					
12/01/2012 Principal Default - SCLAA Subordinate Tax Alloc Bonds, Series 2008A							(75,000.00)					
12/01/2012 Principal Default - SCLAA Subordinate Tax Alloc Bonds, Series 2008A - Accrued interest on principal since last interest payment to bondholders							(3,375.00)					
06/01/2013 Interest Default - SCLAA Subordinate Tax Alloc Bonds, Series 2007							(1,166,571.00)					
Use of SCLAA Sub Tax Alloc Bond, Series 2007 Reserves to pay the full amount of the 06/01/2013 Interest Default							\$ (110,335.33)					
Balance							\$ -					