



Southern California
LOGISTICS AIRPORT

December 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 September 26, 2016, Victor Valley Economic Development Authority (VVEDA) issued a check for \$10,622,431 to the City of Victorville, which consisted of tax increment distribution revenue due to SCLAA from December 17, 2015 through April 30, 2016. Also, there was \$249,970 set aside from the previous VVEDA distribution to be used for the December 1, 2016 debt service. Additional revenue in the amount of \$1,640,572, resulting from SCLAA's Ground Lease and Development Agreement with High Desert Power Project (HDPP), Section 2.02, will also be used for SCLAA debt service. It was recently determined that this additional revenue could be used for SCLAA debt service and it was sent to the Trustee, The Bank of New York Mellon, to pay past due debt service on 12/1/16, as described below. Even though this additional revenue was received in increments beginning July 31, 2014, it was not enough to prevent any defaults on the Subordinate Bonds.

Of the total revenue available, \$36,150 will be set aside to be used for bond administration and fiscal agent fees and the remainder amount of \$12,476,823 will first be used for principal and interest debt service payments due December 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 \$11,288,131, leaving a remaining amount of \$1,188,692.

The remaining amount of \$1,188,692 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 to the full amount of interest due for the oldest unpaid interest payment outstanding. 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.

Defaults will occur on the current principal and interest debt service payments due December 1, 2016 for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the SCLAA Subordinate Tax Allocation Revenue Bonds, Series

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2008A. The Bank of New York 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 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 defaults, and a projection of reserve balances on December 1, 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, 2016 Letter 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.

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

SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
December 1, 2016 Debt Service Payments

Exhibit A

Name of Debt	Original Debt	Reserve Fund Requirement	BNY Reserve 9/1/2016	Debt Service Principal 12/1/2016	Debt Service Interest 12/1/2016	Total Debt Service	VVEDA Distributions	Use of Reserve 12/1/2016	Default	Replenish Reserve	BNY Reserve 12/1/2016	% Reserve Fully Funded 12/1/2016
Senior Debt												
SCLAA Tax Alloc. Rev. Parity Bonds (Partially Refunded)	26,850,000	1,797,890	1,798,193	945,000.00	422,457.50	1,367,457.50	1,367,457.50	-	-	-	1,798,193	100%
SCLAA Tax Allocation Revenue Parity Bonds	45,020,000	4,403,373	4,403,633	120,000.00	1,286,947.50	1,406,947.50	1,406,947.50	-	-	-	4,403,633	100%
SCLAA Tax Allocation Revenue Parity Bonds (Refunding)	62,780,000	3,519,300	3,519,546	980,000.00	1,266,868.76	2,246,868.76	2,246,868.76	-	-	-	3,519,546	100%
SCLAA Tax Allocation Revenue Parity Bonds	34,980,000	2,476,455	2,476,629	445,000.00	1,011,808.75	1,456,808.75	1,456,808.75	-	-	-	2,476,629	100%
Total Senior Debt	169,630,000	12,197,018	12,198,001	2,490,000.00	3,988,082.51	6,478,082.51	6,478,082.51	-	-	-	12,198,001	
Housing Set-Aside												
SCLAA Housing Set-Aside Revenue Bonds (Refunding)	16,855,000	945,975	946,067	265,000.00	340,220.63	605,220.63	605,220.63	-	-	-	946,067	100%
SCLAA Taxable Housing Set-Aside Revenue Parity Bonds (other 50% of Reserve is insured)	41,460,000	1,301,205	1,301,296	585,000.00	1,004,597.50	1,589,597.50	1,589,597.50	-	-	-	1,301,296	100%
Total Housing Set-Aside Debt	58,315,000	2,247,180	2,247,363	850,000.00	1,344,818.13	2,194,818.13	2,194,818.13	-	-	-	2,247,363	
Total Senior and Housing Set-Aside Debt	227,945,000	14,444,198	14,445,364	3,340,000.00	5,332,900.64	8,672,900.64	8,672,900.64	-	-	-	14,445,364	
Senior Subordinate Debt												
SCLAA Taxable Subordinate Tax Alloc Revenue Bonds	64,165,000	4,389,930	4,390,021	845,000.00	1,770,230.00	2,615,230.00	2,615,230.00	-	-	-	4,390,021	100%
TOTAL SENIOR, HOUSING AND SR. SUBORDINATE DEBT	292,110,000	18,834,128	18,835,385	4,185,000.00	7,103,130.64	11,288,130.64	11,288,130.64	-	-	-	18,835,385	
Junior Subordinate Debt												
SCLAA Subordinate Tax Allocation Revenue Bonds	42,000,000	2,824,473	381,028	590,000.00	1,155,961.25	1,745,961.25	-	-	1,745,961.25	-	381,028	13%
SCLAA Subordinate Tax Allocation Revenue Bonds	13,334,925	1,332,492	160,237	90,000.00	165,062.50	255,062.50	-	-	255,062.50	-	160,237	12%
Total Junior Subordinate Debt	55,334,925	4,156,965	541,265	680,000.00	1,321,023.75	2,001,023.75	-	-	2,001,023.75	-	541,265	
TOTAL	347,444,925	22,991,093	19,376,650	4,865,000.00	8,424,154.39	13,289,154.39	11,288,130.64	-	2,001,023.75	-	19,376,650	
SUMMARY OF FUNDS:												
Payment from VVEDA to SCLAA & Victorville - September 26, 2016							\$ 10,622,431.08					
Remaining balance held for Debt Service Payments from 6/1/2016 VVEDA Distribution							249,970.00					
HDPP Ground Lease - Section 2.02 - FY 13/14							268,795.00					
HDPP Ground Lease - Section 2.02 - FY 14/15							671,521.00					
HDPP Ground Lease - Section 2.02 - FY 15/16							700,256.00					
Total							<u>12,512,973.08</u>					
							(36,150.00)					
Less: Amount Held at SCLAA for Fiscal Agents Fees & Continuing Disclosure Report (1/2 of FY 2016/17 Budget)												
Total Funds Available for December 1, 2016 Debt Service Payments							\$ 12,476,823.08					
Total of Debt Service Payments - SENIOR, HOUSING AND SR SUB DEBT							(11,288,130.64)					
Remaining Funds Sent to Trustee for Deposit, per BNY Mellon Notice to Bond Holders dated October 14, 2016							\$ 1,188,692.44					