



THE BANK OF NEW YORK MELLON
The Bank of New York Mellon Trust Company, National Association

June 1, 2015

**To: Owners of
SOUTHERN CALIFORNIA LOGISTICS AIRPORT AUTHORITY
Subordinate Tax Allocation Revenue Bonds (the “Bonds”)
(Southern California Logistics Airport Project)
Series 2007**

***Cusip Numbers:**

842472CN0 842472CP5 842472CQ3
842472CR1 842472DC3 842472CS9 842472DD1
842472DE9 842472CT7 842472DF6

NOTICE OF EVENT OF DEFAULT

NOTE: THIS NOTICE CONTAINS IMPORTANT INFORMATION THAT IS OF INTEREST TO THE BENEFICIAL OWNERS OF THE SUBJECT SECURITIES. IF APPLICABLE, ALL DEPOSITORIES, CUSTODIANS AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO EXPEDITE THE RE-TRANSMITTAL TO BENEFICIAL OWNERS OF THE SECURITIES IN A TIMELY MANNER.

The Bank of New York Mellon Trust Company, N.A. serves as trustee (the “Trustee”) for the above-referenced Bonds pursuant to that certain Trust Indenture dated as of December 1, 2007 (the “Indenture”) by and between the Southern California Logistics Airport Authority (the “Authority”) and the Trustee. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

The Bonds are secured by Pledged Tax Revenues, on a subordinate basis to the Senior Bonds, and includes (A) tax increment revenues generated on the parcels comprising the Airport pledged and annually allocated pursuant to the Redevelopment Plan and the SCLAA JPA, and (B) all tax increment revenues pledged and annually allocated by the VVEDA Members from the VVEDA Project Area, with certain exclusions.

Prior Events of Default

As reported previously, the failure to make the principal redemption of \$485,000 due December 1, 2012, the failure to make the interest payment of \$1,166,570.63 due on June 1, 2013, the failure to make the principal redemption of \$505,000 and interest

payment of \$1,155,961 due on December 1, 2013, the failure to make the interest payment of \$1,155,961 due on June 1, 2014, and the failure to make the principal redemption of \$530,000 and interest payment of \$1,155,961 due on December 1, 2014 continue to remain Events of Default under Section 9.01 (a) and (b) of the Indenture in addition to the new Event of Default mentioned above.

Current Event of Default

There is \$1,155,961.25 interest due on June 1, 2015. The Authority failed to deposit revenues to make the payment, and there are insufficient funds in the Reserve Fund to make up the shortfall. **The non-payment of \$1,155,961.25 due on June 1, 2015 is an Event of Default under Section 9.01(b) of the Indenture**

Remedies

Pursuant to Article IX of the Indenture, during the continuance of such Event of Default, the Trustee may, upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, shall, by notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

Under Section 9.03 of the Indenture, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

- (a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the Authority and any of the members, officers and employees of the Authority, and to compel the Authority or any such members, officers or employees to perform and carry out their duties under the Redevelopment Law and their agreements with the Owners as provided in the Indenture.
- (b) By suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Owners; or
- (c) Upon the happening of an Event of Default (as defined in Section 9.01), by a suit in equity to require the Authority and its members, officers and employees to account as the trustee of an express trust.

Under Section 9.05 of the Indenture, the Trustee shall have no duty or obligation to enforce any right or remedy unless it has been indemnified by the Owners from any liability or expense including without limitation fees and expenses of its attorneys. Under Section 9.07 of the Indenture, the Owners of a majority in aggregate principal amount of the Bonds then outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee and upon furnishing the Trustee with indemnification satisfactory to it, to direct the method of conducting all

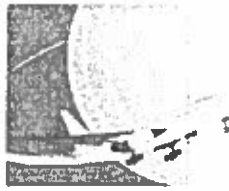
remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Attached is an Issuer's Notice to Holders which was posted to EMMA on June 1, 2015.

Owners can contact the Trustee as follows: The Bank of New York Mellon Trust Company, N.A., Attn: J. Chris Matthews, Vice President, 601 Travis – 16th Floor, Houston, Texas 77002, Ph: 713-483-6267 or by email: j.chris.matthews@bnymellon.com

The Bank of New York Mellon Trust Company, N.A. as
Trustee

***The CUSIP numbers appearing herein have been included solely for the convenience of the Bond Owners. The Trustee assumes no responsibility for the selection or use of such numbers and makes no representation as to the correctness of the CUSIP numbers listed above.**



Southern California
LOGISTICS AIRPORT

June 1, 2015

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 April 1, 2015, Victor Valley Economic Development Authority issued a check for \$10,727,694 to the City of Victorville which consisted of tax increment distribution revenue from May 1, 2014 through December 12, 2014. Of this amount \$73,500 will be used for bond administration and fiscal agent fees and \$33,416 was used to meet the increased reserve requirement for the SCLAA Tax Allocation Revenue Parity Bonds, Series 2006 on May 21, 2015. The remainder amount of \$10,620,778, in addition to \$244,192 currently held by the Bank of New York Mellon (BNY) as Trustee will be used for interest only debt service payments due June 1, 2015 for the Senior Lien Pledge Non-Housing Bonds, the Housing Bonds, and the Junior Lien Subordinate Pledge Non-Housing Bond. It will also be used to cure the default on the Junior Lien Subordinate Pledge Non-Housing Bond for the December 1, 2014 principal and interest debt service payment. The total of these debt service payments is \$9,799,451.

After all payments have been made on June 1, 2015, there will be a remaining balance of \$1,065,519 which will be used to partially replenish the Junior Lien Subordinate Pledge, Non-Housing Bond Reserve.

A default will occur on the interest payment for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007. The Bank of New York Mellon does not provide for use of reserves for partial interest payments. Therefore, the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 could not use the remainder of reserves available for the interest payment due. Reserves will be used to make the debt service interest payment for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A. The default on the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2007 and the draw on reserves for the SCLAA Subordinate Tax Allocation Revenue Bonds, Series 2008A will not be cured or replenished until sufficient tax increment is received from Victor Valley Economic Development Authority. A detail spreadsheet summarizing the payments, draw on reserves, defaults, and a projection of remaining reserve balances on June 1, 2015 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:

SOUTHERN CALIFORNIA LOGISTICS AIRPORT

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A WORLD OF OPPORTUNITY

- (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 14-15, the assessed value for the Project Area was approximately \$7.05 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 every six months 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

On May 18, 2015, the Victor Valley Economic Development Authority (VVEDA) received the attached letter dated May 15, 2015 (Exhibit B) from the DOF regarding its determination of funding for the upcoming ROPS 15-16A period, which covers obligations for July 1, 2015 through December 31, 2015, and more particularly the December 1 debt service payments. In its letter, the DOF determined it will only approve amounts due for the December 1 principal and interest payments, and will not approve excess funds that should otherwise be available to SCLAA to allow it to partially cure any previously defaulted bond payments. While VVEDA and the SCLAA have disagreed with this determination, both entities have exhausted all administrative remedies available by the State. SCLAA believes this DOF determination potentially impairs 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.

Below is a summary of all actions initiated by VVEDA and/or SCLAA since the State-imposed dissolution of RDAs in an attempt to protect any and all amounts pledged to debt service:

- In 2012, VVEDA sought declaratory relief from Sacramento Superior Court, seeking a determination that the RDA dissolution law did not apply to VVEDA, in an attempt to allow VVEDA to exist and distribute funds to its member entities and SCLAA as it previously had. The State of California prevailed when the court sustained a demurrer in the action.
- In May 2013, VVEDA filed briefs for its appeal of the Superior Court's ruling, which appeal was ultimately upheld in favor of the State. The final decision was to allow VVEDA to continue to exist as a JPA, but to eliminate all of VVEDA's redevelopment powers, including the continued use of tax increment in the pre-dissolution manner. Please refer to Exhibit C.
- Since August 2013, VVEDA attempted to work with DOF staff administratively to gain support for its position that the VVEDA JPA and funds generated there under should be treated as they were pre-dissolution. After numerous email and in-person discussions, VVEDA was notified in May 2015 by DOF that staff now considers this matter closed.
- In January 2014, VVEDA petitioned the DOF for a Final and Conclusive determination that the VVEDA JPA should be treated as an enforceable obligation and that all RPTTF monies should be passed through to VVEDA to be distributed in accordance with its JPA. On November 12, 2014, the DOF issued its determination letter and recognized the payments made pursuant to the VVEDA JPA to Victorville for the payment of "scheduled debt service payments" for SCLAA bonds as an Enforceable Obligation. Please refer to Exhibit D.

- In December 2014, VVEDA initiated special legislation in an attempt to exempt VVEDA from the RDA dissolution process through the legislative process; however, the draft legislation has gained little traction and legislative sponsors have expressed an unwillingness to move forward given the anticipated opposition from the Governor's office and the DOF.
- On April 10, 2015, upon receiving the DOF's initial determination for the 15-16A ROPS, staff initiated the administrative appeal process available to it, known as the "Meet and Confer" process. The details of the Meet and Confer position are attached as Exhibit E.
- As follow-up to the Meet and Confer, staff provided the attached additional documentation (Exhibit F) to support the defaulted amounts outstanding to demonstrate the need to receive all tax increment available, above and beyond any current debt service payments due.

In its May 15, 2015 final determination letter, the DOF indicated the "excess \$77,893 ... is not eligible for RPTTF funding on this ROPS." SCLAA's concern with such determination is the denial of any funding that may be available during any ROPS period which could be used to remedy previously defaulted amounts. As an example, June 2015 debt service payments due totaled approximately \$8.5 million. Amounts available from the VVEDA RPTTF to SCLAA totaled \$10.7 million. If the DOF applies its latest determination to the next ROPS 15-16B cycle, then *approximately \$2.2 million could potentially be withheld from SCLAA* for payment of previously defaulted amounts to bondholders for June 2016 debt service. Because this latest determination from the DOF represents a significant change in the DOF's prior ROPS determinations, the Authority is fully disclosing such determination as of function of its future outlook statement.

A conference call to discuss the topics outlined in this Notice to Bondholders is scheduled for Thursday, June 4 at 10:00 AM Pacific Standard Time. Please call (760) 243-4773 to join the call. Additional documents relative to various actions VVEDA has taken in opposition to the State's dissolution process and determinations can be found at www.victorvalleyca.com.

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
June 1-2015 Debt Service Payment

EXHIBIT A

Name of Debt	Original Debt	Reserve Fund Requirement	BNY Reserve 5/1/2015	Debt Service Principal 12/1/2016	Debt Service Interest 12/1/2016	Debt Service Interest 6/1/2015	Total Debt Service	Use of VVEDA Distributions	Use of Reserve 6/1/2015	Default	Replenish Reserve 6/1/2015	BNY Reserve 6/2/2015	% Reserve Fully Funded 3/2/2015
Senior Debt													
SCLA Tax Alloc. Rev. Parity Bonds (Partially Refunded)	2005A	26,850,000	1,797,890	-	-	445,083	445,083	445,083	-	-	-	1,797,930	100%
SCLA Tax Allocation Revenue Parity Bonds	2006	45,020,000	4,334,091	-	-	1,250,303	1,290,303	1,290,303	-	-	-	4,334,091	100%
SCLA Tax Allocation Revenue Parity Bonds (Refunding)	2006	62,780,000	3,519,300	-	-	1,285,199	1,285,199	1,285,199	-	-	-	3,519,301	100%
SCLA Tax Allocation Revenue Parity Bonds	2006	34,980,000	2,476,455	-	-	1,024,979	1,024,979	1,024,979	-	-	-	2,476,456	100%
Total Senior Debt		169,630,000	12,127,736	-	-	4,045,563	4,045,563	4,045,563	-	-	-	12,127,778	
Housing Set-Aside													
SCLA Housing Set-Aside Revenue Bonds (Refunding)	2006	16,855,000	946,001	-	-	345,193	345,193	345,193	-	-	-	946,001	100%
SCLA Taxable Housing Set-Aside Revenue Parity Bonds (other 50% of Reserve is Insured)	2007	41,460,000	1,301,205	-	-	1,019,158	1,019,158	1,019,158	-	-	-	1,301,205	100%
Total Housing Set-Aside Debt		58,315,000	2,247,206	-	-	1,364,351	2,364,351	1,364,351	-	-	-	2,247,205	
Total Senior and Housing Set-Aside Debt		227,945,000	14,374,942	-	-	5,409,913	5,409,913	5,409,913	-	-	-	14,374,984	
Senior Subordinate Debt													
SCLA Taxable Subordinate Tax Allocation Revenue Bonds	2006	64,165,000	4,389,930	755,000	1,817,269	1,817,269	4,389,538	4,389,538	-	-	1,065,519	1,065,519	24%
TOTAL SENIOR, HOUSING AND SR. SUBORDINATE DEBT		292,110,000	18,764,872	755,000	1,817,269	7,227,182	9,799,451	9,799,451	-	-	1,065,519	15,440,503	
Junior Subordinate Debt													
SCLA Subordinate Tax Allocation Revenue Bonds	2007	42,000,000	2,824,473	-	-	1,128,793	1,128,793	-	-	1,128,793	-	491,331	17%
SCLA Subordinate Tax Allocation Revenue Bonds	2008A	13,334,925	1,332,492	-	-	165,063	165,063	-	165,063	-	-	160,226	12%
Total Junior Subordinate Debt		55,334,925	4,156,965	-	-	1,293,855	1,293,855	-	165,063	1,128,793	-	651,557	
TOTAL		347,444,925	22,921,837	755,000	1,817,269	8,521,037	12,093,306	9,799,451	165,063	1,128,793	1,065,519	16,092,060	

Payment from VVEDA to SCLAA & Victorville - March 2015
Remaining balance held for Debt Service Payments from 12/1/2014 VVEDA Distrib
Total

10,727,894.00
244,192.00
10,971,886.00

Less: Amount Held at SCLAA for Fiscal Agents Fees, Continuing Disclosure Reports, Arbitrage fees
Less: Amount wired to BNY 5/21/15 to meet 6/30/15 Reserve Requirement for SCLAA 2006 S45M Tax Alloc Revenue Parity Bonds
Available for June 1, 2015 Debt Service Payments

(73,500.00)
(33,416.00)
10,864,970.00

Total of Debt Service Payments from VVEDA Distribution
Replenishment of Reserve - SCLA Taxable Subordinate Tax Alloc Rev Bonds Series 2006

(9,799,450.91)
(1,065,519.09)

Remaining VVEDA Distribution