

LITIGATION UPDATE

The Airports Authority is involved in various claims and lawsuits arising in the ordinary course of business that are covered by insurance or that the Airports Authority does not believe to be material. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Airports Authority's general counsel, the likely outcome in these matters that are not covered by insurance will not have a material adverse effect on the financial condition of the Airports Authority. Except as described below, no litigation is pending or, to the knowledge of the Airports Authority, threatened against the Airports Authority (a) seeking to restrain or enjoin the issuance of the Series 2017A Bonds or the collection of Net Revenues pledged under the Indenture, or (b) in any way contesting or affecting any authority for the issuance of the Series 2017A Bonds, the validity or binding effect of the Series 2017A Bonds or the resolution of the Airports Authority authorizing and implementing the Series 2017A Bonds or the Indenture, or (c) except as described below in the last paragraph of this section, in any way contesting the creation, existence, powers or jurisdiction of the Airports Authority, the validity or effect of the Federal Act, the Federal Lease, the Virginia Act or the District Act, or any provision thereof, or the application of the proceeds of the Series 2017A Bonds.

On July 5, 2016, six users of the Dulles Toll Road, individually and on behalf of all others similarly situated, filed a class action complaint against the Airports Authority, the United States Department of Transportation and the Secretary of Transportation in the federal district court for the District of Columbia. In the lawsuit, as originally filed, among other claims, the plaintiffs claimed that the payment of tolls on the Dulles Toll Road may not be used to subsidize the construction of the Dulles Metrorail Project and questioned the constitutionality of the Airports Authority and certain of its activities as operator of the Dulles Toll Road that are related to the Dulles Metrorail Project and the Airports Authority's Dulles Corridor Enterprise. The lawsuit was transferred to the federal district court for the Eastern District of Virginia in November 2016. Soon thereafter, the plaintiffs amended their complaint to add certain allegations and claims regarding the operation of the Aviation Enterprise by the Airports Authority and requesting, among other things, that the Secretary of Transportation retake possession of the Airports from the Airports Authority. Many of the claims raised in the amended complaint are substantially similar to claims made in previous litigation challenging the tolls the Airports Authority has set for the Dulles Toll Road and/or the constitutionality of the Airports Authority, all of which have been concluded in favor of the Airports Authority.

On May 30, 2017, the federal district court in Virginia granted the motions to dismiss filed by Airports Authority and the federal defendants, rejected all claims asserted by plaintiffs in the amended complaint, and dismissed the amended complaint with prejudice.

Plaintiffs thereafter filed an appeal of the district court's ruling in the U.S. Court of Appeals for the Fourth Circuit. Briefing in this appeal is underway and will be completed in mid-December 2017. A decision from the court of appeals is anticipated in the second or third quarter of 2018.

While the Airports Authority intends to continue to vigorously defend against the claims raised in the litigation, it cannot predict what action the court of appeals might take, or whether a decision by that court which is adverse to the Airports Authority will directly affect the Aviation Enterprise.

