

Toll Road Investors Partnership II, L.P.

(A Virginia Limited Partnership)

Financial Statements

For the years ended December 31, 2010 and 2009

Toll Road Investors Partnership II, L.P.

(A Virginia Limited Partnership)

Index

December 31, 2010 and 2009

	Page(s)
Report of Independent Auditors	1
Financial Statements	
Balance Sheets	2
Statements of Operations	3
Statements of Changes in Partners' Deficit	4
Statements of Cash Flows	5
Notes to Financial Statements	6-14



Report of Independent Auditors

To the Partners of
Toll Road Investors Partnership II, L.P.

In our opinion, the accompanying balance sheets and the related statements of operations, of changes in partners' deficit, and of cash flows present fairly, in all material respects, the financial position of Toll Road Investors Partnership II, L.P. (the "Partnership") at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

March 16, 2011

Toll Road Investors Partnership II, L.P.
(A Virginia Limited Partnership)
Balance Sheets
December 31, 2010 and 2009

	2010	2009
Assets		
Project investment, net	\$ 287,816,218	\$ 297,928,866
Funds held in escrow	172,751,837	159,619,670
Cash and cash equivalents	3,185,606	3,051,101
Prepaid bond insurance (net of accumulated amortization of \$12,421,849 and \$10,870,613, respectively)	73,622,036	75,173,272
Deferred bond issue costs (net of accumulated amortization of \$3,498,132 and \$3,081,694, respectively)	17,064,577	17,481,014
Accrued interest receivable	5,335	8,740
Prepaid expenses and other assets	465,229	515,431
Fixed assets (net of accumulated depreciation of \$1,122,684 and \$997,758, respectively)	359,604	365,553
Total assets	<u>\$ 555,270,442</u>	<u>\$ 554,143,647</u>
Liabilities and partners' deficit		
Current portion of long-term debt and accrued interest payable of \$935,156 for both 2010 and 2009	\$ 42,835,156	\$ 33,235,156
Long-term debt	971,768,533	953,373,429
Accounts payable and accrued expenses:		
Easement payable	3,888,283	3,255,622
Other accounts payable and accrued expenses	1,727,634	1,034,268
VIP program accrual	309,240	267,701
Total accounts payable and accrued expenses	<u>5,925,157</u>	<u>4,557,591</u>
Total liabilities	1,020,528,846	991,166,176
Partners' deficit	<u>(465,258,404)</u>	<u>(437,022,529)</u>
Total partners' deficit	<u>(465,258,404)</u>	<u>(437,022,529)</u>
Total liabilities and partners' deficit	<u>\$ 555,270,442</u>	<u>\$ 554,143,647</u>

The accompanying notes are an integral part of these financial statements.

Toll Road Investors Partnership II, L.P.
(A Virginia Limited Partnership)
Statements of Operations
For the years ended December 31, 2010 and 2009

	2010	2009
Revenue		
Toll revenue	\$ 64,949,711	\$ 63,782,561
Interest income	92,680	417,852
Other income	321,680	340,552
Total interest and other income	<u>414,360</u>	<u>758,404</u>
Total revenue, interest and other income	<u>65,364,071</u>	<u>64,540,965</u>
Costs and expenses		
Interest expense	64,756,528	62,946,858
Operation and maintenance expense	6,324,243	6,639,088
General and administrative	2,832,151	2,591,253
Legal and consulting	956,997	1,731,850
Depreciation	10,622,882	10,626,539
Real estate property taxes	2,302,260	2,177,259
State police agreement	707,998	664,216
Electronic toll/credit card processing fees	2,367,094	2,301,321
VIP miles program expense	537,680	464,833
Insurance	630,429	656,341
Easement fees	1,132,661	1,132,661
Other operating expenses	429,023	439,121
Gain on disposal of fixed assets	-	(2,720)
Total costs and expenses	<u>93,599,946</u>	<u>92,368,620</u>
Net loss	<u>\$ (28,235,875)</u>	<u>\$ (27,827,655)</u>

The accompanying notes are an integral part of these financial statements.

Toll Road Investors Partnership II, L.P.
(A Virginia Limited Partnership)

**Statements of Changes in Partners' Deficit
For the years ended December 31, 2010 and 2009**

	General Partner					Limited Partners			
	Shenandoah Greenway Corporation	Shenandoah Limited Partnership	AIE LLC	Duiles Greenway Partnership	Shenandoah I LLC	Partners' Deficit			
Balance at December 31, 2008	\$ (384,300)	\$(189,170,903)	\$ (118,312,979)	\$(57,278,939)	\$ (44,047,753)	\$ (409,194,874)			
Allocation of net loss	(27,828)	(12,998,298)	(8,162,686)	(3,710,261)	(2,928,582)	(27,827,655)			
Balance at December 31, 2009	(412,128)	(202,169,201)	(126,475,665)	(60,989,200)	(46,976,335)	(437,022,529)			
Allocation of net loss	(28,236)	(13,188,977)	(8,282,429)	(3,764,689)	(2,971,544)	(28,235,875)			
Balance at December 31, 2010	\$ (440,364)	\$(215,358,178)	\$ (134,758,094)	\$(64,753,889)	\$ (49,947,879)	\$ (465,258,404)			

The accompanying notes are an integral part of these financial statements.

Toll Road Investors Partnership II, L.P.
(A Virginia Limited Partnership)
Statements of Cash Flows
For the years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Net loss	\$ (28,235,875)	\$ (27,827,655)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	10,622,882	10,626,539
Gain on disposal of fixed assets	-	(2,720)
Accretion of bond discount	60,295,104	58,552,325
Amortization of prepaid bond insurance and deferred bond issue costs	1,967,673	1,900,784
Changes in operating assets and liabilities:		
Accrued interest receivable	3,405	122,858
Prepaid expenses and other assets	50,202	110,936
Accounts payable and accrued expenses	1,367,566	1,090,032
Net cash provided by operating activities	<u>46,070,957</u>	<u>44,573,099</u>
Cash flows from investing activities		
Net increase in funds held in escrow	(13,132,167)	(9,623,988)
Proceeds from the sale of fixed assets	-	2,500
Purchases of fixed assets	(138,126)	(113,371)
Payments for capital improvements to project investments	(366,159)	(3,046,752)
Net cash used in investing activities	<u>(13,636,452)</u>	<u>(12,781,611)</u>
Cash flows from financing activities		
Repayment of borrowed funds	(32,300,000)	(31,300,000)
Net cash used in financing activities	<u>(32,300,000)</u>	<u>(31,300,000)</u>
Net increase in cash and cash equivalents	134,505	491,488
Cash and cash equivalents, beginning of year	3,051,101	2,559,613
Cash and cash equivalents, end of year	<u>\$ 3,185,606</u>	<u>\$ 3,051,101</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 2,493,750</u>	<u>\$ 2,493,750</u>

The accompanying notes are an integral part of these financial statements.

Toll Road Investors Partnership II, L.P.

(A Virginia Limited Partnership)

Notes to Financial Statements

1. Organization and Business

General

Toll Road Investors Partnership II, L.P. (the "Partnership") is a Virginia limited partnership that owns and operates a limited access toll road (the "Dulles Greenway" or the "Project") located within a 250 foot wide right-of-way extending approximately 14 miles from the terminus of the existing Dulles Toll Road to Leesburg, Virginia. The road opened for operations on September 29, 1995.

Management Structure

Under the terms of the Amended and Restated Agreement of Limited Partnership (the "Amended Partnership Agreement") executed on April 29, 1999, Shenandoah Greenway Corporation ("Shenandoah" or the "General Partner") has the authority and discretion to manage the operations and affairs of the Partnership for the benefit of all partners. Currently Shenandoah is owned by the Dulles Greenway Partnership which in turn is owned 50% by Macquarie Atlas Roads (MQA) and 50% by Macquarie Infrastructure Partners (MIP). MQA and MIP are funds managed by Macquarie Group Limited.

Regulatory Environment

Construction and operation of the Project requires compliance with the Virginia Highway Corporation Act of 1988, as amended (the "Act"), and various federal, state and local government statutes, regulations and other requirements. Management believes that the Partnership is in compliance with the Act and all applicable federal, state and local government statutes, regulations and requirements.

The Act grants the Virginia State Corporation Commission ("SCC") various powers and duties with respect to the Project including the approval of the toll rates which may be charged and collected for use of the roadway. The Act provides that such toll rates are to be set at a level which is reasonable to the user in relation to the benefit obtained, which will not materially discourage use of the roadway by the public and which will provide the project's investors no more than a reasonable return as determined by the SCC.

On July 19, 2006, the Partnership filed an application with the SCC to increase the automobile and truck toll ceilings. On September 11, 2007 the SCC approved the Partnership's application. The SCC's order authorizes the Partnership to increase its automobile tolls in 3 stages, January 1, 2009 from \$3.00 to \$3.40, July 1, 2010 up to \$3.70, and January 1, 2012 up to \$4.00. The order also authorizes the implementation of a congestion management differential of approximately 20% during the peak travel periods as well as an increase in truck tolls effective October 1, 2007. The authorized toll for trucks is twice the automobile toll plus 50% of the automobile toll for each additional axle over 3 axles up to 6 axles.

In 2007 the Act was amended to authorize annual toll increases between 2013 and 2020 at the greater of growth in CPI plus one percent, GDP growth, or 2.8%, with additional increases if necessary to offset more rapid growth in property taxes or to ensure that the Partnership has sufficient revenues to achieve debt service coverage ratios.

The Act prohibits the Commonwealth of Virginia from obligating its full faith and credit on any financing of the Project. In addition, the Act establishes that the assumption of operation of the Project would not obligate the Commonwealth of Virginia to pay any obligation of the Project, whether secured or otherwise, from sources other than toll revenue.

In accordance with the Act, the Partnership is authorized to operate the Project pursuant to the Certificate of Authority through February 15, 2056.

Toll Road Investors Partnership II, L.P.

(A Virginia Limited Partnership)

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Basis of Accounting

The Partnership prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

The Partnership recognizes revenue daily as it is earned. Revenues are presented gross with Virginia Department of Transportation ("VDOT") fees and the VIP Miles Program cash back bonuses presented separately under expenses in the statements of operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, together with amounts disclosed in the related notes to the financial statements. Management believes that its estimates and assumptions are appropriate; however, future actual results could differ from those estimates.

Project Investment

The Partnership capitalizes all direct and indirect costs related to the acquisition, development and construction of the Project.

The Partnership reviews impairment accounting when assessing its long lived assets for recoverability. Accounting for impairment requires the Partnership (a) recognize an impairment loss on a long-lived asset only if the carrying amount of the long-lived asset is not recoverable from its undiscounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and fair value of the long-lived asset. Accounting for impairment prescribes that the best estimate approach be used to determine the undiscounted cash inflows and outflows when the impairment of a long-lived asset may exist.

In accordance with accounting for impairment or disposal of long-lived assets, management of the Partnership performed a recoverability test of its long lived assets as of December 31, 2010 using forecasted cash flow techniques. Management's evaluation indicated that, under the provisions of impairment accounting, no impairment exists as of December 31, 2010.

Cash and Cash Equivalents

The Partnership considers short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of 90 days or less, excluding funds held in escrow, to be cash equivalents.

Funds Held in Escrow

Certain funds are required to be held in escrow pursuant to the bond indenture discussed in Note 6. These funds are invested in short and long-term interest bearing deposits, commercial paper, money market funds, and investments with original maturities between overnight and ninety days.

Deferred Bond Issue Costs and Prepaid Bond Insurance

Costs incurred to refinance the Partnership's long-term debt, including bond issue costs and prepaid bond insurance, are amortized to interest expense over the terms of the respective financing agreements using the effective-yield method. Unamortized deferred bond issue costs and prepaid bond insurance are charged to interest expense if the related debt is retired before the maturity date.

Toll Road Investors Partnership II, L.P.

(A Virginia Limited Partnership)

Notes to Financial Statements

Fixed Assets

Furniture and fixtures, office equipment and vehicles are carried at historical cost and depreciated over estimated useful lives of three to five years. Depreciation expense on fixed assets totaled \$144,075 and \$139,850 in 2010 and 2009, respectively.

Income Taxes

The Partnership is not directly subject to federal and state income taxes because its taxable income or loss is recognized in the income tax returns of the Partners. Therefore, no provision for income taxes has been made in the accompanying financial statements.

Recently Issued Accounting Pronouncements

In February 2010, the FASB amended guidance on accounting and reporting for events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In addition, the guidance requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for selecting that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. The Company adopted the guidance in 2009. The adoption of the guidance did not have a material impact on the Company's financial statements.

3. Project Investment

Project investment consists of the following:

	2010	2009
Road construction development and right-of-way	\$ 303,163,504	\$ 303,163,504
Surfacing and safety fixtures	10,687,115	10,687,115
Toll collection equipment	11,400,819	11,400,819
Project improvements	108,277,501	107,827,190
Project improvements in progress	112,957	197,109
	<u>433,641,896</u>	<u>433,275,737</u>
Accumulated depreciation	<u>(145,825,678)</u>	<u>(135,346,871)</u>
Project investment, net	<u>\$ 287,816,218</u>	<u>\$ 297,928,866</u>

Project investments are carried at historical cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the components comprising the Project investment: 7 to 20 years for surfacing and safety fixtures; 8 years for toll collection equipment; and 5 years for toll collection computer software. All other improvements as well as the original construction and development of right-of-ways are depreciated over the remaining life of the Certificate of Authority, which expires on February 15, 2056. Depreciation expense on the project investment totaled \$10,478,807 and \$10,486,689 in 2010 and 2009, respectively.

4. Electronic Toll Processing Fees

The Partnership incurs processing fees for Automatic Vehicle Identification ("AVI") electronic toll collection transactions. These fees are assessed to the Partnership by the Virginia Department of Transportation ("VDOT"). Effective July 1, 2008, the fee was changed to \$0.06 per transaction plus 2.18% of revenues processed, effective July 1, 2009, the fee was

Toll Road Investors Partnership II, L.P.
(A Virginia Limited Partnership)
Notes to Financial Statements

changed to \$0.062 and 2.15%, and effective July 1, 2010 the fees became \$0.0645 and 2.05%.

5. VIP Miles Program

The Partnership maintains a VIP Miles Program (the "Program"), which enables members of the Program to receive a cash back bonus on the amount of tolls paid for using the Dulles Greenway during a twelve-month period. The amount of the cash back bonus received by a participant of the Program is based upon the number of trips taken on the Greenway. Cash back bonuses range from 5% to 15% of tolls paid provided that the minimum number of trips has been met.

6. Long-Term Debt and Financing Arrangements

Long-term debt at December 31, 2010 and 2009 consisted of the following:

	2010	2009
7.125% Series 1999A Senior Current Interest Bonds, original \$35,000,000 face amount, due 2035	\$ 34,944,766	\$ 34,942,481
Series 1999B Senior Zero Coupon Bonds, \$1,190,700,000 face amount, due 2035	503,570,618	493,747,315
Series 2005A Senior Callable Zero Coupon Bonds, \$994,088,050 face amount, due 2045	160,015,941	158,828,377
Series 2005B Senior Callable Zero Coupon Bonds, original \$453,800,000 face amount, due 2043	74,605,425	70,528,067
Series 2005C Senior Zero Coupon Bonds, original \$1,614,300,000 face amount, due 2036-2056	240,531,783	227,627,189
Total debt	1,013,668,533	985,673,429
Less current portion	(41,900,000)	(32,300,000)
Long-term debt	<u>\$ 971,768,533</u>	<u>\$ 953,373,429</u>

The Partnership funded the construction and development of the Dulles Greenway through equity contributions and from amounts loaned to the Partnership pursuant to certain financing agreements.

The 1999 and 2005 Senior Bonds were issued pursuant to a Master Indenture of Trust dated April 1, 1999, as supplemented by the First Supplemental Indenture of Trust, ("First Supplemental"), the Second Supplemental Indenture of Trust, the Third Supplemental Indenture of Trust, the Fourth Supplemental Indenture of Trust, ("Fourth Supplemental"), the Fifth Supplemental Indenture of Trust and the Sixth Supplemental Indenture of Trust, collectively the "Indenture". The Indenture requires the Partnership to maintain and operate the Dulles Greenway in compliance with the Partnership's comprehensive agreement with VDOT and the Act, as amended. The Indenture also requires the Partnership to use its best efforts to charge toll rates, subject to SCC approval, sufficient to meet certain minimum coverage ratios, as defined in the Indenture. If the Partnership does not meet the coverage

Toll Road Investors Partnership II, L.P.

(A Virginia Limited Partnership)

Notes to Financial Statements

ratios in any fiscal year, the Partnership will not be permitted to make distributions to the partners. The Indenture also contains limitations on, among other things, the Partnership's ability to incur additional indebtedness and requires that the Partnership establish and maintain funds to be held in escrow with the Trustee. As of December 31, 2010 the Partnership was in compliance with its coverage ratios as required by the Indenture. As a result of 2008 non-compliance with a coverage ratio, the Partnership is currently prohibited from making distributions to its partners until December 2011.

On April 29, 1999, the Partnership refinanced its original debt and issued an aggregate of \$35.0 million of 7.125% Senior Current Interest Bonds, Series 1999A, due 2035 (the "1999A Bonds") and an aggregate original principal amount of \$297,782,516 of Senior Zero Coupon Bonds, Series 1999B, due each February 15 from 2003 through 2035 (the "1999B Bonds") and together with the 1999A Bonds, the ("1999 Senior Bonds").

Interest accrues on the 1999A Bonds at a rate of 7.125% per annum. Interest is payable semi-annually on each February 15 and August 15. The 1999A Bonds are subject to early redemption at the option of the Partnership, in whole or in part at any time, at a redemption price equal to the sum of (i) the principal amount of the 1999A Bonds to be redeemed, (ii) interest accrued thereon to the redemption date, and (iii) the make-whole premium, if any, determined in accordance with the First Supplemental.

Interest accrues on the 1999B Bonds and compounds semi-annually on each February 15 and August 15, at rates ranging from 6.1% to 7.3%, such interest to be paid only at maturity or redemption. Scheduled maturities of the 1999B Bonds are \$26.6 million in 2011, \$29.3 million in 2012, \$31.0 million in 2013, \$32.9 million in 2014, \$34.8 million in 2015 and \$1.037 billion maturing in years 2016 through 2035. The 1999B Bonds are subject to early redemption at the option of the Partnership, in whole or in part at any time, at a redemption price equal to the sum of (i) an amount equal to the accreted value of the 1999B Bonds to be redeemed (calculated through the redemption date in accordance with the First Supplemental) plus (ii) the make-whole premium with respect to such accreted value, if any, determined in accordance with the First Supplemental.

Original issue discounts on the 1999A and 1999B Bonds are being amortized over the life of the bonds to maintain an effective rate of 7.125% and 7.142%, respectively. Adjustments to the face value of the bonds and the related original issue discount are made if and when scheduled mandatory payments are made. Accretion of these discounts totaling \$34,925,589 and \$34,155,907 was added to the amount of 1999 Senior Bonds outstanding and included in interest expense at December 31, 2010 and 2009, respectively. The remaining unamortized discount on the 1999A and 1999B bonds was \$55,234 and \$687,129,382, respectively, as of December 31, 2010.

The 1999 Senior Bonds are insured by two financial guaranty insurance policies (collectively, the "MBIA Policy") issued by MBIA Insurance Corporation ("MBIA"). The MBIA Policy covers the payment of scheduled principal and interest payments on the 1999 Senior Bonds. The MBIA Policy does not cover any make-whole premium as defined by the Indenture or optional redemption payments. The 1999 Senior Bonds are further collateralized by all of the assets of the Partnership.

On March 2, 2005, the Partnership issued an aggregate original principal amount of \$162,438,434 of Senior Callable Zero Coupon Insured Dulles Greenway Project Revenue Bonds, Series 2005A, due 2045 (the "2005A Bonds"), \$53,761,686 of Senior Callable Zero Coupon Insured Dulles Greenway Project Revenue Bonds, Series 2005B, due 2043 (the "2005B Bonds") and \$174,402,930 of Senior Zero Coupon Insured Dulles Greenway Project

Toll Road Investors Partnership II, L.P.
(A Virginia Limited Partnership)
Notes to Financial Statements

Revenue Bonds, Series 2005C, due each February 15 from 2036 through 2056 (the "2005C Bonds") collectively the "2005 Senior Bonds".

Interest accrues on the 2005A Bonds and compounds semi-annually on each February 15 and August 15 at rates that will produce yields to maturity of approximately 5.425%, such interest to be paid only at maturity or prior redemption. For any year from 2006 through 2021 in which the Partnership has sufficient cash available in the early redemption fund, the 2005A Bonds are subject to mandatory early redemption, in part, by the Partnership on February 15 in each year, beginning February 15, 2006 and ending February 15, 2021, in accordance with and as described in the Fourth Supplemental.

Interest accrues on the 2005B Bonds and compounds semi-annually on each February 15 and August 15 at a rate to produce a 5.7% yield to maturity, such interest to be paid only at maturity or prior redemption. For any year from 2022 through 2035 in which the Partnership has sufficient cash available in the early redemption fund, the 2005B Bonds are subject to mandatory early redemption, in part, by the Partnership on February 15 in each year, beginning February 15, 2022 and ending February 15, 2035, as described in the Fourth Supplemental.

Interest accrues on the 2005C Bonds and compounds semi-annually on each February 15 and August 15 at rates ranging from 5.55% to 5.65%, such interest to be paid only at maturity or prior redemption.

Original issue discounts on the 2005A, 2005B and 2005C Bonds are being amortized over the life of the issues at 5.425%, 5.7% and 5.568%, respectively. Adjustments to the face value of the bonds and the related original issue discount are made if and when scheduled mandatory payments are made. Accretion of these discounts totaling \$25,369,515 and \$24,396,418 was added to the amount the 2005 Senior Bonds outstanding and included in interest expense at December 31, 2010 and 2009, respectively. The remaining unamortized discount on the 2005A, 2005B, and 2005C bonds was \$834,072,109, \$379,194,575, and \$1,373,768,217, respectively, as of December 31, 2010.

The regularly scheduled payment of principal (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest when due on the 2005 Senior Bonds are insured by separate financial guaranty insurance policies issued by MBIA (collectively, the "2005 MBIA Policy"). The 2005 MBIA Policy does not cover redemption payments under the Fourth Supplemental other than mandatory sinking fund payments. The 2005 MBIA policy does not cover any make-whole premium as defined by the Fourth Supplemental or optional redemption payments. Further, each series of the 2005 Senior Bonds is collateralized ratably with the other 2005 Senior Bonds and other senior secured indebtedness of the Partnership by substantially all of the Partnership's property and by a pledge of all Partnership interests.

Bond issue costs of \$8,812,323 and \$11,750,386 related to the 1999 Senior Bonds and 2005 Senior Bonds were incurred and capitalized as deferred bond issue costs, respectively. Prepaid bond insurance costs of \$28,953,000 and \$57,090,885 related to the 1999 Senior Bonds and 2005 Senior Bonds were incurred and capitalized as prepaid bond insurance costs, respectively.

Amortization of deferred bond issue costs on the 1999 Senior Bonds and 2005 Senior Bonds totaled \$416,438 and \$403,245 for the years ended December 31, 2010 and 2009, respectively. Amortization of prepaid bond insurance on the 1999 Senior Bonds and 2005

Toll Road Investors Partnership II, L.P.

(A Virginia Limited Partnership)

Notes to Financial Statements

Senior Bonds totaled \$1,551,236 and \$1,497,539 for the years ended December 31, 2010 and 2009, respectively.

Interest expense incurred for all debt, including accretion of bond discount, was \$64,756,528 and \$62,946,858 for the years ending 2010 and 2009. No interest expense was capitalized in 2010 or 2009.

The funds held in escrow with the Trustee pursuant to the requirements of the Indenture, as detailed below, totaled \$172,751,837 and \$159,619,670 at December 31, 2010 and 2009, respectively.

	2010	2009
Revenue Fund	\$ 536,599	\$ 692,905
Operating Reserve Fund	7,908,848	7,223,765
Improvement Fund	6,272,616	6,772,959
Senior Debt Service Fund	27,846,875	26,346,875
Senior Debt Service Reserve Fund	39,700,000	39,700,000
Early Redemption Fund	15,300,000	7,200,000
Early Redemption Reserve Fund	75,186,899	71,683,166
	<u>\$ 172,751,837</u>	<u>\$ 159,619,670</u>

Concurrently with the closing of the 2005 Senior Bonds, the Partnership exercised an existing right under the Indenture to release \$45.0 million in cash that was previously held in escrow by substituting a surety bond (the "Surety Bond") in an equal amount insuring that the released cash will be available as and when needed. The Surety Bond was issued by MBIA.

7. Partners' Deficit

Under the Amended Partnership Agreement, income and losses are allocated among the partners according to their percentage interest in the Partnership. Distributions will be made in accordance with each Partner's interest. The General Partner may declare distributions when permitted by the Indenture (see Note 6).

8. Related Party Transactions

The Partnership had a consulting contract with an officer of Shenandoah LP and Shenandoah I LLC. Under this agreement the officer provided consulting services for a fee of \$15,000 per month through October 2010. This officer and certain other former contractual employees of the Partnership continue to have positions and ownership interest in Shenandoah LP and Shenandoah I LLC. These persons do not individually or collectively have control over the Partnership.

9. Commitments and Contingent Liabilities

The Partnership is party to an agreement with the Metropolitan Washington Airports Authority (MWAA) for easements over Washington Dulles International Airport property necessary for the Partnership to construct, operate and maintain the Project. The Partnership incurred expenses of \$1,132,661 in both 2010 and 2009 related to the

Toll Road Investors Partnership II, L.P.

(A Virginia Limited Partnership)

Notes to Financial Statements

easements. Future minimum annual cash payments due under the agreement are \$600,000 for 2011-2036, and \$2,000,000 thereafter through 2056. Additional payments may be due under the agreement should the Project exceed certain specified traffic volumes. The minimum annual payments are recorded to expense using the straight-line method based upon the total minimum payments to be made over the term of the agreement.

The Partnership remains obligated under the Comprehensive Agreement to widen the Route 659 overpass at Exit 4 and make certain ancillary ramp improvements when it is economically feasible to do so and traffic levels support the expansion. Based on projected levels of traffic the project is not currently scheduled for construction and the amount and timing of the Partnership's obligation is uncertain.

The Partnership has an agreement with an adjacent landowner to construct a 4 lane bridge over the Dulles Greenway when development of a secondary road on either side of the Greenway is completed and construction of the bridge is necessary to connect the road. Because there has been no development activity to date by the property owner the project is not currently scheduled for construction and the amount and timing of the Partnership's obligation is uncertain.

On May 5, 2010 the Partnership terminated an operation and maintenance agreement ("O&M Agreement") under which Autostrade International of Virginia O & M, Inc. ("AIV") had performed certain services for the Partnership at the Dulles Greenway. On September 8, 2010, AIV filed a complaint in the Circuit Court of Fairfax County, Virginia against the Partnership and its bond insurer. The complaint alleged breach of contract and a statutory conspiracy to injure business with respect to the Partnership.

On February 2, 2011, a hearing was held on motions filed by the Partnership and the bond insurer to dismiss the complaint or in the alternative to confirm the applicability of a provision in the O&M Agreement limiting the liability of the Partnership to a maximum of approximately \$4.2 million. The circuit court dismissed the count alleging a business conspiracy, but allowed AIV an opportunity to replead. The count alleging breach of contract was allowed to proceed. On March 3, 2011, the court confirmed the applicability of the provision limiting liability of the Partnership for any claim related to the O&M Agreement to a maximum of approximately \$4.2 million. The Partnership intends to defend the claim on its merits. A date of December 5, 2011 has been set for the trial. No amounts have been reserved for this matter as the likely outcome cannot be reasonably estimated at this time.

The Partnership leases office space in Sterling, Virginia. Future minimum payments under this lease are \$135,620 in 2011, \$139,688 in 2012, \$143,879 in 2013, \$148,195 in 2014, \$152,641 in 2015 and \$210,141 thereafter. Total rental expense, including operating expenses, was \$178,948 and \$178,460 for the periods ended December 31, 2010 and 2009, respectively.

10. Employee Benefit Plan

The Partnership has a fully funded, defined contribution Simplified Employee Pension Plan (the "Plan") for its permanent, full-time employees. Under the Plan, the Partnership contributes 8% of employees' salaries which vest immediately. The Partnership incurred \$139,139 and \$97,569 in expenses related to the Plan for the years ended December 31, 2010 and 2009, respectively.

11. Financial Instruments Measured at Fair Value

The estimated fair value of a financial instrument is the amount at which the instrument

Toll Road Investors Partnership II, L.P.

(A Virginia Limited Partnership)

Notes to Financial Statements

could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matter of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Partnership's financial instruments recorded on the balance sheet include cash and cash equivalents, funds held in escrow, accrued interest receivable and payable and bonds payable. The carrying amount of cash and cash equivalents, funds held in escrow and accrued interest receivable and payable approximates fair value as of at December 31, 2010 and 2009. The fair value of the bonds as detailed below is based on quoted prices, excluding accrued interest, as of the last business day of the year as detailed below and are adjusted for nonperformance risk.

The fair values of bonds payables of the Partnership as of December 31, 2010 are as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Series 1999A bonds	34,944,766	6,368,230	-	28,576,536
Series 1999B bonds	503,570,618	41,407,887	-	462,162,731
Series 2005A bonds	160,015,941	15,658,033	-	144,357,908
Series 2005B bonds	74,605,425	26,562,584	-	48,042,841
Series 2005C bonds	240,531,783	141,446,885	-	99,084,898
Total bonds payable	<u>\$ 1,013,668,533</u>	<u>\$ 231,443,619</u>	<u>\$ -</u>	<u>\$ 782,224,914</u>

The fair values of bonds payables of the Partnership as of December 31, 2009 are as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Series 1999A bonds	34,942,481	8,507,681	-	26,434,800
Series 1999B bonds	493,747,315	46,713,336	-	447,033,979
Series 2005A bonds	158,828,377	23,887,999	-	134,940,378
Series 2005B bonds	70,528,067	29,654,301	-	40,873,766
Series 2005C bonds	227,627,189	160,572,975	-	67,054,214
Total bonds payable	<u>\$ 985,673,429</u>	<u>\$ 269,336,292</u>	<u>\$ -</u>	<u>\$ 716,337,137</u>

12. Subsequent Events

On February 15, 2011, the Partnership redeemed \$15,300,000 of the 2005A Bonds in accordance with the mandatory early redemption clause contained in the Fourth Supplemental. This amount is included in the current portion of long-term debt on the balance sheet as of December 31, 2010.

Subsequent events have been evaluated through March 16, 2011, the date of issuance of the financial statements. No additional matters have come to the Partnership's attention.