Toll Road Investors Partnership II, L.P.

(A Virginia Limited Partnership)

Financial Statements

For the years ended December 31, 2011 and 2010

Toll Road Investors Partnership II, L.P.
(A Virginia Limited Partnership)
Index
December 31, 2011 and 2010

pwc

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, 2011 and 2010, 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 26, 2012

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Toll Road Investors Partnership II, L.P.
(A Virginia Limited Partnership)
Balance Sheets
December 31, 2011 and 2010

	2011	2010
Assets		
Project investment, net	$ 278,301,030	$ 287,816,218
Funds held in escrow	158,808,371	172,751,837
Cash and cash equivalents	1,757,891	3,185,606
Prepaid bond insurance (net of accumulated amortization of $14,241,064 and $12,421,849, respectively)	71,802,821	73,622,036
Deferred bond issue costs (net of accumulated amortization of $3,988,045 and $3,498,132, respectively)	16,574,664	17,064,577
Accrued interest receivable	46,236	5,335
Prepaid expenses and other assets	464,916	465,229
Fixed assets (net of accumulated depreciation of $1,267,268 and $1,122,684, respectively)	254,572	359,604
Total assets	$ 528,010,501	$ 555,270,442
Liabilities and partners' deficit		
Current portion of long-term debt and accrued interest payable of $935,156 for both 2011 and 2010	$ 48,635,156	$ 42,835,156
Long-term debt	964,398,236	971,768,533
Accounts payable and accrued expenses:		
Easement payable	4,420,944	3,888,283
Other accounts payable and accrued expenses	231,092	1,727,634
VIP program accrual	314,078	309,240
Total accounts payable and accrued expenses	4,966,114	5,925,157
Total liabilities	1,017,999,506	1,020,528,846
Partners' deficit	(489,989,005)	(465,258,404)
Total partners' deficit	(489,989,005)	(465,258,404)
Total liabilities and partners' deficit	$ 528,010,501	$ 555,270,442

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, 2011 and 2010

	2011	2010
Revenue		
Toll revenue	$ 66,632,200	$ 64,949,711
Other revenue	322,571	321,680
Total revenue	66,954,771	65,271,391
Operating Expenses		
Operation and mainenance expense	4,428,044	6,324,243
General and administrative	2,039,378	3,049,749
Legal and consulting	958,502	739,400
Depreciation	9,837,527	10,622,882
Real estate property taxes	2,232,352	2,302,260
State police agreement	751,854	707,998
Electronic toll/credit card processing fees	2,229,831	2,367,094
VIP miles program expense	579,813	537,680
Insurance expense	592,133	630,429
Easement fees	1,132,661	1,132,661
Engineering services	239,724	217,513
Licenses and fees	224,961	211,509
Total Operating Expenses	25,246,780	28,843,418
Operating Income	41,707,991	36,427,973
Other income and expenses		
Interest income	153,687	92,680
Gain on debt retirement (Note 6)	1,617,600	-
Interest expense (Note 6)	(66,203,240)	(64,756,528)
O&M settlement (Note 10)	(2,006,639)	-
Total other income and expenses	(66,438,592)	(64,663,848)
Net Loss	$ (24,730,601)	$ (28,235,875)

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, 2011 and 2010

	General Partner	Limited Partners				
	Shenandoah Greenway Corporation	Shenandoah Limited Partnership	AIE LLC	Dulles Greenway Partnership	Shenandoah I LLC	Partners' Deficit
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)
Allocation of net loss	(24,731)	(11,551,664)	(7,254,227)	(3,297,331)	(2,602,648)	(24,730,601)
Balance at December 31, 2011	$ (465,095)	$ (226,909,842)	$ (142,012,321)	$ (68,051,220)	$ (52,550,527)	$ (489,989,005)

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, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Net loss	$ (24,730,601)	$ (28,235,875)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	9,837,527	10,622,882
Gain on early purchase and retirement of bonds	(1,617,600)	-
Accretion of bond discount	61,400,362	60,295,104
Amortization of prepaid bond insurance and deferred bond issue costs	2,309,128	1,967,673
Changes in operating assets and liabilities:		
Accrued interest receivable	(40,902)	3,405
Prepaid expenses and other assets	312	50,202
Accounts payable and accrued expenses	(959,044)	1,367,566
Net cash provided by operating activities	46,199,182	46,070,957
Cash flows from investing activities		
Net (increase)/decrease in funds held in escrow	13,943,466	(13,132,167)
Purchases of fixed assets	(43,293)	(138,126)
Payments for capital improvements to project investments	(174,012)	(366,159)
Net cash used in investing activities	13,726,161	(13,636,452)
Cash flows from financing activities		
Scheduled bond redemptions	(41,900,000)	(32,300,000)
Early purchase and retirement of bonds	(19,453,058)	-
Net cash used in financing activities	(61,353,058)	(32,300,000)
Net increase (decrease) in cash and cash equivalents	(1,427,715)	134,505
Cash and cash equivalents, beginning of year	3,185,606	3,051,101
Cash and cash equivalents, end of year	$ 1,757,891	$ 3,185,606
Supplemental cash flow information		
Cash paid for interest	$ 2,493,750	$ 2,493,750

The accompanying notes are an integral part of these 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.

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, credit card 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, 2011 using forecasted cash flow techniques. Management's evaluation indicated that, under the provisions of impairment accounting, no impairment exists as of December 31, 2011.

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.

Fair Value Measurements
The carrying value of the Partnership's financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other liabilities approximate their fair value due to their short term nature.

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.

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 $148,326 and $144,075 in 2011 and 2010, 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 May 2011, the FASB issued ASU 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements, which amends ASC 820, Fair Value Measurement, to provide clarification to existing requirements for fair value measurement disclosure. This amendment is required to be applied prospectively, and it is effective for fiscal years beginning after December 15, 2011. The adoption of the guidance did not have a material impact on the Company's financial statements.

Reclassifications
Certain amounts in the prior years' financial statements have been reclassified to conform to the current year presentation with no effect on previously reported net income or equity.

3. Project Investment

Project investment consists of the following:

	2011	2010
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	108,322,905	108,277,501
Project improvements in progress	241,566	112,957
	433,815,909	433,641,896
Accumulated depreciation	(155,514,879)	(145,825,678)
Project investment, net	$ 278,301,030	$ 287,816,218

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 $9,689,201and $10,478,807 in 2011 and 2010, 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, 2009, the fee was changed to $0.062 per transaction plus 2.15% of revenues processed. Effective July 1, 2010, the fee became $0.0645 and 2.05%, and effective July 1, 2011 the fee became $0.0426 and 1.923%.

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, 2011 and 2010 consisted of the following:

	2011	2010
7.125% Series 1999A Senior Current Interest Bonds, original $35,000,000 face amount, due 2035	$ 34,947,051	$ 34,944,766
Series 1999B Senior Zero Coupon Bonds, $1,126,500,000 face amount, due 2035	491,284,728	503,570,618
Series 2005A Senior Callable Zero Coupon Bonds, $899,667,493 face amount, due 2045	152,779,888	160,015,941
Series 2005B Senior Callable Zero Coupon Bonds, original $453,800,000 face amount, due 2043	78,918,566	74,605,425
Series 2005C Senior Zero Coupon Bonds, original $1,614,300,000 face amount, due 2036-2056	254,168,003	240,531,783
Total debt	1,012,098,236	1,013,668,533
Less current portion	(47,700,000)	(41,900,000)
Long-term debt	$ 964,398,236	$ 971,768,533

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 ("Fifth Supplement"), the Sixth Supplemental Indenture of Trust and the Seventh Supplemental Indenture of Trust ("Seventh Supplemental"), 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 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, 2011 the Partnership was not in compliance with all of its coverage ratios as required by the Indenture. As a result the Partnership was unable to make a distribution to its partners in 2011.

On October 3, 2011 the Partnership entered into the Seventh Supplemental, which authorized the Partnership to purchase and retire certain of its outstanding bonds. Pursuant to this authority, the Partnership purchased and retired outstanding series 1999B bonds prior to their scheduled maturity at a total cost of $19,453,058. The originally scheduled maturity dates of the bonds purchased were February 15, 2019 and February 15, 2020, respectively and the face amount of the bonds at maturity would have been $7,600,000 and $30,000,000, respectively. These purchases resulted in a gain of $1,617,600.

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 $29.3 million in 2012, $31.0 million in 2013, $32.9 million in 2014, $34.8 million in 2015, $36.4 million in 2016 and $962.1 million maturing in years 2017 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 $35,387,054 and $34,925,589 was added to the amount of 1999 Senior Bonds principal balance outstanding and included in interest expense at December 31, 2011 and 2010, respectively. The remaining unamortized discount on the 1999A and 1999B bonds was $52,949 and $635,215,272, respectively, as of December 31, 2011.

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 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 $26,013,308 and $25,369,515 was added to the face amount the 2005 Senior Bonds outstanding and included in interest expense at December 31, 2011 and 2010, respectively. The remaining unamortized discount on the 2005A, 2005B, and 2005C bonds was $746,887,605, $374,881,434, and $1,360,131,997, respectively, as of December 31, 2011.

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 $489,913 and $416,438 for the years ended December 31, 2011 and 2010, respectively. Amortization of prepaid bond insurance on the 1999 Senior Bonds and 2005 Senior Bonds totaled $1,819,215 and $1,551,236 for the years ended December 31, 2011 and 2010, respectively.

Interest expense incurred for all debt, including accretion of bond discount, was $66,203,240 and $64,756,528 for the years ending 2011 and 2010. No interest expense was capitalized in 2011 or 2010.

The funds held in escrow with the Trustee pursuant to the requirements of the Indenture, as detailed below, totaled $158,808,371 and $172,751,837 at December 31, 2011 and 2010, respectively.

	2011	2010
Revenue Fund	$ 645,967	$ 536,599
Operating Reserve Fund	6,222,090	7,908,848
Improvement Fund	6,057,696	6,272,616
Senior Debt Service Fund	30,546,875	27,846,875
Senior Debt Service Reserve Fund	39,700,000	39,700,000
Early Redemption Fund	18,400,000	15,300,000
Early Redemption Reserve Fund	57,235,743	75,186,899
	$ 158,808,371	$ 172,751,837

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 had positions and ownership interests in Shenandoah LP and Shenandoah I LLC. These contracts expired on December 31, 2010. These persons did 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 2011 and 2010 related to the easements. Future minimum annual cash payments due under the agreement are $600,000 for 2012-2036, 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 August 18, 2011 the Partnership and AIV entered into a settlement agreement. The Partnership paid an agreed amount to AIV and certain related disputes and litigation between the Partnership and AIV were settled and dismissed. The Partnership paid AIV $3.1 million which included approximately $1.1 million of previously accrued operating expenses.

The Partnership leases office space in Sterling, Virginia. Future minimum payments under this lease are $139,688 in 2012, $143,879 in 2013, $148,195 in 2014, $152,641 in 2015, $157,220 in 2016 and $52,921 thereafter. Total rental expense, including operating expenses, was $193,489 and $178,948 for the periods ended December 31, 2011 and 2010, 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 $111,218 and $139,139 in expenses related to the Plan for the years ended December 31, 2011 and 2010, respectively.

11. Fair Value of Financial Instruments

The estimated fair value of a financial instrument is the amount at which the instrument 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, 2011 and 2010. 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, 2011 are as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Series 1999A bonds	34,947,051	7,664,551	-	27,282,500
Series 1999B bonds	491,284,728	55,425,086	-	435,859,642
Series 2005A bonds	152,779,888	15,580,595	-	137,199,293
Series 2005B bonds	78,918,566	30,702,316	-	48,216,250
Series 2005C bonds	254,168,003	177,500,281	-	76,667,722
Total bonds payable	$1,012,098,236	$ 286,872,829	$ -	$ 725,225,407

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	$ 1,013,668,533	$ 231,443,619	$ -	$ 782,224,914

12. Subsequent Events

On February 15, 2012, the Partnership redeemed $18,400,000 of the 2005A Bonds in accordance with the mandatory early redemption clause contained in the Fourth Supplemental. This amount was included in the current portion of long-term debt on the balance sheet as of December 31, 2011.

Pursuant to the Seventh Supplemental on January 13, 2012 and February 14, 2012, the Partnership purchased and subsequently retired additional 1999B bonds prior to their scheduled maturity at a total cost of $14,885,150. The scheduled maturity dates were February 15, 2018 and February 15, 2021 and the face amount of the bonds at maturity would have been $10,000,000 and $15,900,000, respectively. These purchases resulted in a loss of $121,123.

No other events have occurred that would require adjustment to or disclosure in the financial statements, which were issued on March 26, 2012.