

Toll Road Investors Partnership II, L.P.

(A Virginia Limited Partnership)

Financial Statements

For the years ended December 31, 2006 and 2005

Toll Road Investors Partnership II, L.P.
(A Virginia Limited Partnership)
Index
December 31, 2006 and 2005

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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, 2006 and 2005, 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.

A handwritten signature in cursive script, appearing to read "Trine Waterhouse" followed by a flourish.

February 24, 2007

Toll Road Investors Partnership II, L.P.
(A Virginia Limited Partnership)
Balance Sheets
as of December 31, 2006 and 2005

	2006	2005
Assets		
Project investment, net	\$ 300,843,638	\$ 274,322,916
Funds held in escrow:		
Interest bearing deposits	156,948,470	176,955,350
Held-to-maturity securities	-	496,320
Total funds held in escrow	<u>156,948,470</u>	<u>177,451,670</u>
Cash and cash equivalents	2,220,616	3,642,401
Prepaid bond insurance (net of accumulated amortization of \$6,533,197 and \$5,223,031, respectively)	79,510,688	80,820,854
Deferred bond issue costs (net of accumulated amortization of \$1,906,991 and \$1,554,036, respectively)	18,655,717	19,008,672
Accrued interest receivable	1,273,211	921,309
Prepaid expenses and other assets	612,576	477,554
Fixed assets (net of accumulated depreciation of \$715,745 and \$645,253, respectively)	259,245	331,914
Total assets	<u><u>\$ 560,324,161</u></u>	<u><u>\$ 556,977,290</u></u>
Liabilities and partners' deficit		
Current portion of long-term debt and accrued interest payable of \$935,156 for both 2006 and 2005	\$ 30,535,156	\$ 27,735,156
Long-term debt	879,536,464	855,606,218
Accounts payable and accrued expenses:		
Easement payable	4,672,452	4,289,161
Other accounts payable and accrued expenses	5,789,027	2,492,798
VIP program accrual	219,054	329,010
Total accounts payable and accrued expenses	<u>10,680,533</u>	<u>7,110,969</u>
Total liabilities	920,752,153	890,452,343
Partners' deficit	<u>(360,427,992)</u>	<u>(333,475,053)</u>
Total partners' deficit	<u>(360,427,992)</u>	<u>(333,475,053)</u>
Total liabilities and partners' deficit	<u><u>\$ 560,324,161</u></u>	<u><u>\$ 556,977,290</u></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
Years ended December 31, 2006 and 2005

	2006	2005
Revenue		
Toll revenue	\$ 55,294,692	\$ 45,433,147
Interest income	8,516,778	6,183,362
Other income	341,258	140,028
Total interest and other income	<u>8,858,036</u>	<u>6,323,390</u>
Total revenue, interest and other income	<u>64,152,728</u>	<u>51,756,537</u>
Costs and expenses		
Interest expense	56,044,729	55,226,307
Operation and maintenance expense	6,015,200	6,147,091
General and administrative	2,232,473	3,696,062
Legal and consulting	889,055	1,465,061
Depreciation	7,407,871	8,320,520
Real estate property taxes	1,902,928	2,191,052
State police agreement	732,984	681,452
VDOT and credit card processing fees	1,368,383	1,438,305
VIP miles program expense	304,024	428,056
Insurance	663,868	576,639
Easement fees	883,291	1,461,885
Other operating expenses	422,279	203,458
Expenses reimbursed to related parties (Note 9)	-	11,000,000
Gain on disposal of fixed assets	<u>(32,153)</u>	<u>(102)</u>
Total costs and expenses	<u>78,834,932</u>	<u>92,835,786</u>
Net loss	<u>\$ (14,682,204)</u>	<u>\$ (41,079,249)</u>

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

Toll Road Investors Partnership II, L.P.
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Statements of Changes in Partners' Deficit
Years ended December 31, 2006 and 2005

	General Partner		Limited Partners				Partners' Deficit
	Shenandoah Greenway Corporation	Shenandoah Limited Partnership	AIE LLC	Brown & Root Toll Road Investment Partners	Dulles Greenway Partnership	Shenandoah I LLC	
Balance at December 31, 2004	\$ (178,055)	\$ (92,833,919)	\$ (57,815,167)	\$ (29,780,308)	\$ -	\$ (22,342,541)	\$ (202,949,990)
Capital distributions	(89,446)	(41,780,140)	(26,237,141)	(9,285,510)	(2,640,301)	(9,413,278)	(89,445,816)
Allocation of net loss	(41,079)	(19,188,116)	(12,049,776)	(4,450,439)	(1,026,657)	(4,323,180)	(41,079,247)
Transfer of limited party interest	-	-	-	43,516,257	(43,516,257)	-	-
Balance at December 31, 2005	<u>(308,580)</u>	<u>(153,802,175)</u>	<u>(96,102,084)</u>	<u>-</u>	<u>(47,183,215)</u>	<u>(36,078,999)</u>	<u>(333,475,053)</u>
Capital distributions	(12,271)	(5,731,660)	(3,599,375)	-	(1,636,057)	(1,291,372)	(12,270,735)
Allocation of net loss	<u>(14,682)</u>	<u>(6,858,058)</u>	<u>(4,306,730)</u>	<u>-</u>	<u>(1,957,579)</u>	<u>(1,545,155)</u>	<u>(14,682,204)</u>
Balance at December 31, 2006	<u><u>(335,533)</u></u>	<u><u>(166,391,893)</u></u>	<u><u>(104,008,189)</u></u>	<u><u>-</u></u>	<u><u>(50,776,851)</u></u>	<u><u>(38,915,526)</u></u>	<u><u>(360,427,992)</u></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 Cash Flows
Years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Net loss	\$ (14,682,204)	\$ (41,079,249)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	7,407,871	8,320,520
Gain on disposal of fixed assets	(32,153)	(102)
Accretion of bond discount	53,530,246	48,062,873
Amortization of prepaid bond insurance and deferred bond issue costs	1,663,121	1,497,430
Write-off of bond issue costs from early extinguishment of bonds	-	1,632,567
Changes in assets and liabilities:		
(Increase) decrease in accrued interest receivable	(351,902)	88,381
(Increase) decrease in prepaid expenses and other assets	(135,022)	(46,229)
(Decrease) increase in accounts payable and accrued expenses	(1,626,268)	1,894,019
Decrease in accrued interest payable	-	(53,441,406)
Net cash provided by (used in) operating activities	<u>45,773,689</u>	<u>(33,071,196)</u>
Cash flows from investing activities		
Net increase (decrease) in funds held in escrow	20,006,880	(102,320,083)
Proceeds from maturities of held-to-maturity securities	496,320	11,380,827
Proceeds from the sale of fixed assets	32,153	3,750
Purchases of fixed assets	(68,188)	(71,341)
Payments for capital improvements to project investments	(28,591,904)	(24,131,764)
Net cash used in investing activities	<u>(8,124,739)</u>	<u>(115,138,611)</u>
Cash flows from financing activities		
Payment of bond issue costs	-	(10,298,805)
Payment of bond insurance costs	-	(57,090,885)
Repayment of borrowed funds	(26,800,000)	(83,317,026)
Proceeds from bonds issued	-	390,603,050
Return of partner capital	(12,270,735)	(89,445,816)
Net cash (used in) provided by financing activities:	<u>(39,070,735)</u>	<u>150,450,518</u>
Net (decrease) increase in cash and cash equivalents	(1,421,785)	2,240,711
Cash and cash equivalents, beginning of year	<u>3,642,401</u>	<u>1,401,690</u>
Cash and cash equivalents, end of year	<u>\$ 2,220,616</u>	<u>\$ 3,642,401</u>
Supplemental cash flow information		
Cash paid for interest	<u>\$ 2,498,150</u>	<u>\$ 57,989,825</u>
Non-cash transactions		
Increase in retention payable on project investments	<u>\$ 5,195,832</u>	<u>\$ -</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

The Agreement of Limited Partnership (the "Original Partnership Agreement") was executed on September 29, 1993 by Shenandoah Greenway Corporation ("Shenandoah" or the "General Partner" and Autostrade International Equity, Inc. ("Autostrade") (collectively the "Original General Partners"). The limited partners were Shenandoah, Shenandoah Limited Partnership ("Shenandoah LP"), Autostrade, Brown and Root Toll Road Investment Partners, Inc. ("Brown & Root") and The Goldman Sachs Group, L.P. (collectively with the Original General Partners, the "Original Partners").

In connection with the 1999 debt refinancing discussed in Note 7, the Original Partnership Agreement was amended, restated and superseded in its entirety by the Amended and Restated Agreement of Limited Partnership (the "Amended Partnership Agreement") executed on April 29, 1999 by and among Shenandoah, Shenandoah LP, Shenandoah I LLC, Autostrade and Brown & Root. Shenandoah became the sole General Partner and the Limited Partners were Shenandoah I LLC, Shenandoah LP, Autostrade and Brown & Root. On December 20, 2000, all of the stock of Autostrade was sold to an unrelated third party. This transaction had no effect on the ownership structure of the Partnership at December 31, 2000. On January 29, 2001, Autostrade merged into AIE LLC, a newly formed Virginia limited liability company and AIE LLC became a limited partner of the Partnership.

On September 8, 2005 Macquarie Infrastructure Group (MIG) acquired 100% of Shenandoah. On September 29, 2005, MIG acquired all of Brown and Root's 13.3% limited partner interest in the Partnership.

The General Partner has the authority and discretion to manage the operations and affairs of the Partnership for the benefit of all partners.

Operations and Maintenance

The Partnership is party to an agreement with Autostrade International of Virginia, O&M, Inc. ("AIV") for operation and maintenance of the project.

Under the terms of the operation and maintenance agreement, all permitted operation and maintenance expenses are to be reimbursed by the Partnership. Compensation paid to AIV is based upon a percentage of the excess of toll revenue collected over budgeted expenses incurred in connection with the operation and maintenance of the Project.

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

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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 6, 2004, the SCC approved an increase in the toll ceiling for two axle vehicles ("automobiles") from \$2.00 to \$3.00 and from \$4.00 to \$6.00 for vehicles with three or more axles ("trucks"). The SCC's order authorized the company to increase its automobile tolls in 3 stages, September 7, 2004 from \$2.00 to \$2.40, January 1, 2006 up to \$2.70, and July 1, 2007 up to \$3.00. The authorized toll for trucks is at all times twice the authorized automobile toll. The first two toll increases were implemented on the dates authorized.

On July 19, 2006 the Partnership filed an application with the SCC to further increase the automobile and truck toll ceilings. The initial increase in the authorized truck toll ceiling would, if approved, be effective on July 1, 2007. Subsequent increases in both truck and automobile authorized toll ceilings would be effective January 1, 2009, July 1, 2010 and January 1, 2012. The application is currently under review by the SCC and a final order is expected to be issued by mid-year 2007.

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 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.

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Notes to Financial Statements

Project Investment

The Partnership capitalizes all direct and indirect costs related to the acquisition, development and construction of the Project in accordance with Statement of Financial Accounting Standards ("SFAS") No. 67, *"Accounting for Costs and Initial Rental Operations of Real Estate Projects"* and SFAS No. 34, *"Capitalization of Interest Costs."*

The Partnership utilizes Statement of Financial Accounting Standard No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"* ("FAS 144"), when reviewing its long lived assets for recoverability. FAS 144 requires the Partnership to (a) recognize an impairment loss of a long-lived asset to be held and used only if the carrying amount of a 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. FAS 144 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 FAS 144, management of the partnership performed a recoverability test of the Project investment as of December 31, 2006 using forecasted cash flow techniques. Management's evaluation indicated that, under the provisions of FAS 144, no impairment exists as of December 31, 2006.

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, to be cash equivalents (excludes funds held in escrow).

Funds Held in Escrow

Certain funds are required to be held in escrow by the bond issuances discussed in Note 7. These funds are invested in short and long-term interest bearing deposits, commercial paper, and investments with original maturities between overnight and 10 years.

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 being 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 \$140,857 and \$161,843 in 2006 and 2005, 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.

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Notes to Financial Statements

Retainage Payable

The Partnership utilizes subcontractors for a majority of its improvement projects (see Note 10). As is customary with most construction projects, the Partnership holds back a certain percentage of each billing received for improvement project costs incurred to date pending satisfactory completion of the related project improvement. As of December 31, 2006, the Partnership recorded \$5,195,832 in retainage payable due to subcontractors hired for its improvement projects.

Reclassifications

Certain amounts in the 2005 financial statement have been reclassified to conform to the 2006 presentation with no effect on previously reported net loss or shareholders' deficit.

3. Project Investment

Project investment consists of the following:

	2006	2005
Road construction development and right-of-way	\$ 303,163,504	\$ 302,942,967
Surfacing and safety fixtures	10,687,115	10,687,115
Toll collection equipment	11,400,819	11,400,819
Project improvements	33,141,840	-
Project improvements in progress	48,725,465	48,300,106
	<u>407,118,743</u>	<u>373,331,007</u>
Accumulated depreciation	<u>(106,275,105)</u>	<u>(99,008,091)</u>
Project investment, net	<u>\$ 300,843,638</u>	<u>\$ 274,322,916</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 15 years for surfacing and safety fixtures; 8 years for toll collection equipment; and 5 years for toll collection computer software. Project improvements are depreciated over 10 years for signage and 7 years for paving. 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 (The certificate of Authority expires on February 15, 2056).

Depreciation of the Project began on September 29, 1995, the date the Project was substantially completed and open for traffic. Depreciation expense on the project investment totaled \$7,267,014 and \$8,158,677 in 2006 and 2005, respectively.

4. VDOT 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"). From October 1, 2001 through August 31, 2005, the VDOT fee was \$0.09 per transaction. The fee was lowered to \$0.08 per transaction on September 1, 2005, where it remains at present.

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5. VIP Miles Program

In November 1999, the Partnership implemented the 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. Expenses incurred are recognized based on expected future cash payments to participants in the Program.

6. Held-to-maturity securities

At December 31, 2006 there were no investments in held-to-maturity securities.

On December 31, 2005, the Partnership held debt securities, included within funds held in escrow on the balance sheet, that were classified as held-to-maturity securities and were carried at cost net of any unamortized premiums or discounts.

Held-to-maturity securities as of December 31, 2005 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt	\$ 274,272	\$ 15,523	\$ -	\$ 289,795
Other	222,048	12,746	-	234,794
Total	<u>\$ 496,320</u>	<u>\$ 28,269</u>	<u>\$ -</u>	<u>\$ 524,589</u>

All of these securities matured on February 15, 2006 and the Partnership received the contractual cash flows associated with these held-to-maturity securities.

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7. Long-Term Debt and Financing Arrangements

Long-term debt at December 31, 2006 and 2005 consisted of the following:

	2006	2005
7.125% Series 1999A Senior Current Interest Bonds, \$35,000,000 face amount, due 2035	\$ 34,935,623	\$ 34,933,338
Series 1999B Senior Zero Coupon Bonds, \$1,323,300,000 face amount, due 2035	454,070,932	438,756,680
Series 2005A Senior Callable Zero Coupon Bonds, \$1,378,700,000 face amount, due 2045	167,624,038	169,814,789
Series 2005B Senior Callable Zero Coupon Bonds, \$453,800,000 face amount, due 2043	59,584,870	56,330,548
Series 2005C Senior Zero Coupon Bonds, \$1,614,300,000 face amount, due 2036-2056	192,921,001	182,570,863
Total debt	<u>\$ 909,136,464</u>	<u>\$ 882,406,218</u>
Less current portion	29,600,000	26,800,000
Long-term debt	<u>\$ 879,536,464</u>	<u>\$ 855,606,218</u>

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

On April 29, 1999, the Partnership refinanced its original debt and issued an aggregate of \$35 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 \$17.4 million in 2007, \$19.1 million in 2008, \$23.5 million in 2009, \$25.1 million in 2010, 26.6 million in 2011 and \$1.1641 billion maturing in years 2012 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

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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 of \$81,900 and \$1,025,517,484 on the 1999A and 1999B Bonds, respectively, are being amortized over the life of the issues to maintain an effective rate of 7.125% and 7.142%, respectively. Accretion of these discounts totaling \$31,116,537 and \$29,949,723 was added to the amount of 1999 Senior Bonds outstanding and included in interest expense at December 31, 2006 and 2005, respectively.

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 secured by a lien on and security interest in all of the assets of the Partnership.

The Partnership also issued an aggregate original principal amount of \$42,993,458 Series 1999C Dulles Greenway First Tier Subordinated Compound Interest Project Revenue Bonds, (the "1999C Bonds") and an aggregate original principal amount of \$29,023,568 1999D Dulles Greenway Second Tier Subordinated Compound Interest Project Revenue Bonds (the "1999D Bonds"). The 1999C Bonds and the 1999D Bonds (together the "1999 Subordinated Bonds") were retired in full in 2005 using proceeds from the 2005 Senior Bonds.

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.

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Original issue discounts of \$1,216,261,566, \$400,038,314, and \$1,439,897,070 on the 2005A, 2005B and 2005C Bonds, respectively, are being amortized over the life of the issues at 5.425%, 5.7% and 5.568%, respectively. Accretion of these discounts totaling \$22,413,709 and \$18,113,150 was added to the amount the 2005 senior bonds outstanding and included in interest expense at December 31, 2006 and 2005, respectively.

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 secured ratably with the other 2005 Senior Bonds and other senior secured indebtedness of the Partnership by a lien on and security interest in 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 \$352,955 and \$327,825 for the years ended December 31, 2006 and 2005, respectively. Unamortized deferred bond issue costs of \$1,632,565 were charged to interest expense upon retirement of the 1999 Series C and Series D Subordinated Bonds during the year ended 2005. Amortization of prepaid bond insurance on the 1999 Senior Bonds and 2005 Senior Bonds totaled \$1,310,166 and \$1,169,605 for the years ended December 31, 2006 and 2005, respectively.

Interest expense incurred for all debt, including accretion of bond discount, was \$56,044,729 and \$55,226,307 for the years ending 2006 and 2005, respectively net of \$1,646,788 and \$516,061, which was capitalized as a cost of the Project Investment for the years ended 2006 and 2005, respectively.

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") and the Fifth 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 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 maintains funds to be held in escrow with the Trustee.

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These funds, detailed below, totaled \$156,901,764 and \$177,404,964 at December 31, 2006 and 2005, respectively.

	2006	2005
Revenue Fund	\$ 808,419	\$ 668,317
Operating Reserve Fund	7,189,044	6,356,305
Improvement Fund	9,000,000	9,000,000
Senior Debt Service Fund	18,646,872	17,046,875
Senior Debt Service Reserve Fund	39,700,000	39,958,043
2005 Bond Proceeds Improvement Account	27,007,429	51,025,424
Early Redemption Fund	12,200,000	11,000,000
Early Redemption Reserve Fund	42,350,000	42,350,000
	<u>\$ 156,901,764</u>	<u>\$ 177,404,964</u>

Concurrently with the closing of the 2005 Senior Bonds, the Partnership exercised an existing right under the Indenture to release \$45 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. The Partnership maintains other small escrow accounts not associated with the Indenture as part of the normal course of business.

8. 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.

9. Related Party Transactions

The Partnership had a consulting contract with Magalen Bryant, an officer of Shenandoah (until September 8, 2005), Shenandoah LP and Shenandoah I LLC. Under this agreement Mrs. Bryant provided consulting services to the Partnership for a fee of \$10,000 per month. This agreement terminated in March of 2005 and was replaced with a new agreement at a fee of \$15,000 per month. The Partnership employed Michael Crane as CEO under an employment agreement which was terminated on September 8, 2005. Mr. Crane was also an officer and sole director of Shenandoah until such date. Mr. Crane, Mrs. Bryant and certain other consultants and employees of the Partnership continue to have positions and ownership

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interests in Shenandoah LP and Shenandoah I LLC. These persons do not individually or collectively have control over the Partnership. Approximately \$20,000 was due under these agreements at December 31, 2005. Nothing was due under these agreements at December 31, 2006.

Certain partners and their affiliates incurred costs in connection with the extension of the Certificate of Authority and the offering and issuance of the 2005 Senior Bonds. \$11 million of the proceeds from the issuance of the 2005 Senior Bonds was paid to such parties as partial reimbursement for these costs during the year ended December 31, 2005.

10. Commitments and Contingent Liabilities

The Partnership is party to an agreement with the Metropolitan Washington Airports Authority for easements over Washington Dulles International Airport property necessary for the Partnership to construct, operate and maintain the Project. The Partnership incurred expenses of \$883,291 in 2006 and \$1,461,885 in 2005 related to the easements. Future minimum annual cash payments due under the agreement are \$500,000 for 2007-2010, \$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 is obligated to construct a roadway connector at a future date, dependent upon the development of specified land parcels through which the Project extends. Because there has been no development activity to date by the property owner, the amount and timing of the Partnership's obligation is uncertain at this time.

The Partnership leases office space in Sterling, Virginia. Future minimum payments under this lease are \$120,494 in 2007, \$124,109 in 2008, \$127,832 in 2009, \$131,667 in 2010, \$135,617 in 2011 and \$794,528 thereafter. Total rental expense, including operating expenses, was \$156,276 and \$148,289 for the periods ended December 31, 2006 and 2005, respectively.

Pursuant to the terms of the extension of the Certificate of Authority from April 7, 2036 to February 15, 2056, the Partnership committed to make certain future improvements to the project. As of December 31, 2006, the Partnership was in the process of constructing the following required improvement projects:

- completion of the widening of the entire Dulles Greenway from four to six lanes;
- construction of interchanges at Exit 2 (Route 654) and Exit 3 (Route 653);
- construction of a dedicated ramp, Ramp E, for access to Dulles International Airport;
- expansion of the mainline plaza to 18 lanes;
- improvements to the interchange at Exit 8 (Route 606); and
- widening and improvements to Exit 6 interchange (Route 777)

At December 31, 2006, \$25,777,091 remained to be spent related to the above commitments.

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11. 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 \$103,095 and \$97,771 in expenses related to the Plan for the years ended December 31, 2006 and 2005, respectively.

12. Estimated Fair Values

Cash and cash equivalents – The estimated fair value approximates the recorded carrying value.

Funds held in escrow – The estimated fair value is determined based on quoted prices, excluding accrued interest, as of the last business day of the year and approximates carrying value.

Accrued interest receivable and payable – The estimated fair value approximates the recorded carrying value.

Bonds payable:

Series 1999A and 1999B bonds: The estimated fair value of the Series A and B bonds is based on quoted prices, excluding accrued interest, as of the last business day of the year.

Series 2005A, 2005B and 2005C bonds: The estimated fair value of the Series A, B and C bonds is based on quoted prices, excluding accrued interest, as of the last business day of the year.

The fair values of financial instruments of the Partnership as of December 31, 2006 are as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Assets:				
Cash	\$ 2,220,616	-	-	\$ 2,220,616
Funds held in escrow	156,948,470	-	-	156,948,470
Accrued interest receivable	1,273,211	-	-	1,273,211
Liabilities:				
Accrued interest payable	935,156	-	-	935,156
Series 1999A bonds	34,935,623	-	4,284,327	39,219,950
Series 1999B bonds	454,070,932	-	101,310,225	555,381,157
Series 2005A bonds	167,624,038	6,908,979	-	160,715,059
Series 2005B bonds	59,584,870	368,508	-	59,216,362
Series 2005C bonds	192,921,001	2,252,536	-	190,668,465
Total bonds payable	<u>\$ 909,136,464</u>	<u>\$ 9,530,023</u>	<u>\$ 105,594,552</u>	<u>\$ 1,005,200,993</u>

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The fair values of financial instruments of the Partnership as of December 31, 2005 are as follows:

	<u>Carrying Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
Assets:				
Cash	\$ 3,642,401	-	-	\$ 3,642,401
Held-to-maturity securities	496,320	28,269	-	524,590
Funds held in escrow	176,955,350	-	-	176,955,350
Accrued interest receivable	921,309	-	-	921,309
Liabilities:				
Accrued interest	935,156	-	-	935,156
Series 1999A bonds	34,933,338	-	5,879,112	40,812,450
Series 1999B bonds	438,756,680	-	105,703,107	544,459,787
Series 2005A bonds	169,814,789	7,376,355	-	162,438,434
Series 2005B bonds	56,330,548	2,568,862	-	53,761,686
Series 2005C bonds	182,570,863	8,167,933	-	174,402,930
Total bonds payable	<u>\$ 882,406,218</u>	<u>\$ 18,113,150</u>	<u>\$ 111,582,219</u>	<u>\$ 975,875,287</u>

13. Subsequent Events

On February 15, 2007, the Partnership redeemed \$12,200,000 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, 2006.