Toll Road Investors Partnership II, L.P.

(A Virginia limited partnership)

Financial Statements

For the Years Ended December 31, 2013 and 2012

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(A Virginia limited partnership)
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Independent Auditor's Report

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

We have audited the accompanying financial statements of Toll Road Investors Partnership II, L.P. (the "Partnership"), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, of changes in partners' deficit, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Toll Road Investors Partnership II, L.P. at December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 17, 2014

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Toll Road Investors Partnership II, L.P.
(A Virginia limited partnership)
Balance Sheets
December 31, 2013 and 2012

	2013	2012
Assets		
Project investment, net	$ 262,642,849	$ 270,114,772
Funds held in escrow	154,670,117	150,585,705
Cash and cash equivalents	1,829,584	2,242,215
Prepaid bond insurance (net of accumulated amortization of $17,808,037 and $16,048,899, respectively)	68,235,848	69,994,986
Deferred bond issue costs (net of accumulated amortization of $4,926,370 and $4,467,876, respectively)	15,636,339	16,094,833
Accrued interest receivable	2,548	9,295
Prepaid expenses and other assets	505,019	542,532
Fixed assets (net of accumulated depreciation of $1,344,763 and $1,301,177, respectively)	311,979	299,132
Total assets	$ 503,834,283	$ 509,883,470
Liabilities and Partners' Deficit		
Current portion of long-term debt and accrued interest payable of $935,155 for both 2013 and 2012	$ 55,935,155	$ 52,135,156
Long-term debt	964,093,253	958,481,503
Accounts payable and accrued expenses		
Easement payable	5,486,267	4,953,606
Other accounts payable and accrued expenses	1,090,552	664,654
VIP program accrual	394,176	369,242
Total accounts payable and accrued expenses	6,970,995	5,987,502
Total liabilities	1,026,999,403	1,016,604,161
Partners' deficit	(523,165,120)	(506,720,691)
Total partners' deficit	(523,165,120)	(506,720,691)
Total liabilities and partners' deficit	$ 503,834,283	$ 509,883,470

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, 2013 and 2012

	2013	2012
Revenue		
Toll revenue	$ 74,559,680	$ 72,042,883
Other revenue	333,103	329,907
Total revenue	74,892,783	72,372,790
Operating expenses		
Operation and maintenance expense	4,673,389	4,217,471
General and administrative	2,114,466	1,856,522
Legal and consulting	654,696	112,558
Depreciation	9,452,936	9,651,564
Real estate property taxes	3,280,048	2,640,681
State police agreement	869,586	814,541
Electronic toll/credit card processing fees	2,095,503	2,136,990
VIP miles program expense	756,987	764,026
Insurance expense	570,295	569,919
Easement fees	1,132,661	1,132,661
Engineering services	224,997	207,697
Licenses and fees	229,034	219,823
Total operating expenses	26,054,598	24,324,453
Operating income	48,838,185	48,048,337
Other income and expenses		
Interest income	42,785	148,588
(Loss) on debt retirement (Note 6)	-	(121,123)
(Loss) gain on fixed asset disposals	(2,266)	21,221
Interest expense (Note 6)	(65,323,133)	(64,828,709)
Total other income and expenses	(65,282,614)	(64,780,023)
Net loss	$ (16,444,429)	$ (16,731,686)

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, 2013 and 2012

	General Partner	Limited Partners				
	Shenandoah Greenway Corporation	Shenandoah Limited Partnership	AIE LLC	Dulles Greenway Partnership	Shenandoah I LLC	Partners' Deficit
Balances at December 31, 2011	$ (465,095)	$ (226,909,842)	$ (142,012,321)	$ (68,051,220)	$ (52,550,527)	$ (489,989,005)
Allocation of net loss	(16,732)	(7,815,370)	(4,907,905)	(2,230,836)	(1,760,843)	(16,731,686)
Balances at December 31, 2012	(481,827)	(234,725,212)	(146,920,226)	(70,282,056)	(54,311,370)	(506,720,691)
Allocation of net loss	(16,443)	(7,681,193)	(4,823,645)	(2,192,536)	(1,730,612)	(16,444,429)
Balances at December 31, 2013	$ (498,270)	$ (242,406,405)	$ (151,743,871)	$ (72,474,592)	$ (56,041,982)	$ (523,165,120)

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, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Net loss	$ (16,444,429)	$ (16,731,686)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	9,452,936	9,651,564
Loss (gain) on disposal of fixed assets	2,266	(21,221)
Loss on early purchase and retirement of bonds	-	121,123
Accretion of bond discount	60,611,750	60,047,293
Amortization of prepaid bond insurance and deferred bond issue costs	2,217,632	2,287,666
Changes in operating assets and liabilities		
Accrued interest receivable	6,747	36,941
Prepaid expenses and other assets	93,072	(77,616)
Accounts payable and accrued expenses	983,493	1,021,388
Net cash provided by operating activities	56,923,467	56,335,452
Cash flows from investing activities		
Net (increase) decrease in funds held in escrow	(4,084,412)	8,222,666
Proceeds from the disposal of fixed assets	3,700	5,000
Purchases of fixed assets	(99,396)	(156,744)
Payments for capital improvements to project investments	(1,955,990)	(1,336,900)
Net cash provided by investing activities	(6,136,098)	6,734,022
Cash flows from financing activities		
Scheduled bond redemptions	(51,200,000)	(47,700,000)
Early purchase and retirement of bonds	-	(14,885,150)
Net cash used in financing activities	(51,200,000)	(62,585,150)
Net (decrease) increase in cash and cash equivalents	(412,631)	484,324
Cash and cash equivalents		
Beginning of year	2,242,215	1,757,891
End of year	$ 1,829,584	$ 2,242,215
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 (the "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 January 30, 2013, an investigation was initiated by the Virginia State Corporation Commission (the "SCC") in response to a complaint filed by a member of the Virginia House of Delegates (the "Delegate") requesting a full investigation of the Partnership's current toll structure and requesting that the current tolls be decreased. On January 20, 2014 the SCC Hearing Examiner issued her report in which she concluded that the record of the case supported no change in the toll rates previously approved by the SCC. Responses to her report by all parties are currently expected to be filed by April 7, 2014. Her report and all responses will then be submitted to the commissioners for a ruling. It is unknown what the outcome will be or when a ruling will be issued.

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 authorized 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. Pursuant to this amendment, on November 14, 2012 the Partnership filed with the SCC a request for a toll increase of 3.54% or $0.14. On January 16, 2013 the SCC issued a Final Order granting an increase of up to 3.02% or $0.12 pursuant to which the Partnership on January 21, 2013, increased the posted toll by $0.10 to $4.10 during non-peak periods and $4.90 during peak periods.

On December 30, 2013 the Partnership filed with the SCC a request for a toll increase of 2.8%, approximately $.12 cents, plus approximately $.03 to recover excess growth in the Partnership's property tax in 2013. If approved, the posted toll would increase by $0.15 to $4.25 during non-peak periods and by $.20 to $5.10 during peak periods. On February 7, 2014 the SCC Staff issued their report recommending that the non-peak toll be increased to $4.20 and the peak toll be increased to $5.10. On February 10, 2014, the Delegate filed a motion requesting that the SCC stay any further proceedings on the toll increase application until 30 days after the close of the Regular Session of the General Assembly pursuant to Section 30-5 of the Code of Virginia. On March 5, 2014, the SCC granted the Delegate's motion.

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 periodically reviews the carrying value of its long lived assets when events and circumstances indicate that the remaining estimated useful lives of long lived assets may warrant revision and the remaining balance may not be recovered. 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 on the undisclosed basis. 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, 2013 using forecasted cash flow techniques. Management's evaluation indicated that, under the provisions of impairment accounting, no impairment exists as of December 31, 2013.

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. The Partnership maintains its bank accounts with institutions that are federally insured. At times, the account balances may exceed insured limits.

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 -term interest bearing deposits, commercial paper and money market funds.

Fair Value Measurements
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The following three-tier fair value hierarchy that prioritizes the inputs used in the valuation techniques to measure fair value:

Level 1 Observable inputs that reflect quoted market prices, (unadjusted) for identical assets and liabilities in active markets:

Level 2 Observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities: and

Level 3 Unobservable inputs that are supported by little or no market activity that is significant to the fair value of assets or liabilities.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Partnership uses prices and inputs that are current as of the measurement date, including during periods of market volatility. Therefore, classification of inputs within the hierarchy may change from period to period depending upon the ability to observe those prices and inputs. The Partnership's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value for certain assets and liabilities and their placement within the fair value hierarchy. The Partnership measures the fair value of its Funds Held in Escrow, which approximates the related carrying value; using quoted market prices for identical assets (level one).

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 $96,548 and $128,405 in 2013 and 2012, 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 January 2014, the FASB issued ASU 2014-05: Service Concession Arrangements (Topic 853) (a consensus of the EITF), which amends Topic 840, Leases. The amendments specify that an operating entity should not account for a service concession arrangement that is within the scope of this update as a lease in accordance with Topic 840. The amendments also specify that the infrastructure used in a service concession arrangement should not be recognized as property, plant, and equipment of the operating entity. Service concession arrangements should be accounted for in accordance with other relevant Codification Topics. The guidance is effective for interim and annual periods beginning after December 31, 2014, and is required to be adopted using a modified retrospective approach. The modified retrospective approach requires the cumulative effect of applying this update to arrangements existing at the beginning of the period of adoption to be recognized as an adjustment to the opening retained earnings balance for the annual period of adoption. The Partnership is currently evaluating the applicability of this update to its accounting policies.

3. Project Investment

Project investment consists of the following:

	2013	2012
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	111,426,540	108,841,421
Project improvements in progress	346,233	1,059,951
	437,024,211	435,152,810
Accumulated depreciation	(174,381,362)	(165,038,038)
Project investment, net	$ 262,642,849	$ 270,114,772

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 investments totaled $9,356,388 and $9,523,159 in 2013 and 2012, 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, 2011 the fee was $0.0426 per transaction and 1.923% of revenue. Effective July 1, 2012, the fee became $1.808% of revenue processed and the transaction component was eliminated. Effective July 9, 2012, the transaction component was reinstated at $0.0335 per transaction. Effective July 1, 2013, the fees are $0.0335 per transaction and 1.478% of revenue processed,

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, 2013 and 2012 consisted of the following:

	2013	2012
7.125% Series 1999A Senior Current Interest Bonds, original $35,000,000 face amount, due 2035	$ 34,951,623	$ 34,949,337
Series 1999B Senior Zero Coupon Bonds, $1,040,300,000 face amount, due 2035	483,501,402	480,776,814
Series 2005A Senior Callable Zero Coupon Bonds, $680,027,872 face amount, due 2045	128,529,432	141,897,029
Series 2005B Senior Callable Zero Coupon Bonds, original $453,800,000 face amount, due 2043	88,307,223	83,481,003
Series 2005C Senior Zero Coupon Bonds, original $1,614,300,000 face amount, due 2036-2056	283,803,573	268,577,320
Total debt	1,019,093,253	1,009,681,503
Less: Current portion	(55,000,000)	(51,200,000)
Long-term debt	$ 964,093,253	$ 958,481,503

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, the Sixth Supplemental Indenture of Trust, the Seventh Supplemental Indenture of Trust (“Seventh Supplemental”), and the Eight 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 maintain funds to be held in escrow with the Trustee. As of December 31, 2013 and 2012 the Partnership had not met its coverage ratios, and as a result, the Partnership was unable to make a distribution to its partners in 2013 and 2012.

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 semiannually 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 $32.9 million in 2014, $34.8 million in 2015, $36.4 million in 2016, $38.1 million in 2017, $29.8 million in 2018 and $868.3 million maturing in years 2019 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 $33,726,874 and $33,558,398 was added to the amount of 1999 Senior Bonds principal balance outstanding and included in interest expense at December 31, 2013 and 2012, respectively. The remaining unamortized discount on the 1999A and 1999B bonds was $48,377 and $556,798,598, respectively, as of December 31, 2013.

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 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 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 for the year ended December 31, 2012.

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 $26,884,876 and $26,488,895 was added to the face amount the 2005 Senior Bonds outstanding and included in interest expense at December 31, 2013 and 2012, respectively. The remaining unamortized discount on the 2005A, 2005B, and 2005C bonds was $551,498,440, $365,492,777, and $1,330,496,427, respectively, as of December 31, 2013.

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 $458,494 and $479,831 for the years ended December 31, 2013 and 2012, respectively. Amortization of prepaid bond insurance on the 1999 Senior Bonds and 2005 Senior Bonds totaled $1,759,138 and $1,807,835 for the years ended December 31, 2013 and 2012, respectively.

Interest expense incurred for all debt, including accretion of bond discount, was $65,323,133 and $64,828,709 for the years ending 2013 and 2012. No interest expense was capitalized in 2013 or 2012.

The funds held in escrow with the Trustee pursuant to the requirements of the Indenture, as detailed below, totaled $154,670,117 and $150,585,705 at December 31, 2013 and 2012, respectively.

	2013	2012
Revenue Fund	$ 766,108	$ 735,558
Operating Reserve Fund	6,521,148	6,353,363
Improvement Fund	4,100,000	4,567,804
Senior Debt Service Fund	34,146,875	32,246,875
Senior Debt Service Reserve Fund	39,700,000	39,700,000
Early Redemption Fund	22,100,000	20,200,000
Early Redemption Reserve Fund	47,335,986	46,782,105
	$ 154,670,117	$ 150,585,705

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 (Note 6).

8. 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 2013 and 2012 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.

The Partnership leases office space in Sterling, Virginia. Future minimum payments under this lease are $148,195 in 2014, $152,641 in 2015, $157,220 in 2016 and $52,921 in 2017. The lease ends in April 2017. Total rental expense, including operating expenses, was $184,869 and $185,558 for the years ended December 31, 2013 and 2012, respectively.

9. Employee Benefit Plan

The Partnership has a fully funded, defined contribution Simplified Employee Pension Plan (the "Plan") for its employees. Under the Plan, the Partnership contributes 8% of employees' salaries and the contribution vests immediately. The Partnership incurred $91,794 and $102,178 in expenses related to the Plan for the years ended December 31, 2013 and 2012, respectively.

10. 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 fair values of bonds payables of the Partnership as of December 31, 2013 are as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Series 1999A bonds	$ 34,951,623	$ 1,866,123	$ -	$ 33,085,500
Series 1999B bonds	483,501,402		31,574,921	515,076,323
Series 2005A bonds	128,529,432	1,874,241		126,655,191
Series 2005B bonds	88,307,223	23,050,783		65,256,440
Series 2005C bonds	283,803,573	143,712,677		140,090,896
Total bonds payable	$ 1,019,093,253	$ 170,503,824	$ 31,574,921	$ 880,164,350

The fair values of bonds payables of the Partnership as of December 31, 2012 are as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Series 1999A bonds	$ 34,949,337	$ 8,083,337	$ -	$ 26,866,000
Series 1999B bonds	480,776,814	50,974,512	-	429,802,302
Series 2005A bonds	141,897,029	11,211,282	-	130,685,747
Series 2005B bonds	83,481,003	27,323,253	-	56,157,750
Series 2005C bonds	268,577,320	171,940,774	-	96,636,546
Total bonds payable	$ 1,009,681,503	$ 269,533,158	$ -	$ 740,148,345

11. Subsequent Events

On February 15, 2014, the Partnership redeemed $22,100,000 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, 2013.

No other events have occurred that would require adjustment to or disclosure in the financial statements, which were issued on March 17, 2014.