The Partner of Choice

SAFER • GREENER • HEALTHIER

ANNUAL REPORT FY 2009

AMTRAK®

Enjoy the journey.℠

AMTRAK GOALS

SAFER

Operate the safest railroad in the world.

GREENER

Increase efficiency, reduce emissions and promote prudent use of resources and alternative energy sources.

HEALTHIER

Make enduring investments to improve the company's vital signs.

CUSTOMER SERVICE

Improve the quality and attractiveness of service.

FINANCIAL PERFORMANCE

Improve the bottom line and ensure that federal and state funds are spent in an economical and efficient manner.

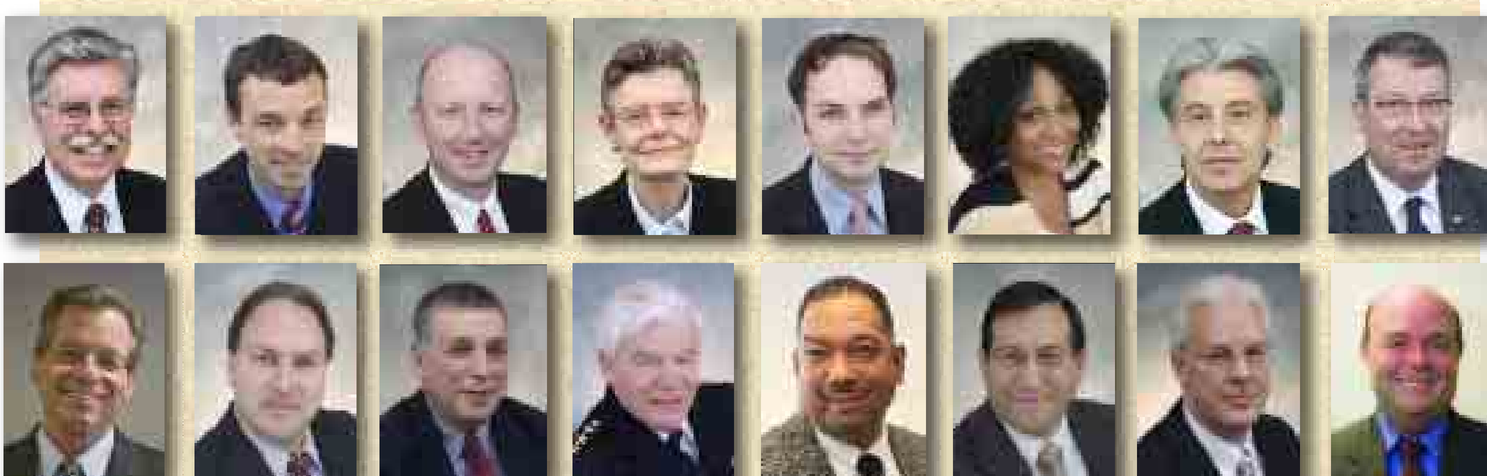
NATIONAL NEEDS

Participate and assist with disaster relief and mobilization efforts and help advance national transportation policies and plans.

BOARD OF DIRECTORS

L. to R.: FRA Administrator Joseph C. Szabo, Donna McLean, Chairman Thomas C. Carper, Nancy A. Naples, and Joseph H. Boardman.

EXECUTIVE COMMITTEE



L. to R. First Row: President and Chief Executive Officer Joseph H. Boardman; Chief Operating Officer William Crosbie; Chief Financial Officer D.J. Stadtler; Vice President, General Counsel and Corporate Secretary Eleanor Acheson; Vice President Policy and Development Stephen Gardner; Vice President Human Resources and Diversity Initiatives Lorraine Green; Vice President Marketing and Product Management Emmett Fremaux; Vice President Government Affairs and Corporate Communications Joe McHugh. Second Row: Chief Information Officer Ed Trainor; Chief Mechanical Officer Mario Bergeron; Vice President Environmental Health and Safety Roy Deitchman; Chief of Police and Security John O'Connor; Vice President of Transportation Richard Phelps; Chief Engineer Frank Vacca; Assistant Vice President Labor Relations Charles Woodcock and Inspector General Theodore Alves.

LETTER FROM THE CEO and CHAIRMAN of the BOARD

As we close the books on FY 2009, we look forward to a new decade of passenger rail that is unlike any in recent American history. Accordingly, as America's railroad and the only high-speed rail operator in the country, Amtrak is pursuing a growth-oriented mission to maximize the unprecedented federal and state support for more passenger rail that will extend far beyond the next decade.

The Passenger Rail Investment and Improvement Act of 2008 serves as the blueprint for our future and sets objectives for Amtrak in its role as America’s passenger rail service provider. In recognition of the increased desire for passenger rail across the country, the law also gives states more control over the development and expansion of service. In addition, the American Recovery and Reinvestment Act of 2009 (ARRA) provided $1.3 billion for Amtrak to make or accelerate enduring capital investments that would otherwise remain on backlog.

Furthermore, in January 2010 the White House announced the award of $8 billion in ARRA capital grants to 31 states for expansion and development of intercity and high-speed passenger rail, the cornerstone of President Obama's long-term vision to build and sustain a rejuvenated passenger rail network in the United States. Nearly 60 percent of the $8 billion awarded to the states will be invested in routes and services that are or will be part of Amtrak's system in the near future. As America’s only high-speed rail operator, we stand ready to help advance this new vision.

Our future is not without challenges — all of us are hopeful that the resources necessary to advance intercity passenger rail development will continue to be provided because so much has been planned and so many projects are underway. Yet we know the country’s economy remains the single most important challenge our nation and its policymakers face. While we know we will have to compete for funding in the coming years in this very challenging environment, we have to do everything possible to make sure the resources we have are spent wisely and offer the best return on their investment. We have to build our relationships to bring value to our stakeholders, especially the states, and a culture that is focused on growth.

Recognizing that much of the future of passenger rail is in the hands of federal and state governments, we are creating an organization that better positions itself to serve our state and commuter partners, including a higher level of customer service to those agencies and a more comprehensive and consistent approach to state and commuter contracts. As high-speed and conventional rail service expand, we are working with states to lead the way in creating and preserving American jobs needed to develop, build, maintain, and operate America's passenger rail system.

Indeed, demand for passenger rail is strong. During FY 2009, Amtrak carried 27.2 million passengers — the second highest total in company history. While ridership in FY 2009 was down from the all-time record of 28.7 million in FY 2008, it was up 5 percent over FY 2007, continuing a long-term trend of rising ridership since FY 2002 when 21.6 million passengers rode Amtrak.

Our *Acela Express* service on the Northeast Corridor reaches speeds up to 150 mph (241 kph). In fact, about half of Amtrak's 305 trains reach speeds of 100 mph (161 kph) or more, and some of the long-distance trains operate at speeds up to 110 mph (177 kph).

At the start of FY 2009, Amtrak issued new Strategic Guidance and a detailed Five Year Financial Plan that outlines our growth-oriented mission built on six fundamental goals to be safer, greener, healthier, to improve financial performance and customer service and to meet national needs.

Our goals are all aimed at securing our leadership position in the industry and distinguishing ourselves from the competition. We know that the opportunities that are being made available thanks to stimulus funds and unprecedented support for passenger rail are also opportunities for others to enter the U.S. passenger rail market. We are making — and will continue to make — significant and enduring investments to better position ourselves not simply as a provider, but as the provider of choice.

We are also investing in our workforce. We are a people-powered company and we recognize the value of every employee, and understand that each employee makes his or her own contribution to the company's well-being and success. Working with the 14 unions and two councils that represent our employees, Amtrak is striving to foster a working environment that calls for a high standard of safety and integrity, and to promote qualities such as collaboration, innovation and customer focus. Like many other companies today, our workforce is evolving. More than 15 percent of our 19,500 employees were retirement-eligible in FY 2009, and we're hiring a new generation of employees.

Amtrak's management team and the board of directors are aligned in making the investments necessary, and capitalizing on the support and opportunities that make up a new vision for intercity and high-speed passenger rail in America. As passenger rail is redefined, so is Amtrak becoming a new company that is poised to be at the center of this new era.

Sincerely,

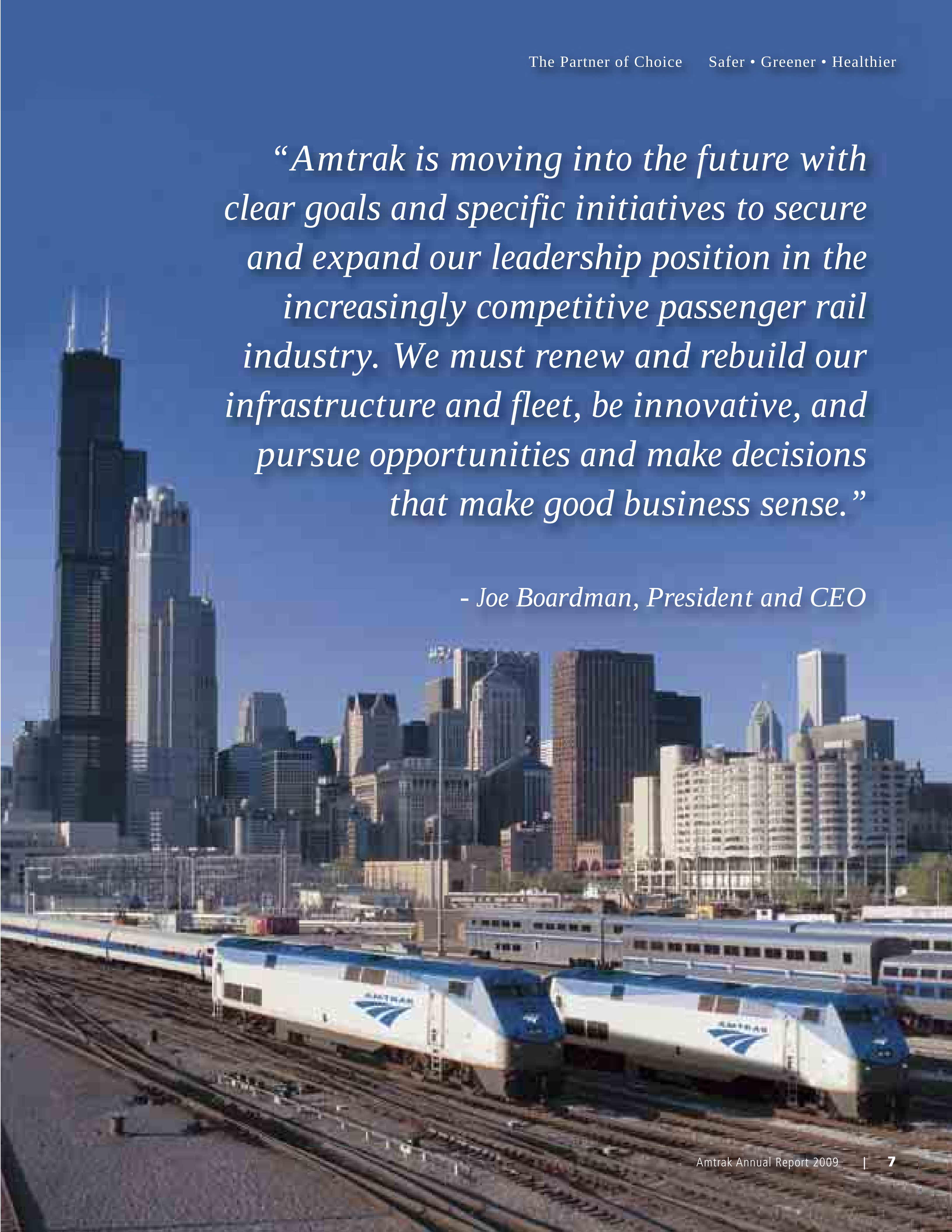
Thomas Carper
Chairman, Board of Directors

Joe Boardman
President and CEO

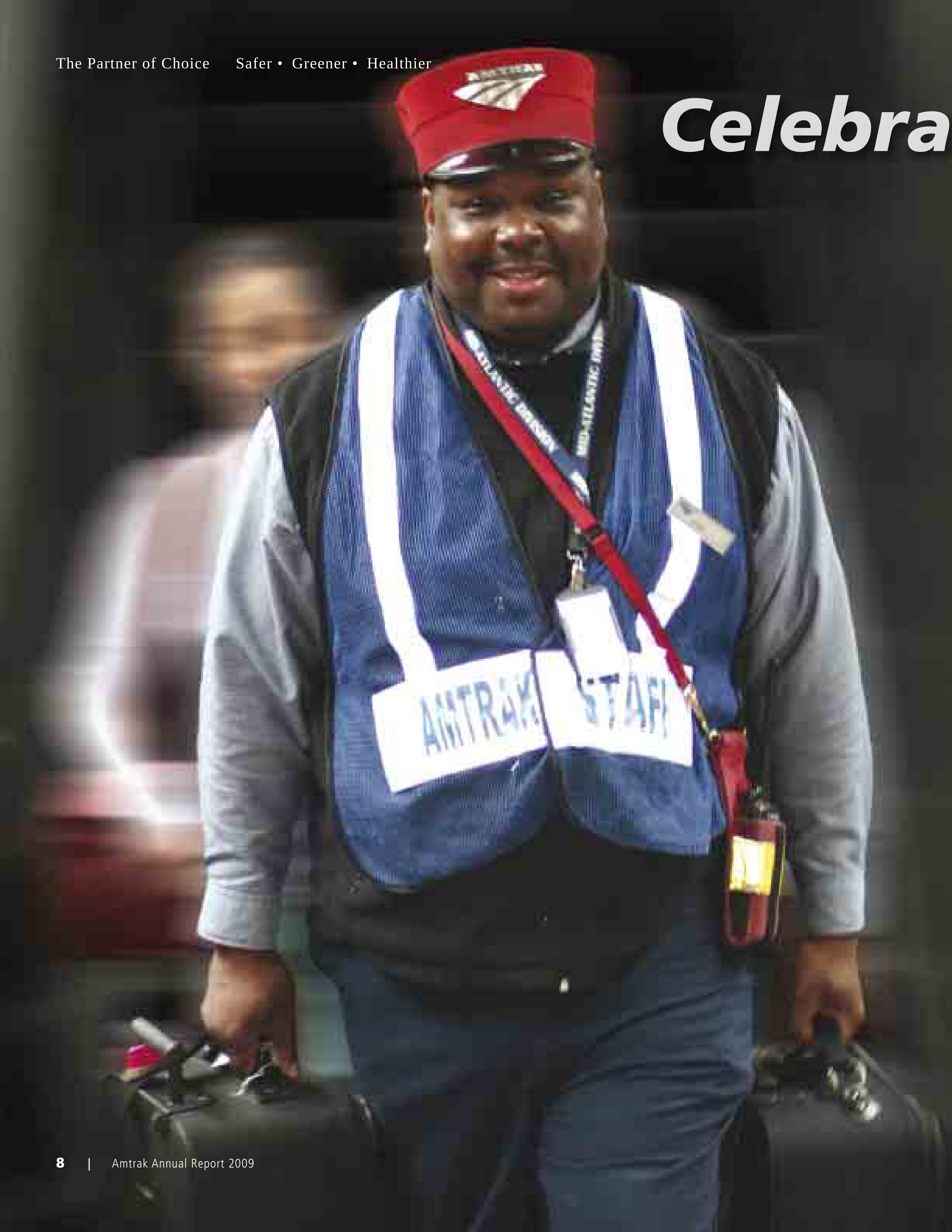
The strength of our product is our people.

"Amtrak is moving into the future with clear goals and specific initiatives to secure and expand our leadership position in the increasingly competitive passenger rail industry. We must renew and rebuild our infrastructure and fleet, be innovative, and pursue opportunities and make decisions that make good business sense."

- Joe Boardman, President and CEO



Celebra



ting 38 Years of Serving America

The National Railroad Passenger Corporation (Amtrak) celebrated its 38th year of service in 2009. During the fiscal year, the company carried more than 27 million passengers over 21,000 route miles to more than 500 destinations in 46 states, the District of Columbia and three Canadian provinces — an average of about 75,000 riders per day. In addition to passengers on up to 300 daily Amtrak trains, an average of 850,000 people traveled over Amtrak infrastructure or on commuter trains operated under contract every weekday.

In FY 2009, Amtrak earned just over $2.35 billion in total revenue and incurred $3.5 billion in expenses. The annual federal appropriation on which Amtrak relies totaled $1.49 billion in FY 2009, comprising $475 million in operating funds, $75 million for retroactive labor payments, and $940 million for capital investments, of which $285 million was for debt service.

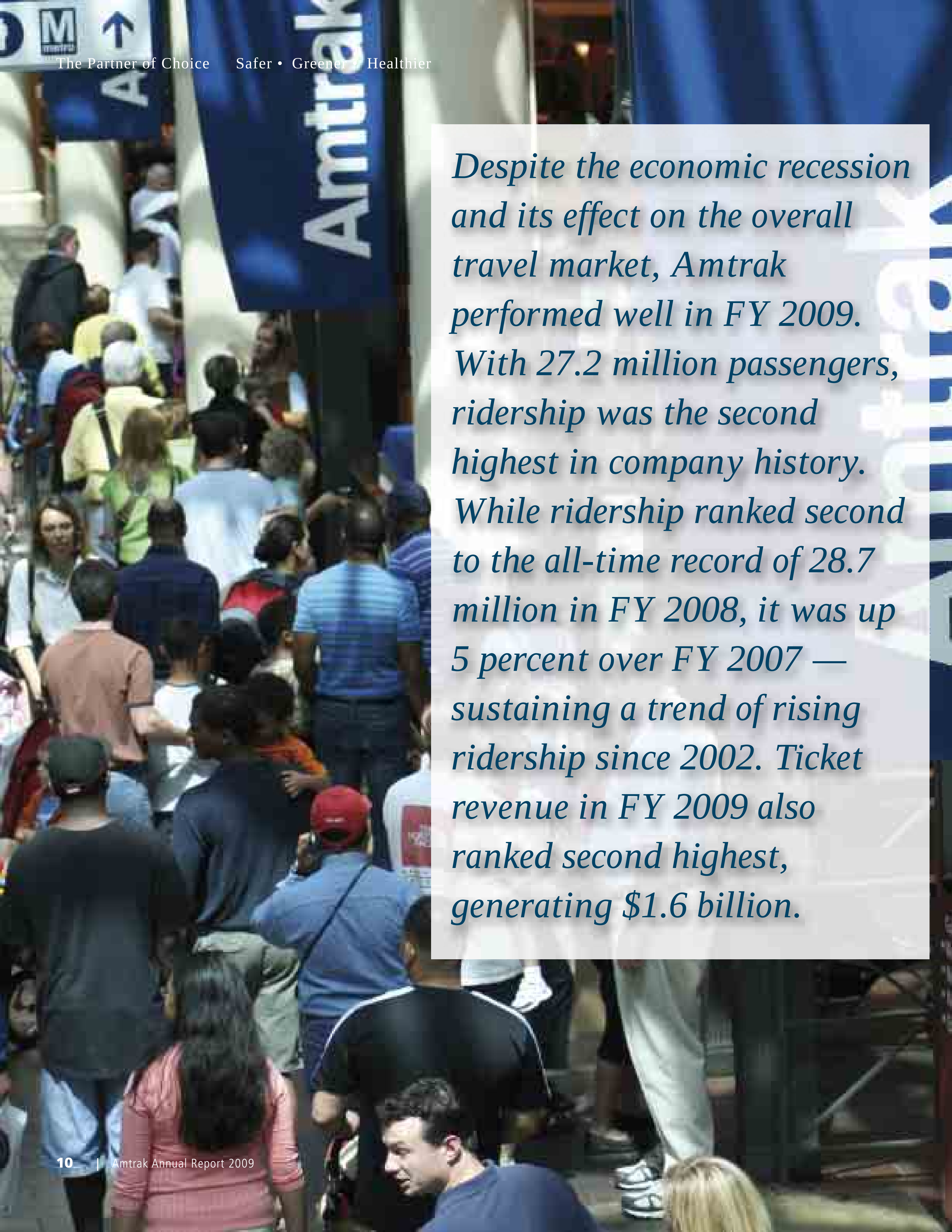
Additionally, the company began work on numerous capital projects thanks to $1.3 billion in funding from the American Recovery and Reinvestment Act. Infrastructure, stations, rolling stock and customer service are all being improved as Amtrak does its part to help revive the American economy and create jobs.

In FY 2009, Amtrak added the Commonwealth of Virginia to its roster of state partners, bringing the total number of states that contracted with the company to provide passenger rail service to 15. These state services represent almost half of Amtrak's departures.

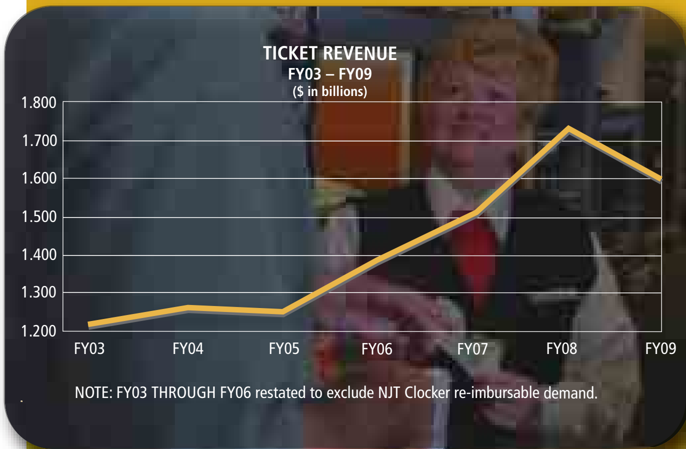
Seven state transportation agencies or commuter agencies contracted with Amtrak during the year for use of facilities and assets or for delivery of commuter service including Caltrain, Maryland Area Regional Commuter, Connecticut's Shore Line East and Virginia Railway Express. Amtrak also conducts maintenance for the Sounder Commuter Rail System in Seattle, dispatching and maintenance-of-way service for Massachusetts Bay Transportation Authority, and dispatching for the South Florida Regional Transportation Authority Tri-Rail service.

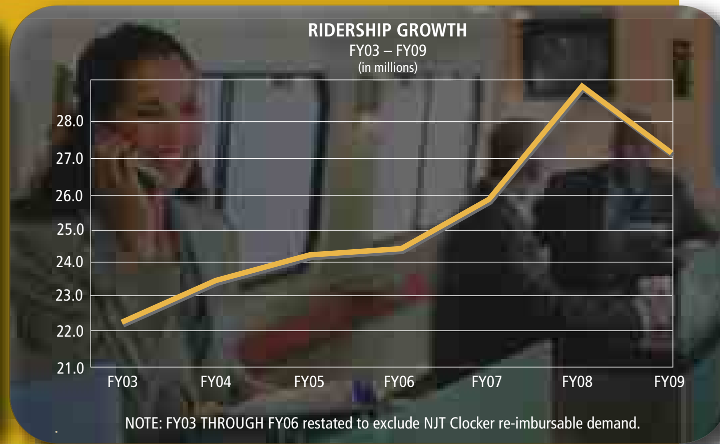
Amtrak owns 363 miles of the 456-mile Northeast Corridor from Washington to Boston, where *Acela Express* trains operate at speeds of up to 150 mph (241 kph); a 62-mile track segment from New Haven, Conn., to Springfield, Mass.; 104 miles between Philadelphia and Harrisburg over which trains travel up to 110 mph (177 kph); and 97 miles of track in Michigan over which trains travel up to 95 mph (153 kph). About half of Amtrak's 305 trains reach speeds of 100 mph (161 kph), and some of its long-distance trains operate at speeds up to 110 mph (177 kph).

About 70 percent of the train-miles traveled by Amtrak trains are on tracks owned by freight and commuter railroads. In FY 2009, Amtrak paid host railroads for reimbursed costs and incentives to travel 26 million train-miles; Amtrak also depends on host railroads for the dispatching and timely movement of its trains. Based on annual train-miles traveled by Amtrak, the seven largest host railroads are BNSF Railway, Union Pacific Railroad, CSX Transportation, Norfolk Southern, CN Railway, Metro-North Railroad and Canadian Pacific Railway.



Despite the economic recession and its effect on the overall travel market, Amtrak performed well in FY 2009. With 27.2 million passengers, ridership was the second highest in company history. While ridership ranked second to the all-time record of 28.7 million in FY 2008, it was up 5 percent over FY 2007 — sustaining a trend of rising ridership since 2002. Ticket revenue in FY 2009 also ranked second highest, generating $1.6 billion.





Top 10 Corridors (Ridership)

Northeast Corridor – Washington – New York – Boston
9,946,027

Pacific Surfliner – San Luis Obispo – Los Angeles – San Diego
2,592,996

Capitol Corridor – San Jose – Oakland – Sacramento – Auburn
1,599,625

Keystone – Philadelphia – Harrisburg
1,215,785

San Joaquin – Oakland/Sacramento – Bakersfield
929,172

Empire Corridor – New York – Albany
925,746

Amtrak Cascades – Eugene – Portland – Seattle – Vancouver
740,154

Hiawatha Service – Chicago – Milwaukee
738,231

Lincoln Service – Chicago – St. Louis
506,235

Downeaster – Portland (ME) – Boston
460,474

The Partner of Choice

In FY 2009, Amtrak added the Commonwealth of Virginia as its newest and fifteenth state partner, providing new *Northeast Regional* service between Lynchburg and Washington, D.C. As part of the agreement, Amtrak will also add service between Richmond and Washington in the summer of 2010.

A second Amtrak *Cascades* train from Seattle to Vancouver, B.C., began in FY 2009 as part of a partnership with the state of Washington and operated during the Winter Olympics and Paralympics being held in Vancouver, B.C., in 2010.

Work undertaken with the state of North Carolina in FY 2009 will also result in an additional roundtrip between Charlotte and Raleigh in 2010.

Amtrak provides a range of services to seven commuter or transportation agencies across the country. In FY 2009, Amtrak laid the groundwork for adding the Los Angeles-area Metrolink service to its roster, starting in June 2010.

FY 2009 STATE AND
COMMUTER SERVICE
PARTNERS

As planner, service provider and expert advisor, Amtrak is recognized as the partner of choice because of its depth of knowledge and experience. Nearly 50 percent of weekday departures are state-supported, and Amtrak intends to maximize the opportunities made available through federal stimulus funds and state support for new and expanded intercity and high-speed rail in communities across the country.

MAJOR **FREIGHT** PARTNERS

BNSF RAILWAY

NORFOLK SOUTHERN

UNION PACIFIC

CANADIAN PACIFIC

CSX TRANSPORTATION

CN

NJ TRANSIT

MARC

MDOT

Washington State Department of Transportation

DRPT

VTrans

Oregon Department of Transportation

VRE

TRI-RAIL

SEPTA

DART

Illinois Department of Transportation

Thanks to state and local support, new or renovated stations were opened in FY 2009 in communities across the country, including Durham, N.C., Picayune, Miss., and Leavenworth, Wash., a new stop along the route of the ***Empire Builder****.*

Building on existing and developing new partnerships with states and commuter agencies to offer expanded and new rail service is a key objective over the coming years.

SAFER

Amtrak aims to improve its already strong safety record and strives to rank as the safest in the world. To that end, Amtrak is instituting major risk-reduction initiatives. Launched in FY 2009, Safe-2-Safer is designed to reduce injuries and enhance security by promoting a more collaborative environment in which employees at all levels work together to identify ways to make tracks, shops, stations and trains become even safer and more secure.

In addition, in FY 2009 Amtrak committed to an aggressive schedule to install Positive Train Control technology to control train movements and prevent collisions on all Amtrak-owned tracks by the end of 2012 — three years before a Congressional deadline. Amtrak will continue with design, procurement and installation of Positive Train Control on Amtrak-owned or maintained track along the Northeast Corridor and on the Michigan Line, in the sections of track where that technology currently is not available.

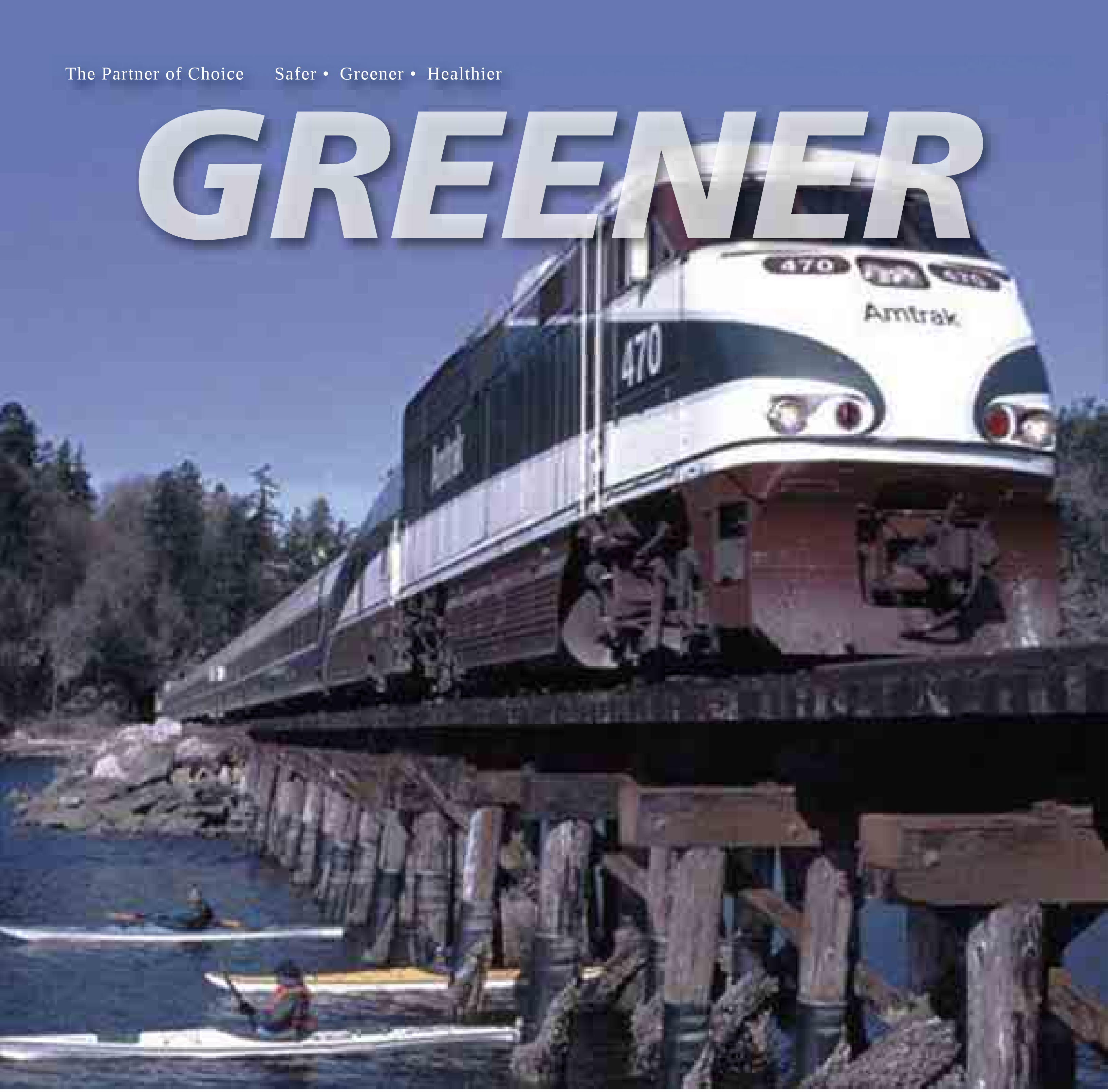
SAFE 2 SAFER
AMTRAK Safe and Secure Every Time

Amtrak's police and security strategy is centered on front-line and behind-the-scenes activities designed to help safeguard the safety and security of its employees, passengers and assets.

Amtrak extends the reach of its police, security and counterterrorism activities and intelligence through its network of partnerships with federal, state and local law enforcement and counterterrorism entities across the country and around the globe.

What passengers see is more interactive police, K-9 and security presence with greater emphasis on random and unpredictable patrols, baggage screenings and other activities in stations and on trains.

GREENER



Among the most environmentally friendly modes of transportation, passenger rail leaves a smaller carbon footprint than its competitors. Amtrak is approximately 20 percent more efficient than airlines and 28 percent more than automobiles on a per-passenger-mile basis.

Amtrak is gaining market share of the overall travel market, as it continues to draw riders from both air and auto in places like the Northeast Corridor, the Midwest and California.

Powered by renewable energy, the Saco-Biddeford station in Maine is considered the first truly green station in the Amtrak system.

By reducing energy usage, instituting recycling on all food service cars throughout the system, expanding recycling services at Amtrak stations and facilities, implementing practices that reduce diesel fuel emissions, and incorporating greener building standards, Amtrak strives to increase efficiency and promote prudent use of resources and alternative energy sources.

As a charter member of the Chicago Climate Exchange, Amtrak made a commitment to reduce greenhouse gas emissions from diesel fuel by 6 percent by 2010, a target it plans to exceed.

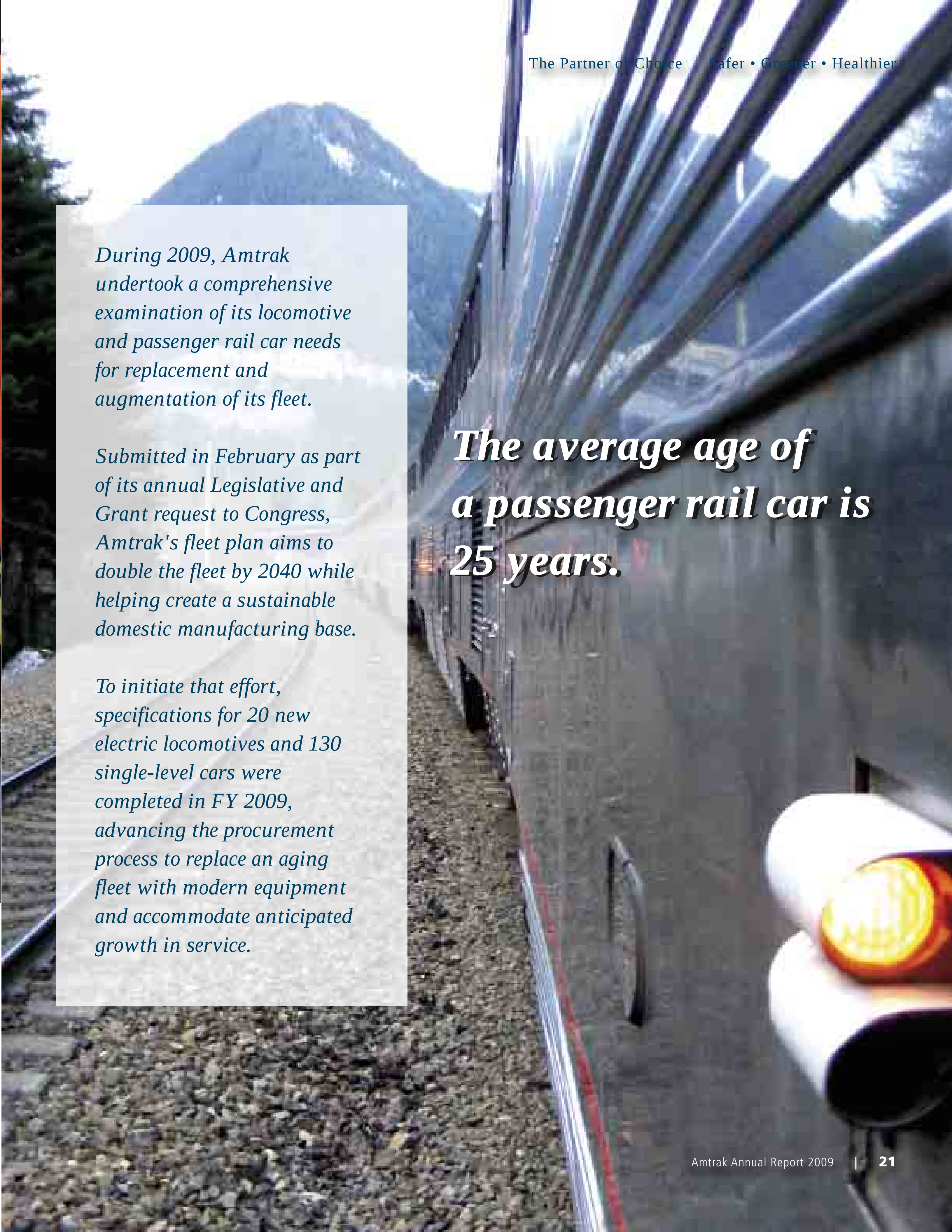
Having joined the Climate Registry in FY 2009, Amtrak is committed to comprehensive reporting standards for recording and managing greenhouse gas emissions throughout its system. As a member of Climate Counts, Amtrak will be assessed on its efforts to reduce its impact on the environment.

HEALTHIER

In FY 2009, Amtrak acquired equipment and new technologies to improve the safety and efficiency at its maintenance facilities. This in part helped enable Amtrak mechanics to pursue an aggressive maintenance schedule, supplemented by federal economic stimulus funds that resulted in returning to service five previously sidelined cars.

Mechanical Production Highlights: Overhauls and Upgrades

166	Amfleet coaches	18	Viewliner cars
5	Electric locomotives	8	Heritage cars
94	Superliner cars	50	Non-passenger equipment
46	Horizon and Surfliner cars	9	Acela interior upgrades



During 2009, Amtrak undertook a comprehensive examination of its locomotive and passenger rail car needs for replacement and augmentation of its fleet.

Submitted in February as part of its annual Legislative and Grant request to Congress, Amtrak's fleet plan aims to double the fleet by 2040 while helping create a sustainable domestic manufacturing base.

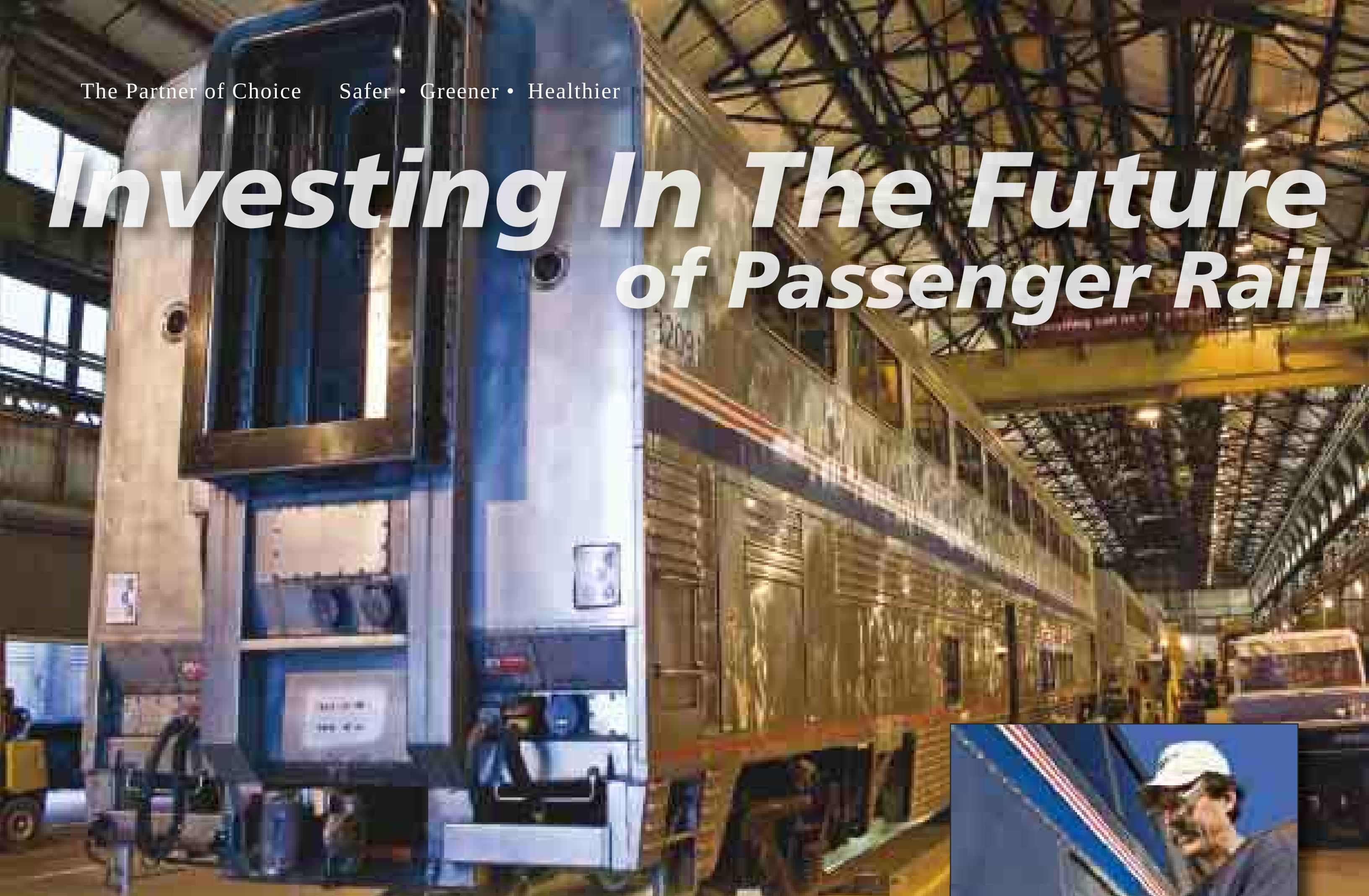
To initiate that effort, specifications for 20 new electric locomotives and 130 single-level cars were completed in FY 2009, advancing the procurement process to replace an aging fleet with modern equipment and accommodate anticipated growth in service.

The average age of a passenger rail car is 25 years.

Engineering crews' work on Amtrak-owned infrastructure — such as tracks, signals and bridges — in FY 2009 contributed to one of the most prolific production seasons in Amtrak history. Amtrak maintains all tracks approved for 110-plus mph (177-plus kph) service in the Western Hemisphere.

130,900	Concrete ties installed
100,000	Wood ties installed
56	Turnouts replaced
32	Miles of electric catenary hardware renewed
821	Bridge ties installed
8	Bridge decks retimbered
14	Electric traction transformers installed
13	Miles of signal cable replaced

In addition to ongoing state-of-good repair and capital infrastructure projects on the Northeast Corridor, Engineering crews installed new turnouts and eight miles of new rail on Amtrak-owned track in Niles, Mich., in FY 2009. Replacing rail that had been in place since 1927, the work laid the foundation for 110 mph (177 kph) train speeds expected in the near future along the Chicago-Detroit Corridor.

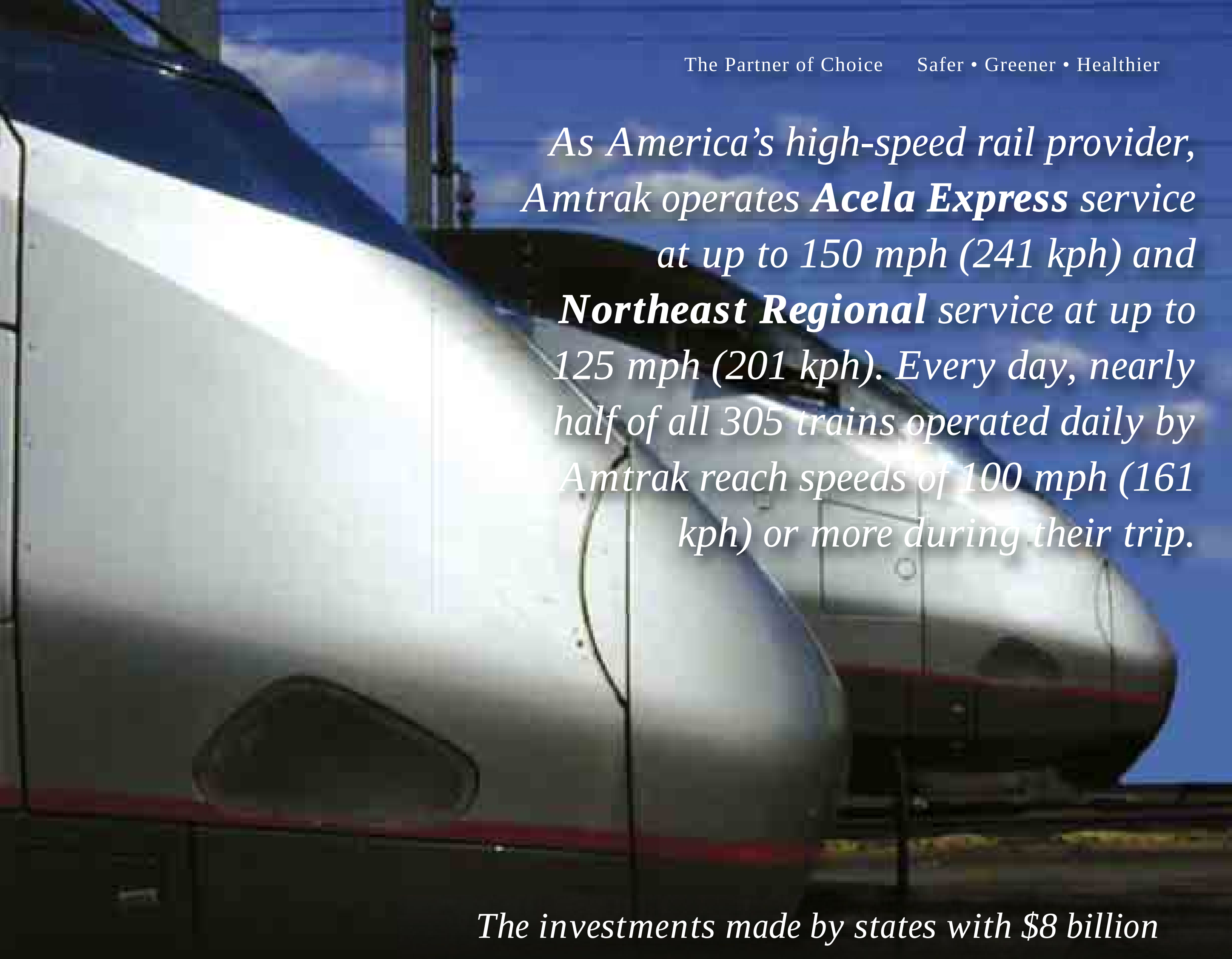


Investing In The Future of Passenger Rail

The transformation of passenger rail envisions expanded service, higher speeds and high-speed rail in communities across America. As a vehicle for that vision, the American Recovery and Reinvestment Act provides funds for Amtrak and states to make significant investments in the long-term future of passenger rail.

With stimulus funds, Amtrak created more than 500 Amtrak jobs and another 300 with contractors in FY 2009, while beginning construction on numerous major projects being funded, in all or in part, by American Recovery and Reinvestment Act funds, including:

- Wilmington, Del., station renovation.
- Auto Train Sanford, Fla., station expansion.
- Rehabilitation and restoration of damaged / stored cars — 60 Amfleet, 20 Superliner, and one Viewliner — and 15 P-40 diesel-electric locomotives.
- Replacement or repair of Northeast Corridor bridges in New York and Connecticut; and modernization of electrical equipment used to power Northeast Corridor trains.



*As America's high-speed rail provider, Amtrak operates **Acela Express** service at up to 150 mph (241 kph) and **Northeast Regional** service at up to 125 mph (201 kph). Every day, nearly half of all 305 trains operated daily by Amtrak reach speeds of 100 mph (161 kph) or more during their trip.*

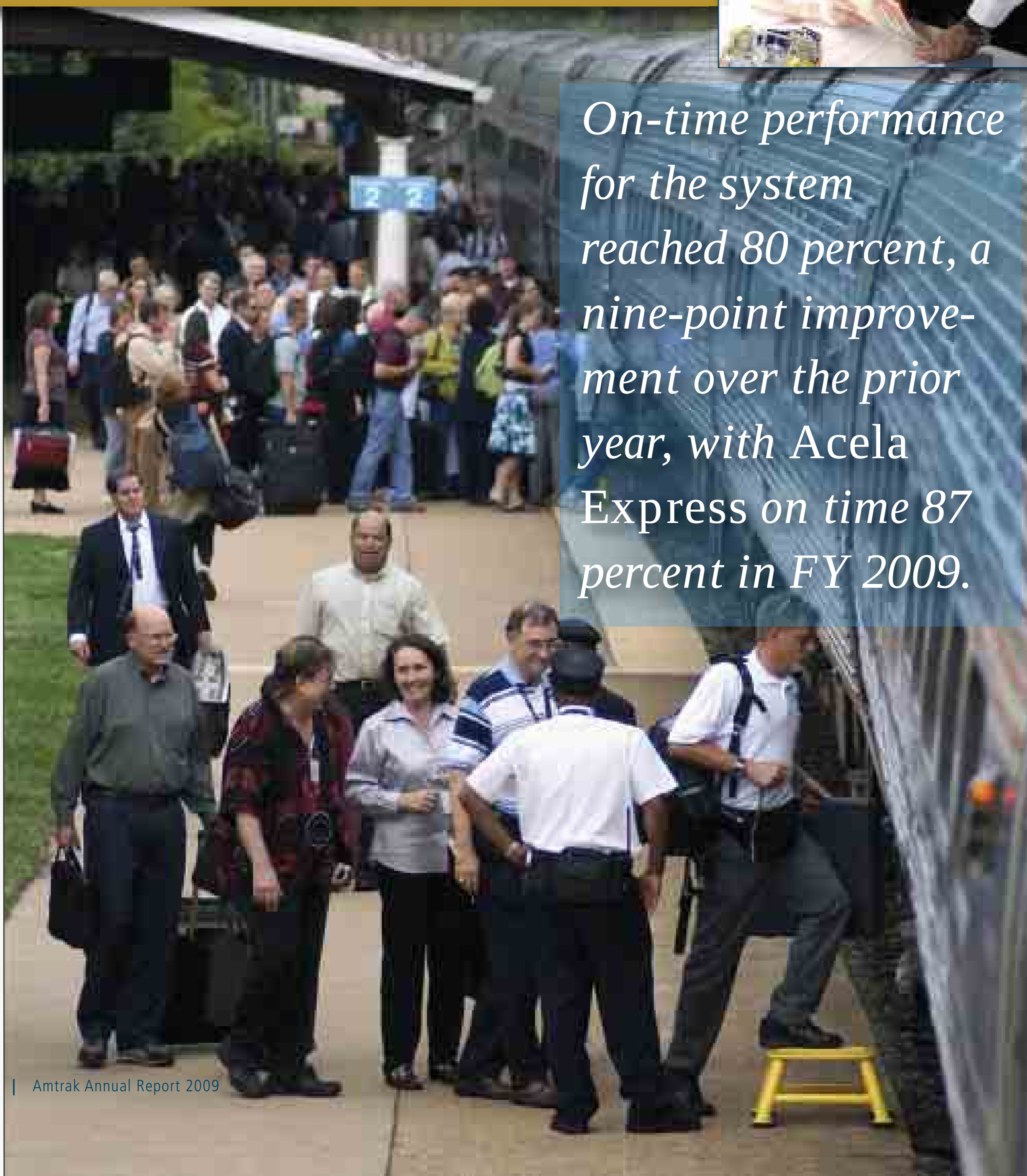
The investments made by states with $8 billion in American Recovery and Reinvestment Act funds will result in higher speeds, reduced trip times, additional frequencies, upgraded facilities and greater reliability for at least 13 Amtrak routes.

Customer Service

*Amtrak strives to offer riders an experience that is convenient, competitive, and pleasant. Convenience and competitiveness are products of trip-time and reliability, but customer experience is a product of a range of factors such as accessibility, food service, comfort, and service delivery. Amtrak continued its Route Performance Initiatives in FY 2009, targeting six long-distance routes for specific improvements, such as restoring dining cars and through-service to Boston on the **Lake Shore Limited** service.*

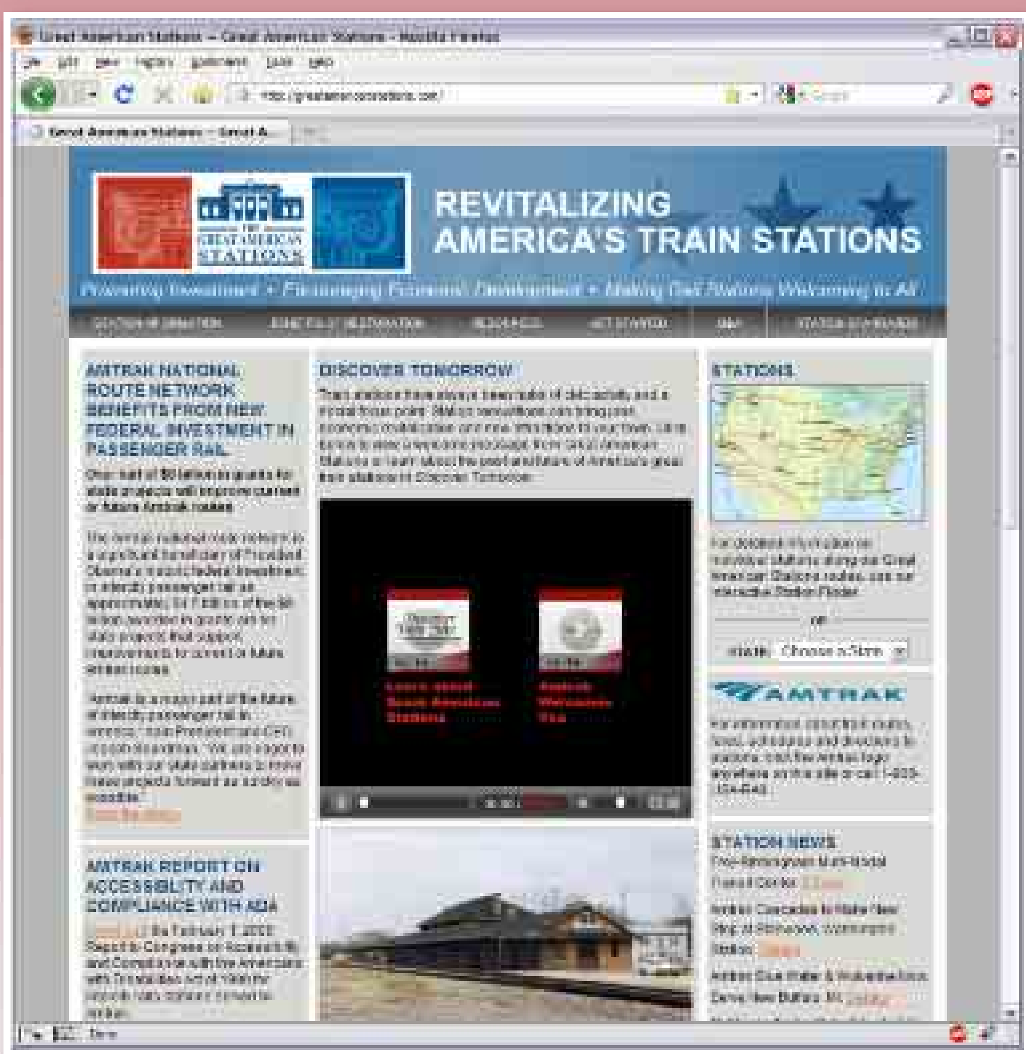
Upgrades to the interiors of Amtrak's premium ***Acela Express*** *high-speed service were made in FY 2009, including new leather seats, to increase passenger comfort and amenities. In addition, the groundwork was laid for offering Wi-Fi aboard the service.*

Due to improved service delivery and better on-time performance, Amtrak achieved an 82 percent customer satisfaction score in FY 2009.

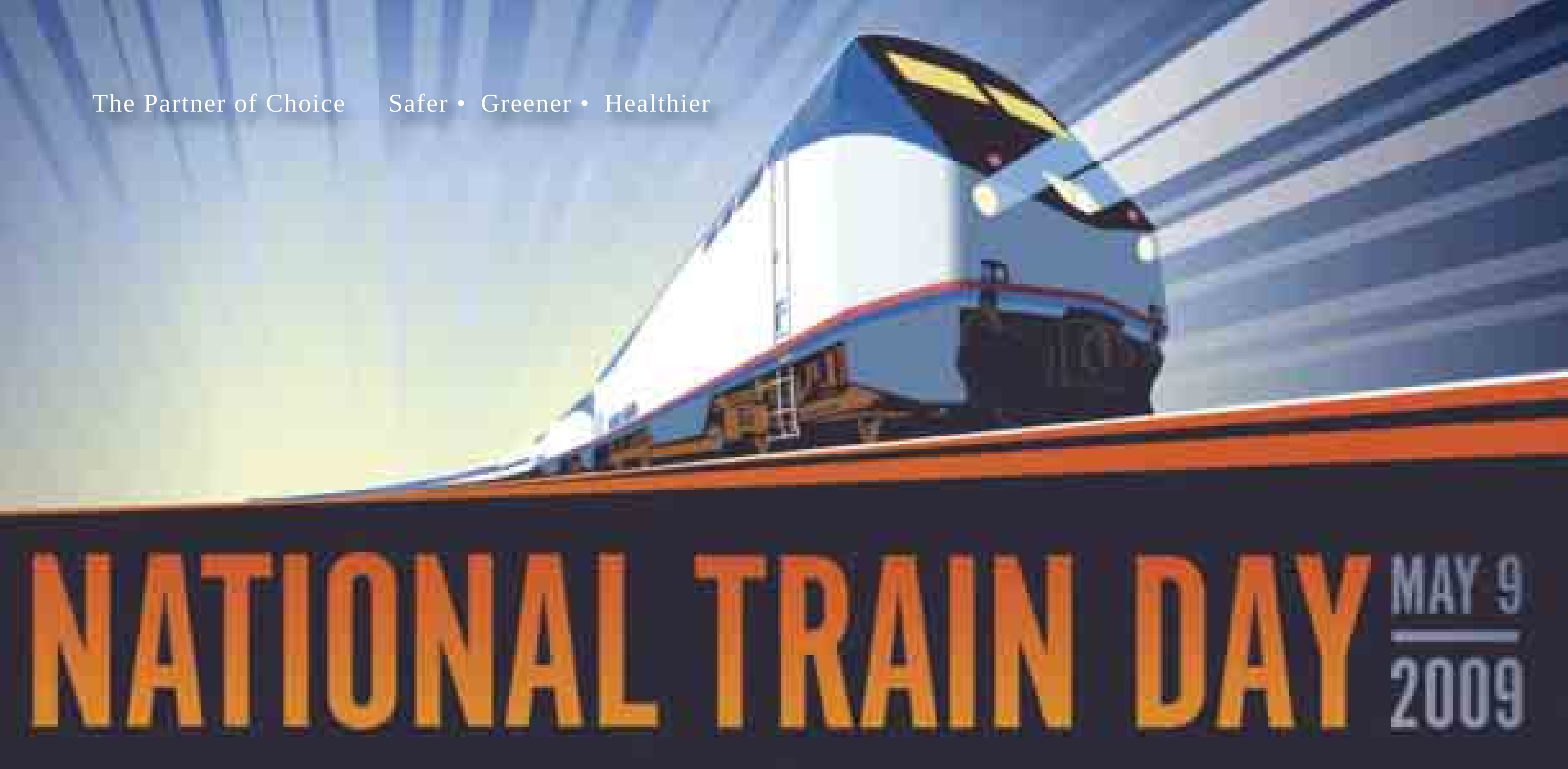


On-time performance for the system reached 80 percent, a nine-point improvement over the prior year, with Acela Express *on time 87 percent in FY 2009.*

In FY 2009, Amtrak continued to improve access to stations and on board trains, including the launch of its Mobility First initiative to make stations more accessible.



Amtrak's Great American Stations Web site serves as a resource for local communities that seek to reinvest in stations. Revitalized stations promote economic development, while providing access to a transportation mode for residents and visitors alike.



To heighten public awareness about train travel, events were held from coast-to-coast on the second annual National Train Day. Tens of thousands visited stations across the country to attend events that featured live entertainment and train-related activities.

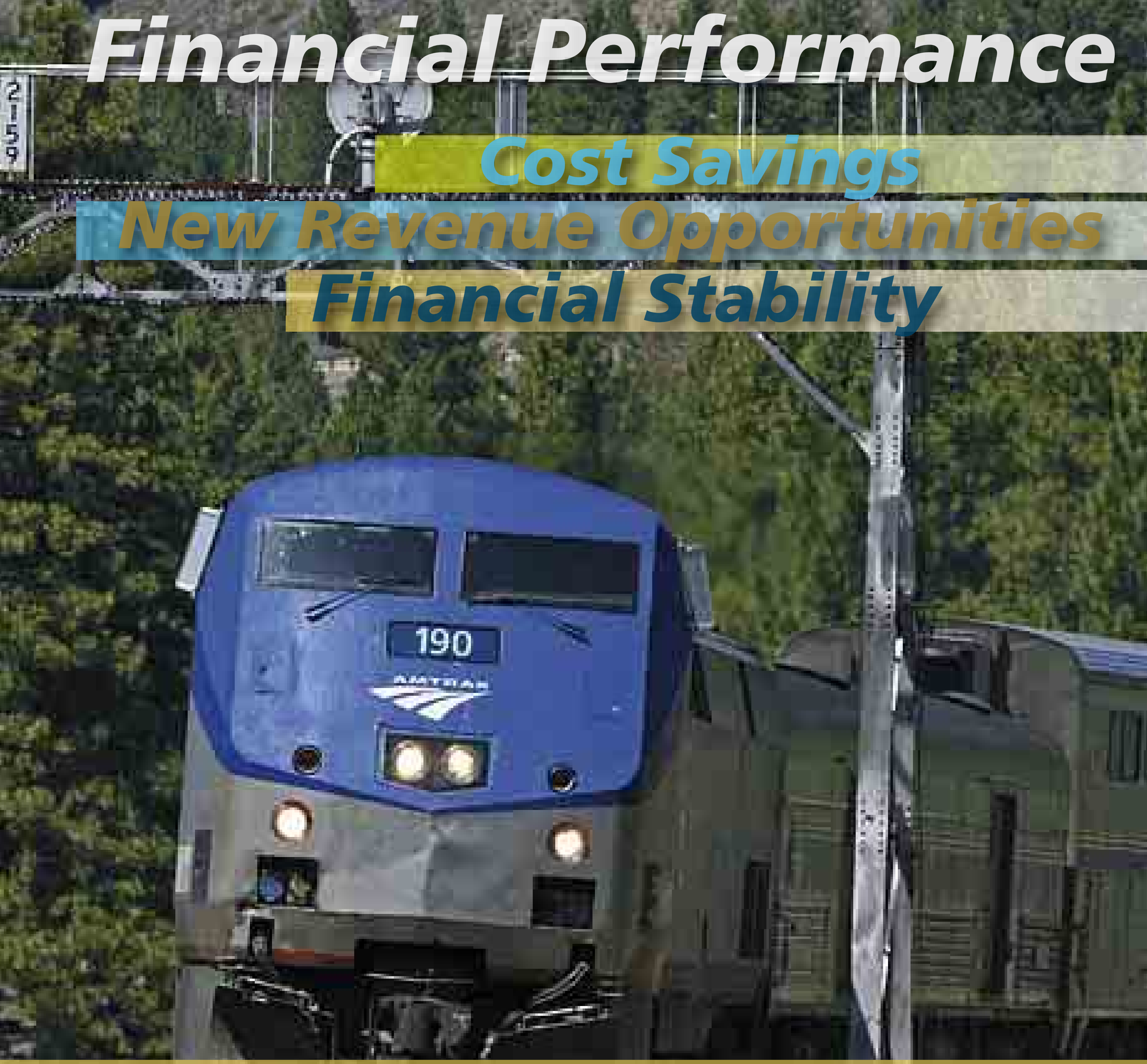
Photo: Philip A. Weibler

Financial Performance

Cost Savings

New Revenue Opportunities

Financial Stability



Amtrak covers 80 percent of its annual operating costs from revenue, which is expected to increase as costs shift to state partners, in compliance with federal law.

Amtrak's farebox recovery — 71 percent in FY 2009 — is the highest reported among all passenger railroads, including commuters and transit, in the U.S.

Meeting National Needs

Amtrak is part of the national solution to a dynamic high-speed and higher-speed passenger rail network, congestion mitigation and the nation's strategy toward energy independence.

Amtrak has assisted and stands ready to assist in times of national or regional need.


164
AMTRAK

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the results of operations and of the liquidity and capital resources of the National Railroad Passenger Corporation (Amtrak or the Company) is based upon and should be read in conjunction with Amtrak's Consolidated Financial Statements for the fiscal years ended September 30, 2009 and 2008, and accompanying notes. This discussion has not been reviewed by our auditors, KPMG, LLP (KPMG), and the opinions expressed by KPMG on Amtrak's Consolidated Financial Statements for the fiscal years ended September 30, 2009 and 2008 are wholly separate and are not intended to be incorporated by reference or considered to be an expression of opinion on any of the information contained herein.

RESULTS OF OPERATIONS

Amtrak reported a 2009 net loss of $1,264.4 million, compared to a 2008 net loss of $1,132.8 million, an increase of $131.6 million or 11.6%. During fiscal year 2009 Amtrak experienced a decrease in revenues and an increase in expenses as compared to fiscal year 2008.

Revenues – Total revenues decreased $100.0 million, or 4.1%, to $2,352.8 million in 2009 compared to $2,452.8 million in 2008. The decrease is primarily due to a decrease in passenger related revenue as a result of decreased ridership.

Expenses – Total expenses increased $97.6 million, or 2.9%, to $3,507.2 million in 2009 compared to $3,409.6 million in 2008. The increase is largely due to an increase in salaries, wages, and benefits and depreciation.

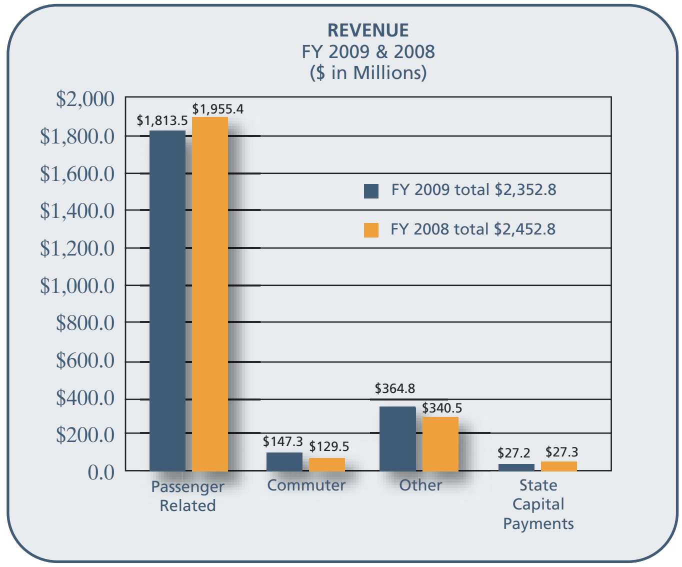
Other Income and Expense – Net other expense decreased $66.0 million, or 37.5%, to $109.9 million in 2009, compared to $175.9 million in 2008. The net decrease is due to a decrease in interest expense of $91.1 million and a decrease in interest income of $25.1 million.

REVENUE

Passenger related revenue which includes ticket, food and beverage and State operating contribution revenue decreased $141.9 million, or 7.3%, to $1,813.5 million in 2009 compared to $1,955.4 million in 2008. The decrease is primarily due to a decrease in ridership of 1.5 million passengers, or 5.2%, to 27.2 million in 2009 compared to 28.7 million in 2008. Rising gasoline prices and higher airline fares led to Amtrak's record ridership and revenue in 2008. Gasoline prices and airfares decreased in 2009 making alternative modes of transportation more competitive.

Commuter revenue which includes revenues earned under contractual arrangements to operate various commuter rail services for a cost-based fee increased $17.8 million, or 13.7%, to $147.3 million in 2009 compared to $129.5 million in 2008. The increase is primarily due to increases in services and base operating fees charged to several commuter agencies.

Other revenue increased $24.3 million, or 7.1%, to $364.8 million in 2009 compared to $340.5 million in 2008. Other revenue consists of transportation revenue from use of Amtrak-owned tracks and other services; revenue from reimbursable engineering and capital improvement activities; commercial development revenue from station rent, right-of-way fees and retail rent; freight access fee revenue from the use of Amtrak-owned tracks by freight railroad companies and other one time gains.



Transportation revenue from commuters for use of Amtrak-owned tracks and other services increased $21.9 million, or 17.9%, to $144.2 million in 2009 compared to $122.3 million in 2008. The increase is primarily the result of negotiations related to an electric power agreement with a commuter agency that resulted in $10.5 million of additional revenue in 2009.

Reimbursable revenue increased $4.0 million, or 4.2%, to $98.4 million in 2009 compared to $94.4 million in 2008 primarily due to an increase in reimbursable maintenance of way activities.

Commercial development revenues increased $2.3 million, or 3.1%, to $76.6 million in 2009 compared to $74.3 million in 2008.

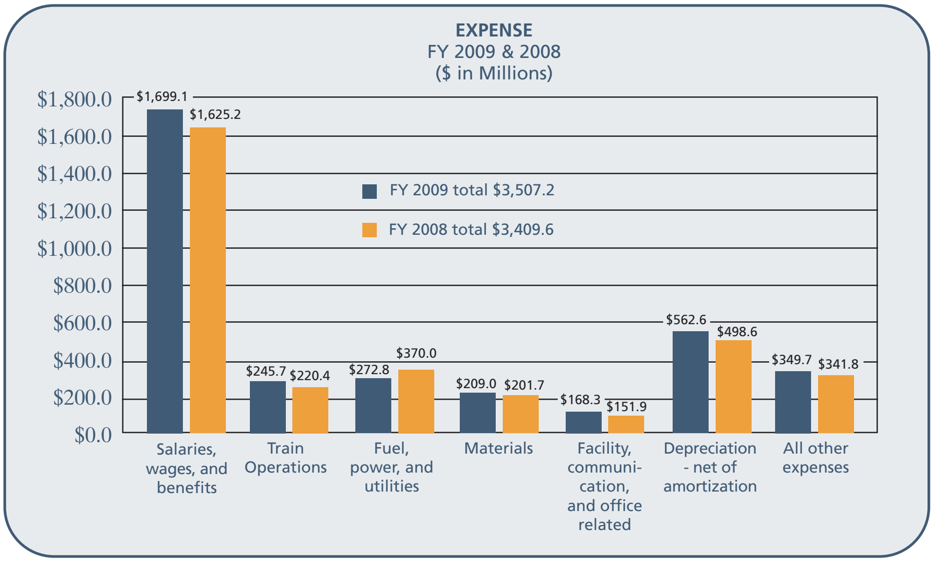
Freight access fees and one time gains decreased $6.4 million, or 12.9%, to $43.1 million in 2009 compared to $49.5 million in 2008.

State capital payments include the amortization of state funds used to acquire depreciable assets. These state capital payments are deferred when received and amortized over the estimated composite life of the related assets purchased with the funds. State capital payments decreased 0.4% to $27.2 million in 2009 compared to $27.3 million in 2008.

EXPENSE

Salaries, wages, and benefits expense increased $73.9 million, or 4.5%, to $1,699.1 million in 2009 compared to $1,625.2 million in 2008. Salaries and wage expense increased $38.9 million primarily due increased headcount. Benefits expense increased $35.0 million primarily due to increased railroad retirement taxes and health insurance costs.

Train operations expense increased $25.3 million, or 11.5%, to $245.7 million in 2009 compared to $220.4 million in 2008. The increase is primarily due to increases in schedule adherence fees (incentive payments) to host railroads to achieve better on-time performance.



Fuel, power, and utilities expense decreased $97.2 million, or 26.3%, to $272.8 million in 2009 compared to $370.0 million in 2008 primarily due to a general decrease in diesel fuel costs.

Materials expense increased $7.3 million, or 3.6%, to $209.0 million in 2009 compared to $201.7 million in 2008 primarily due to increases in locomotive preventive maintenance and signal repairs.

Facility, communication, and office related expense increased $16.4 million, or 10.8%, to $168.3 million in 2009 compared to $151.9 million in 2008. The increase is primarily due to a $5.8 million increase in building maintenance related to reimbursable maintenance of way activities, a $4.1 million increase in information technology infrastructure outsourcing and a $1.6 million increase in office rent.

Depreciation (net of amortization) expense increased $64.0 million, or 12.8%, to $562.6 million in 2009 compared to $498.6 million in 2008. The increase is partially due to an additional $13.5 million in depreciation related to the acceleration of concrete tie replacements. The remaining increase is due to the capitalization of new additions to property and equipment during the year.

All other expenses increased $7.8 million, or 2.3%, to $349.7 million in 2009 compared to $341.9 million in 2008. Advertising and sales costs increased $8.1 million as a result of additional advertising programs to stimulate demand in key markets which were partially offset by a decrease in credit card commissions due to lower ridership. Casualty and other claims expense decreased $13.8 million due to lower claims incurred. Indirect costs capitalized to property and equipment decreased by $8.4 million primarily due to increases in direct labor expense associated with agreement employees under contract. Other expenses increased $5.1 million primarily due to non-capitalizable services for computer system design and project work.

OTHER INCOME AND EXPENSE

Other income and expense includes investment income on cash held and interest expense associated with equipment and infrastructure financings.

Interest income decreased $25.1 million, or 27.7%, to $65.5 million in 2009 compared to $90.6 million in 2008. This decrease is due to lower average available cash balances as well as lower interest rates.

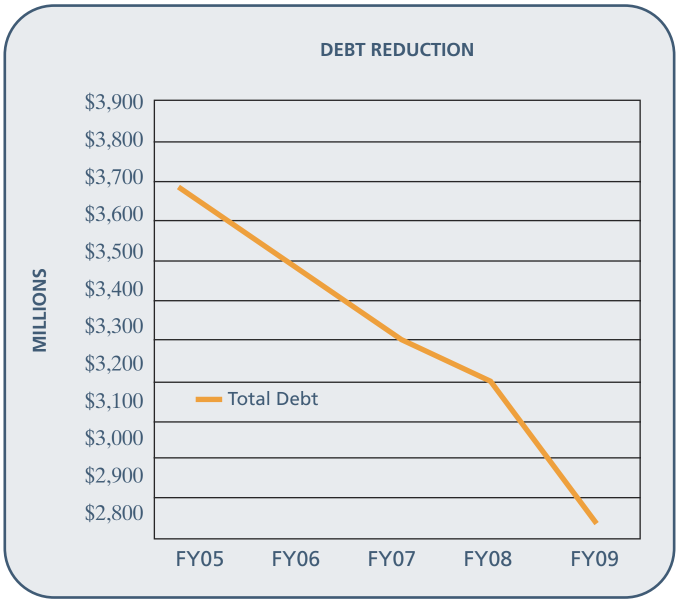
Interest expense decreased $91.1 million, or 34.2%, to $175.4 million in 2009 compared to $266.5 million in 2008. Interest expense in 2008 included a $66.0 million non-recurring adjustment for the inclusion of in substance residual value guarantees related to defeased sale-leaseback transactions. On a comparable basis, interest expense decreased $25.1 million due to lower average debt balances as a result of scheduled principal payments and the early termination of three capital leases related to equipment.

LIQUIDITY AND CAPITAL RESOURCES

Amtrak relies on cash flows from operating activities and appropriations from the United States government (Federal Government) to operate the national passenger rail system and maintain the underlying infrastructure. The Company believes that it will be able to meet current and long-term liquidity and capital requirements through cash flows from operating activities, appropriations, and existing cash and cash equivalents.

Amtrak had unrestricted cash and cash equivalents of $226.1 million compared to $329.8 million at September 30, 2009 and 2008, respectively.

The working capital ratio increased to 0.60 at September 30, 2009 compared to 0.57 at September 30, 2008. Current maturities of debt and capital lease obligations increased over the prior year by $38.5 million, or 26.2%, primarily due to increased scheduled repayments of capital lease obligations. Current assets increased over the prior year by $9.5 million, or 1.5%, due to increases in restricted cash, materials and supplies and accounts receivable. This is offset by a decrease in



cash and cash equivalents.

Total debt and capital lease obligations decreased by $356.9 million, or 11.2%, to $2,842.4 million at September 30, 2009 from $3,199.3 million at September 30, 2008. Of this decrease, $209.0 million is due to the early termination of three capital leases and purchase of the leased equipment. The remainder of the decrease is due to scheduled principal payments made in 2009.

The graph on the previous page depicts the reduction in outstanding debt balances over the last five years.

OUTLOOK

Amtrak was incorporated in 1971 pursuant to the Rail Passenger Service Act of 1970 and is authorized to operate a nationwide system of passenger rail transportation. The Company has a history of recurring operating losses and is dependent on subsidies from the Federal Government to operate the national passenger rail system and maintain the underlying infrastructure. These subsidies are usually received through annual appropriations. In recent fiscal years appropriated funds for Amtrak have been provided to the DOT, which through its agency the Federal Railroad Administration, provides those funds to Amtrak pursuant to operating funds and capital funds grant agreements, respectively. Amtrak's ability to continue operating in its current form is dependent upon the continued receipt of subsidies from the Federal Government.

The enactment on October 16, 2008, of the Passenger Rail Investment and Improvement Act of 2008 as Public Law 110-432 (H.R. 2095) authorized to the Secretary of the Department of Transportation (the "Secretary") five annual grants to Amtrak amounting to $9.8 billion for fiscal years 2009 through 2013. The enactment on December 16, 2009, of the Departments of Transportation and Housing and Urban Development and Related Agencies Appropriations Act, 2010 (the "2010 Act") as Public Law 111-117 (H.R. 3288) authorized the Secretary to make grants to Amtrak from a total appropriation of $1.6 billion available until expended, provided the Secretary does not make the grants for the third and fourth quarter of the fiscal year until it is determined that the Company and its Inspector General have agreed upon a set of relationship policies and procedures that are consistent with the letter and spirit of the Inspector General Act of 1978. Such a set of policies has been developed and submitted to the Secretary, Amtrak has received its FY 2010 3rd Quarter grant. The 2010 Act gives the Secretary oversight of the fiscal spending of the Company and enables the Secretary to make grants to the Company, to remain available until expended, providing $563.0 million for operating expense grants and $1,002.0 million for capital program and debt service expense grants. The capital and debt service grants, after an initial $200.0 million, will be provided on a reimbursable basis. Of the $1,002.0 million capital subsidy grants, not more than $264.0 million shall be for debt service obligations. Congress also authorized the Secretary to retain up to one-half of one percent ($5.0 million) of the funds appropriated for capital and debt service grants to fund FRA's oversight of the design and implementation of capital projects.

The Company has received $321.9 million of the fiscal year 2010 appropriation under continuing resolutions through

December 18, 2009. The Company believes that it can achieve its planned results and that it will receive the full amount appropriated under the 2010 Act. To the extent that less than the full appropriation is received from the Secretary or the Company's funding needs are greater the $1.6 billion plus $226.1 million combined cash on hand at September 30, 2009 due to operating results or the unfavorable resolution of contingencies or other matters, the Company may not have sufficient funds to operate through the end of fiscal year 2010.

The enactment on February 17, 2009 of the American Recovery and Reinvestment Act of 2009 (the "ARRA") as Public Law 111-5 authorized the FRA to make available by grant agreement $1.3 billion to the Company. As required, $5.0 million was made available for the Amtrak Office of Inspector General and $6.5 million was retained by the FRA for the costs of program management oversight. Further, $450.0 million shall be used for capital security grants, including life safety improvements. The remaining $838.5 million shall be used in projects for the repair, rehabilitation, or upgrade of railroad assets or infrastructure, and for capital projects that expand passenger rail capacity, including the rehabilitation of rolling stock. In addition, no more than 60 percent of the non-security funds may be spent for projects along the Northeast Corridor. Projects are to be completed by February 17, 2011, and are to serve to supplement and not supplant planned expenditures for such activities from other Federal, State, local and corporate sources.

Amtrak receives significant financial assistance from the federal government in the form of grants and entitlements. The right to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Company. The Company does not believe that the liabilities that may result from such audits for periods through September 30, 2009 would have a material effect on its financial position or the results of operations.

There are currently no Federal government subsidies appropriated for any period subsequent to the fiscal year ending September 30, 2010. Without such subsidies, Amtrak will not be able to continue to operate in its current form and significant operating changes, restructuring or bankruptcy may occur. Such changes or restructuring would likely result in asset impairments.

KPMG LLP
1660 International Drive
McLean, VA 22102

Independent Auditors' Report

The Board of Directors and Stockholders
National Railroad Passenger Corporation:

We have audited the accompanying consolidated balance sheets of National Railroad Passenger Corporation and subsidiaries (Amtrak or the Company) as of September 30, 2009 and 2008, and the related consolidated statements of operations, comprehensive loss, cash flows, and changes in capitalization for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company has a history of substantial operating losses and is dependent upon substantial Federal government subsidies to sustain its operations. There are currently no Federal government subsidies appropriated for any period subsequent to the fiscal year ending September 30, 2010 ("fiscal year 2010"). Without such subsidies, Amtrak will not be able to continue to operate in its current form and significant operating changes, restructuring or bankruptcy may occur. Such changes or restructuring would likely result in asset impairments.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Railroad Passenger Corporation and subsidiaries as of September 30, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

December 18, 2009

CONSOLIDATED BALANCE SHEETS
(In Thousands of Dollars, Except Share Data)

ASSETS	September 30 2009	September 30 2008
Cash		
Cash and cash equivalents	$ 226,064	$ 329,813
Restricted cash and cash equivalents	82,915	10,012
Accounts receivable, net of allowances of $3,753 and $4,794 at September 30, 2009 and 2008, respectively	116,772	100,892
Materials and supplies - net	183,991	155,583
Other current assets	37,011	40,927
Total current assets	646,753	637,227
Property and Equipment:		
Locomotives	1,388,562	1,365,541
Passenger cars and other rolling stock	2,680,966	2,642,830
Right-of-way and other properties	9,116,585	8,693,663
Leasehold improvements	342,933	331,314
Property and equipment, gross	13,529,046	13,033,348
Less - Accumulated depreciation and amortization	(4,992,464)	(4,592,516)
Total property and equipment, net	8,536,582	8,440,832
Other Assets, Deposits, and Deferred Charges:		
Escrowed proceeds on sale-leasebacks	739,423	894,752
Deferred charges, deposits, and other	320,790	327,057
Total other assets, deposits, and deferred charges	1,060,213	1,221,809
Total assets	$ 10,243,548	$ 10,299,868
LIABILITIES and CAPITALIZATION		
Current Liabilities:		
Accounts payable	$ 285,814	$ 217,681
Accrued expenses and other current liabilities	517,190	647,523
Deferred ticket revenue	88,494	111,758
Current maturities of long-term debt and capital lease obligations	185,397	146,864
Total current liabilities	1,076,895	1,123,826
Long-Term Debt and Capital Lease Obligations:		
Capital lease obligations	2,401,234	2,782,771
Mortgages	197,025	212,955
Equipment and other debt	58,717	56,690
Total long-term debt and capital lease obligations	2,656,976	3,052,416
Other Liabilities and Deferred Credits:		
Deferred federal and state capital payments	811,273	752,279
Casualty reserves	160,158	195,186
Deferred gain on sale-leasebacks	196,674	262,222
Postretirement employee benefits obligation	830,042	566,760
Environmental reserve	65,789	62,342
Other	65,442	67,508
Total other liabilities and deferred credits	2,129,378	1,906,297
Total liabilities	5,863,249	6,082,539
Commitments and Contingencies		
Capitalization:		
Preferred stock - $100 par, 109,396,994 shares authorized, issued and outstanding at September 30, 2009 and 2008	10,939,699	10,939,699
Common stock - $10 par, 10,000,000 shares authorized, 9,385,694 issued and outstanding at September 30, 2009 and 2008	93,857	93,857
Debt and other paid-in capital	19,091,178	17,415,041
Accumulated deficit & comprehensive loss	(25,744,435)	(24,231,268)
Total capitalization	4,380,299	4,217,329
Total liabilities and capitalization	$ 10,243,548	$ 10,299,868

The accompanying Notes are an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands of Dollars)

	Twelve Months Ended September 30 2009	Twelve Months Ended September 30 2008
Revenues:		
Passenger related	$ 1,813,537	$ 1,955,422
Commuter	147,310	129,545
Other	364,767	340,504
State capital payments	27,179	27,309
Total revenues	2,352,793	2,452,780
Expenses:		
Salaries, wages, and benefits	$ 1,699,101	$ 1,625,186
Train operations	245,736	220,368
Fuel, power, and utilities	272,801	370,032
Materials	209,030	201,676
Facility, communications, and office related	168,308	151,919
Advertising and sales	106,189	98,056
Casualty and other claims	49,118	62,936
Depreciation - net of amortization	562,584	498,563
Other	299,242	294,189
Indirect cost capitalized to property and equipment	(104,871)	(113,304)
Total expenses	3,507,238	3,409,621
Net loss from continuing operations before other (income) and expense	1,154,445	956,841
Other (Income) and Expense:		
Interest income	(65,498)	(90,593)
Interest expense	175,408	266,530
Other expense - net	109,910	175,937
Net loss	$ 1,264,355	$ 1,132,778

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In Thousands of Dollars)

	Twelve Months Ended September 30 2009	Twelve Months Ended September 30 2008
Net loss	$ 1,264,355	$ 1,132,778
Other Comprehensive Loss (Income):		
Realized gain on investments	51	(710)
Unrealized loss (gain) on pension and OPEB	248,761	(82,121)
Comprehensive loss	$ 1,513,167	$ 1,049,947

The accompanying Notes are an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of Dollars)

	Twelve Months Ended September 30	
	2009	2008
Cash Flows From Operating Activities:		
Net loss	$ (1,264,355)	$ (1,132,778)
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustment to increase capital lease obligations	-	66,047
Depreciation net of amortization	562,584	495,952
Gain on disposal of property	(547)	(7,017)
Other	6,104	20,088
Changes in assets and liabilities:		
Accounts receivable	(17,481)	41,878
Materials and supplies	(28,182)	3,271
Other current assets	4,346	5,323
Other assets, deposits, and deferred charges	(30,308)	34,662
Accounts payable, deferred ticket revenue, and other current liabilities	(82,271)	152,427
Deferred state capital payments	(27,178)	(27,310)
Other liabilities and deferred credits	(20,468)	(100,199)
Net cash used in operating activities	(897,756)	(447,656)
Cash Flows From Investing Activities:		
Purchases and refurbishments of property and equipment	(727,550)	(673,742)
Restricted cash and cash equivalents	(72,903)	381
Proceeds from dispositions of property and equipment	2, 383	8,605
Net cash used in investing activities	(798,070)	(664,756)
Cash Flows From Financing Activities:		
Proceeds from federal paid-in capital	1,636,114	1,282,975
Proceeds from federal and state capital payments	126,194	109,786
Repayments of debt and capital lease obligations	(170,195)	(162,217)
Decrease in cash overdraft	(36)	(12,268)
Net cash provided by financing activities	1,592,077	1,218,276
Net (decrease) increase in cash and cash equivalents	(103,749)	105,864
Cash and cash equivalents-beginning of period	329,813	223,949
Cash and cash equivalents-end of period	$ 226,064	$ 329,813
Supplemental Disclosure of Cash Payments:		
Interest paid (net of amounts capitalized and non-cash defeased capital lease interest)	$ 118,968	$ 129,876
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Other non-cash (decreases) increases in property, includes accruals of amounts due for purchases	$ (3,156)	$ 9,805
Debt and capital lease reduction through use of escrow deposits	$ 186,712	$ 3,377

The accompanying Notes are an integral part of these Consolidated Financial Statements

(In Thousands of Dollars)

	Preferred stock	Common stock	Debt and other paid-in capital	Accumulated deficit	Accumulated comprehensive income (loss)	Totals
Balance at September 30, 2007	$ 10,939,699	$ 93,857	$ 16,100,513	$ (22,962,131)	$ (219,190)	$ 3,952,748
Federal paid-in capital	-	-	1,282,975	-	-	1,282,975
Federal capital and other payments	-	-	31,553	-	-	31,553
Net loss	-	-	-	(1,132,778)	-	(1,132,778)
Unrealized gain on derivatives	-	-	-	-	710	710
Unrealized gain on pensions and OPEB	-	-	-	-	82,121	82,121
Balance at September 30, 2008	$ 10,939,699	$ 93,857	$ 17,415,041	$ (24,094,909)	$ (136,359)	$ 4,217,329
Federal paid-in capital	-	-	1,636,114	-	-	1,636,114
Federal capital and other payments	-	-	40,023	-	-	40,023
Net loss	-	-	-	(1,264,355)	-	(1,264,355)
Realized gain on investments	-	-	-	-	(51)	(51)
Unrealized loss on pensions and OPEB	-	-	-	-	(248,761)	(248,761)
Balance at September 30, 2009	$ 10,939,699	$ 93,857	$ 19,091,178	$ (25,359,264)	$ (385,171)	$ 4,380,299

The accompanying Notes are an integral part of these Consolidated Financial Statements

NOTE 1: NATURE OF OPERATIONS

The National Railroad Passenger Corporation ("Amtrak" or the "Company") is a passenger railroad. The United States government (the "Federal Government") through the United States Department of Transportation (the "DOT") owns all issued and outstanding preferred stock. Amtrak's principal business is to provide rail passenger transportation service in the major intercity travel markets of the United States. The Company also operates commuter rail operations on behalf of several states and transit agencies, provides equipment and right-of-way maintenance services, and has leasing operations.

NOTE 2: BUSINESS CONDITION AND LIQUIDITY

OPERATIONS AND LIQUIDITY

Amtrak was incorporated in 1971 pursuant to the Rail Passenger Service Act of 1970 and is authorized to operate a nationwide system of passenger rail transportation. The Company has a history of recurring operating losses and is dependent on subsidies from the Federal Government to operate the national passenger rail system and maintain the underlying infrastructure. These subsidies are usually received through annual appropriations. In recent fiscal years appropriated funds for Amtrak have been provided to the DOT, which through its agency the Federal Railroad Administration (the "FRA"), provides those funds to Amtrak pursuant to operating funds and capital funds grant agreements, respectively. Amtrak's ability to continue operating in its current form is dependent upon the continued receipt of subsidies from the Federal Government.

The enactment on October 16, 2008, of the Passenger Rail Investment and Improvement Act of 2008 as Public Law H. R. 2095 authorized to the Secretary of the DOT (the "Secretary") five annual grants to Amtrak amounting to $9.8 billion for fiscal years 2009 through 2013. The enactment on December 16, 2009, of the Departments of Transportation and Housing and Urban Development and Related Agencies Appropriations Act 2010, (the "2010 Act") as Public Law H.R. 3288 authorized the Secretary to make grants to Amtrak from a total appropriation of approximately $1.6 billion available until expended, provided the Secretary does not make the grants for the third and fourth quarter of the fiscal year until it is determined that the Company and its Inspector General have agreed upon a set of policies and procedures interacting with each other that are consistent with the letter and spirit of the Inspector General Act of 1978. The 2010 Act gives the Secretary oversight of the fiscal spending of the Company and enables the Secretary to make grants to the Company, to remain available until expended, providing $563.0 million for operating expense grants and $1,002.0 million for the capital program and debt service expense grants. The capital and debt service grants, after an initial $200.0 million, will be provided after the costs have been incurred. Of the $1,002.0 million capital subsidy grants, not more than $264.0 million shall be for debt service obligations. Congress also authorized the Secretary of the Department of Transportation to retain up to one-half of one percent ($5.0 million) of the funds appropriated for capital and debt service grants to fund FRA's oversight of the design and implementation of capital projects. (See Note 4 for amounts received in fiscal year 2009.)

The Company has received $321.9 million of the fiscal year 2010 appropriation under continuing resolutions through December 18, 2009. The Company believes that it can achieve its planned results and that it will receive the full amount appropriated under the 2010 Act. To the extent that less than the full appropriation is received from the Secretary or the Company's funding needs are greater than $1.6 billion plus $226.1 million combined cash on hand at September 30, 2009 due to operating results or the unfavorable resolution of contingencies or other matters, the Company may not have sufficient funds to operate through the end of fiscal year 2010.

The enactment on February 17, 2009 of the American Recovery and Reinvestment Act of 2009 (the "ARRA") as Public Law H.R. 111-5 authorized the FRA to make available by grant agreement $1.3 billion to the Company. As required, $5.0 million was made available for the Amtrak Office of Inspector General and $6.5 million was retained by the FRA for the costs of program management oversight. Further, $450.0 million shall be used for capital security grants, including life safety improvements. The remaining $838.5 million shall be used in projects for the repair, rehabilitation, or upgrade of railroad assets or infrastructure, and for capital projects that expand passenger rail capacity, including the rehabilitation of rolling stock. In addition, no more than 60 percent of the non-security funds may be spent for projects along the Northeast Corridor. Projects are to be completed by February 17, 2011, and are to serve to supplement and not supplant planned expenditures for such activities from other Federal, State, local and corporate sources.

Amtrak receives significant financial assistance from the federal government in the form of grants and entitlements. The right to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes.

Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Company. The Company does not believe that the liabilities that may result from such audits for periods through September 30, 2009 would have a material effect on its financial position or the results of operations.

There are currently no Federal government subsidies appropriated for any period subsequent to the fiscal year ending September 30, 2010. Without such subsidies, Amtrak will not be able to continue to operate in its current form and significant operating changes, restructuring or bankruptcy may occur. Such changes or restructuring would likely result in asset impairments.

NOTE 3:
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements reflect the consolidated operations of Amtrak and its three wholly owned subsidiaries, Chicago Union Station Company (CUS), Passenger Railroad Insurance, Limited (PRIL), and Penn Station Leasing, LLC (PSL); its 99.9% interest in Washington Terminal Company (WTC); and its 99% interest in 30th Street Limited, L.P. (TSL). In addition, Amtrak has consolidated certain operations owned by the Pennsylvania Economic Development Financing Authority (PEDFA) (see Note 6). All significant intercompany balances and transactions have been eliminated.

CASH AND CASH EQUIVALENTS

All short-term investments with original maturities of less than 90 days are considered cash equivalents. Cash equivalents consist of money market fund investments and treasury bills. Cash equivalents are stated at fair market value.

RESTRICTED CASH

Restricted cash consists primarily of three types of funds received that are restricted for specific purposes. The first is cash received by Amtrak's Police Department as a result of participation in the Asset Forfeiture Program, a nationwide law enforcement program administered by the U.S. Department of Justice (DOJ). These funds, approximately $3.9 million, are restricted for use in funding certain operations of the Amtrak Police Department as stipulated by the DOJ.

Amtrak has received $5.3 million ($5.0 million in 2007 plus accrued interest) from a contractor performing work for the Illinois Department of Transportation (the "IDOT") under a Letter Agreement whereby Amtrak is acting as a disbursement agent for IDOT. Upon written approval from the IDOT, Amtrak will issue payments to subcontractors, not to exceed $5.3 million, performing work for IDOT. As of September 30, 2009, there have been no requests for payments by the IDOT.

During 2009, Amtrak received $73.1 million from the ARRA, which is restricted for capital security grants; projects for the repair, rehabilitation, or upgrade of railroad assets or infrastructure; and capital projects that expand passenger rail capacity (see Note 2). Of this amount, $5.0 million is further restricted for use by the Amtrak Office of Inspector General.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. To determine its allowance for doubtful accounts, the Company evaluates historical loss experience (which has not been significant), the characteristics of current accounts, as well as general economic conditions and trends.

MATERIALS AND SUPPLIES

Materials and supplies, which are stated at the lower of weighted-average cost or market, consist primarily of items for maintenance and improvement of property and equipment. An allowance for shrinkage and obsolescence of $57.3 million and $64.3 million for 2009 and 2008, respectively, is provided for materials and supplies based on specific identification and expected usage rates.

DERIVATIVE AND HEDGING ACTIVITIES

Amtrak periodically enters into certain derivative contracts to manage a portion of the exposure to fluctuating energy prices. These derivative financial instruments, which inherently contain market risk, are generally effective in reducing fluctuations in cash flows. Amtrak does not enter into energy contracts for trading or speculative purposes.

Amtrak holds five fuel derivative contracts at the end of fiscal year 2009. Four of them will expire on September 30, 2010 and one of them will expire on September 30, 2011. Amtrak uses these derivative contracts as economic hedges of the exposure to fluctuating energy prices. Since the derivative contracts are not designated as hedging instruments as of September 30, 2009, mark-to-market gains and losses on these derivatives are presented through current earnings in the Consolidated Statements of Operations. The fair values of these derivatives are computed using internally developed models and a variety of observable inputs. All inputs used to determine fair value are considered level 2 inputs (see Note 8).

Changes in fair value are recorded as a component of "Fuel, power, and utilities" in the consolidated Statement of Operations. For fiscal years 2009 and 2008, Amtrak recognized net increases of $0.7 million and $3.4 million, respectively, in "Fuel, power, and utilities" expense in the Consolidated Statements of Operations associated with derivative fuel contracts. At September 30, 2009 and 2008, Amtrak had derivative fuel contracts with a fair value of approximately $10.9 million and $1.7 million, respectively.

During the fiscal year 2007, Amtrak entered into electricity hedge contracts with durations of 24 months that expired on March 31, 2009. The electricity contracts resulted in increases / (decreases) of $1.3 million and $(1.0) million for fiscal years 2009 and 2008, respectively, and were recognized in "Fuel, power, and utilities" expense in the Consolidated Statements of Operations.

PROPERTY AND DEPRECIATION

Property and equipment are stated at cost, and are depreciated on a straight-line basis over their estimated useful lives. The Company uses the group method (group method) of depreciation in which a single composite depreciation rate is applied to the gross investment in a particular class of property or equipment, despite differences in the service life or salvage value of individual property units within the same class. Property held under capital leases and leasehold improvements are depreciated over the shorter of their estimated useful lives under the group method or their respective lease terms. Upon normal sale or retirement of depreciable property accounted for using the group method, the cost less the net salvage value is charged to "Accumulated depreciation" in the Consolidated Balance Sheets and no gain or loss is recognized. Significant premature retirements of depreciable property and the disposal of land are recorded as gains and losses at time of occurrence. There were no significant premature retirements of depreciable property or disposals of land for which gains or losses were recorded in fiscal year 2009. During fiscal year 2008, the Company sold 12 P40 locomotives for $16.6 million and recognized a gain of $6.7 million.

The useful lives of locomotive, passenger car and other rolling stock assets for depreciation purposes range up to 40 years. Right-of-way and other properties (excluding land) are depreciated using useful lives ranging up to 105 years. Other equipment including computers, office equipment and maintenance equipment is depreciated using useful lives ranging up to 20 years. Expenditures that significantly increase asset values or extend useful lives are capitalized, including major overhauls. Repair and maintenance expenditures, including preventative maintenance, are charged to operating expense when the work is performed. The cost of internally developed software is capitalized and amortized over its estimated useful life, which generally does not exceed 5 years. Amtrak capitalizes interest costs in connection with the construction of major facilities, locomotives, and passenger cars. Capitalized interest is recorded as part of the asset to which it relates and is depreciated over the asset's useful life. No interest was capitalized in fiscal years 2009 and 2008.

During 2007, the Company discovered that a significant number of rail ties produced by one vendor will require replacement significantly earlier than other ties. The Company hired a third party to perform a full analysis of all related ties. Although the initial inspection is complete, Amtrak's Engineering Department will inspect ties indefinitely and adjust useful lives to reflect the degradation of the ties and prioritize tie replacement as necessary. Amtrak replaced 92,000 and 86,000 rail ties in fiscal years 2009 and 2008, respectively, and plans on replacing 269,000 in fiscal year 2010, 282,000 in fiscal year 2011, 291,000 in fiscal year 2012, 182,000 in fiscal year 2013 and 81,000 in fiscal year 2014 at an estimated total cost of $353.0 million. The Company has reduced the remaining depreciable life of the ties produced by this vendor. Based on the best estimate at this time, depreciation expense will be accelerated over the next 5 years and all ties will be fully depreciated by September 30, 2014. This additional depreciation expense increased the net loss in fiscal years 2009 and 2008 by approximately $43.0 million and $24.8 million, respectively.

The Company periodically engages a civil engineering firm with expertise in railroad property usage to conduct a study to evaluate depreciation rates for property and equipment. The most recent study took place in fiscal year 2009 and depreciation lives were adjusted based on retirement data and management's expectations of future operations which resulted in new depreciation rates and a reduction in "Depreciation – net of amortization" expense in the Consolidated Statements of Operations in the amount of $19.5 million. In addition to the adjustment to depreciation rates as a result of periodic depreciation studies, certain other events could occur that would materially affect the Company's estimates and assumptions related to depreciation. Unforeseen changes in operations or technology could substantially alter assumptions regarding the Company's ability to realize the return of investment on operating assets and, therefore, affect the amount of depreciation expense to charge against both current and future revenues. Because depreciation expense is a function of analytical studies made of property and equipment, subsequent studies could result in different estimates of useful lives and net salvage values. If future depreciation studies yield results indicating that assets have shorter lives as a result of obsolescence, physical condition, changes in technology, or changes in net salvage values, the estimate of depreciation expense could increase. Likewise, if future studies indicate that assets have longer lives, the estimate of depreciation expense could decrease.

INVESTMENTS

Amtrak holds auction rate securities (ARS) with an original cost of $10.0 million and classified these investments as available for sale as of September 30, 2008. At September 30, 2008, the fair value of the ARS was $4.8 million and management determined that the decline was other-than-temporary. As a result, in fiscal year 2008 a $5.2 million charge to "Other expense" was recorded in the Consolidated Statements of Operations. At September 30, 2008, the ARS was included in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets. During fiscal year 2009 management determined an additional decline in fair value of $4.8 million was other-than-temporary. As a result, a $4.8 million charge to "Other expense" was recorded in the Consolidated Statements of Operations in fiscal year 2009.

CASUALTY LOSSES AND CLAIMS

Provision is made for Amtrak's portion of the estimated actuarial liability for unsettled casualty and other claims. Personal injury liability and ultimate loss projections are undiscounted and estimated using standard actuarial methodologies. These actuarial methods include unasserted claims. As of September 30, 2009 and 2008, the reserve was $218.2 million and $260.9 million, respectively. As of September 30, 2009 and 2008, the estimated current claims liability included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets was $58.0 million and $65.7 million, respectively. Included in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets at September 30, 2009 and 2008, are estimated insurance recoveries of $2.5 million and $12.8 million, respectively, which relate to loss events that Amtrak has incurred. In the current year, changes in estimates related to years prior to fiscal year 2009 resulted in a decrease of current expense of $20.1 million. In 2008, changes in estimates related to years prior to fiscal year 2008 resulted in a decrease of current expenses of $16.6 million.

ADVERTISING

The Company expenses advertising costs as incurred and reports these amounts in "Advertising and sales" in the Consolidated Statements of Operations. Advertising expenses were $53.1 million and $43.2 million for the fiscal years ended September 30, 2009 and 2008, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

Properties and other long-lived assets are reviewed for impairment at a system-wide level whenever events or business conditions indicate that the carrying amount of such assets may not be fully recoverable. An impairment review is made for specific assets or groups of assets. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows and include estimated future operating and capital funding expected to be received from the Federal Government over the expected lives of the assets. Where impairment is indicated, the assets are evaluated for sale or other disposition, and their carrying amount is reduced to fair value based on discounted net cash flows, or other estimates of fair value.

The Company assumes future Federal Government funding at levels consistent with those discussed in Note 2 and historical funding in performing its impairment analysis. At this level of funding, the system-wide carrying amounts of the Company's long-lived assets are recoverable. The Company believes that continued funding at historical levels is the best estimate of the future. If future Federal Government funding levels drop below these levels, substantial impairments may occur.

REVENUE RECOGNITION

"Passenger related" revenue in the Consolidated Statements of Operations, for fiscal years 2009 and 2008, includes ticket revenue, state contribution revenue associated with requested service provided by Amtrak beyond that included in the basic route system, and food and beverage revenue as shown below (in millions):

	2009	2008
Ticket	$1,563.5	$1,697.8
State Contribution	157.4	164.5
Food and Beverage	92.6	93.1
Total passenger related revenue	$1,813.5	$1,955.4

These revenues are recognized as operating revenues when the related services are provided. Amounts received for tickets that have been sold but not used are reflected as "Deferred ticket revenue" in the Consolidated Balance Sheets.

"Commuter" revenue includes the revenues earned under contractual arrangements to operate various commuter rail services for a cost-based fee.

"Other" revenue, for fiscal years 2009 and 2008, includes other transportation revenue from use of Amtrak-owned tracks and other services, revenue from reimbursable engineering and capital improvement activities, commercial development revenue from station rent, right-of-way fees and retail rent, freight access fee revenue from the use of Amtrak-owned tracks by freight railroad companies and other one time gains.

During 2007 Amtrak entered into a multiple element arrangement with multiple deliverables related to an ongoing project with the New York Metropolitan Transit

Authority at its Sunnyside, New York site, expected to be completed in 2012. Total consideration received associated with Easements of $51.3 million is being deferred and recognized into revenue over a 30-year period. Revenue associated with the Force Account is being recognized into revenue as earned when Amtrak services are performed. Other revenue is as shown below (in millions):

	2009	2008
Other transportation	$144.2	$122.3
Reimbursable	98.4	94.4
Commercial development	76.6	74.3
Freight access fee and other	35.5	41.8
One-time gains	7.6	7.7
Total	$362.3	$340.5

"State capital payments" revenue includes the amortization of state funds used to acquire depreciable assets. These state capital payments are deferred when received and amortized over the estimated composite life of the related assets purchased with the funds. The unamortized amounts are included in "Deferred federal and state capital payments" in the Consolidated Balance Sheets.

INCOME TAXES

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Pursuant to the provisions of Title 49 of the United States Code, Section 24-301, Amtrak is exempt from all state and local taxes, including income and franchise taxes that are directly levied against the Company. Accordingly, there is no provision for state and local income or franchise taxes recorded in the consolidated financial statements for the years ended September 30, 2009 and 2008 (see Note 9).

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 and liabilities, disclose contingent assets and liabilities at the date of the consolidated financial statements, and report amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Some of the most significant estimates include: reserves for uncollectible accounts receivable and inventory obsolescence, estimates of fair value of assets held for sale, estimated useful lives of property and equipment, recoverability of long-lived assets, estimates of wrecked and damaged equipment, estimates of casualty reserves, pensions and other postretirement employee benefits expense and obligations [including expected return on plan assets, discount rates, rate of future compensation increases, and healthcare cost trend rates], and environmental reserves.

COMPREHENSIVE EARNINGS (LOSS)

Amtrak reports comprehensive earnings (loss) in the Consolidated Statements of Changes in Comprehensive Loss. Comprehensive earning (loss) is defined as all changes in shareholders' equity during a period, other than those resulting from investments by and distributions to shareholders. At September 30, 2009 and 2008, Accumulated Other Comprehensive Loss consisted primarily of adjustments for pension and other post-retirement liabilities.

SUBSEQUENT EVENTS

We have performed an evaluation of subsequent events through December 18, 2009, the date these financial statements were issued.

NOTE 4: ACCOUNTING AND REPORTING FOR FEDERAL PAYMENTS

Certain funds are provided to Amtrak through federal payments for capital and operating expenditures. These federal payments, which are recorded in "Debt and other paid-in capital" in the Consolidated Statements of Changes in Capitalization when received, totaled $1.5 billion and $1.3 billion for fiscal years 2009 and 2008, respectively. In accordance with the 2009 Act, Amtrak was provided with a total appropriation of $1.5 billion for 2009. Of the 2009 appropriation, $550.0 million was received as an operating subsidy, $655.0 million as a capital subsidy and $285.0 million for debt service obligations less $2.4 million retained by the FRA for oversight of the design and implementation of capital projects. Amtrak also received $35.0 million in the first quarter of fiscal year 2009 as a result of achieving certain operational savings and meeting ridership and revenue targets, as defined in its fiscal 2008 business plan, in accordance with Public Law H.R. 2764 (the "2008 Act").

In 2008, the FRA awarded Amtrak efficiency grant funding of approximately $62.0 million ($31.0 million from fiscal year 2006 and $31.0 million from fiscal year 2007). Amtrak has received a total of $41.1 million as of September 30, 2009, of which $25.9 million was received in fiscal year 2009, and is included in "Debt and Other Paid-in Capital" in the Consolidated Balance Sheets and Statements of Changes in Capitalization.

Since 2006, the Department of Homeland Security has awarded Amtrak a total of $72.0 million in annual grants through 2009 from the Intercity Passenger Rail Grants Program and other security grants. Funding is provided after the costs have been incurred. Amtrak has received $26.8 million as of September 30, 2009, of which $14.0 million was received in fiscal year 2009, which is included in "Debt and Other Paid-in Capital" in the Consolidated Balance Sheets and Statements of Changes in Capitalization.

Certain other federal funds that are provided and restricted for use on designated projects are also recorded as "Debt and other paid-in capital" in the Consolidated Balance Sheets and Statements of Changes in Capitalization when received. These totaled approximately $14.8 million in fiscal year 2009 for Managerial Cost Accounting improvements.

The ARRA provided and restricted $98.7 million for capital security grants; projects for the repair, rehabilitation, or upgrade of railroad assets or infrastructure; and capital projects that expand passenger rail capacity (see Note 2). Of the amount provided, $5.0 million was allocated to Amtrak's Office of the Inspector General (see Note 3).

"Debt and other paid-in capital", included in the Consolidated Balance Sheets and Statements of Changes in Capitalization, includes certain funding received from the Federal Government to finance acquisition of and improvements to property and equipment. In exchange for funding, Amtrak issued two promissory notes to the United States. The first note with a balance of $4.0 billion was issued in 1976 and matures on December 31, 2975, and is secured by the real and personal property of Amtrak, WTC, CUS, PRIL, and TSL. The second note with a balance of $1.1 billion was issued in 1983 and matures on November 1, 2082, with successive 99-year renewal terms, and is secured by all the rolling stock owned by Amtrak. Neither of the notes bears interest, unless prepaid which Amtrak does not intend to do. The Federal Government's security interest in Amtrak's rolling stock entitles it to repayment plus interest in the event Amtrak ceases operations, is acquired by another entity, or seeks relief under bankruptcy or insolvency laws. The amount due to the Federal Government on the first note may be accelerated by enactment of federal law or upon the occurrence of an event of default under the leases and mortgage entered into by Amtrak and PSL on June 20, 2001 (see Note 6), or upon the occurrence of various actions concerning an Amtrak bankruptcy, reorganization, or assignment for the benefit of creditors.

NOTE 5: PREFERRED AND COMMON STOCK

For funds received from the Federal Government prior to December 2, 1997, the Rail Passenger Service Act (49 U.S.C. 24304) required Amtrak to issue to the Secretary preferred stock equal in par value to all federal operating payments and most federal capital payments received subsequent to October 1, 1981, as well as capital and certain operating payments received prior to that date. At September 30, 2009 and 2008, 109,396,994 shares of $100 par value preferred stock were authorized, all of which were issued and outstanding. All issued and outstanding preferred shares are held by the Secretary for the benefit of the Federal Government. The Amtrak Reform and Accountability Act of 1997 (the "Act") resulted in significant modifications to Amtrak's capital structure. Prior to the Act, dividends were to be fixed at a rate not less than 6% per annum, and were cumulative. No dividends were ever declared. The Act abolished the voting rights and the liquidation preference of the preferred stockholder and the 6% minimum annual cumulative preferred stock dividend; and established that no additional preferred stock be issued by Amtrak in exchange for federal grants received. At the time of enactment of the Act, the minimum undeclared cumulative preferred dividend in arrears for all series issued and currently outstanding approximated $5.8 billion and ranged between $0.02 and $97.08 per share. Each share of preferred stock is convertible into 10 shares of common stock at the option of the preferred stockholder.

At September 30, 2009 and 2008, 10,000,000 shares of $10 par value common stock were authorized, of which 9,385,694 shares were issued and outstanding. The common stockholders, who acquired their stock from four railroads whose intercity rail passenger operations Amtrak assumed in 1971, have voting rights for amendments to Amtrak's Articles of Incorporation proposed by the Board of Directors. The Act also required Amtrak to redeem at fair market value the shares of common stock outstanding as of December 2, 1997, by the end of fiscal year 2002.

Amtrak has discussed the redemption of the shares with the owners, but there has been no resolution of this matter between Amtrak and the owners. Amtrak believes that the fair market value of the common stock is zero. Nevertheless, in an effort to comply with the Act, Amtrak has made an offer to redeem the stock for cash at a price of $0.03 per share to the stockholders. By a letter dated November 2, 2000, counsel for the four common stockholders responded to Amtrak and rejected the offer as inadequate. Amtrak is considering various courses of action.

In May 2008, American Premier Underwriters (APU, formerly known as Penn Central) filed a lawsuit in federal court in Cincinnati, Ohio, asserting that Amtrak has "eroded" the value of common stock and is seeking $52.0

million. APU owns 55% of Amtrak's common stock. See Note 10.

NOTE 6: MORTGAGES AND DEBT

Total debt in the Consolidated Balance Sheets consisted of the following at September 30, 2009 and 2008 (in thousands):

	2009		2008	
Long-Term Debt:	Current	Long-Term	Current	Long-Term
Mortgage obligations	$15,930	$197,025	$14,555	$212,955
Equipment loan	397	3,008	-	-
30th St PEDFA Garage Rev Bonds	870	45,500	820	46,370
UDAG loan	130	10,666	130	10,797
	17,327	256,199	15,505	270,122
Less: Unamortized bond discount related				
to 30th St PEDFA Garage Revenue Bonds				
Revenue Bonds	-	457	-	477
Total	$17,327	$255,742	$15,505	$269,645

CREDIT FACILITIES

At September 30, 2009 and 2008, there were outstanding letters of credit of approximately $52.0 million and $52.5 million, respectively. One letter of credit, in the amount of $45.9 million, supports the issuance of the PEDFA Facilities Revenue Bonds at September 30, 2009 and 2008 and expires in February 2012 and is secured by Amtrak property. The remaining letters of credit support commitments made in the ordinary course of business and are unsecured.

FRA LOAN

On July 3, 2002, Amtrak executed a $100.0 million interest-bearing conditional loan under the Federal Railroad Administration's "Railroad Rehabilitation and Improvement Financing Program" for qualified capital expenditures. The loan bears interest at 1.81% per annum and is secured by various Amtrak-owned right-of-way properties and facilities. This loan requires Amtrak's compliance with certain conditions which include: improving financial controls and accounting transparency, submission of monthly performance reports, and a list of expense reduction options to Congress and the DOT. Under the 2005 Consolidated Appropriations Act, Amtrak was required to repay the loan in five annual installments beginning with fiscal year 2005. The final installment was paid in fiscal year 2008.

MORTGAGE OBLIGATIONS

In June 2001, PSL mortgaged a substantial portion of improvements located at Penn Station in New York, New York for $300.0 million at a fixed rate of interest of 9.25% per annum, which increased to 9.50% effective October 1, 2002, receiving net cash proceeds of $296.2 million. Of this amount, $34.3 million was deposited into escrow for the benefit of the lender. As of September 30, 2009 and 2008, $34.4 million and $35.7 million is reflected in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets. Semi-annual principal plus interest payments are due on the mortgage through maturity in June 2017. At September 30, 2009 and 2008, the outstanding balance due on the mortgage was $213.0 million and $227.5 million, respectively.

EQUIPMENT LOAN

In June 2009, Amtrak exercised an early buyout option to purchase five (5) locomotives that were under a capital lease. Amtrak paid off the equity portion of the capital lease and assumed the debt portion as a new loan from the lender in the amount of $3.4 million. The loan is payable in six (6) semi-annual principal plus interest payments beginning December 2009 and ending June 2012 and bears interest at a fixed rate of 8.045%.

BONDS AND GRANT

On January 7, 2003, the Pennsylvania Economic Development Financing Authority (PEDFA) issued $50.0 million Revenue Bonds (the "PEDFA Garage Bonds") for the purpose of financing the construction and other related costs of a parking garage located at the 30th Street Station in Philadelphia, PA. The bonds have multiple maturities ending on June 1, 2033. The bonds were issued at a discount of $0.6 million and bear interest, by individual maturities, at fixed rates ranging from 4.500% to 5.875%. The parking garage reached substantial completion by June 2004 and was constructed in air rights owned and leased by Amtrak to PEDFA. On December 15, 2002, Amtrak entered into a "Pledge and Security Agreement" (the "Pledge") with PEDFA under which Amtrak guarantees the payment of the principal and interest on the PEDFA Garage Bonds and under which Amtrak's liability is limited to a pledge of: 1) the rent received or receivable by Amtrak under the air rights lease during the fiscal year in which a demand for payment is made, and 2) the additional parking facilities revenues, as defined in the Pledge. Under these agreements (and certain other related agreements), revenue generated from the parking garage will first be used to fund the operations of the parking garage, second to pay principal and interest payments on the PEDFA Garage Bonds, third to reserve certain amounts for future repairs and maintenance of the parking garage, and fourth any excess will be paid to Amtrak subject to amounts that may be owed to the builder of the parking garage as contingent purchase price. Amtrak will obtain title to the garage when the bonds are paid off. Amtrak has recognized PEDFA's $50.0 million bond obligation in "Equipment and other debt" in the Consolidated Balance Sheets. Amtrak has recorded capital expenditures in the amount of $35.0 million related to the construction of the parking garage in "Right-of-way and other properties" in the Consolidated Balance Sheets as of September 30, 2009 and 2008. The remaining net bond proceeds are recorded in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets and were $12.8 million and $17.8 million as of September 30, 2009 and 2008, respectively.

TSL has a non-interest bearing obligation of $10.8 million and $10.9 million to the City under an Urban Development Action Grant (UDAG) loan agreement as of September 30, 2009 and 2008, respectively. Principal is being repaid in $0.1 million annual installments each November through 2011, with the balance due in November 2012. The City's rights under the UDAG loan agreement are secured by a leasehold mortgage.

INTEREST RATES

Per annum weighted-average percentage interest rates by debt type for all interest-bearing borrowings at September 30, 2009 and 2008 are shown below (in percentages of 100%):

	2009	2008
FRA loan	-	1.81
Mortgage obligations	9.50	9.50
PEDFA bonds	5.78	5.76
Equipment loan	8.05	-

The overall weighted-average interest rate on all interest-bearing borrowings is 8.8% and 8.9% per annum at September 30, 2009 and 2008, respectively.

SCHEDULED DEBT MATURITIES

At September 30, 2009, scheduled maturities of debt over the next five years and thereafter are as follows (in thousands):

2010	$ 17,327
2011	20,558
2012	31,527
2013	21,910
2014	23,935
Thereafter	158,269
Total	$273,526

Amtrak is subject to various covenants and restrictions under its borrowing arrangements. A default by Amtrak or acceleration of Amtrak's indebtedness may result in cross-default to other Amtrak indebtedness, and may have a material adverse effect on the Company. Most of Amtrak's financing transactions require that Amtrak deliver its audited annual financial statements within 120 days of the end of its fiscal year. Amtrak is in compliance with debt covenants as of September 30, 2009.

NOTE 7:
LEASING ARRANGEMENTS

FACILITIES

During fiscal year 2001, PEDFA completed two separate issues of exempt facilities revenue bonds, the net proceeds of which were used to finance a portion of the costs associated with Amtrak's construction of a frequency converter facility (the "Facility"). The first series (Series A) totaling $110.8 million was issued in February 2001 at a $0.8 million discount, netting $110.0 million. The second series (Series B) totaling $45.0 million was issued in April 2001 at par. Amtrak procured the bond proceeds of each issue through a lease and leaseback arrangement with PEDFA. Under this arrangement, Amtrak awarded title to and ownership of the Facility to PEDFA until November 2041 under a ground lease, in exchange for the total net proceeds. Simultaneously, Amtrak is leasing back from PEDFA the Facility through June 2033, with an option to extend this term through November 2041. PEDFA also has the right to extend Amtrak's leaseback term through November 2041. At the conclusion of the ground lease, title to and ownership of the Facility will revert to Amtrak. Amtrak's leaseback rentals are funding PEDFA's debt service requirements for both the Series A and Series B bonds. Amtrak's rental payments are due semi-annually for the Series A bonds and monthly for the Series B bonds. With the bond proceeds, Amtrak used $3.3 million toward financing arrangement costs, and discharged $85.5 million of interim debt associated with the Facility's construction. The remaining $66.2 million of proceeds remained on deposit with the bond trustee and was earmarked for use toward Amtrak's leaseback payments, further Facility construction costs, and additional financing arrangement costs. Amtrak recorded a $155.0 million capital lease obligation, $3.3 million of deferred financing costs, and $66.2 million of deferred deposits. Amtrak's sublease rentals consist of an interest and principal portion, with the latter scheduled to pay down this capital lease obligation over the sublease's initial and option terms. At September 30, 2009 and 2008, $150.2 million and $151.2 million, respectively, of the bonds remained outstanding. The remaining bond proceeds included in "Deferred charges, deposits, and other" in the consolidated balance sheet were $7.7 million and $7.8 million as of September 30, 2009 and 2008, respectively.

EQUIPMENT

Amtrak leases equipment, primarily passenger cars and locomotives, under capital leasing arrangements. At September 30, 2009 and 2008, the gross amount of assets recorded under capital leases was $3.0 billion (39% for locomotives and 61% for passenger cars), and $3.2 billion (38% for locomotives and 62% for passenger cars) respectively, with accumulated amortization of $2.0 billion and $1.3 billion, respectively.

During fiscal year 2000, Amtrak entered into twelve (12) defeased sale-leaseback transactions involving 624 in-service passenger coaches (the "Defeased Sale-Leasebacks"). Amtrak sold coaches having a net book value of $334.7 million for a gross purchase price of $928.7 million. Amtrak incurred transaction costs of $13.5 million in connection with these transactions reducing the net cash proceeds from the sale to Amtrak to $915.2 million resulting in a deferred gain of $580.5 million.

Immediately following the sale, Amtrak leased back the coaches under capital leases over base lease terms ranging from 23-29 years. Of the sales proceeds, the Company received and retained $124.2 million in cash. The remainder of the sale proceeds ($791.0 million) was utilized by Amtrak to purchase Guaranteed Investment Contracts ("GIC's") or Equity Payment Undertaking Agreements ("EPUA"s) from 'AAA'-rated insurance companies (the "GIC/EPUA Providers") and Debt Payment Undertaking Agreements ("DPUA's") in order to secure and defease repayment of the equity portions and debt portions of future lease rents, respectively. Amtrak is the owner of these GIC's/EPUA's and DPUA's but assigned the guaranteed payment streams from these financial instruments to be paid directly over to the lessors or their assignees and to serve as security for Amtrak's obligations under the various leases. (The referenced GIC's/EPUA's and DPUA's are collectively referred to as the 'Defeasance Instruments').

The Defeasance Instruments plus accreted interest are not netted against the capital lease obligations, but instead are presented as "Escrowed proceeds on sale-leasebacks" in the Consolidated Balance Sheets. The $580.5 million gain on the sales was deferred and is being amortized into income as a reduction to depreciation expense over the terms of the capital leasebacks. During fiscal years 2009 and 2008, $13.1 million and $15.7 million of deferred gains on these transactions were amortized, respectively.

The Defeasance Instruments accrete value at fixed interest rates ranging from 2.83% to 4.00% per annum on the defeasance instruments intended to secure the future payment of the equity portion of lease rents (the "Equity Defeasance Instruments"); and from 8.4% to 8.75% per annum on the defeasance instruments securing the future payment of the debt portion of lease rents (the "Debt Defeasance Instruments"). In addition to Amtrak's assignment of the guaranteed payment streams from the Defeasance Instruments to satisfy Amtrak's lease payment obligations, the obligations of Amtrak to make any and all required lease payments are absolute and irrevocable. Any failure by a GIC/EPUA or DPUA Provider to make an assigned payment when due would not free Amtrak of the ultimate obligation to make any and all required payments under the leases.

Under the terms of these leases, Amtrak had an obligation to replace the Equity Defeasance instruments when a GIC/EPUA Provider ceased to be a qualified provider by falling below specified long-term credit ratings specified in the lease documents. During fiscal year 2008, the two GIC/EPUA Providers who independently provided the Equity Defeasance instruments for one or more of the twelve (12) leases were downgraded by Moody's Ratings Service ("Moodys") and Standard and Poor's ("S&P) from their initial "AAA" rating at the inception of these transactions in fiscal year 2000 to levels where Amtrak was obligated under the lease documents to secure replacement GIC/EPUA Providers. The GIC Provider providing the Equity Defeasance Instruments for ten (10) out of the twelve (12) leases had been downgraded to a financial strength rating of "Baa1" (Moodys) and "A" (S&P). The other EPUA Provider which provided the Equity Defeasance Instruments for the remaining two (2) out of the twelve (12) leases had been downgraded to a financial strength rating of "A3" (Moodys) and "A- " (S&P).

As a result of these downgrades and the concomitant obligations imposed upon Amtrak to replace these GIC/EPUA Providers, Amtrak secured the commitment of a currently 'AAA'-rated Insurer and has terminated nine (9) out of the twelve (12) original Equity Defeasance Instruments and purchased new Defeasance Instruments from the new GIC Provider (such termination and purchase of replacement Equity Defeasance Instruments termed "Replacement Transactions" here in.). The other three lease agreements were terminated and Amtrak purchased the leased equipment from the lessor in fiscal year 2009.

Six (6) of the original Equity Defeasance Instruments contained a 'market termination amount' early termination provision rather than an accreted value provision. In the market conditions prevailing at the time, and following a negotiated settlement with the GIC Provider on the proper interpretation of the market termination amount clause, the estimated amount paid out on four (4) defeasance instrument terminations was $9.2 million less than the amount accreted. As a result, a $9.2 million charge to expense was recorded in fiscal year 2008. The actual amount paid in 2009 was $9.7 million less than the amount accreted resulting in an additional $0.5 million charge to expense in fiscal year 2009. The amount paid on the other two defeasance instruments was greater than the amount accreted by $8.5 million resulting in a gain in fiscal year 2009.

In conjunction with the nine (9) replacement transactions, Amtrak was required to pay $68.8 million in addition to the amounts transferred from the old GIC Provider. Of this amount, $34.4 million was paid prior to September 30, 2008 of which $11.2 million was recorded in "Other current assets" in the accompanying Consolidated Balance Sheet and $3.4 million was expensed in "Other" in the Consolidated Statement of Operations for the year ended September 30, 2008 and $19.8 million was recorded in "Deferred charges, deposits and other" in the accompanying September 30, 2008 Consolidated Balance Sheet. During fiscal year 2009 the Company paid an additional $34.4 million related to the replacement transactions and reclassified $11.2 million from "Other current assets" resulting in an increase of $45.6 million in "Deferred charges, deposits and other" in the accompanying September 30, 2009 Consolidated Balance Sheet. The Debt Defeasance Instruments relating to the remaining nine (9) Defeased Sale-Leasebacks are with special-purpose DPUA Providers that are not subject to replacement requirements and therefore will remain in place for the Defeased Sale-Leasebacks that will continue.

In conjunction with the three (3) lease agreements terminated in fiscal year 2009, Amtrak agreed to purchase $222.2 million of assets under capital lease. Amtrak paid $27.3 million in cash and utilized $34.3 million of GIC deposits and $160.6 million of DPU deposits to terminate the lease agreements. Of this amount $209.0 million reduced "Capital Lease Obligations, $1.9 million reduced "Accrued expenses and other liabilities" and $11.3 million increased "Passenger cars and other rolling stock" in the accompanying September 30, 2009 Consolidated Balance Sheet. Additionally, Amtrak recorded a $43.1 million reduction in "Deferred gain on sale-leasebacks" and an associated reduction in "Passenger cars and other rolling stock" in the accompanying September 30, 2009 Consolidated Balance Sheet. In the case of leases that were terminated, both the Equity Defeasance Instruments and Debt Defeasance Instruments ended as part of the lease termination process.

During fiscal year 2008, Amtrak recorded an adjustment for an in substance residual value guarantee for these 12 leases and the leases related to the High Speed Rail Maintenance Facilities. Amtrak recorded an increase to capital lease obligation of $61.7 million, an increase to accrued interest of $4.3 million and interest expense of $66.0 million as of October 1, 2007.

At September 30, 2009, future minimum lease payments under equipment and facility capital leases including amounts to be funded from defeasance instruments were as follows (in thousands):

2010	$ 306,390
2011	311,188
2012	295,959
2013	294,277
2014	321,499
Thereafter	2,366,975
Total payments	3,896,288
Less amount representing interest	1,326,984
Present value of minimum lease payments at September 30, 2009	$2,569,304

The current portion of capital lease obligations at September 30, 2009 and 2008 was $168.1 million and $131.4 million, respectively, and is included in "Current maturities of long-term debt and capital lease obligations" in the Consolidated Balance Sheets.

The Company, as lessee, has entered into equipment leasing agreements for which the underlying leased equipment is the collateral and is required to be maintained in good operating condition. The Company has recorded an accrual for estimated repair costs for damaged leased equipment of $20.3 million and $22.9 million at September 30, 2009 and 2008, respectively, and is recorded in "Accrued expenses and other current liabilities" and "Other liabilities and deferred credits" in the Consolidated Balance Sheets. The amounts expensed relating to these items is reflected in "Materials" in the Consolidated Statements of Operations in the period in which the damage occurred.

Amtrak is subject to various covenants and restrictions under its leasing arrangements. A default by Amtrak or acceleration of Amtrak's indebtedness may result in cross-default to other Amtrak indebtedness, and may have a material adverse effect on the Company. Most of Amtrak's leasing transactions require that Amtrak deliver its audited annual financial statements within 120 days of the end of its fiscal year. Amtrak is in compliance with all of its covenants.

OPERATING RIGHTS AND LEASES

At September 30, 2009, Amtrak was obligated for the following minimum rental payments, principally for station and office space, under operating leases that have initial or remaining noncancelable lease terms in excess of one year (in thousands):

2010	$ 15,771
2011	15,175
2012	13,427
2013	11,520
2014	11,093
Thereafter	38,366
Total	$105,352

Rent expense (which includes cancelable and non-cancelable leases) for the years ended September 30, 2009 and 2008 was $46.1 million and $40.0 million, respectively, and it is expected that future rent expense will be comparable.

Most of the rights-of-way over which Amtrak operates are owned by other railroads, some of which own Amtrak's common stock. Amtrak uses such trackage under contracts with these railroads. The terms of the agreements range from one month to five years and costs incurred are based on usage. The total amount incurred for use of the railroads' rights-of-way in 2009 and 2008 totaled $115.4 million and $99.4 million, respectively, and is included in "Train operations" in the Consolidated Statements of Operations.

NOTE 8: FAIR VALUE MEASURES

On October 1, 2008 Amtrak adopted Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, which clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements.

Various inputs were considered when determining the value of the Company's cash equivalents, restricted cash equivalents and other assets. The inputs and methodologies used for valuing these assets are not necessarily an indication of the risk associated with investing in these securities. These inputs are summarized in the three broad levels listed below:

- Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments)

The following fair value hierarchy table presents information about Amtrak's assets measured at fair value on a recurring basis as of September 30, 2009:

	Fair Value Measurement as of September 30, 2009			
Description	Level 1	Level 2	Level 3	Total
Fuel Hedges	-	$10,894,712	-	$10,894,712
Total	-	$10,894,712	-	$10,894,712

The estimated fair value of Amtrak's non-derivative financial instruments as of September 30, 2009 and 2008 are shown below:

	2009		2008	
	Carry Amount	Fair Value	Carry Amount	Fair Value
Mortgage obligations	$212,955	$272,071	$227,510	$245.916
Bonds, net of discount	46,370	46,912	46,713	47,466
UDAG loan	10,797	9,877	10,927	9,304
Equipment loan	3,405	3,614	-	-
	$273,527	$332,474	$285,150	$302,686

The estimated fair values of the mortgage obligations and the remaining bonds were based upon dealer quoted prices at September 30, 2009 and 2008. The estimated fair values of the UDAG and equipment loans were based upon discounted cash flow analysis using interest rates available to Amtrak at September 30, 2009 and 2008 for debt with the same remaining maturities.

For cash and cash equivalents, restricted cash, short-term investments, accounts receivable, accounts payable, and accrued expenses and other current liabilities, the carrying amounts approximate fair value because of the short maturities of these instruments. The carrying amounts of a portion of bonds and equipment obligations also approximate fair value. All charge interest at rates that are periodically adjusted to market.

NOTE 9: INCOME TAXES

In July 2006, the Financial Accounting Standards Board ("FASB") issued an interpretation to accounting principles related to the accounting for uncertainty in income taxes, which was later codified under ASC 740, Income Taxes. The interpretation clarifies accounting for uncertainty in tax positions. The interpretation requires that we recognize in our financial statements the impact of a tax position, if that position is more likely than not to be sustained on audit, based on the technical merits of the position. Provisions of the interpretation are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to retained earnings as of January 1, 2007. In February 2008, the FASB issued further guidance to defer the effective date of the interpretation for nonpublic enterprises until annual financial statements for fiscal years beginning after December 15, 2007. In December 2008, the FASB issued additional guidance to defer the effective date of the interpretation for nonpublic enterprises until annual financial statements for fiscal years beginning after December 15, 2008. The Company elects to defer the application of the interpretation in accordance with the additional guidance and will adopt the interpretation on October 1, 2009. The Company is currently evaluating what effect, if any, the interpretation will have on its financial position or results of operations.

There was no provision or benefit for income taxes for 2009 and 2008, which differed from the expected amount computed by applying the U.S. federal income tax rate of 35% to pretax loss, primarily as a result of the increase in the valuation allowance.

A reconciliation of the U.S. federal statutory income tax rate to our actual income tax rate:

	2009	2008
U.S. Federal statutory income tax rate	35.0%	35.0%
Federal operating grants	-15.2%	-14.7%
Valuation allowance	-14.9%	-10.6%
Depreciation	-8.6%	-8.6%
Other	3.7%	-1.1%
Effective income tax rate	0.0%	0.0%

Basis differences of $2.0 billion relating to property and equipment that do not result in tax deductible amounts have no deferred taxes recorded. These amounts relate to capital grants received from the Federal government that were used to purchase capital assets. In addition, Federal operating grants are treated as equity for book purposes, but are taxable income.

Management has recorded valuation allowances against net deferred tax assets as it is more likely than not that the results of future operations will not generate sufficient taxable income to realize deferred tax assets. In the current year, the valuation allowance increased by $188.7 million.

Deferred income tax assets and liabilities were comprised of the following (in thousands):

	2009	2008
Deferred Tax Assets:		
Deferred gain on sale leaseback	$ 68,836	$ 91,778
Capital leases (net of depreciation)	526,778	343,957
Bad debt reserve	1,314	1,678
Inventory reserve	20,063	22,511
Accrued vacation	27,252	27,697
Claims reserves	70,136	86,048
Pension and other postretirement employee benefits	302,376	212,892
Other accruals	12,588	4,284
Capitalized software	1,036	1,650
NOL carryforward	2,775,228	2,774,297
Union settlement accrual	-	50,811
Deferred charges, deposits and other assets	3,500	4,877
Pass-through entities	66	-
Gross Deferred Tax Assets	3,809,173	3,622,480
Less valuation allowance	3,808,101	3,619,449
Net Deferred Tax Asset	1,072	3,031
Deferred Tax Liabilities:		
Straight line rents	(1,072)	(3,031)
Gross Deferred Tax Liabilities	(1,072)	(3,031)
Net Deferred Tax Asset	-	-

Net operating loss carryforwards were $7.9 billion and $7.9 billion at September 30, 2009 and 2008, respectively. These carryforwards expire from 2010 through 2029.

NOTE 10: COMMITMENTS AND CONTINGENCIES

MAJOR SERVICE AGREEMENTS

A significant number of the Company's locomotives are covered under a service agreement with the equipment manufacturer that was executed on June 29, 2001 and is effective until June 30, 2013. Under this agreement, the Company pays a fixed amount per month and the manufacturer provides certain warranty parts and services. The amounts paid in 2009 and 2008 were $10.4 million and $7.7 million, respectively, and are included in "Materials" in the Consolidated Statement of Operations. To the extent that this agreement is not extended, the Company could incur costs associated with the maintenance of these locomotives at amounts higher than the fixed amounts under the agreement.

On April 10, 2009, the Company and AT&T Corporation ("AT&T") entered into a Master Service Agreement. Under the Master Service Agreement, AT&T will provide data network services, voice communication services and voice commodity services for Amtrak. The term of the Master Service Agreement began on April 10, 2009 and expires on April 10, 2014. The parties may extend the rights and obligations under the Agreement in accordance with provisions of the Agreement. Amtrak has the obligation to pay AT&T at least the minimum charges during the Agreement term. For the year ended September 30, 2009, the Company incurred approximately $6.2 million in service charges related to the Master Service Agreement with AT&T. The remaining minimum commitment is $59.2 million and is expected to be incurred over the remaining term of the Agreement.

On June 30, 2009, Amtrak and International Business Machine Corporation (IBM) entered into a Master Service Agreement. Under the Master Service Agreement, IBM will provide data center services and seat management services to Amtrak. The term of the Master Service Agreement begins on June 30, 2009 and expires on June 30, 2014. Amtrak has two options to extend the term for a period of 12 months each, resulting in aggregate option periods of up to 24 months. The Company is still transitioning services to IBM due to the complexity of the data center and as a result no service charges have been incurred as of September 30, 2009. The remaining minimum commitment is $135.1 million for these services over the remaining term of the agreement.

In addition, Amtrak has entered into various agreements with states, cities, and other local transportation authorities and private companies pursuant to which Amtrak is required to fund various railroad facility and infrastructure improvements, and to fund the remanufacture and supply of railroad passenger equipment.

INSURANCE CLAIMS

Amtrak maintains various insurance policies to cover its liability to employees and other parties for injury or damage resulting from accidents and to cover Amtrak's loss resulting from damage to Amtrak property. The insurance policies contain large deductibles; losses within the deductibles are selfinsured by Amtrak.

The Amtrak Reform and Accountability Act of 1997 limits the amount railroad passengers may recover from a single accident to an aggregate of $200.0 million. Since non-passenger liability is not so limited, Amtrak purchases excess liability insurance limits beyond this statutory cap. Amtrak operates a majority of its long distance passenger rail service on tracks owned by freight railroads. Amtrak indemnifies these railroads for certain liabilities that arise as a result of its operations on freight tracks. Its indemnity applies to bodily injury and property damage claims made by its employees, passengers and third parties struck by its trains, and for damage to its equipment. The freight railroads indemnify Amtrak for bodily injury and property damage claims made by freight railroad employees and third parties off railroad property; and for damage to freight railroad equipment, lading and property.

LABOR AGREEMENTS

In fiscal year 2008 Amtrak and its remaining unions with unsigned contracts ratified agreements based upon recommendations from the Presidential Emergency Board (PEB) appointed by the U.S. President. The PEB submitted recommendations that Amtrak's settlements with its unions should: (1) follow as a pattern the economic terms of the freight railroad industry agreements negotiated since 2000; (2) apply those terms retroactively; (3) not include any work rule changes. Although Amtrak was not bound by the PEB recommendations, the Company intended to follow the PEB recommendations and recorded a $190.0 million estimated liability to expense as of September 30, 2007. All labor unions ratified the agreements by June 30, 2008. An additional $72.3 million was accrued during fiscal year 2008 as a result of final ratification. Pursuant to the ratified agreements, $117.1 million of this amount was paid during the year ending September 30, 2008. The remaining $145.2 million was paid during fiscal year 2009.

Approximately 90% of Amtrak's labor force is covered by labor agreements. On November 1, 2009, current labor agreements between Amtrak and its unions opened for negotiations. Therefore, each party may now serve section six demands under the Railway Labor Act. Section six demands are a list of proposals to change terms of the labor agreements affecting wages, benefits or work rules. Initial sessions to discuss section six demands between Amtrak and some of its unions began in December 2009 and will continue throughout fiscal year 2010.

ADA COMPLIANCE

Under the Americans with Disabilities Act ("ADA"), existing stations in the intercity rail transportation system are required to be readily accessible to and usable by individuals with disabilities no later than July 26, 2010. 42 U.S.C. §12162(e). This requirement applies to all components of a station used by the general public, including passenger platforms, designated waiting areas, ticketing areas, restrooms, and in some cases, concession areas.

On February 1, 2009, Amtrak submitted a report to Congress, detailing the conditions at the 481 stations served by Amtrak that are subject to the station accessibility requirement, along with its plan for making those stations fully ADA-compliant. The majority (approximately 86%) of the stations served by Amtrak are owned by other parties. Also, in this report, Amtrak has made an estimate as to which components of which stations likely fall within Amtrak's responsibility, based on the ADA's framework for allocating responsibility between Amtrak, and other public and private entities. Due to the complex nature of the Company's operations, contractual relationships and the lack of clear guidance as to how responsibility should be allocated, it is uncertain as to who has compliance and/or financial responsibility for ADA improvements at any particular station. The plan submitted to Congress if accomplished would result in ADA compliance of all relevant stations by September 30, 2015 and contemplates the continuation of current operations. Amtrak has developed a more compressed schedule which would bring it into compliance by 2014 and the Company is proceeding under this revised plan. Regardless of these efforts, full compliance will not be achieved by July 26, 2010.

While the total cost of achieving full compliance is difficult to quantify with precision, the Company currently estimates the total cost at approximately $1.4 billion, none of which has been provided for in the accompanying consolidated financial statements. Further, certain additional requirements are being considered by the Department of Transportation which could cause the ultimate costs to be significantly higher than those estimated in the report to Congress. The Company believes certain of the costs to make the stations compliant are the responsibility of other parties; however, there can be no assurances that Amtrak will be able to obtain reimbursement or cooperation from these other parties in completing the required changes. Amtrak is working to obtain sufficient funding to achieve full ADA compliance of the stations and is seeking Congressional action to extend the 2010 deadline. To the extent that the extension is not enacted and/or funding cannot be obtained to achieve compliance, the Company could incur additional costs related to this matter associated with potential litigation. The extent of these costs and effects of non compliance on operations cannot be determined at this time. Further, the nature of all expenditures which will be incurred and the effect on operating results has not yet been fully analyzed. Accordingly, the accompanying financial statements do not reflect the costs of Amtrak becoming fully compliant with the ADA or potential impacts on its operating results from failure to comply in 2010.

LEGAL PROCEEDINGS

In May 2008, American Premier Underwriters (APU, formerly known as Penn Central) filed a lawsuit in federal court in Cincinnati, Ohio, asserting that Amtrak has "eroded" the value of common stock and is seeking $52.0 million plus accrued interest. APU owns 55% of Amtrak's common stock. The Rail Passenger Service Act of 1970 authorized Amtrak to relieve APU of its responsibility to operate intercity passenger rail service in return for a specified charge to be paid by APU to Amtrak based on certain losses of APU. APU, choosing to take advantage of that opportunity, entered into a 1971 agreement with Amtrak, paid $52.0 million as required under the prescribed arrangement and received common stock at par value. In July 2008, Amtrak initiated arbitration, as specified in the 1971 agreement under which the common stock was issued, before the standing panel of railroad arbitrators known as the National Arbitration Panel. APU opposed Amtrak's notice of arbitration in the federal court proceeding. The court has ruled denying APU's motion to stay the arbitration. Per the voluntary agreement of the parties, the arbitration has been stayed, pending resolution of APU's filings in response to the court's ruling in favor of Amtrak. Motions to Dismiss are currently pending before the National Arbitration Panel. Amtrak believes it has numerous meritorious defenses to APU's claims and as a result has not recorded a liability in the consolidated financial statements.

On December 9, 2008, the City of New York (the City) prevailed in a Summary Judgment against Amtrak for $5.7 million relating to a November 16, 1999 force account agreement whereby Amtrak agreed to permit the City to undertake the rehabilitation of several bridges, to provide support services, and to relocate the electrical facilities. The City agreed to reimburse Amtrak for the cost of relocating the electrical facilities but reserved the right to bring action to recoup the cost of relocating the electrical facilities. Amtrak appealed this decision and the matter is now pending. To cover the potential of a full loss, Amtrak has recorded a $9.4 million liability (judgment plus estimated interest) to "Other expense" in the Consolidated Statements of Operations in fiscal year 2008 that remains accrued at September 30, 2009.

On August 19, 2004, Amtrak was served with a federal court complaint filed by the State of New York. The complaint alleged that Amtrak breached a March 2000 contract relating to the remanufacture of seven Turboliner Trainsets and improvements in infrastructure and facilities along the Empire Corridor in New York. New York sought an injunction requiring Amtrak to specifically perform remanufacturing and infrastructure work, or in the alternative, damages in the amount of $477.3 million, plus costs, disbursements and interest. Amtrak filed an answer and asserted affirmative defenses, denying New York's claims. Although settlement negotiations had occurred intermittently over the years, no settlement had been achieved. Consequently, under the Court's scheduling order, fact discovery was completed (except for resolution of a few discovery disputes) by February 2007. On September 28, 2007, the parties filed cross-motions for judgment as a matter of law. Shortly thereafter, the parties resumed settlement negotiations and were able to reach an agreement executed December 12, 2007. Under the settlement, Amtrak would pay New York $20.0 million in installments over the next two fiscal years. Amtrak recorded a $20.0 million obligation as of September 30, 2007. In addition, Amtrak committed to provide the capital funding for a $6.0 million infrastructure improvement project on Amtrak's property that will improve service on the Empire Corridor, and New York committed to provide another $4.0 million to fund additional Empire Corridor infrastructure projects. In fiscal year 2008, Amtrak paid $14.0 million in accordance with the terms of the settlement, and an additional $6.0 million came due and was paid in fiscal year 2009.

Amtrak is involved in various other litigation and arbitration proceedings in the normal course of business. The outcome of these matters cannot be predicted with certainty. When management concludes that it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, it is accrued through a charge to earnings. While the ultimate amount of liability incurred in any of these lawsuits and claims is dependent on future developments, in management's opinion, the recorded liability is adequate to cover the future payment of such liability and claims. However, the final outcome of any of these lawsuits and claims cannot be predicted with certainty, and unfavorable or unexpected outcomes could result in additional accruals that could be significant to results of operations in a particular year. Any adjustments to the recorded liability will be reflected in earnings in the periods in which such adjustments are known.

NOTE 11: ENVIRONMENTAL MATTERS

Some of Amtrak's past and present operations involve activities that are subject to extensive and changing federal and state environmental regulations that can give rise to environmental issues. As a result of its operations and acquired properties, Amtrak is from time to time involved in administrative and judicial proceedings and administrative inquiries related to environmental matters.

In 1976, Amtrak acquired its Northeast Corridor properties. It is Amtrak's policy to accrue estimated liabilities and capitalize such amounts of remediation costs relating to properties acquired with existing environmental conditions (not to exceed the net realizable value of the related property), and to expense remediation costs incurred on properties for environmental clean-up matters occurring after acquisition. The liability is periodically adjusted based on Amtrak's present estimate of the costs it will incur related to these sites and/or actual expenditures made. At September 30, 2009 and 2008, the reserve was $74.2 million and $67.0 million, respectively. At September 30, 2009 and 2008, the current portion of the reserve was $8.5 million and $4.6 million, respectively and is reported in “Accrued expenses and other current liabilities” in the Consolidated Balance Sheets. Of the reserve, $59.4 million and $56.0 million relates to costs to be incurred, which will be capitalized when the remediation is performed as of September 30, 2009 and 2008, respectively. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. At September 30, 2009 and 2008, a deferred charge for such amounts is included in “Deferred charges, deposits, and other” in the Consolidated Balance Sheets. Amtrak has not recorded any receivables for recoveries from other parties or from insurance recoveries; the figures in the Reserve Schedule reflect only Amtrak’s portion of the gross liability. In those instances where Amtrak has received a buyout of third party liabilities, these amounts are considered credits against past capital expenses, and therefore cannot be viewed as receivables.

The ultimate liability for remediation is difficult to determine with certainty due to, among other factors, the number of potentially responsible parties, site-specific cost sharing arrangements, the degree and types of contamination, potentially unidentified contamination, developing remediation technology, and evolving statutory and regulatory standards. Amtrak's management and counsel believe that additional future remedial actions for known environmental matters will not have a material diverse effect on the results of operations or financial condition.

NOTE 12: POST RETIREMENT EMPLOYEE BENEFITS

Amtrak has a qualified noncontributory defined benefit retirement plan whose assets are held in trust covering nonunion employees and certain union employees who at one time held nonunion positions.

Amtrak provides medical benefits to its qualifying retirees and life insurance to some retirees in limited circumstances under its postretirement benefits program. Railroad agreement employees’ life insurance benefits are covered by a separate policy purchased by Amtrak. Under Amtrak’s postretirement benefits program, substantially all salaried employees may become eligible for medical benefits if they meet the service requirement and reach age 55 while they are working for Amtrak. Company-provided medical benefits are reduced when covered individuals become eligible for Medicare benefits or reach age 65, whichever comes first. Medical benefits are subject to co-payment provisions and other limitations.

OBLIGATIONS AND FUNDED STATUS

The liability of the Company's pension plan, as well as other post-retirement benefits plan, as of September 30, was as follow (in thousands):

	Pension Benefits (000's)		Other Benefits (000's)	
Reconciliation of Projected Benefit Obligation:	2009	2008	2009	2008
Obligation at October 1,	$227,212	$248,773	$594,254	$642,247
Service cost	7,271	8,625	17,513	22,361
Interest cost	16,870	15,262	44,118	39,450
Change due to change in discount rate	71,693	(38,759)	167,078	(95,198)
Actuarial loss (gain)	11,552	2,601	(20,805)	8,248
Benefit payments	(10,852)	(9,290)	(23,972)	(22,854)
Obligation at September 30,	$323,746	$227,212	$778,186	$594,254

	Pension Benefits (000's))		Other Benefits (000's)	
Reconciliation of Fair Value of Plan Assets:	2009	2008	2009	2008
Plan assets at October 1,	$213,202	$242,126	$ -	$ -
Actual (loss) gain on plan assets	(8,498)	(36,634)	-	-
Employer contributions	34,798	17,000	23,972	22,854
Participant contributions	-	-	905	680
Medicare D subsidy	-	-	928	774
Benefit payments	(10,852)	(9,290)	(25,805)	(24,308)
Plan assets at September 30,	$228,650	$213,202	$ -	$ -

	Pension Benefits (000's)		Other Benefits (000's)	
Funded Status:	2009	2008	2009	2008
Net liability recognized in Consolidated Balance Sheets	$(95,095)	$(14,010)	$(778,186)	$(594,254)
Accumulated Benefit Obligation (ABO) at September 30,	$283,843	$202,003	$ 778,186	$ 594,254

Pension and other postretirement benefit amounts recognized in the Consolidated Balance Sheets at September 30, 2009 and 2008 are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Current liabilities	$(11,814)	$(14,010)	$ (31,425)	$ (27,494)
Noncurrent liabilities	$(83,281)	-	$(746,761)	$(566,760)
Net amount recognized	$(95,095)	$(14,010)	$(778,186)	$(594,254)

Pension and other postretirement benefit amounts recognized in accumulated other comprehensive loss at September 30, 2009 and 2008 are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Net loss	$130,142	$21,593	$252,112	$111,722
Prior service cost	-	24	2,917	3,071
Net amount recognized	$130,142	$21,617	$255,029	$114,793

COMPONENTS OF NET PERIODIC BENEFITS COST

The following table provides the components of net periodic benefit cost for the plans for fiscal years 2009 and 2008 (in thousands):

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Service cost	$ 7,271	$ 8,625	$17,513	$22,361
Interest cost	16,870	15,262	44,118	39,450
Expected return on plan assets	(16,807)	(19,044)	-	-
Amortization of prior service cost	24	198	32	1,126
Amortization of net loss	-	-	6,003	13,367
Net periodic benefit cost	$ 7,358	$ 5,041	$67,666	$76,304

The estimated net loss for the defined benefit pension plan that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year is $11.0 million. The estimated net loss and prior service benefit for the other defined benefit postretirement plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year are $16.8 million and $16,500, respectively.

PLAN ASSETS

The pension plan's assets consist primarily of equity investments and U.S. fixed income investments and real estate. The other postretirement benefits program has no plan assets. Amtrak funds the other postretirement benefits program on a pay-as-you-go basis. Amtrak's pension plan asset allocations at September 30, 2009 and 2008 by asset category are as follows:

	Plan Assets at September 30,	
	2009	2008
Equity securities	61.1%	60.6%
Fixed income securities	23.2%	25.3%
Real Estate	7.0%	11.8%
Cash and cash equivalents	8.7%	2.3%

Amtrak's trust asset investment strategy is to invest the assets in a manner whereby long-term earnings on the assets provide adequate funding for retiree pension payments. The investment objectives of the pension fund are to: (1) promote the growth in the plan's funded status, to the extent appropriate, minimizing reliance on employer contributions as a source of benefit security, (2) invest the assets of the plan to achieve the greatest reward consistent with a reasonable and prudent level of risk, and (3) achieve, as a minimum over time, the passively managed asset return earned by market index funds, weighted in the proportions outlined by the asset class exposures identified in the plan's strategic allocation.

The pension plan's investment policy will consider a number of factors, including the strategic asset allocation and asset classes, investment style, and the marketability, diversification, volatility, and liquidity of investments and responsibility for proxy statements. The plan's strategic asset mix is recognized by the Investment Committee as the primary mechanism to influence the reward and risk structure of the plan in accomplishing plan objectives. Plan assets should be invested in specific asset classes at the target allocation and maintained in accordance with the permissible range for each asset class as stated in the following strategic asset allocation table:

	Plan Assets at September 30,	
	2009	2008
Equity securities	40% - 60%	40% - 60%
Fixed income securities	10% - 20%	10% - 20%
Real Estate	20% - 30%	20% - 30%
Cash and cash equivalents	5% - 15%	5% - 15%

RATE OF RETURNS

Several factors are considered in developing the estimate for the long-term expected rate of return on plan assets. These include historical rates of return over the past three, five and ten year periods as well as projected long-term rates of return obtained from pension investment consultants. The expected long-term rates of return for plan assets are 8% - 13% for equities, 5% - 6% for fixed income securities and 3% - 7% for real estate and other.

ESTIMATED FUTURE BENEFIT PAYMENTS

Based upon the assumptions used to measure the pension and other postretirement benefit obligations at September 30, 2009, and including pension and other postretirement benefits attributable to estimated future employee service, Amtrak expects that pension benefits and other postretirement benefits to be paid over the next ten years are as follows (in thousands):

	Pension Benefits	Other Benefits
2010	$ 11,814	$ 31,425
2011	$ 12,849	$ 34,425
2012	$ 14,199	$ 37,466
2013	$ 15,834	$ 40,899
2014	$ 17,538	$ 46,268
2015 - 2019	$118,167	$292,500

CONTRIBUTIONS

Amtrak expects to make a $22.6 million contribution to the defined benefit pension plan in 2010. Also in 2010, it expects to contribute $31.4 million toward other postretirement benefits.

ASSUMPTIONS

Weighted-average assumptions used to determine benefit obligations at September 30, 2009 and 2008 are as follows:

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Discount rate	5.47%	7.60%	5.47%	7.60%
Rate of compensation increase	4.20%	4.00%	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for the years ended September 30, 2009 and 2008 are as follows:

	Pension Benefits		Other Benefits	
	2009	2008	2009	2008
Discount rate	7.60%	6.25%	7.60%	6.25%
Expected long-term return on assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	4.00%	4.00%	N/A	N/A

Assumed healthcare cost trend rates at September 30, 2009 and 2008 are as follows:

	Other Benefits	
	2009	2008
Healthcare cost trend rate assumed for next year	10% - 11%	10% - 11%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2018	2015

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the other defined benefit post retirement plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects (in thousands) on the Other Benefits plans:

	Increase	Decrease
Effect on total of service and interest cost component	$ 9,161	$ (6,075)
Effect on postretirement benefit obligation	$103,799	$(85,710)

PRESCRIPTION DRUG BENEFITS

On December 8, 2003, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the "Medicare Act") was signed into law. The Medicare Act introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Amtrak elected to record an estimate of the effects of the Medicare Act in accounting for its postretirement benefit plans and provide disclosures required by ASC 715, Compensation – Retirement Benefits. Amtrak's APBO for its other benefits is reduced by $62.2 million and $38.4 million for fiscal years 2009 and 2008, respectively, for this prescription drug benefit.

401(k) SAVINGS PLAN

Amtrak provides a 401(k) savings plan for nonunion employees. Under the plan, Amtrak matches a portion of employee contributions up to five percent of the participant's salary, subject to applicable limitations. Amtrak's expenses under this plan were $10.5 million and $8.7 million for the years ended September 30, 2009 and 2008, respectively.

NOTE 13: SUBSEQUENT EVENTS

On October 19, 2009, Amtrak exercised the early buyout option to purchase 17 locomotives that were under capital lease. Amtrak paid $10.6 million cash to pay off the equity portion of the capital lease and assume the debt portion as a new loan from the lender in the amount of $11.7 million. The assumed loan retains the terms of the debt under the capital lease obligation. The difference between the capital lease obligation and the early buyout option price of $3.9 million was recorded in "Property and equipment – Locomotives" in the Consolidated Balance Sheets in the fiscal year 2010.

NATIONAL RAILROAD PASSENGER CORPORATION and SUBSIDIARIES (AMTRAK) - ANNUAL STATISTICAL REPORT

PERFORMANCE INDICATOR	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Revenues: (in millions of dollars)										
Passenger Related (excluding 403b)	1,166	1,261	1,339	1,261	1,312	1,295	1,426	1,577	1,791	1,657
403b Services	111	123	129	136	137	141	139	154	164	157
Passenger Related	1,277	1,384	1,468	1,397	1,449	1,436	1,565	1,731	1,955	1,814
Mail and Express [1]	122	117	125	-	-	-	-	-	-	-
Commuter	274	289	295	258	118	119	115	117	130	147
Other	326	298	324	321	276	302	329	302	341	365
Federal Payments and State Capital Payments [2]	112	31	16	18	22	29	33	2	27	27
Total Revenue	**2,111**	**2,109**	**2,228**	**1,994**	**1,865**	**1,886**	**2,042**	**2,153**	**2,453**	**2,353**
Expenses: (in millions of dollars)										
Salaries, Wages, and Benefits	1,258	1,667	1,617	1,317	1,452	1,512	1,484	1,662	1,625	1,699
Train Operations	216	263	252	190	187	191	203	210	220	246
Fuel, Power, and Utilities	164	188	175	184	184	228	276	264	370	273
Materials	148	128	123	156	149	133	162	179	202	209
Facility, Communication, and Office Related	171	176	155	135	129	130	136	141	152	168
Advertising and Sales	107	106	99	75	78	71	75	83	98	106
Casualty and Other Claims	78	117	161	118	89	26	115	26	63	49
Depreciation Net of Gain on Sale-Leasebacks	399	467	479	584	551	558	446	454	499	563
Other (Including Indirect Costs Capitalized to Property & Equipment)	73	176	163	141	131	89	107	141	181	194
Total Expense	**2,876**	**3,288**	**3,224**	**3,100**	**2,950**	**2,940**	**3,005**	**3,180**	**3,410**	**3,507**
Operating Loss	**(765)**	**(1,179)**	**(996)**	**(1,106)**	**(1,085)**	**(1,054)**	**(963)**	**(1,027)**	**(957)**	**(1,154)**
Other Income and (Expense): (in millions of dollars)										
Interest Income	53	85	76	74	74	82	95	99	91	65
Interest Expense	(107)	(154)	(212)	(210)	(203)	(207)	(200)	(193)	(267)	(175)
Other Expense - Net	**(54)**	**(69)**	**(136)**	**(136)**	**(129)**	**(125)**	**(105)**	**(94)**	**(176)**	**(110)**
Loss Before Discontinued Operations and Cumulative Effect of Accounting Changes	**(819)**	**(1,248)**	**(1,132)**	**(1,242)**	**(1,214)**	**(1,179)**	**(1,068)**	**(1,121)**	**(1,133)**	**(1,264)**
Loss from Discontinued Operations [3]	-	-	-	(32)	(95)	(13)	-	-	-	-
Cumulative Gain/(Loss) Effect of Accounting Changes [4]	51	-	-	-	-	-	-	-	-	-
GAAP Loss	**(768)**	**(1,248)**	**(1,132)**	**(1,274)**	**(1,309)**	**(1,192)**	**(1,068)**	**(1,121)**	**(1,133)**	**(1,264)**
Pro Forma Loss With Changes Applied Retroactively	***(819)***	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***
Federal Payments and Related Income, and State Capital Payments	(176)	(24)	(17)	(18)	(22)	(29)	(33)	(2)	(27)	(27)
Amtrak Loss [5]	**(944)**	**(1,272)**	**(1,149)**	**(1,292)**	**(1,331)**	**(1,221)**	**(1,101)**	**(1,123)**	**(1,160)**	**(1,291)**
Federal Grants Appropriated: (in millions of dollars)										
Federal Operating Grant	-	-	205	519	756	711	490	475	550	563
General Capital Funding	571	521	521	524	462	492	772	843	940	1,002
American Recovery and Reinvestment Act of 2009	-	-	-	-	-	-	-	-	-	1,294
Other Federal Grants	-	-	105	-	-	-	31	-	-	-

UNAUDITED

PERFORMANCE INDICATOR	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Federal Grants Drawn: *(in millions of dollars)*										
Federal Operating Grant	-	-	205	519	756	711	485	485	475	550
General Capital Funding	593	551	833	476	510	492	772	772	808	973
American Recovery and Reinvestment Act of 2009	-	-	-	-	-	-	-	-	-	99
Other Federal Grants	-	-	25	7	15	27	13	13	12	55
Financial Ratios:										
Operating Ratio *(Total Expense/Total Revenue[2])*	**1.44**	**1.57**	**1.46**	**1.57**	**1.60**	**1.58**	**1.50**	**1.48**	**1.41**	**1.51**
Current Assets *(in millions of dollars)*	376	274	449	405	477	455	497	605	637	647
Current Liabilities *(in millions of dollars)*	779	996	974	1,059	955	901	901	960	1,124	1,077
Working Capital Ratio	**0.48**	**0.28**	**0.46**	**0.38**	**0.50**	**0.50**	**0.55**	**0.63**	**0.57**	**0.60**
Cash and Short-Term Investments: *(in millions of dollars)*										
Year-End Cash and Cash Equivalents, and Short-Term Investments	107	33	169	182	247	138	212	234	336	226
On-Time Performance:										
Amtrak Systemwide	78%	75%	77%	73%	71%	70%	68%	69%	71%	80%
Operating Statistics:										
Amtrak Systemwide Passenger Miles[5] *(in millions)*	5,498	5,559	5,468	5,503	5,558	5,391	5,358	5,654	6,160	5,897
Amtrak Systemwide Seat Miles *(in millions)*	11,629	12,204	12,380	12,091	11,656	11,421	11,246	11,568	11,801	11,909
Amtrak Systemwide Load Factor *(Passenger Miles/Seat Miles)*	47%	46%	44%	46%	48%	47%	48%	49%	52%	50%
Amtrak Systemwide Route Miles *(in thousands)*	23	23	23	23	23	23	21	21	22	22
Train Miles *(in millions)*	35	36	38	37	37	37	36	37	38	37
Passenger Miles Per Train Mile[5]	157.1	154.4	143.9	148.7	150.2	145.7	148.8	151.4	162.1	159.4
Ticket Yield (Ticket Revenue per Pax Mile)[5] *(cents)*	20.3	21.8	23.6	22.1	22.6	23.1	25.6	26.9	28.2	27.1
Yield (Pax Related Revenue per Pax Mile)[5,6] *(cents)*	21.2	22.7	24.5	22.9	23.6	24.0	26.6	27.9	29.1	28.1
Average Trip Length of Passengers *(miles)*	244.4	236.6	233.7	229.3	221.4	222.8	220.5	219.1	214.6	216.8
Total Revenue per Seat Mile[4] *(cents)*	17.5	17.8	18.5	17.0	16.4	17.0	18.7	19.9	21.3	20.1
Total Expense per Seat Mile *(cents)*	25.7	28.2	27.8	27.4	27.1	27.6	28.5	29.2	31.2	30.9
Core Revenue per Seat Mile[7,8] *(cents)*	13.6	13.3	14.0	12.8	13.5	14.0	15.5	16.4	18.1	17.0
Core Expense per Seat Mile[9] *(cents)*	21.7	23.9	23.1	21.1	23.8	24.2	25.1	26.1	27.2	27.9
Ridership (Passenger Trips): *(in millions)*										
Amtrak Systemwide	22.5	23.5	23.4	24.0	25.1	24.2	24.3	25.8	28.7	27.2
Contract Commuter Passenger Trips *(in millions)*	61.6	63.4	66.0	56.1	27.2	28.7	19.2	19.2	18.9	21.1
Total Ridership (Amtrak & Commuter) *(in millions)*	84.1	86.9	89.4	80.1	52.3	52.9	43.3	45.0	47.6	48.3
Stations Served by Amtrak	515	512	515	514	517	518	503	493	527	527

NOTES:

Where applicable, prior year's amounts have been restated to conform with the current year's presentation.

[1] Includes federal payments received related to grants and Taxpayer Relief Act (TRA) funds, as well as state capital payments received.

[2] Includes charges related to the discontinued Mail and Express operations.

[3] The $30.1M gain in FY00 is the result of changes in accounting for state capital payments and start-up costs.

[4] Federal payments received related to grants and TRA funds, state capital payments received, plus investment income earned ($34.6M, $23.1M, $12.1M, $3.9M and $0.7M in FY98-02, respectively) on TRA funds drawn are excluded from the operating ratio, and applicable revenue-based operating statistics.

[5] Passenger miles do not include contract commuter passengers.

[6] Passenger related revenue excludes state 403(b) service revenue.

[7] Core revenues include passenger related, 403(b) service revenue, mail and express, and certain other revenues (specifically commuter fees, freight railroad access fees and miscellaneous other).

[8] Mail and Express operations were discontinued in FY04.

[9] Mail and Express operations were discontinued in FY04. Core revenues and expenses exclude Mail & Express operations beginning in FY03.

NOTES

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