



AMTRAK® CELEBRATES
40 YEARS
Amtrak® 1971-2011 AMTRAK®
America's Railroad™

ANNUAL REPORT FISCAL YEAR 2011



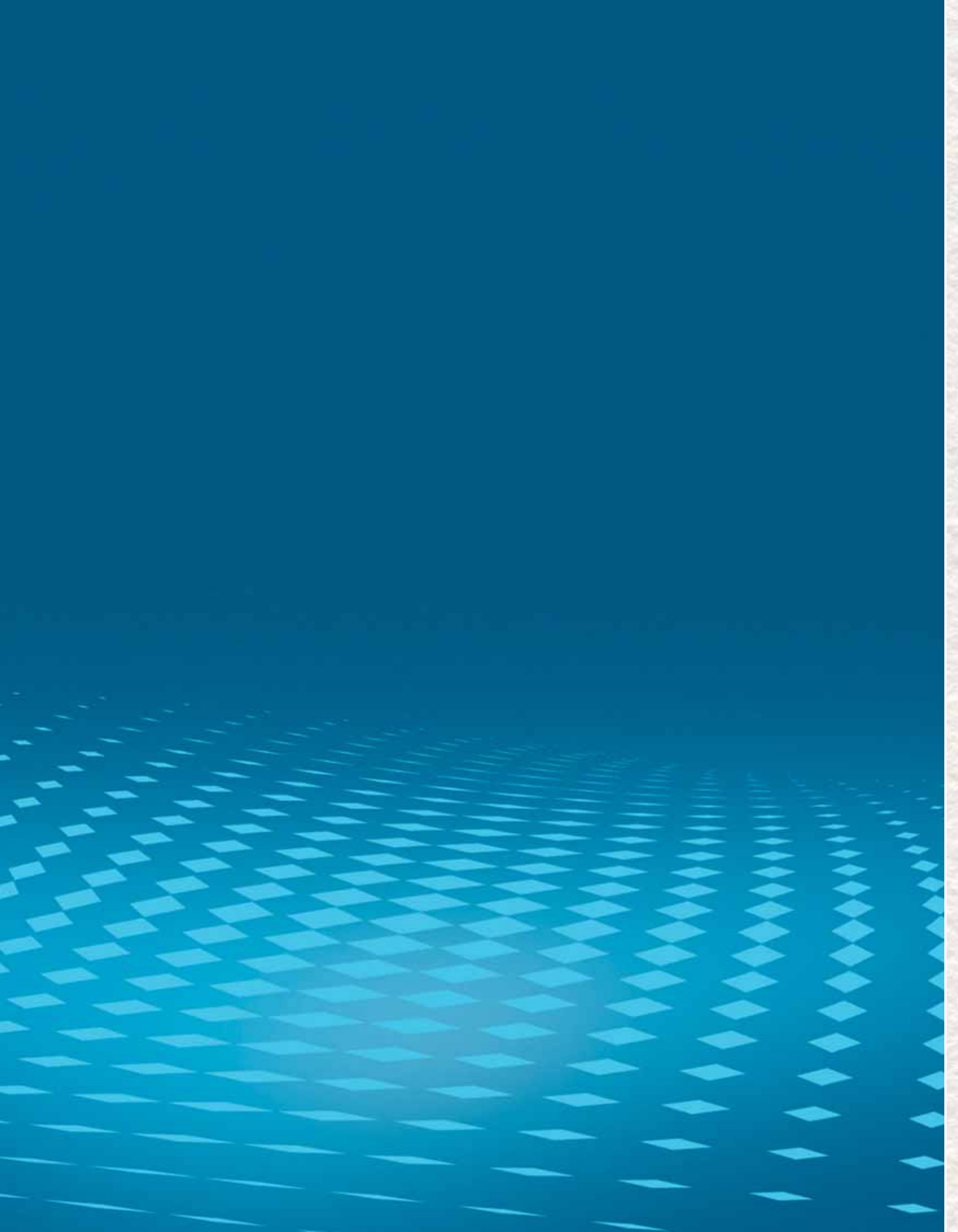


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FOREWORD

The National Railroad Passenger Corporation (“Amtrak” or the “Company”) is incorporated under the District of Columbia Business Corporation Act (D.C. Code section 29-301 et seq.) in accordance with the provisions of the Rail Passenger Service Act of 1970 (P.L. 91-518). Under the provisions of the Passenger Rail Investment and Improvement Act of 2008 (“PRIIA”) (P.L. 110-432; 49 U.S.C. Section 24301), Amtrak’s Board of Directors was reorganized and expanded to nine members.

The Company is operated and managed as a for-profit corporation providing intercity rail passenger transportation as its principal business. The United States Congress (“Congress”) created Amtrak in 1970 to take over, and independently operate, the nation’s intercity rail passenger services. Prior to this, America’s private freight companies ran passenger rail as required by federal law. Those companies reported that they had operated their passenger rail services without profit for a decade or more. With this in mind, when Amtrak began service on May 1, 1971, more than half of the rail passenger routes operated by freight railroad companies were eliminated. After 40 years we’re still going strong today.

40th ANNIVERSARY

Forty years ago, on May 1, 1971, Amtrak operated its first intercity passenger train and began its journey of meeting America’s national railroad needs with initiative, pride and success. The 40th anniversary celebration is occurring during a period of long-term growth that has seen Amtrak set annual ridership records in consecutive fiscal years, including more than 30 million passengers transported during fiscal year 2011 (October 1, 2010 through September 30, 2011) – and Amtrak is on track to set a new record this year.

Amtrak is a strong Company that manages a network of long-distance, corridor and high-speed rail service that connects modes of transportation and communities that have attracted new riders and continues to set ridership records. In times of crises in our nation, Amtrak has been there to provide the mobility and connectivity our country needed; whether it was a gas crisis, hurricanes or 9/11. In times of economic prosperity, Amtrak has helped drive local economies; in times of fiscal constraint, Amtrak has connected communities, so that people who had to commute farther to stay employed, had more choices.

The Federal Government created Amtrak during a time when the private railroads were exiting unprofitable passenger rail businesses. In the Rail Passenger Service Act of 1970, national leaders decided that maintaining a “modern, efficient, intercity rail passenger service was a necessary part of a balanced transportation system.” Amtrak’s national mission was reaffirmed by Congress and the President in the PRIIA.



In May 1971, Amtrak began to deliver on its national mission to become America's railroad and an enduring part of the American story. For four decades, through periods of opportunity and challenge, Amtrak has served with pride, connecting the nation as its intercity passenger rail provider and only high-speed rail operator.

While the 40th anniversary provides an opportunity to look back and reflect at each of the great transitions in the history of the railroad — the formation of the Company in 1970-1971, the transfer of the Northeast Corridor (“NEC”) to Amtrak in 1976, and the introduction of 150 mph high-speed Acela Express service in 2000 — Amtrak is more committed than ever to providing our country with the transportation choices it needs.

Amtrak is working hard to remain strong for the next 40 years, because we are updating the NEC infrastructure, replacing aging fleet and adding capacity on Acela Express service. Amtrak also is actively planning for next-generation 220-mph high-speed rail service along the NEC, and is beginning to implement a fleet renewal program to provide new, modern and more reliable equipment for passengers and to meet anticipated future service expansion.

Amtrak offered several ways that the public could join in on the celebration, including a special fare promotion and an anniversary website at Amtrak40th.com; full of historical photographs and other materials, as well as a book and documentary DVD.

One of the early signs that the Amtrak 40th anniversary celebration was underway occurred when the first of four P-42 diesel-electric locomotives with one of four historic Amtrak paint schemes entered regular revenue service in January of this year. The four locomotives represent each of the paint schemes that were introduced in 1973, 1975, 1979 and 1993. Each of the historically painted locomotives is now in operation helping to move passengers across the Amtrak national network. Photos of these locomotives are available on the Photos tab on the Amtrak Facebook page at [facebook.com / Amtrak](https://facebook.com/Amtrak).

In addition, the Amtrak Exhibit Train began touring the country for a one year period after making its debut at the National Train Day event in Washington, D.C., on May 7, 2011. The free exhibit showcases Amtrak's history over the decades, displaying memorabilia like vintage advertising, past menus, dinnerware, and period uniforms. The Exhibit Train made 28 stops at cities across the nation in calendar year 2011. Information about each stop may be found on the official website at Amtrak40th.com; where upcoming locations and dates also will be posted through May, 2012.



Amtrak Commuter Access Agreements in Fiscal Year 2011

Commuter Service	Access	Principal Amtrak-Provided Services
DelDOT	Newark, DE – PA/Del. state line (service operated by SEPTA)	Access to Amtrak-owned trackage Capital improvements Shared station
LIRR	New York, N.Y.	Access to Amtrak-owned trackage Capital improvements Electric propulsion Shared station
MARC	Washington, D.C. – Perryville, MD	Access to Amtrak-owned trackage Capital improvements Electric propulsion Shared station
MBTA	Providence, R.I. – Boston, MA	Access to Amtrak-owned trackage Capital improvements Shared station
METRA	Chicago Union Station	Access to Amtrak-owned trackage Shared station
New Jersey Transit	Philadelphia, PA Trenton, N.J. – New York, N.Y.	Access to Amtrak-owned trackage Capital improvements Electric propulsion Shared station
SEPTA	PA/DE State Line – Trenton, N.J. Harrisburg Line from Philadelphia – Thorndale, PA	Access to Amtrak-owned trackage Capital improvements Electric propulsion Shared station
Shore Line East	New Haven, CT – New London, CT	Access to Amtrak-owned trackage Shared station
South County Commuter Rail	Wickford, R.I. – Providence, R.I. (service operated by MBTA)	Access to Amtrak-owned trackage Capital improvements Shared station
Virginia Railway Express	Washington Union Station and Terminal	Access to Amtrak-owned trackage Capital improvements Shared station



Amtrak Commuter Operating Services in Fiscal Year 2011

Commuter Service	Operating Territory	Principal Amtrak-Provided Services
Caltrain	San Francisco, CA – Gilroy, CA	Train operations Track maintenance Equipment maintenance
MARC	Washington, D.C. – Baltimore/Perryville, MD	Train operations Equipment maintenance
Metrolink	Los Angeles, CA	Train crews/operations
MBTA	Boston area	Track maintenance Track dispatching
New Jersey Transit	Trenton, N.J. – New York, N.Y.	Equipment maintenance at the Amtrak maintenance facility in New York, N.Y.
Shore Line East	New Haven, CT – New London, CT	Train operations Equipment maintenance
Sounder	Seattle, WA	Equipment maintenance at the Amtrak maintenance facility in Seattle
Tri-Rail (Florida)	Miami, FL	Train dispatching
Virginia Railway Express	Washington, D.C. – Manassas/Fredericksburg, VA	Equipment maintenance at the Amtrak maintenance facility in Washington, D.C.

FINANCIAL HIGHLIGHTS

During fiscal year 2011, Amtrak also marked its 40th anniversary by setting a new all-time ridership record, carrying 30.2 million passengers or an increase of 4.8% over the previous year. This ridership increase was attainable by having more than 305 daily intercity trains in service and more than 21,000 route miles serving more than 500 communities in 46 states, the District of Columbia and 3 Canadian provinces. More than 900,000 people also commuted every weekday on Amtrak infrastructure or on Amtrak-operated commuter trains around the country under contracts with three states and six regional commuter authorities. Amtrak showed exceptional growth increases across all of the service lines including the NEC, long-distance and state-supported routes. This trend will likely continue into fiscal year 2012 with several factors influencing consumer decisions including extraordinarily high gas prices, more competitive fare pricing and repeat customers who are recognizing the efforts of our employees toward delivering an exceptional customer service experience to them every time.

Amtrak collected a record \$1.9 billion in ticket revenue in fiscal year 2011, which was an increase of 8.5% over the previous year. When revenues from other sources such as real estate contracts and services for other railroads were included, Amtrak covered 85% of its operating costs.



The Company is on track to set another ridership record for fiscal year 2012, having posted 23 consecutive months in which the number of riders has surpassed that for the similar period a year ago. Amtrak's total revenue increased to \$2.7 billion for fiscal year 2011, which was an increase of 7.7% over fiscal year 2010. The Company has reduced its debt for the eighth consecutive year in a row. Stations are being newly constructed and renovated, including the recent rededication of the Joseph R. Biden, Jr. railroad station in Wilmington, DE, as cities recognize their crucial role as economic and iconic transportation hubs.

Amtrak owns and maintains the right-of-way for more than 363 route miles in the NEC; a 61-mile track segment that connects New Haven, CT to Springfield, MA; 104 miles from Philadelphia to Harrisburg, the first new high-speed corridor in the 21st Century; as well as a 95-mile track segment in Michigan. Amtrak owns and maintains 105 station facilities, 17 tunnels and 1,186 bridges. Amtrak also owns and maintains the maintenance and repair facilities for the fleet of 2,258 cars and locomotives.

Amtrak's NEC is the busiest railroad in North America, with more than 2,200 trains operating over some portion of the Washington to Boston route every day. More than 825,000 riders use the NEC on every weekday, generating more than 4.9 million daily passenger miles. Amtrak also operates 15 long-distance trains on a national network of routes ranging in length from 764 to 2,438 miles. These long-distance trains provide the only Amtrak service in 23 states and nearly half of the stations that we serve; as well as the only intercity passenger transportation alternative in many communities.



Powering Up: Plans to add 70 electric locomotives – currently on order from Siemens – took a major step forward. The first ACS-64 electric engine is scheduled to be delivered in fiscal year 2013 and will operate at speeds of up to 125 mph. Engineers tested this mock-up of the cab at the Siemens manufacturing facility in Sacramento, CA.

The NEC is currently America's only high-speed rail line that features maximum speeds of 150 mph and large increases in the number of Amtrak and commuter trains operated. It recently updated its fleet plan, which includes the purchase of 70 new electric locomotives for the NEC and 130 single-level long-distance cars both currently on order and being manufactured in the United States.

In addition, the Company plans to purchase 40 additional Acela Express cars to meet the growing demand for services on the popular NEC. Amtrak has also developed detailed plans to greatly enhance high speed rail service in the coming decades.

A healthy fleet affects all aspects of passenger rail service.

From the customer's perspective, the equipment embodies the passenger experience including reliability and delivery of service. With an average of 26 years, many car types on Amtrak's fleet have exceeded their commercial life.

Given the fleet's age, reliability issues, and the increase in demand for passenger rail, replacement of the current fleet is one of Amtrak's most pressing needs. Accordingly, thanks to stimulus funds, Amtrak restored 60 Amfleet and 21

Superliner cars and 15 diesel locomotives to put them back into service.

Work has been completed in fiscal year 2011, on all Acela Express equipment, which was outfitted with Wi-Fi for passenger use. We also started installing Wi-Fi equipment on all NEC Amfleet I cars this year. It is projected to be completed in fiscal year 2012.

(in millions, audited)	Years Ended September 30			
	2011	2010	Percent Change	F/(UF)
Total Revenue	\$ 2,706.8	\$ 2,513.4	7.7%	193.4
Total Expenses	\$ 3,955.5	\$ 3,721.8	6.3%	(233.7)
Number of Employees	20,156	20,026	0.6%	(130)
Passenger Volume	30.2	28.7	4.8%	1.5



A LETTER FROM THE CHAIRMAN AND PRESIDENT & CEO

On May 1, 2011, Amtrak marked its 40th year of service to communities across America. Just as the world around it has changed, Amtrak has evolved over the course of the four decades. Amtrak's current system comprises a network of long-distance, corridor and high-speed passenger service that connects communities and modes of transportation, and helps drive local economies in urban, suburban and rural America.

At various times in its 40-year history, Amtrak's own existence and mission have been challenged, ultimately resulting in a more resilient organization. Yet in the midst of an unsettling global economy and other external factors, Amtrak is directing its own future through a five-year strategic plan that is bottom-line focused and that better positions the Company for today's competitive environment. Our fiscal year 2011-2015 Strategic Plan aligns organizational efforts, prioritizes resource allocation, and measures performance against goals and strategies to put Amtrak in a stronger financial and strategic position.

In fiscal year 2011, Amtrak posted all-time ridership of 30.2 million passengers, topping the ridership records set in eight of the last nine years. Amtrak earned \$1.9 billion in ticket revenue in fiscal year 2011; which combined with all other revenue, led Amtrak to cover 85% of its operating expenses.

As we continue to build for the future, we are allocating resources to continue enduring capital investments that have become critical to serving our customers' and our nation's transportation needs, including fulfilling our requirements for stations under the Americans with



Thomas J. Carper



Joseph H. Boardman

Disabilities Act and proceeding with the acquisition of new equipment for our aging fleet.

Many of those investments are beginning to bear fruit. With the installation of Wi-Fi technology on certain equipment in fiscal year 2011, we made AmtrakConnectSM Wi-Fi available to 75% of Amtrak passengers in early fiscal year 2012 — a popular amenity that attracts riders and increases ticket revenue. With the successful implementation of eTicketing pilot programs for Auto Train and Downeaster service in fiscal year 2011, eTicketing will launch across the system in fiscal year 2012. Not only does eTicketing make it easier to book and modify reservations, but it also transmits ticket data in real-time and improves train manifest accuracy.

We also implemented a Warehouse Management System, the precursor to Point of Sale technology that will automate and streamline on-board food and beverage operations and accounting that will be rolled out across the system beginning in fiscal year 2012. Additionally, major updates to the back-end reservations system in fiscal year 2011 advanced the development of a next-generation reservation system. These kinds of technological accomplishments, along with our new free Amtrak mobile application, earned Amtrak a rank of 150th on InformationWeek's list of the country's 500 most innovative companies in calendar year 2011.

Advancing our NEC infrastructure and investment development program, we made progress further defining our vision for an improved NEC that can meet the high-speed, intercity, commuter and freight rail needs of the coming decades, including the development of a

next-generation, dedicated high-speed system to expand high-speed service and significantly reduce trip times. Based on Amtrak's Vision for High-Speed Rail in the NEC report and subsequent refinements, we commissioned a financial and business plan to further explore the feasibility and development strategy for such a new high-speed rail system, including considering a range of public and private financing options.

Our stair-stepped approach to next-generation high-speed rail began to take shape when we announced the NEC Gateway Program concept in fiscal year 2011, a plan for major multiyear infrastructure investments that will provide additional capacity into Manhattan for Amtrak intercity and New Jersey Transit commuter services, and a critical step for future 220 mph service. In addition, Amtrak was awarded a \$450.0 million federal High Speed Intercity Passenger Rail grant in fiscal year 2011 that will result in increased train speeds from 135 mph to 160 mph along a 24-mile section of the railroad between Trenton and New Brunswick, N.J., when the project is completed in fiscal year 2017.

We updated our Fleet Plan, which anticipates current and future needs for the entire system. Amtrak currently has on order 70 electric locomotives to improve the reliability of service in the Northeast, and 130 single-level cars for our long-distance service. In addition, we plan to augment the capacity of the popular Acela Express high-speed rail fleet with an order for 40 additional cars in fiscal year 2012.

We reduced Amtrak's debt for the eighth consecutive year in fiscal year 2011, and completed a massive renewal and integration of our financial, and procurement and materials management systems.

As part of the solution to the country's dependence on foreign oil, Amtrak made environmental stewardship a focus in fiscal year 2011 by continuing to strengthen its fuel conservation, energy efficiency and on-board recycling programs.

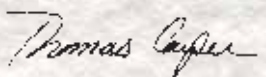
We also continued to build an organization of the future by better aligning functions with our long-term goals and fostering Company-wide initiatives to improve collaboration.

We began to restructure the Company along business lines that delineate specific goals and metrics to promote better service delivery and accountability for our state partners and customers — long-distance, NEC and state-supported — across the system. We started a Lean-Six Sigma approach to our work in our mechanical backshops and will be applying it in other areas of the Company in the future. With our unions, we are cultivating a stronger safety and security culture that is employee-driven and centered on partnership. We are fortifying our security strategy with sophisticated technologies and an active network of law enforcement and counterterrorism agencies across the country and the globe.

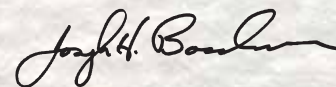
While Amtrak benefits from the unprecedented federal support for passenger rail and states' long-term investments in passenger rail, the economic and political climate is murky, and there are other external factors that could hamper Amtrak's growth. It is with these challenges in mind that we are aligning our work with the realities we face and building an organization, systems and infrastructure for the future. We will continue to make the investments that yield stronger customer service and reliability, while contributing to the Company's growth expectations.

Amtrak's workforce comprises a skilled, expert and talented workforce of more than 20,000 dedicated men and women. Our commitment to our mission and our passengers is steadfast as we prepare for another 40 years of Amtrak history.

Sincerely,



Tom Carper
Chairman



Joe Boardman
President and CEO

STRATEGIC REVIEW

During fiscal year 2011 Amtrak set forth strategic goals as highlighted in the vision statement below. The complete Strategic Plan can be found on www.Amtrak.com.

Amtrak® Strategic Plan

FY2011 - FY2015

REFERENCE SUMMARY

The Amtrak® Vision: *Amtrak is America's first intercity travel choice for connections to and between the nation's key metropolitan areas, providing customer-driven, safe, environmentally-sustainable, energy-efficient and inter-modally linked service to passengers, communities and partners. Through recognized organizational excellence, Amtrak's diverse and talented team will lead the development and growth of the high-speed and intercity passenger rail system in North America.*



GOAL 1 Safety and Security:	GOAL 2 Customer Focus:	GOAL 3 Mobility and Connectivity:	GOAL 4 Environment and Energy:	GOAL 5 Financial and Organizational Excellence:
Become North America's safest, most secure railroad by creating a collaborative, team-oriented workplace culture that minimizes risks and maximizes passenger and employee safety.	Advance customer service quality by responding to the wants, needs and expectations of our customers in order to improve their experience and maximize passenger and partner satisfaction.	Improve national mobility and connectivity by growing Amtrak's business through new partnerships, routes and frequencies to increase ridership system wide.	Contribute to the nation's environmental health by attracting automobile and air travelers to trains, while improving Amtrak's efficiency and reducing transportation-related carbon emissions and fossil fuel consumption.	Attain a standard of organizational excellence by aligning our products, services, processes and culture with stakeholder expectations to improve financial performance and overall business results.

Corporate Strategy 1: Continue the behavior-based Safe-2-Safer program and expand its scope to improve areas critical to organizational excellence, including employee engagement, management quality, customer service and organizational development.

Corporate Strategy 2: Integrate operational functions (Transportation, Mechanical, Engineering) within divisions to maximize collaboration, efficiency and improve service delivery.

Corporate Strategy 3: Implement best practices related to human capital management in order to institutionalize Amtrak's values and leadership philosophy and create a workforce that is equipped to achieve the company's goals.

Corporate Strategy 4: Expand use of risk management principles to implement a multi-layered security program that prevents and deters acts of terrorism and criminal behavior.

Corporate Strategy 5: Expedite ongoing programs designed to make Amtrak service accessible for all individuals.

Corporate Strategy 6: Identify and invest in systems and technologies that will simultaneously reduce energy usage and operating expenses.

Corporate Strategy 7: Establish a business line focus within the company to better respond to the wants, needs and expectations of customer segments and improve financial performance.

SAFETY AND SECURITY

Providing safe and secure transportation for our passengers is the primary objective of the Company. Amtrak continued in fiscal year 2011 to support two important safety related initiatives that started last year and began many new ones as well.

The Safe-2-Safer initiative strengthens the emphasis on safety and security within every aspect of our corporate culture. The program detailed examinations of corporate culture and performance, and creates and implements effective processes aimed at the enhancement of safety leadership practices and workplace behavior that ensures our operations will be safe and effective. The process incorporates leading and precursor measures that addressed safety concerns prior to potential incidents.

These objectives were reached through training, coaching and greater accountability from management, along with broad employee engagement through peer-to-peer feedback. All management and supervisors were trained and coached to improve their management and safety leadership skills, and to reach their goals and performance objectives through collaborative practices. The process further used trained employee teams to conduct observations of co-workers who performed their jobs. If a team member observed an activity that posed a risk for injury, they would coach the employee on safer behaviors. Thirty-four dedicated Amtrak employees served as facilitators and implementers of the program, with an additional 102,800 man-hours of employee participation and training completed this year. The success of the program is measured by changes in safety performance. The Safe-2-Safer program, continuing beyond fiscal year 2011, will lead to a higher reliance on proper safety behaviors and leadership at all levels from front line employees to executives.

Another major safety initiative that occurred during the year was the continuation of implementation of Positive Train Control (“PTC”) across the Amtrak system. PTC improves upon traditional collision prevention measures and adds an entirely new layer of automated protection by enforcing permanent and temporary speed restrictions. On



Safety First: The emphasis on preventing and reducing injuries through Safe-2-Safer initiative reached all parts of the Company in 2011.

January 15, 2010 the Federal Railroad Administration (“FRA”) issued its PTC Rule which requires Class I railroads and each railroad hosting intercity or commuter rail passenger service to have a PTC system installed and operating by December 31, 2015.

Continued use of a number of existing PTC systems will be allowed by FRA. These systems included:

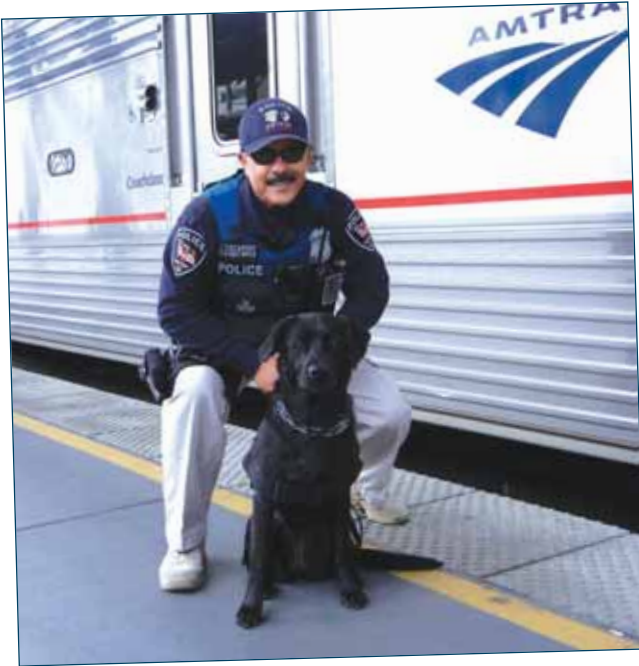
- Advanced Civil Speed Enforcement System (“ACSES”) I & II
- Incremental Train Control System (“ITCS”)
- Electronic Train Management System (“ETMS”)

Amtrak presently uses two of these PTC systems. ACSES was installed on portions of the NEC in fiscal year 2000 concurrent with the startup of Acela Express services, and ITCS was used on the 95-mile Michigan Line. Amtrak is seeking an ITCS certification from FRA in order to operate at 110 mph. Amtrak’s PTC effort included continuing the installation of ACSES, which when completed will encompass the entire NEC and its tributary routes to Harrisburg, PA and Springfield, MA. In addition, Amtrak worked with federal, state, and local authorities and commuter and freight railroads to ensure that Amtrak trains will be compliant with the ETMS PTC systems adopted for use by Host Railroads.

Installation of ETMS and adherence to the December 31, 2015 deadline required significant planning efforts this year, including designs and plans to add ETMS to the portions of the NEC where freight or commuter trains equipped with ETMS operate, and in Chicago Union Terminal and New Orleans Union Passenger Terminal. Amtrak equipped a diesel locomotive out of its fleet, and in cooperation with Host Railroads conducted several tests to provide data to FRA to certify Amtrak operation on Host Railroad ETMS territory.

The stimulus program provided Amtrak with \$67.0 million of American Recovery and Reinvestment Act (“ARRA”) funds for the installation of PTC on Amtrak-owned infrastructure. In fiscal year 2011, Amtrak received a grant in the amount of \$10.3 million for a project that will create seamless interoperability on the NEC by Norfolk Southern, CSX, Conrail, and Connecticut Southern freight trains, as well as MARC commuter trains equipped with the ETMS onboard system, by providing an ETMS overlay on the portions of the NEC where these trains will operate. PTC, once completely installed, will provide the most modern information technologies that control and protect train movements to prevent collisions and other accidents.

Additional safety measures included: the addition of extra patrol officers in fiscal year 2011 along with explosive-detection K-9 teams in stations and aboard trains. These officers and special operations personnel have been assigned to patrol high-risk areas. We have also partnered with several air and marine law enforcement units to monitor suspicious activity in and around critical rights-of-way infrastructure. We also established a Special Operations Police Unit comprised of uniform and undercover personnel with advanced skills in weapons and tactics. In connection with Amtrak’s counterterrorism role, we created an Intelligence Analytical Team that worked with



Expanding Force: The Amtrak Police Department's prestigious K-9 unit continued to grow, totalling 46 this year; specially trained dogs detect explosives and other hazards.

national and international groups that tracked potential terrorist or suspicious activities that targeted the railroad. We also launched an effort in conjunction with the Transportation Security Administration to begin random passenger baggage screenings that will help to further ensure our passengers' and employees' safety. Amtrak also has added Station Action Teams in our highest risk areas. These teams are tasked with coordinating responses to fires, natural disasters or terrorist events.

Amtrak has been working with multiple government agencies on Operation RAIL SAFE, a regional alliance including local, state and federal efforts, to patrol and provide police presence at a majority of Amtrak stations and along the right-of-way.

Our Corporate Security group initiated several new projects in fiscal year 2011 to increase infrastructure protection including physical security at our stations, train yards and other property as well as the right-of-way.

We continue to educate the traveling public and our employees via two new websites, police.amtrak.com and pass.amtrak.com (Partners for Amtrak Safety and Security), as well as electronic and print messaging that focused on recognizing and reporting suspicious packages or activities.



CUSTOMER FOCUS

Amtrak continued to focus and improve upon the passenger experience. We have made progress toward delivering an improved experience for all of our passengers including increasing station accessibility, improved food service, more comfort, reliability, and more attractive surroundings. We have invested heavily in updating old equipment and renovating stations as capital funds become available and we also spent our resources on staff training to ensure that we enhanced the overall passenger experience.

System Accessibility

Accessibility is a key component of passenger satisfaction. Amtrak serves over 500 stations and since we started the Accessible Stations Development Program in fiscal year 2009, we continued to improve accessibility on 582 projects or subprojects at 309 stations. We installed lifts to ensure that our passengers who are mobility-impaired and unable to navigate the vertical rise to a coach or who use wheelchairs, could get on and off the train safely. We also made improvements to the pathway between the parking lots and platforms. These improvements created accessible parking spaces in the parking lots, eliminated uneven surfaces, installed signs, upgraded platform lighting, installed tactile edges, and created curb cuts.

This program, named Mobility First, is helping to expedite our efforts to become fully compliant with the Americans with Disabilities Act (“ADA”) at the stations we serve by 2015. Mobility First was designed to eliminate as many of the barriers of accessing the train as soon as possible. After we completed this work, it is now estimated that the overall percentage of stations with barrier-free access between the platform and trains is 90%.

As of September 30, 2011, Amtrak had spent or awarded contracts that totaled approximately \$169.2 million in ADA-related projects. This commitment spans three years: Fiscal year 2009 (\$0.1 million), fiscal year 2010 (\$57.1 million), and fiscal year 2011 (\$112.0 million spent or committed as of September 30, 2011). In February of 2011,



Amtrak estimated that it would spend or commit approximately \$175.0 million for ADA compliance in fiscal year 2012, however; the United States Department of Transportation (“DOT”) issued a final ruling on level boarding on September 19, 2011 that changed the requirements of the work at stations, including one that added a DOT review process that did not previously exist, so final commitments and expenditures may vary. Achieving compliance at all Amtrak-served stations for which Amtrak has responsibility is a complex and resource-intensive challenge that will take several years to complete. We have worked aggressively to achieve compliance and we will continue to do so.

In addition to the ADA improvements at stations that we serve, we contracted for in-person training of 7,600 of our front-line employees (including engineers, conductors, on-board service employees, and station personnel) in an effort to keep our employees up to date with new federal and corporate policies and requirements. The disability sensitivity training has taken place in 17 locations and continued through the end of the calendar year. We have also taken steps to allow our passengers with disabilities to apply the 15% discount to on-line purchases and to reserve accessible seating on-line; much of the back-end technical work is completed and the on-line capability to purchase discounted tickets and reserve accessible seating is scheduled to launch during early January, 2012.

Customer Experience

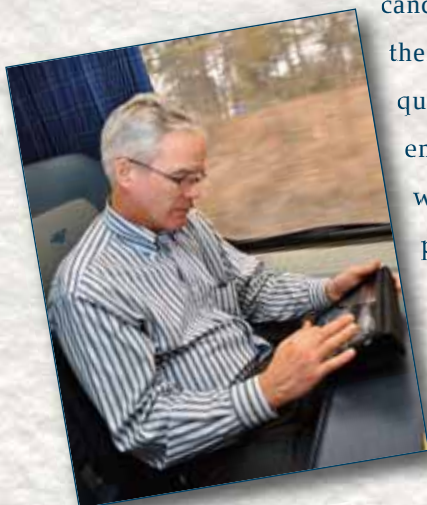
In fiscal year 2011, Amtrak continued to focus on and improve the passenger experience, delivering on projects across the system that have enhanced accessibility, made reservations and ticketing more convenient and friendly, improved on-board food service, and generally sought to improve comfort and reliability. This has been done through a combination of investment in systems as well as detailed route performance reviews.

In fiscal year 2011, our customers began to see the benefit of a series of investments in customer-facing technologies. These systems are designed to improve management of the system, information to passengers, and passenger service, thus growing the business and increasing passenger revenue. Known collectively as the Customer Experience Management program, accomplishments in fiscal year 2011 included:

- eTicketing,
- Enhancements to Amtrak.com,
- iPhone application,
- Customer Wi-Fi, and
- On-board point of sale system that will speed food and beverage transactions and reduce paperwork.



Passengers on all services now have more flexible ticketing options, including on-line refund, exchange or cancellation, which will allow them to get to their trains more quickly. Amtrak.com was enhanced during fiscal year 2011 with a “single sign-on” platform capability allowing customers to log into Amtrak.com and our loyalty program, Amtrak Guest Rewards, simultaneously. In August of 2011, Amtrak also



launched its mobile application, called Rider, which has been well received and is already seeing broad usage.

On-board Wi-Fi access was extended to the entire eastern corridor fleet during fiscal year 2011 and will be launched on all California services in early fiscal year 2012. In addition to providing Internet access today, the network will serve as a platform for future passenger (on-board media such as movies, news, and games) and business services (e.g., on board system communications with Amtrak’s corporate network). Wi-Fi responds competitively with leading-edge technology to the next generation needs of our passengers. The service has already proven to help Amtrak attract broader groups of passengers and deliver increased revenue.

Amtrak also continued the implementation of a new Point of Sale system in fiscal year 2011 to automate and streamline on-board food and beverage operations. In June of 2011, Amtrak launched a fully automated Warehouse Inventory Management system. This system will ultimately be directly linked in real time to the

on-board point of sale system, which is already installed in California and, in fiscal year 2012, will begin to appear across the rest of the system.

Food and beverage processes today are labor intensive, paper based, and focused on inventory controls. The activation of the POS devices, along with the integration of new systems and processes, will reduce the current use of manual processes and time required to complete tasks; improve inventory management; reduce transaction time and allow our on-board staff to focus on the passenger instead.

In its strategic planning work to deliver improved service, Amtrak also continued its route performance improvement program (“RPI”). The RPI

focuses on each of 5 specific routes each year as part of a holistic discovery process to identify service barriers, marketing opportunities, product and service level changes, maintenance process improvements, staffing adjustments, missing communication links, schedule adjustments, state partner considerations, etc. that can improve product and service quality. Marketing resources are redirected following the completion of the effort to create awareness and promote the route to improve ridership and revenue growth as well as the passenger experience.

Mobility and connectivity improvements are intended to grow Amtrak’s business through efforts to make the passenger experience more relaxing and productive, which will make them want to utilize our services again.



Thus by creating greater satisfaction for our passengers, we'll have more repeat passengers. Ridership growth will continue to feed national goals such as modal shifts, congestion mitigation, emissions reductions and reduction in demand for foreign oil, this will translate into a nation that is fundamentally healthier and stronger.

The growth and expansion of Amtrak's state supported services as well as the incorporation of a uniform cost sharing process are critical components of Amtrak's five-year growth plan. Through the continued expansion of existing services this year, state supported revenue was \$191.1 million for fiscal year 2011 and included new state-supported services between Washington, D.C. and Richmond, VA (NE Regional Service) and between Raleigh and Charlotte, N.C.



MOBILITY & CONNECTIVITY

Amtrak updated its “Fleet Strategy” in fiscal year 2011 which identified baseline operating capacity requirements and state of good repair needs for the fleet. The Company also identified the number and types of equipment that will be required to address projected growth on existing and planned service lines through fiscal year 2041. Progress is being made toward the Company’s order of new passenger cars and locomotives to modernize the fleet. In June 2011, the FRA granted a \$562.9 million Railroad Rehabilitation and Improvement Financing loan (“RRIF”) to Amtrak to finance the acquisition of 70 electric locomotives. The RRIF loan includes the \$465.9 million contract for the locomotives plus another \$97.0 million for maintenance facility upgrades and spare parts. The locomotive contract is a key element of the Fleet Strategy Plan and followed on the heels of the \$298.0 million contract to build 130 single-level cars to support growing ridership on long-distance trains.

Both of these acquisitions will position Amtrak for long-term ridership growth while meeting our strategic goals of a safer, greener and healthier Amtrak. The new locomotives are expected to be safer thanks to anti-climbing technology and push-back couplers that will help keep the train upright in the event of a collision. The regenerative braking system in the unit will return electricity to the power grid, protecting the environment as well.

This year has also seen an increased level of interest in high speed rail and an additional allocation of substantial federal funding for the development of new high speed service. Additionally, the Company focused on the

planning and development of new high speed systems outside of the NEC, including planned systems in California and Florida, through partnerships with public and private entities.

In fiscal year 2011, preliminary studies were done on upgrading the rail infrastructure to support more



State Partnerships: State-supported services posted a record year with gains in ridership and ticket revenue. Amtrak Cascades, for example, brought in 8.9% more in ticket revenue than in the previous fiscal year.

frequent and faster high-speed rail service and improve the reliability of current service between New York and Washington. The DOT awarded Amtrak \$450.0 million in High-Speed Intercity Passenger Rail funding to begin the first phase of this effort, between New Brunswick and Trenton, N.J., which is planned for completion in fiscal year 2017.

The planned improvements will increase reliability for all passengers, including commuter agencies; allow for increased speeds, which will improve trip time; and

increase capacity utilization on one of the most heavily trafficked sections of the NEC.

As part of this vision, the NEC Gateway Project was started in fiscal year 2011 that will provide additional rail capacity into and through Midtown Manhattan and will help to facilitate the start-up of Amtrak's proposed Next Generation High-Speed Rail service in the NEC. The project includes expansion of Penn Station, the addition of new tunnels under the Hudson River and replacement of the century-old Portal Bridge east of Newark, N.J. with two new two-track spans.

As part of that infrastructure improvement, the Baltimore and Potomac Tunnel Replacement Project continued activities during fiscal year 2011. When complete, this project will eliminate a key constraint to reliable operations on Amtrak's NEC through the replacement of a 140-year-old, speed-restricted and structurally-deficient tunnel on the NEC Main Line south of Baltimore Penn Station. The replacement tunnel will be built on a new alignment that will permit significantly higher speed train operations. This four-phase, approximately 12-year,

\$1.3 billion project will ensure the long term viability of a key NEC asset and support strategic growth of intercity and commuter rail traffic. This project will improve the efficiency of the NEC by relieving a recognized chokepoint and adding increased capacity which will allow for volume growth in both freight and passenger service, increase reliability to passenger service, add to the overall economic vitality of the region, and promote the development of future intercity and commuter rail service.

Amtrak's Vision for High-Speed Rail in the NEC, available on www.amtrak.com, originally published in September 2010, now forms the basis for a business plan and funding strategy study which is underway and scheduled for completion in fiscal year 2012.

Additionally, the FRA confirmed that the agency would be issuing a Request for Proposal to complete the Environmental Impact Study for the NEC in fiscal year 2011. This work will assist in further planning and realization of Amtrak's vision for capital improvements to the NEC in future years.

ENVIRONMENT & ENERGY

Amtrak established a Fuel and Energy Management committee with the goal of identifying efficiencies in the way fuel and utilities are used that would positively impact Amtrak's overall use of these commodities. Members of the committee have implemented a five-year energy reduction program that clearly states Amtrak's commitment to reduce energy usage at all locations across the country and is directly aligned with Amtrak's strategic goal of becoming a safer, greener and healthier Company.

Since its inception, the Energy Management team directed energy audits at 15 of Amtrak's larger maintenance facilities and stations. These audits have identified significant opportunities to reduce energy and water usage by replacing inefficient lighting in many of our mechanical and other areas, repairing leaks in underground water, steam, and air pipes, activating or reprogramming automatic control systems for better energy efficiency, resolving billing errors, eliminating unnecessary utility services, and switching to lower cost providers.

These efforts in fiscal year 2011 have saved \$2.0 million in utility costs.

During fiscal year 2011, Amtrak Transportation implemented improved train handling procedures in order to reduce energy consumption in our diesel and electric locomotive powered trains. Our energy reduction plan involved the use of simulators and 3-D track simulation software. These simulators were used to train locomotive engineers on optimal train handling techniques and how to conserve energy.

In fiscal year 2011, we started a diesel fuel management effort and an overall commitment to reduce diesel fuel consumption by nearly 11 million gallons in the next five years, saving the Company an estimated \$26.8 million in fuel expense. In addition, Amtrak established a dedicated staff to manage diesel fuel operations, which included fuel conservation efforts, thereby cementing the Company's commitment to progressive energy efficiency and emissions reductions.



Photo: Mick Nussbaum

A Greener Future: The Company continued to explore cutting-edge ways to minimize its impact on the environment and reduce carbon emissions. This year it concluded its test of the biodiesel engine on the Heartland Flyer. The locomotive – which was powered by biodiesel and diesel blend – performed reliably, with no added wear and tear on the engine, and had air emissions below federal standards.

Amtrak continued the usage of regenerative braking for electric locomotive operations that began in fiscal year 2009. A study had demonstrated that Acela Express trains can return up to 8.0% of the electric power used back to the catenary grid when braking. Regenerative braking is being implemented on Amtrak electric locomotives on the NEC. Amtrak also increased the use of ground power at many end point or layover locations. By “plugging in” the train to ground power circuits, locomotives idled only in cold conditions, which reduced the amount of fuel used and also decreased air emissions.

Amtrak received grant funds in fiscal year 2011 that covered most of the purchase cost for two GenSet diesel switcher locomotives to be used in Chicago and for re-powering several Switchers in Ivy City (Washington, D.C. Yard). These grants were funded by the U. S. Environmental Protection Agency congestion mitigation program and diesel emission reduction program to improve air quality in urban areas. The GenSet Switchers are expected to use 50.0% less diesel fuel and reduce emissions by 60.0%

compared to the locomotives that are being replaced. Amtrak also used solar power during the year for over 50 lubricators for track curves (provides grease to reduce friction) along the NEC as well as solar panels for track temperature measurements along the NEC.

A biodiesel fuel trial of 12 months, funded by the FRA with support from the State of Oklahoma and State of Texas Departments of Transportation, was completed on the Heartland Flyer (service from Oklahoma City to Fort Worth). It was selected as a TIME Magazine “Invention of the Year (2010).” The results of the trial indicated B20 (20% beef tallow based biodiesel) was successful during over 300 roundtrips, did not cause any significant engine wear and met EPA Tier zero emission standards for a GE P32 locomotive.

All café and lounge cars were equipped with onboard recycling containers for newspapers and bottles and cans. Clear plastic recycling containers were deployed in several stations (including 30th Street Station in Philadelphia) that met security requirements.



ORGANIZATIONAL EXCELLENCE

In fiscal year 2011, Amtrak made significant progress toward its comprehensive and visionary plan to modernize the primary Information Technology (“IT”) infrastructure and systems. A set of four strategic, IT modernization initiatives were designed that when completed will enable Amtrak to operate in today’s interconnected technology environment, necessitating information sharing and compatibility with Amtrak stakeholders, customers, vendors and partners.

The Strategic Asset Management (“SAM”) program launched the first phase in June 2011. This program delivered a major overhaul of Amtrak’s financial, procurement and materials management systems, extending earlier investments in Human Capital Management systems. These systems, implemented largely with SAP software, addressed the regulatory accounting standards mandated by the PRIIA. The launch of SAM Phase 1 marked a significant achievement and was the single largest business process re-engineering and systems implementation in Amtrak history. The next phase of SAM will address Amtrak’s engineering and mechanical operations as well as transportation processes and will be scheduled as funds become available.

The Next Generation Reservations Systems (“RES-NG”) is a five-year program which will run through fiscal year 2014. RES-NG is designed to modernize the Company’s 30+ year old reservation system, which is at the heart of passenger and train operations. A major milestone was achieved in June 2011 by upgrading the operating system to the latest platform, z/TPF, ensuring system reliability and establishing a platform for next-generation

capabilities planned for deployment in fiscal years 2012 through 2014. The eTicketing program largely replaces paper-based ticketing processes with electronic ticketing, thereby allowing customers to print tickets at home and streamlining Amtrak’s revenue recognition processes. Major milestones were achieved in fiscal year 2011, including major updates to the back-end reservation system, deploying eTicketing on Auto Train, conducting a system pilot on the Downeaster route, and employing conductor mobile devices on a new platform. Further piloting and a complete nationwide roll-out of eTicketing is planned for fiscal year 2012. Amtrak also garnered industry recognition with the introduction of eTicketing, earning a spot on the 2011 InformationWeek 500 list of top technology innovators across America.

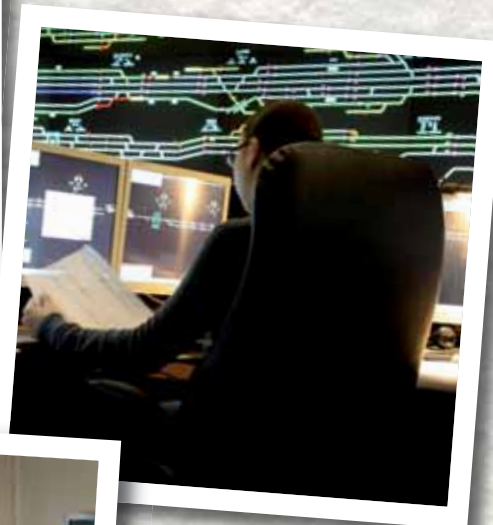
Amtrak Information Modernization program was designed to improve the reliability, accessibility and security of critical business information. A key component of this initiative is a new Enterprise Data Warehouse (“EDW”), which was launched initially in fiscal year 2011. The introduction of an EDW marked a significant milestone and established the foundation for driving greater transparency and accountability in the future across the organization by enabling a higher level of analytical decision-making.

The IT Infrastructure and Improvement program (“ITII”) was completed in fiscal year 2011. The ITII focused on achieving and maintaining a state of good repair for the underlying technology infrastructure, including the establishment of new data centers, voice and data networks redesign and upgraded desktop support. This program was a major undertaking by the IT department,

which has delivered significant operational availability improvements, particularly in network and data center services. The human capital plan continued in fiscal year 2011 and helped guide our efforts in meeting the needs of the workforce. We used workforce planning including resource optimization analysis, staffing forecast, Human Resources (“HR”) key performance indicators and metrics; to provide managers with the critical support needed to ensure workforce needs were aligned with organizational strategies.

We also continued focus on employee development and succession planning. When completed, this will ensure that we have workforce continuity and development of

skills and technical competence consistent with strategic objectives and required for organizational success. HR designed and implemented improvements to the Amtrak compensation structure that placed greater emphasis on total compensation and utilized a performance management system that aligned Company and departmental goals with individual goals and compensation as well as the development and administration of benefit programs that support employee health, welfare and retirement. These strategies are designed to not only improve recruitment and retention efforts; they will also position Amtrak to effectively compete in the overall labor market for world class talent.



OVERVIEW OF CAPITAL INVESTMENTS

Amtrak, and its ability to carry out its strategic plan depended upon continuing support from the public sector at the federal, state and local levels along with significant investments from strategic partnerships. While Amtrak has reduced its debt burden by over 50.0% in the past five years, and has received two credit rating upgrades for improved financial and management controls, the Company's credit rating could be reduced as a result of the eroding financial conditions and actions of its government partners in the future.



Modern Facilities: Los Angeles and Hialeah, FL (shown here), saw the addition of new, state-of-the-art maintenance facilities, and Seattle's facility is currently under construction. The facilities are designed using a "progressive spot" approach, meaning the cars move through a standard production line in a way that maximizes efficiency.

Amtrak continued to depend upon appropriate annual levels of capital investment to maintain its infrastructure, systems, rolling stock and stations in a "state of good repair" for both safety and operational efficiency. Appropriate investments were also critical to support improvement of Amtrak's operating ratio. The timing of federal capital support and deficit reductions remained a challenge to Amtrak's ability to execute planned improvements. Amtrak's planning ability for significant capital investment continues to be impacted by the lack of a dedicated, multi-year source of federal funding and having to rely on an annual Congressional appropriations process that is often significantly delayed.

Investments made in mechanical facilities are designed to improve safety, productivity and

implement new technologies. Construction continued in fiscal year 2011 on new, modern maintenance facilities in Los Angeles, CA, Hialeah, FL, and Seattle, WA.

A healthy fleet affects all aspects of passenger rail service. From the customer's perspective, the equipment embodies the passenger experience including reliability and delivery of the service. With an average age of 26 years, many car types on Amtrak's fleet have exceeded their commercial life. Given the fleet's age, reliability issues and the increase in demand for passenger rail, replacement of the current fleet is one of Amtrak's most pressing needs.

Work was completed in fiscal year 2011 on all Acela Express equipment, which was outfitted with Wi-Fi for passenger use. We also started installing Wi-Fi equipment on all NEC Amfleet I cars this year. It is projected to be completed in fiscal year 2012.

The number of units receiving upgrades in fiscal year 2011 by fleet type are presented in the table below:

Production Results

<i>Fleet Type</i>	<i>Fiscal Year 2011</i>
	<i>Number of Vehicle Units Overhauled</i>
<i>Amfleet Coaches</i>	168
<i>Electric Locomotives</i>	18
<i>P-40 Locomotives</i>	4
<i>Superliner cars</i>	104
<i>Horizon & Surfliner cars</i>	38
<i>Viewliner cars</i>	13
<i>Heritage cars</i>	12
<i>Acela Express interiors</i>	1



Even with the many challenges that we faced with our funding, our Engineering group along with many other supporting departments accomplished a great deal during fiscal year 2011. Below are just a sample of the many areas where projects were undertaken this year:

Track Program: ***\$192.1 million***

- Replaced 37,000 concrete ties in Boston's Southwest Corridor as well as 13,600 concrete ties between Hebronville and Lawn on the Shore Line.
- Replaced 64,700 concrete ties on the Hell Gate Line between New Rochelle and Harold Interlocking.
- Replaced Union Interlocking
- Cleaned 59 track miles of shoulder ballast.
- Purchased or rebuilt five tie cars; 15 pieces of on-track machinery; 15 rubber-tired machines and 3 junior tampers.
- Completely replaced 3,800 feet of track 2 in the North River tunnel.
- Completed the installation of over 20 new switches.
- Completed the total track replacement of 3,600 feet of East and Westbound tracks in Union, N.J.
- Completed the installation of over 13,000 wood ties between Elmora, N.J. and Union, N.J.
- Retired 12 switches and converted 2,800 feet of wood track to concrete at Old Park interlocking on the Harrisburg, PA line.





***Structures Program:** \$150.7 million*

- Started construction on a new bridge across the Niantic River in East Lyme, CT. It is scheduled for completion in fiscal year 2014.
- Started preliminary design of the Baltimore & Potomac River Tunnel replacement in Baltimore.
- Replaced the pinion machinery at the Trail Creek movable bridge in Michigan.
- Replaced 912 bridge ties on 19 undergrade bridges.
- Made improvements to 21 stations including platform renovations, upgraded or replaced elevators, escalators and stairs to make stations more easily accessible for people with disabilities.
- Upgraded all areas of the Seattle Maintenance Facility.



Communications and Signals Program: ***\$13.1 million***

- Installed new control system at K Tower in Washington, D.C.
- Installed 11.5 miles of signal cable.
- Continued the installation of Base Radio Station upgrades to meet new Federal Communications Commission requirements.
- Placed in service Leaman interlocking in PA and Union interlocking in N.J.
- Installed Automatic Block Signaling at Leaman and Park, PA.

Fire and Life Program:

\$35.5 million

- Continued the installation of a new ventilation shaft for the First Avenue tunnels in New York.
- Continued installation upgrades to the Centralized Electrification and Traffic Control Center at N.Y. Penn Station.



Electric Traction Program:

\$30.2 million

- Renewed 26.2 miles of catenary hardware.
- Improved 18 substations with new transformers, breakers or switches.
- Replaced 288 power modules in Jericho Park in Bowie, MD.
- Installed new power cables and duct banks between the Metuchen, N.J. converter station and the NEC, a distance of 1.5 miles.
- Started design implementation for ways to increase the electrical power available from the Metuchen, N.J. converter station.
- Upgraded Metuchen, N.J. Frequency Converter Equipment

Construction Program:

\$54.8 million

- Continued to replace and modernize the overhead catenary wires and other electrical equipment along the Hell Gate Line, which runs from N.Y. Penn Station to New Rochelle.
- Continued improvement and upgrades to the Seattle maintenance facility, which is scheduled to be completed in fiscal year 2013.
- Installed track on the Springfield Line between Berlin and Newington, CT thus doubling the current amount.
- Continued to replace and modernize the First Avenue ventilation shaft.



A summary of planned and actual results for major production results are presented below:

Production Results and Variance to Plan

<i>Fiscal Year 2011</i>			
<i>Major Production Categories</i>	<i>Plan</i>	<i>Actual</i>	<i>Variance</i>
Concrete Ties Installed (each)	185,131	176,602	(8,529)
Wood Ties Installed (each)	56,599	46,580	(10,019)
Continuous Welded Rail Installed (Track Miles)	29.0	26.1	(2.9)
Shoulder Cleaning (Track Miles)	55.8	57.7	1.9
Turnouts Installed by System Production (Inc. SES) and Divisions (each)	68	44	(24)
Bridge Ties Installed (each)	1,280	912	(368)
Signal Cable Replaced (miles)	9.6	5.0	(4.6)
Electric Catenary Hardware Renewed (miles)	41.5	26.2	(15.3)
ET Transformers (each)	12	11	(1)
ET 12KV Circuit Brakers (each)	12	11	(1)



RISK FACTORS

Any of the following risk factors, alone or in combination, could have a materially adverse effect on Amtrak's financial condition, results of operations or liquidity. Additional risks and uncertainties not currently known to Amtrak or that Amtrak currently does not deem to be material also may materially impact Amtrak's financial condition, results of operations or liquidity.

- If Amtrak does not receive sufficient annual Federal Government funding, Amtrak's ability to operate in its current form may be adversely affected.
- Amtrak's business is capital intensive, and without sufficient capital investment, Amtrak will be unable to maintain and improve current infrastructure and rolling stock.
- Instability or unavailability of Amtrak's information technology systems could have a detrimental effect on Amtrak's business.
- Legal proceedings may adversely affect Amtrak's business operations.
- Amtrak's business is subject to numerous operational risks, such as changes in general economic, weather or other conditions, equipment failure, disruption of its supply chain, war, acts of terrorism, and other catastrophic events which could result in significant disruptions to Amtrak's operations, increased expenses or decreased revenues.
- Amtrak's costs and revenues could be substantially impacted by competition from airlines, buses and other modes of transportation.
- Amtrak's business is vulnerable to rising fuel costs and disruptions in fuel supplies.
- Amtrak's business is subject to federal, and to some state and local, laws and regulations.
- Amtrak's business is subject to environmental laws and regulations that may result in significant costs.
- Most of Amtrak's employees are represented by unions, and failure to negotiate reasonable collective bargaining agreements may result in strikes, work stoppages or substantially higher ongoing labor costs.
- Catastrophic events could result in liabilities exceeding Amtrak's insurance coverage.
- Amtrak has a mature workforce, with substantial employee retirements expected in upcoming years, and therefore has large potential pension and other post-employment benefit obligations. Significant changes in the timing and amounts of those obligations could result from small changes in assumptions about healthcare cost trends and other variables as well as timing of employee retirements.

PERFORMANCE METRICS

In today's fast-moving and technology-driven world, seamless coordination between departments is critical, regardless of function or geographic dispersion. The Executive Committee during fiscal year 2011 set five corporate goals to drive performance across the Company. By striving for common goals, the priorities of each functional department were better aligned and cooperation between groups increased significantly.

A series of metrics and five-year performance targets for each goal were established to measure progress against a clear timeline. Future performance plans for employees at all levels of the Company will be tied to these metrics beginning with the Executive Committee and cascading throughout the organization as appropriate. This process will ensure that all employees are contributing not only to their group or department, but also to the overall corporate goals.

Goal 1 – Safety: Become North America's safest, most secure railroad by creating a collaborative, team-oriented workplace culture that minimizes risks and maximizes passenger and employee safety.

Objective	Performance Measure	Unit of Measure	Fiscal Year 2010 Baseline	Fiscal Year 2011	Variance from Baseline
1.1 Create a collaborative, team oriented workplace culture that minimizes risks	Overall Score	5-Point Scale	3.43	3.49	0.06
1.2 Maximize employee safety	Passenger Railroad Employee Safety Performance Ranking	FRA Rank	6th	7th	-1
1.3 Maximize passenger safety	Passenger Injuries Per Million Riders	Injuries	70.72	70.98	0.26
	Train Accidents Per Million Train Miles	Accidents	1.92	6.21	4.29
	Total Larcenies Per Million Riders	Larcenies	14.8	17.1	2.3
	Total Vandalisms Per Million Seat Miles	Vandalisms	0.0137	0.0231	0.0094

Goal 2 – Customer Focus: Advance customer service quality by responding to the wants, needs and expectations of our customers in order to improve their experience and maximize passenger and partner satisfaction.

Objective	Performance Measure	Unit of Measure	Fiscal Year 2010 Baseline	Fiscal Year 2011	Variance from Baseline
2.1 Maximize passenger satisfaction	Customer Satisfaction Index	%	82	81	-1
2.2 Maximize employee safety	Partner Satisfaction Index	%	40	48	8

Goal 3 – Mobility and Connectivity: Improve national mobility and connectivity by growing Amtrak’s business through new partnerships, routes and frequencies to increase ridership system wide.

Objective	Performance Measure	Unit of Measure	Fiscal Year 2010 Baseline	Fiscal Year 2011	Variance from Baseline
3.1 Grow Amtrak’s business through new financially beneficial partnerships, routes and frequencies	Total Intermodal Ticketing Partnerships	Count	43	43	0
	Change in Effective Speed	MPH	0	0.4	0.4
	Delay Minutes per 10,000 Train Miles (Amtrak Responsible)	Mins	357	347	-10
	Delay Minutes per 10,000 Train Miles (Host Responsible)	Mins	975	919	-56
3.2 Increase ridership systemwide	Amtrak Ridership	Millions	28.72	30.19	1.47
	Amtrak Thruway Service Ridership	Millions	1.35	1.52	0.17
	Commuter Ridership	Millions	240.5	–	–
	Endpoint On-Time Performance	%	79.7	78.1	-1.6
	All Stations On-Time Performance	%	78.5	76.3	-2.2

Goal 4 – Environment and Energy: Contribute to the nation’s environmental health by attracting automobile and air travelers to trains, while improving Amtrak’s efficiency and reducing transportation-related carbon emissions and fossil fuel consumption.

Objective	Performance Measure	Unit of Measure	Fiscal Year 2010 Baseline	Fiscal Year 2011	Variance from Baseline
4.1 Improve Amtrak’s energy efficiency and reduce transportation-related fossil fuel consumption	Total Seat Miles Per Gallon of Diesel Fuel	SM/G	137.1	143.7	6.6
	Total Seat Miles Per kWh of Electric Traction Power	SM/kWh	6.69	6.85	0.16
	Average Environmental Audit Compliance Score	Rating	76	81	5
4.2 Increase ridership systemwide	Total Facilities/Stations Electricity Consumption	kWh (Millions)	315.1	326.5	11.4

Goal 5 – Organizational Excellence: Attain a standard of organizational excellence by aligning our products, services, processes and culture with stakeholder expectations to improve financial performance and overall business results.

Objective	Performance Measure	Unit of Measure	Fiscal Year 2010 Baseline	Fiscal Year 2011	Variance from Baseline
5.2 Improve financial performance and overall business results	Northeast Corridor Operating Ratio	%	88	87	-1
	Off Northeast Corridor Operating Ratio	%	167	164	-3
	Net Asset Return Ratio	%	27.2	26.5	-0.7
	Passenger Miles Per Train Mile	%	169	176	7

Note: The metrics and performance targets in this section are preliminary and may be adjusted or changed over time in response to changing external factors and internal business needs. Amtrak has also elected to use metrics defined by the PRIIA where applicable, however, these may also be changed or removed in response to business needs.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of Amtrak's ("Amtrak" or the "Company") results of operations, certain changes in its financial position, liquidity, and business developments for the periods covered by the Consolidated Financial Statements included in this Annual Report. This discussion should be read in conjunction with the included Consolidated Financial Statements, the related notes, and other information included in this Annual Report.

FORWARD-LOOKING STATEMENT DISCLOSURE

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") contains forward-looking statements that may be identified by the use of words like "believe," "expect," "anticipate," "project" and similar expressions. Forward-looking statements reflect management's good-faith evaluation of information currently available and are subject to a number of risks and uncertainties, including but not limited to the risks and uncertainties set forth under the "Risk Factors" section in this Annual Report.

Forward-looking statements are not guarantees of future performance and actual results may differ materially from those envisaged by such forward-looking statements. Accordingly, readers should not place undue reliance on any such forward-looking statements. Forward-looking statements speak only as of the date of this Annual Report. Amtrak does not assume any obligation to update or revise any forward-looking statement, whether as a result of new information, future events and developments, or otherwise.

GENERAL BUSINESS DESCRIPTION

Amtrak's principal business is to provide rail passenger transportation service in the major intercity travel markets of the United States. In addition to its core business of intercity passenger railroad operations, Amtrak engages in related ancillary business that includes:

- Operating commuter railroads on behalf of various states and transit agencies
- Providing infrastructure access to commuter agencies and freight railroads
- Performing rail services for other rail operators, both commuter agencies and freight railroads, on a reimbursable basis
- Managing and leasing of commercial real estate

Amtrak operates a national rail network of more than 21,000 route miles to more than 500 destinations in 46 states, the District of Columbia and three Canadian provinces. As of September 30, 2011, Amtrak's fleet included 1,519 passenger cars, 469 locomotives, 80 Auto Train vehicle carriers and 101 baggage cars.

Amtrak is the nation's only high-speed intercity passenger rail provider, operating nearly 69% of its trains at top speeds in excess of 90 mph (145 kph). During fiscal year 2011, Amtrak set a new ridership record, carrying nearly 30.2 million passengers on as many as 305 daily intercity trains.

In fiscal year 2011, an average of approximately 900,000 people every day depended on commuter rail services that used Amtrak-owned infrastructure, dispatching, and shared operations; or rode commuter trains operated by Amtrak under contracts with local or regional agencies. Amtrak's Northeast Corridor

(the “NEC”) is the busiest intercity railroad segment in North America with more than 2,200 trains operating over some portion of the Washington, D.C. to Boston route each day. More than 825,000 riders use the NEC every weekday. The Boston to New York to Washington, D.C. portion of the NEC carried 10.9 million passengers in fiscal year 2011 on Acela Express, Regional Service or other Amtrak trains. In fiscal year 2011, five other corridors had Amtrak ridership that topped one million or more:

- Pacific Surfliner Service (San Diego to Los Angeles to San Luis Obispo) – 2.8 million
- Capital Corridor Service (San Jose to Oakland to Sacramento to Auburn) – 1.7 million
- Keystone Corridor Service (Harrisburg to Philadelphia) – 1.3 million
- San Joaquin Service (Oakland to Sacramento to Bakersfield) – 1.1 million
- Empire Service (New York to Albany to Niagara Falls) – 1.0 million

In fiscal year 2011, six other corridors had Amtrak ridership in excess of 500,000:

- Amtrak Cascades Service (Eugene to Portland to Seattle to Vancouver, B.C.) – 850,000
- Hiawatha Service (Chicago to Milwaukee) – 820,000
- Washington, D.C. – Newport News Service – 560,000
- Lincoln Service (Chicago to St. Louis) – 550,000
- Downeaster Service (Portland to Boston) – 520,000
- Wolverine Service (Chicago to Pontiac) – 500,000

Amtrak owns 363 miles of track on the NEC, a 61-mile track segment from New Haven, Connecticut, to Springfield, Massachusetts, 104 miles of track in Pennsylvania between Philadelphia and Harrisburg and a 95-mile track segment in Michigan.

Amtrak owns 105 station facilities, and is responsible for the upkeep and maintenance of an additional 181 station facilities and 411 platforms. Amtrak owns 17 tunnels and 1,186 bridges. Amtrak owns most of the maintenance and repair facilities for its fleet.

Outside the NEC, Amtrak contracts with freight railroads for the right to operate over their tracks. These “Host Railroads” are responsible for the condition of their tracks and for the dispatching on their tracks.

Amtrak has more than 20,000 employees with approximately 85% of the Company’s labor force covered by labor agreements.

PRINCIPAL BUSINESSES

Northeast Corridor

The NEC is the centerpiece of the Amtrak system – a high-speed railroad developed over the course of a multi-year partnership among Amtrak, the Federal Government, commuter railroads and states. In spite of the fact that portions of the right-of-way follow alignments that date to the 1830s, Amtrak, the United States Department of Transportation and the commuter railroads have created a network that supports an intense daily schedule of more than 2,200 trains and provides hourly high-speed service, with a top speed (on the Boston to New York route) of 150 mph. On each of its major routes (New York to Washington, D.C. and New York to Boston), Amtrak now carries more passengers than all of the airlines serving these routes, and Amtrak’s share of the air-rail market from the endpoints to intermediate cities such as Philadelphia is

even larger. One hundred fifty-four Amtrak trains run on the NEC each day. Thirty-six percent of Amtrak's passengers ride on the NEC, and operations on the NEC provide 52% of Amtrak's ticket revenues.

State-Supported and Other Short-Distance Routes (“SD and other routes”)

Short-distance corridor trains operating outside of the NEC are the fastest-growing portion of the Amtrak system. These trains include routes in California and the Pacific Northwest, routes serving the Chicago Union Station hub in the Midwest, extensions of Northeast Regional trains continuing outside of Amtrak's NEC, and others. These routes provide a travel alternative that is generally trip-time competitive with other modes for shorter distance trips, and also provide connections to Amtrak's national network at larger stations. Many of these trains have enjoyed significant success: California's Pacific Surfliner, for example, often carries more passengers than the Acela Express during the late summer months; and the new Lynchburg, Virginia service has produced more than double the anticipated ridership and revenues in fiscal year 2010, the first full year of operation, and a subsequent 28% increase in ridership and revenues in fiscal year 2011.

Long-Distance Routes (“LD routes”)

Under the Passenger Rail Investment and Improvement Act of 2008 (“PRIIA”), Congress stated that long-distance passenger rail is a vital and necessary part of our national transportation system and economy and that Amtrak should maintain a national passenger rail system, including LD routes that connect the continental United States from coast to coast and from border to border. Accordingly, Amtrak operates long-distance trains, most of them on a daily basis, on 15 routes. These trains are the only passenger rail service in 23 of the 46 states Amtrak serves. Operating over routes that range up to 2,438 miles in length, the long-distance trains serve several purposes, connecting nearby communities with one another, with terminal cities, and with other Amtrak services at major hubs such as Chicago. The majority of coach passengers travel over only portions of these routes. For longer distance travel, and for trips between the endpoints, Amtrak offers sleeping car service (which generates 15% of the passengers and 25% of the ticket revenues on these routes). These trains are heavily patronized by senior citizens and passengers with disabilities. In many places, long-distance trains have helped to “incubate” short-distance corridor service on portions of their route, and many long-distance trains provide an additional service frequency on SD and other routes, offering travelers a greater range of travel options, and combining the needs of growing state-supported service with the requirement to tie the national system together. The majority of train-miles traveled by Amtrak on these routes are on tracks owned by freight and commuter railroads. Accordingly, Amtrak depends on Host Railroads for the dispatching and timely movement of these trains.

OTHER BUSINESS

Amtrak's other business is comprised of other transportation revenue from use of Amtrak-owned premises and other services; revenue from reimbursable engineering and capital improvement activities; commercial development revenue from retail, parking, advertising, real property leases / easements / sales, right-of-way fees; and freight access fee revenue from the use of Amtrak-owned tracks.

RESULTS OF OPERATIONS

The following discussion presents an analysis of results of our operations for fiscal years 2011, 2010 and 2009 (in millions):

	Year Ended September 30,		
	2011	2010	2009
Total revenues	\$ 2,706.8	\$ 2,513.4	\$ 2,352.8
Total expenses	3,955.5	3,721.8	3,507.2
Net interest expense	93.3	100.9	109.9
Net Loss	\$ (1,342.0)	\$ (1,309.3)	\$ (1,264.3)
Ridership	30.2	28.7	27.2

2011 vs. 2010 Results of Operations

In fiscal year 2011, Amtrak earned approximately \$2.7 billion in total revenue and incurred approximately \$4.0 billion in expenses. Total revenues increased \$193.4 million or 7.7% from fiscal year 2010. The primary contributing factors to fiscal year 2011 strong performance include: an improved economic environment; sustained higher average gasoline prices; the appeal and popularity of rail travel created by effective advertising and marketing campaigns; dissatisfaction with air travel because of increased security screening; and continued growth in business travel on the high-speed Acela Express trains with free Wi-Fi service. Total expenses increased \$233.7 million or 6.3% from fiscal year 2010. This increase was driven by contractual wage increases and increased benefit costs; higher average prices for diesel fuel and electric propulsion; increased IT hardware management costs; and increased passenger inconvenience costs.

The annual federal appropriations for operating and capital and debt service totaled \$1.5 billion in fiscal year 2011, compared with \$1.6 billion in fiscal year 2010. Amtrak's "farebox recovery," i.e. the portion of operating costs directly covered by ticket revenue, was 79% in fiscal year 2011, compared with 76% in fiscal year 2010. The portion of operating expenses covered by total revenue was 85% in both fiscal years. Amtrak relies on Federal funding for operating and capital and debt service costs not covered by revenues.

Total Revenues Selected Financial Data (in millions)

Revenues		Year Ended September 30,	
		2011	2010
	<i>Passenger-related:</i>		
	Adjusted ticket	\$ 1,851.5	\$ 1,702.1
	Food and beverage	109.4	97.5
	State supported	191.1	174.3
Subtotal - Passenger-related revenue		\$ 2,152.0	\$ 1,973.9
	Commuter	163.9	152.5
	Other	360.0	358.0
	State capital payments	30.9	29.0
Total revenues		\$ 2,706.8	\$ 2,513.4

Ticket Revenues and Ridership Analysis

Fiscal year 2011 ended as a strong year for both ridership and ticket revenue. Ridership of 30.2 million passengers increased by 4.8% and ticket revenue increased \$148.9 million, or 8.5%, compared with fiscal year 2010.

Amtrak Ridership and Ticket Revenues (in millions)

	Ridership			* Ticket Revenues (\$)		
	2011	2010	% Change**	2011	2010	% Change
NEC	10.9	10.3	5.1%	\$ 983.5	\$ 899.1	9.4%
SD and Other	14.8	13.9	6.5%	427.0	390.0	9.5%
LD	4.5	4.5	1.1%	481.3	453.8	6.0%
Total	30.2	28.7	4.8%	\$ 1,891.8	\$ 1,742.9	8.5%

* Ticket revenues exclude food and beverage and other transfer credits.

** Percentages are calculated based on actual ridership figures.

NEC train ridership and ticket revenues increased by 5.1% and 9.4%, respectively, in fiscal year 2011, compared with fiscal year 2010. The ridership and ticket revenue trends in most Acela markets performed well in part because of the addition of Wi-Fi services in fiscal year 2010, which increased Acela Express ridership by approximately 1.5% in fiscal year 2011. The 2011 NEC ridership levels were in line with 2010 ridership levels during the first half of fiscal year 2011. During the second half of fiscal year 2011, NEC ridership improved and contributed approximately 3.6% to the overall increase.

SD and other routes train ridership and ticket revenues increased by 6.5% and 9.5%, respectively, in fiscal year 2011, compared with fiscal year 2010. Some of the ridership growth was because of the addition of Piedmont and Richmond routes and the continued growth of the Lynchburg, Virginia service.

LD routes ridership and ticket revenues increased by 1.1% and 6.0%, respectively, in fiscal year 2011, compared with fiscal year 2010. The fiscal year 2011 ridership and ticket revenues growth continued to be strong on long-distance routes such as the Auto Train, Sunset Limited, Texas Eagle, and Silver Star. However, the ridership increase was modest when compared with NEC and SD and other routes ridership in fiscal year 2011. This is because of (i) significant service changes resulting from the ongoing track work that affected the California Zephyr, Coast Starlight, and Empire Builder routes as a result of flooding during the second half of fiscal year 2011, and (ii) weather-related cancellations in August 2011 because of Hurricane Irene.

Food and beverage

Amtrak's food and beverage operations provide passengers with various meal options while in route. Revenues from sales of food and beverages increased by \$11.9 million because of an increase in ridership and a 3.0% - 4.0% increase in prices in fiscal year 2011, compared with fiscal year 2010.

State supported revenues

Amtrak partners with 15 states to bring service to their communities, and these services comprise more than half of Amtrak's departures. Total state-supported revenues in fiscal year 2011 came from California, Illinois, Maine, Michigan, Missouri, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, Texas, Vermont, Virginia, Washington, and Wisconsin, and were \$191.1 million. State supported revenues increased by \$16.8 million primarily because of the timing of receipts in fiscal year 2011, compared with fiscal year 2010.

Commuter revenues

In addition to providing 15 states with state-supported Amtrak intercity service, Amtrak partners with the states or regional transportation authorities in Maryland, Florida, Connecticut, Washington and California to operate rail services for a cost-based fee. Commuter revenues increased by \$11.4 million primarily because of resumption of Metrolink commuter services in June 2010 partially offset by reduced commuter-rail service revenue generated by the Virginia Railroad Express ("VRE"). VRE's contract with Amtrak ended in July 2010.

Other revenues

Amtrak had other revenues of \$360.0 million in fiscal year 2011, comprised of: revenue from reimbursable engineering and capital improvement projects; commercial development revenue from retail, parking, advertising, real property leases/easements/sales, right-of-way fees; freight access fee revenue from the use of Amtrak-owned tracks from freight railroad companies; and other revenue from the use of Amtrak-owned premises and other services. In fiscal year 2011, other revenues increased by \$2.0 million primarily because of increased revenue from various commuter agencies as well as increased freight access fees partially offset by decreased reimbursable revenues.

State capital payments

State capital payments include the amortization of state funds received in current and prior years used to acquire and construct 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 recognition of state capital payments in revenues increased by \$1.9 million in fiscal year 2011 primarily because of an increase in state funded assets placed in service.

Total Expenses Selected Financial Data (in millions)

	Year Ended September 30,	
Expenses:	2011	2010
Salaries, wages and benefits	\$ 1,947.0	\$ 1,791.7
Train operations	253.6	262.5
Fuel, power, and utilities	337.8	299.7
Materials	210.6	210.3
Facility, communication, and office related	187.4	189.7
Advertising and sales	113.2	113.7
Casualty and other claims	54.3	58.1
Depreciation, net of amortization	598.6	593.1
Other	400.6	337.3
Indirect cost capitalized to property and equipment	(147.6)	(134.3)
Total Expenses	<u>\$ 3,955.5</u>	<u>\$ 3,721.8</u>

Salaries, wages and benefits expenses increased by \$155.3 million to \$1.9 billion in fiscal year 2011, compared with fiscal year 2010, primarily because of: (i) \$25.3 million increase in management salaries; (ii) \$83.6 million increase in agreement labor wages; (iii) \$27.7 million increase in health insurance expense; (iv) \$9.2 million increase in anticipated retroactive wages payable to unionized employees with unratified contracts; and (v) \$16.7 million increase in related employee payroll taxes.

Management salaries increased primarily because of an increase in headcount and an increase in salaries because of the annual merit process and employee promotions.

Agreement labor wages increased primarily because of an increase in average union employee wages and an increase in overtime pay related to concrete tie replacements and projects associated with the American Recovery and Reinvestment Act of 2009 (“ARRA”).

Health insurance expense increased primarily from a \$23.3 million increase in medical costs driven by a 1.0% increase in enrollment, 3.0% increase in dependents and an 18.0% increase in catastrophic claim costs with the number of catastrophic claimants increasing from 500 in fiscal year 2010 to 575 in fiscal year 2011; and a \$3.6 million increase in prescription medicine costs driven by increased prices from pharmaceutical manufacturers as retail medicine goes “off patent” before generics enter the market.

The retroactive wage expense includes anticipated wages payable for unions with unratified contracts, on the basis that when ratified, these contracts will be ratified with wage increases similar to those increases

experienced on the contracts ratified to-date. In fiscal year 2010 the accrual for retroactive wage expense covered three months of anticipated wage increases (July 1 to September 30) versus twelve months of accrual in fiscal year 2011.

Employee payroll taxes increased because of increases in management salaries and agreement wages and overtime wages.

Train operations expenses decreased by \$8.9 million to \$253.6 million in fiscal year 2011, compared with fiscal year 2010, primarily from lower incentive payments made to Host Railroads for prescribed adherence to scheduled departure and arrival times; and decreased crew layover costs. The decrease is partially offset by an increase in rentals of locomotive and bus charters to accommodate breakdowns and weather-related cancellations, volume-related increases in food and beverage costs, and increased commissary supplies.

Fuel, power and utilities expense increased by \$38.1 million to \$337.8 million in fiscal year 2011, compared with fiscal year 2010, primarily from higher average prices for diesel fuel, electric propulsion and utility costs. Average diesel fuel costs increased to \$2.77 per gallon in 2011 from \$2.24 per gallon in 2010 and accounted for 83.5% of the increase in this expense category.

Materials expenses increased by \$0.3 million to \$210.6 million in fiscal year 2011, compared with fiscal year 2010, primarily because of unplanned and uncapitalizable rolling stock maintenance. The increase is partially offset by decreased right-of-way improvement projects under ARRA, which were completed in March 2011.

Facility, communication, and office-related expenses decreased by \$2.3 million to \$187.4 million in fiscal year 2011, compared with fiscal year 2010, primarily because of a decline in reimbursable work performed by Amtrak and reimbursed by third parties in fiscal year 2011, compared with fiscal year 2010. The decline is offset with increased data communication costs and project related security initiatives.

Advertising and sales expenses decreased by \$0.5 million to \$113.2 million in fiscal year 2011, compared with fiscal year 2010, primarily because of lower advertising spending that was partially offset by credit card commissions driven by an increase in the volume of ticket sales.

Casualty and other claims expense decreased by \$3.8 million to \$54.3 million in fiscal year 2011, compared with fiscal year 2010, primarily because of lower reported claims counts as well as lower than expected claims paid.

Depreciation expense increased by \$5.5 million to \$598.6 million in fiscal year 2011, compared with fiscal year 2010, primarily because of additional property and equipment placed into service in fiscal year 2011 (purchases and refurbishments of property and equipment were approximately \$1.5 billion in fiscal year 2011, compared with \$1.3 billion in fiscal year 2010).

Other expenses increased by \$63.3 million to \$400.6 million in fiscal year 2011, compared with fiscal year 2010, primarily because of IBM Data Center operations expense of approximately \$67.1 million. This

expense is related to the Data Center migration project. The project was completed in fiscal year 2011 with the majority of expenses incurred in fiscal year 2011. The increase of \$67.1 million is offset with a reduction in outsourced expenses in fiscal year 2011.

Indirect cost capitalized to property and equipment increased by \$13.3 million to \$147.6 million in fiscal year 2011, compared with fiscal year 2010, primarily because of an increase in capital spending in fiscal year 2011. The capital spending included ARRA projects, station and facility upgrades, various wood and concrete tie and track replacement programs, and information technology projects.

Other (Income) and Expense Selected Financial Data (in millions)

Other income and expense includes interest income on cash and cash equivalents and escrow deposits held and interest expense associated with equipment and building financings.

	Year Ended September 30,	
	2011	2010
Other (Income) and Expense:		
Interest income	\$ (8.5)	\$ (34.6)
Interest expenses	101.8	135.5
Net interest expense	\$ 93.3	\$ 100.9

Interest income decreased by \$26.1 million to \$8.5 million in fiscal year 2011, compared with fiscal year 2010. The decrease was primarily because of the utilization of defeasance instruments to terminate defeased leases in fiscal year 2010, which resulted in reduced interest income of approximately \$24.8 million in fiscal year 2011.

Interest expense decreased by \$33.7 million to \$101.8 million in fiscal year 2011, compared with fiscal year 2010. The decrease was primarily because of reduced capital lease obligation balances as a result of the termination of defeased leases in fiscal year 2010. The interest expense reduction related to defeased sale-leaseback terminations was approximately \$25.6 million. The remainder of the decrease was because of lower outstanding debt balances in fiscal year 2011, compared with fiscal year 2010.

2010 vs. 2009 Results of Operations

In fiscal year 2010, Amtrak earned approximately \$2.5 billion in total revenue and incurred approximately \$3.7 billion in expenses. Total revenues increased \$160.6 million or 6.8% from fiscal year 2009. The primary contributing factors to fiscal year 2010 increase in total revenues include the resurgence in the popularity of rail travel; high gasoline prices; a new service contract with Southern California's Regional Rail Authority (Metrolink) that commenced in June 2010; increased difficulties associated with air travel; and overall improvement to railways and stations making rail travel more convenient and reliable. Total expenses increased \$214.6 million or 6.1% from fiscal year 2009. This increase was driven by non-recurring uncapitalizable expenses incurred in connection with ARRA and SAP Strategic Asset Management ("SAM") projects; higher average prices for diesel fuel and increased usage of diesel fuel; increase in

salaries and wages because of merit increases and promotions; increased overtime wages because of record snowfall in the Northeast; and increased passenger inconvenience costs.

The annual federal appropriations for operating, capital and debt service totaled \$1.6 billion in fiscal year 2010, compared with \$1.5 billion in fiscal year 2009. Amtrak's farebox recovery was 76% in fiscal year 2010, compared with 74% in fiscal year 2009. The portion of operating expenses covered by total revenue was 85% in fiscal year 2010 and 80% in fiscal year 2009. Amtrak relies on federal funding for capital and debt service costs and for operating costs not covered by revenues.

Total Revenues Selected Financial Data (in millions)

Revenues		Year Ended September 30,	
		2010	2009
	<i>Passenger-related:</i>		
	Adjusted ticket	\$ 1,702.1	\$ 1,563.5
	Food and beverage	97.5	92.6
	State support	174.3	157.4
Subtotal Passenger related revenue		\$ 1,973.9	\$ 1,813.5
	Commuter	152.5	147.3
	Other	358.0	364.8
	State capital payments	29.0	27.2
Total Revenues		\$ 2,513.4	\$ 2,352.8

Ticket Revenue and Ridership Analysis

Fiscal year 2010 ended with increased ridership and ticket revenues, compared with fiscal year 2009. Ridership of 28.7 million passengers increased 6.5% from fiscal year 2009. Ticket revenues of \$1.7 billion were 9.0% higher than in fiscal year 2009.

Amtrak Ridership and Ticket Revenues (in millions)

	Ridership			Ticket Revenues (\$)		
	2010	2009	% Change**	2010	2009	% Change
NEC	10.3	9.9	4.3%	\$ 899.1	\$ 841.7	6.8%
SD and Other	13.9	13.0	6.5%	390.0	346.2	12.6%
LD	4.5	4.2	6.6%	453.8	411.6	10.3%
Total	28.7	27.1	6.5%	\$ 1,742.9	\$ 1,599.5	9.0%

* Ticket revenues exclude food and beverage and other transfer credits.

** Percentages are calculated based on actual ridership figures.

NEC train ridership and ticket revenues increased by 4.3% and 6.8%, respectively, in fiscal year 2010, compared with fiscal year 2009. Ridership and ticket revenue trends continued to be strong in most South-end and North-end markets, especially the New York City / Washington, D.C. and New York City / Boston endpoint markets in fiscal year 2010. Acela Express business travel softened in fiscal year 2010 because of higher unemployment and the economy's impact on the business market in the Northeast. However, NEC train ridership and ticket revenues continued to benefit from higher average gasoline prices in fiscal year 2010.

SD and other routes train ridership and ticket revenues increased 6.5% and 12.6%, respectively, in fiscal year 2010, compared with fiscal year 2009. Higher average gasoline prices contributed to growth in ridership along with the new Lynchburg, Virginia train route which generated approximately \$7.7 million in additional revenues in fiscal year 2010.

LD routes ridership and ticket revenues increased by 6.6% and 10.3%, respectively, in fiscal year 2010, compared with fiscal year 2009. The 2010 ridership was impacted by improvements to the California Zephyr, Cardinal, Capitol Limited, Sunset Limited and Texas Eagle services because of the focus on performance improvement initiatives, as directed under PRIIA.

Food and beverage

Amtrak's food and beverage operations provide passengers with meal options while in route. Revenues from sales of food and beverages increased by \$4.9 million primarily because of an increase in ridership and a 2.0% - 3.0% increase in prices in fiscal year 2010, compared with fiscal year 2009.

State supported revenues

Amtrak partners with 15 states to bring service to their communities, and these services comprise more than half of Amtrak's departures. State supported revenues increased by \$16.9 million primarily because of an increase in frequency and timing of receipts in fiscal year 2010, compared with fiscal year 2009.

Commuter revenues

In addition to providing 15 states with state-supported Amtrak intercity service, Amtrak partners with the states or regional transportation authorities in Maryland, Florida, Connecticut, Washington and California to operate rail services for a cost-based fee. Commuter revenues increased by \$5.2 million primarily because of a new contract with Metrolink.

Other revenues

Amtrak had revenue of \$358.0 million in fiscal year 2010, comprised of: revenue from reimbursable engineering and capital improvement projects; commercial development revenue from retail, parking, advertising, real property leases / easements / sales, right-of-way fees; freight access fee revenue from the use of Amtrak-owned tracks from freight railroad companies; and other revenue from the use of Amtrak-owned premises. In fiscal year 2010, other revenues decreased by \$6.8 million primarily as a result of a one-time gain of \$10.5 million in fiscal year 2009, from settlement of negotiations related to an electric

power agreement with a commuter rail agency offset in part by a general increase in revenues and additional commissions of approximately \$2.4 million earned from Amtrak's Guest Reward program with J.P. Morgan Chase Bank.

State capital payments

State capital payments include the amortization of state funds received in current and prior years used to acquire and construct 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 recognition of state capital payments in revenue increased by \$1.8 million in fiscal year 2010 primarily because of an increase in state funded assets placed in service.

Total Expenses Selected Financial Data (in millions)

Expenses:	Year Ended September 30,	
	2010	2009
Salaries, wages and benefits	\$ 1,791.7	\$ 1,699.1
Train operations	262.5	245.7
Fuel, power, and utilities	299.7	272.8
Materials	210.3	209.0
Facility, communication, and office related	189.7	168.3
Advertising and sales	113.7	106.2
Casualty and other claims	58.1	49.1
Depreciation, net of amortization	593.1	562.6
Other	337.3	299.2
Indirect cost capitalized to property and equipment	(134.3)	(104.8)
Total Operating Expenses	<u>\$ 3,721.8</u>	<u>\$ 3,507.2</u>

Salaries, wages and benefits expenses increased by \$92.6 million to \$1.8 billion in fiscal year 2010, compared with fiscal year 2009, primarily because of: (i) \$14.7 million increase in management salaries; (ii) \$28.9 million increase in agreement labor wages; (iii) \$25.3 million increase in overtime agreement labor wages; and (iv) \$21.4 million increase in related employee payroll taxes.

Management salaries increased primarily because of an increase in headcount and an increase in salaries because of the annual merit process and employee promotions.

Agreement labor wages increased primarily because of an increase in average union employee wages and a 2.0% increase in headcount.

Agreement labor overtime wages increased primarily because of increased overtime related to record snowfall in the northeast in 2010, continued concrete tie replacements and related projects under ARRA.

Employee payroll taxes increased because of increases in management salaries and agreement wages and overtime wages.

Train operations expenses increased by \$16.8 million to \$262.5 million in fiscal year 2010, compared with fiscal year 2009, primarily because of an increase in incentive payments made to Host Railroads for prescribed adherence to scheduled departure and arrival times and increased track and roadway maintenance.

Fuel, power and utilities expense increased by \$26.9 million to \$299.7 million in fiscal year 2010, compared with fiscal year 2009, primarily because of a 21.1% increase in average diesel fuel costs to \$2.24 per gallon in 2010 from \$1.85 per gallon in 2009. The remainder of the increase is because of an increase in diesel fuel usage.

Materials expenses increased by \$1.3 million to \$210.3 million in fiscal year 2010, compared with fiscal year 2009, primarily because of increases in maintenance of equipment and maintenance of way repairs.

Facility, communication, and office-related expenses increased by \$21.4 million to \$189.7 million in fiscal year 2010, compared with fiscal year 2009. This increase is primarily because of a \$4.5 million increase in building maintenance services resulting from increased reimbursable maintenance of way work for several west coast agencies; a \$4.4 million increase in ARRA contract services with two project management companies; and a \$3.8 million increase in security expense because of public security awareness, canine and security training. Additionally, there was a \$6.8 million increase in repairs, maintenance and small tools expense associated with increased capital spending. Office rent increased by \$1.0 million, approximately \$0.5 million of this increase is from additional leased office space and the remainder is because of one site in support of the ongoing Strategic Asset Management project with a full year of lease expense in 2010, versus four and a half months in 2009.

Advertising and sales expenses increased by \$7.5 million to \$113.7 million in fiscal year 2010, compared with fiscal year 2009, primarily from additional advertising programs to stimulate demand in key markets as well as an increase in credit card commissions resulting from increased volume of ticket sales.

Casualty and other claims expense increased by \$9.0 million to \$58.1 million in fiscal year 2010, compared with fiscal year 2009, primarily because of increases in reserves related to FELA, miscellaneous and occupational claims driven by an increase in the frequency of claims.

Depreciation expense increased by \$30.5 million to \$593.1 million in fiscal year 2010, compared with fiscal year 2009, primarily because of additional property and equipment placed into service in 2010 (purchases and refurbishments of property and equipment was approximately \$1.3 billion in fiscal year 2010, compared with \$772.2 million in fiscal year 2009), offset by \$7.2 million lower accelerated depreciation on concrete replacement ties.

Other expenses increased by \$38.1 million to \$337.3 million in fiscal year 2010, compared with fiscal year 2009, primarily driven by increased IT inventory management costs, the non capitalized portion of ARRA projects supporting NEC improvements and the financial costs of terminating certain defeased leases.

Indirect cost capitalized to property and equipment increased by \$29.5 million to \$134.3 million in fiscal year 2010, compared with fiscal year 2009, primarily because of an increase in capital spending during fiscal year 2010. The capital spending included ARRA projects, station upgrades, facility and various wood tie and track replacement programs and technology projects.

Other (Income) and Expense Selected Financial Data (in millions)

Other income and expense includes interest income on cash and cash equivalents and escrowed deposits held and interest expense associated with equipment and building financings.

	Year Ended September 30,	
Other (Income) and Expense:	2010	2009
Interest income	\$ (34.6)	\$ (65.5)
Interest expense	135.5	175.4
Net interest expense	\$ 100.9	\$ 109.9

Interest Income decreased by \$30.9 million to \$34.6 million in fiscal year 2010, compared with fiscal year 2009. The decrease was primarily because of \$29.0 million less interest earned on \$667.0 million of defeased sale-leaseback instruments utilized in 2010 to terminate seven defeased capital lease obligations and eliminate the debt portion of the remaining two defeased sale-leaseback transactions.

Interest expense decreased by \$39.9 million to \$135.5 million in fiscal year 2010, compared with fiscal year 2009. The decrease in 2010 results from the elimination of \$27.7 million of interest on \$665.7 million of liabilities related to the termination of seven defeased capital lease obligations, and elimination of the debt portion of the remaining two defeased sale-leaseback transactions. The remainder of the decrease results from lower outstanding debt balances in fiscal year 2010, compared with fiscal year 2009.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a Company's ability to generate adequate amounts of cash to meet both current and future needs for obligations as they mature and to provide for planned capital expenditures, including those to implement regulatory and legislative initiatives. In order to have a complete picture of a Company's liquidity, its sources and uses of cash flow, contractual obligations, capital expenditures, and external risk factors should be reviewed. Please refer to the "Risk Factors" section in this Annual Report for discussion of external risk factors.

Overview of Cash Flows

Amtrak relies on cash flows from operating activities and appropriations from the Federal Government to operate the national passenger rail system and to maintain the underlying infrastructure owned by Amtrak. The Company's primary uses of cash are to: support operations; maintain and improve its infrastructure; pay debt service; acquire new and maintain existing locomotives, rolling stock and other equipment; and meet other obligations.

Cash Flow Selected Financial Data (in millions)

Summary cash flow data	Year Ended September 30,		
	2011	2010	2009
Cash flow provided by (used for):			
Operating activities	\$ (840.4)	\$ (618.7)	\$ (853.1)
Investing activities	(1,077.5)	(1,728.9)	(842.7)
Financing activities	1,839.6	2,326.6	1,592.1
Net decrease in cash and cash equivalents	(78.3)	(21.0)	(103.7)
Cash and cash equivalents beginning of year	205.1	226.1	329.8
Cash and cash equivalents end of year	\$ 126.8	\$ 205.1	\$ 226.1

As discussed in the previous sections of this Annual Report, Amtrak relies on federal funding for capital and debt service cost and operating costs not covered by revenues. The portion of operating expenses covered by total revenues was 85% in fiscal years 2011 and 2010, and 80% in fiscal year 2009. Cash provided by financing activities, primarily through federal appropriations and state and local funds, decreased in fiscal year 2011, primarily from completion of the ARRA-related projects. Operating cash generated from the increased revenues was not sufficient to absorb contractual wage increases for agreement employees, volatile and increasing energy prices, and rapidly rising health care costs. As a result, the Company relied on its existing cash and cash equivalents to bridge the gap and satisfy its operating cash requirements as well as to fund critical capital projects, including completion of projects originally funded with ARRA economic stimulus funds, investment in single-level long-distance fleet replacement, and infrastructure repairs and improvements at Chicago Union Station.

Operating Cash Flows

Net operating cash outflows for 2011 increased by \$221.7 million to \$840.4 million. The increase is primarily because of an increase in net operating expenses in fiscal year 2011 driven by contractual wage increases and increased benefit costs; higher average prices for diesel fuel and electric propulsion; and increased IT hardware management costs. Net operating cash outflows in fiscal year 2010 decreased by \$234.4 million to \$618.7 million attributable to the improvement in the economy and a concomitant increase in revenues.

Investing Cash Flows

Cash flows relating to investing activities consist primarily of cash used for capital expenditures and changes in restricted cash. Net cash used in investing activities was \$1.1 billion in fiscal year 2011, compared with \$1.7 billion of net cash used in fiscal year 2010. The decrease was primarily because of the

conclusion of the ARRA-related projects and the drawdown of funding for these projects, which was held in restricted cash in fiscal year 2010.

The decline in restricted cash was offset with increased related spending on capital projects under the Americans with Disabilities Act (“ADA”) of approximately \$94.6 million and new expenditures related to the replacement of 70 electric locomotives financed under the Railroad Rehabilitation and Improvement Financing (“RRIF”) loan program.

Net cash used in investing activities was \$1.7 billion in fiscal year 2010, compared with \$0.8 billion of net cash used in fiscal year 2009. The year-over-year increase is primarily a result of increased capital projects in fiscal year 2010 discussed in the preceding paragraph.

Financing Cash Flows

Cash flows from financing activities consist primarily of federal and state appropriations, proceeds from issuance of long-term debt, and repayment of debt and capital lease obligations. Financing activities provided cash of \$1.8 billion in fiscal year 2011, compared with \$2.3 billion of cash provided in fiscal year 2010. The year-over-year change was primarily because of the decrease in ARRA-related funding of approximately \$564.7 million, a decrease in annual federal appropriations of approximately \$80.2 million, and the timing of receipts of annual appropriations and grants. Other contributing factors included higher repayments of indebtedness in fiscal year 2011. Financing activities provided cash of \$2.3 billion in fiscal year 2010, compared with \$1.6 billion of cash provided in fiscal year 2009. The year-over-year change was primarily because of an increase in ARRA-related funding in fiscal year 2010 as discussed above and the timing of receipts of annual appropriations and grants.

Financing cash flows for 2011, 2010, and 2009 are discussed in more detail below:

- Net financing cash inflows for 2011 were \$1.8 billion. Appropriations from the Federal Government under the 2011 Full-Year Continuing Appropriations Act covered funding in fiscal year 2011 and were approximately \$1.5 billion. During the same period, Amtrak received: approximately \$316.2 million of funding under the ARRA program; approximately \$65.2 million under a financing agreement with the FRA, through the RRIF loan program; approximately \$57.0 million in federal and state capital payments; and approximately \$75.1 million in reimbursements from the 2010 Full-Year Continuing Appropriations Act. Proceeds from federal appropriations and other grants were used for debt repayments of approximately \$29.5 million, to pay scheduled capital lease obligations of approximately \$145.7 million, and to exercise two early lease buyout options for approximately \$34.7 million.
- Net financing cash inflows in fiscal year 2010 were \$2.3 billion. Appropriations from the Federal Government under the 2010 Full-Year Continuing Appropriations Act covered funding in fiscal year 2010 and were approximately \$1.6 billion. During the same period, Amtrak received approximately \$880.9 million of funding under the ARRA program and approximately \$110.6 million in federal and state capital payments. Proceeds from federal appropriations and other grants were used for debt repayments of approximately \$19.2 million and to pay scheduled capital lease obligations of approximately \$150.5 million.

- Net financing cash inflows in fiscal year 2009 were \$1.6 billion. Appropriations from the federal Government under the 2009 Full-Year Continuing Appropriations Act covered funding in fiscal year 2009 and were approximately \$1.5 billion. During the same period, Amtrak also received \$35.0 million as a result of achieving certain operational savings and meeting ridership and revenue targets, as defined in its fiscal year 2008 business plan, in accordance with Public Law H.R. 2764. Other proceeds received in fiscal year 2009 included approximately \$14.8 million for Managerial Cost Accounting improvements and approximately \$14.0 million in annual grant for the Intercity Passenger Rail Grants Program and other security grants. Proceeds from federal appropriations and other grants were used for debt repayments of approximately \$14.6 million and to pay scheduled capital lease obligations of approximately \$155.6 million.

Overview of Contractual Obligations and Capital Expenditures

Contractual Obligations

Amtrak has historically funded debt service payments on its indebtedness and capital leases from federal capital appropriations. If capital funds are insufficient to cover its debt service payments, Amtrak would expect to use cash from operating revenues to cover such payments.

The following table outlines the material obligations under long-term debt and capital and operating lease obligations as of the end of fiscal year 2011 (in millions):

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt (a)	\$ 319.0	\$ 40.8	\$ 54.3	\$ 57.5	\$ 166.4
Equipment and facility capital					
Lease obligations (b)	2,168.2	220.0	452.6	351.6	1,144.0
Operating right and leases (b)	92.1	17.0	31.0	25.4	18.7
Total	\$ 2,579.3	\$ 277.8	\$ 537.9	\$ 434.5	\$ 1,329.1

(a) As described in Note 6 to the Consolidated Financial Statements.

(b) As described in Note 7 to the Consolidated Financial Statements.

In the normal course of business, the Company enters into long-term contractual commitments for future services needed for the operations of the business. Such commitments are not in excess of expected requirements and are not reasonably likely to result in performance penalties or payments that would have a material adverse effect on the Company's liquidity. Such commitments are not included in the above table.

Please refer to Notes 6 and 7 to the Consolidated Financial Statements included in this Annual Report for detailed information regarding Company's indebtedness.

Under PRIIA, Amtrak is required to submit a five-year financial plan for operating and capital expenditures within 60 days of the enactment of the appropriation. Congress enacted the 2012 Full-Year Continuing Appropriations Act, signed by the President, on November 18, 2011. The next five-year plan will be submitted in fiscal year 2012 for fiscal years 2013 through 2017. Amtrak expects to continue capital spending at current levels in future fiscal years and will continue to incur new capital expenditure obligations beyond fiscal years beyond 2012, which are not included in the table above.

Off Balance Sheet Arrangements

Off Balance sheet arrangements consist of obligations related to operating leases, which are included in the table of contractual obligations above and disclosed in Note 7 to the Consolidated Financial Statements.

Capital Expenditures

Capital spending programs are and have been designed to assure the ability to provide safe, efficient and reliable transportation services. Amtrak receives funds from state and local entities for capital programs as well as from federal appropriations.

The following table summarizes major capital expenditures by departments for fiscal years ended 2011, 2010, and 2009 respectively (in millions):

		Year Ended September 30,		
		2011	2010	2009
Engineering		\$ 1,022.2	\$ 911.5	\$ 447.9
Information Technology ("IT")		131.8	145.3	71.1
Mechanical		342.0	261.7	214.4
Other		198.5	110.8	55.1
Total		<u>\$ 1,694.5</u>	<u>\$ 1,429.3</u>	<u>\$ 788.5</u>

- Engineering major capital expenditures in fiscal year 2011 included: \$349.0 million for station upgrades and construction of modern maintenance facilities in Los Angeles, Hialeah, Seattle, another locations; \$237.2 million for wood tie and track replacement projects; and \$144.7 million for construction and upgrades to bridges, tunnels, and culverts, including the construction of a new bridge across Niantic River in East Lyme, Connecticut. Included in the engineering capital spending is approximately \$94.6 million of capital improvements for compliance with ADA.
- IT major capital expenditures in fiscal year 2011 included: \$93.7 million for the implementation and launching of the SAM project launched in June 2011; \$16.3 million for installation of wireless access points and network redesign and expansion; and \$15.7 million for the Reservation Ecosystem Next Generation Program.

- Mechanical major capital expenditures in fiscal year 2011 included: \$124.5 million for replacements of electric locomotive; \$131.6 million for overhauls of Superliner, Amfleet and Locomotives; and \$20.5 million for upgrades and modifications on Acela Express trains.
- Other major capital expenditures included: \$76.1 million related to police equipment modernization, facilities upgrades, security improvements, trainings and other security related capital projects; \$13.5 million related to the Amtrak E-Ticketing Initiative; and \$23.3 million related to Chicago Union Station Improvements.

For fiscal year 2012, Amtrak's budget for capital expenditures includes (not including debt service) approximately \$1,086.4 million from all sources with \$686.6 million from federal appropriations. The budget also includes \$41.1 million from Department of Homeland Security grants and \$127.5 million from state and local agencies and other sources. Amtrak plans to invest \$62.6 million in its aging fleet with \$62.6 of cash generated from operations with the purchase of single-level long-distance cars. Additionally RRIF loan borrowings are estimated to be \$119.6 million for new electric locomotives and the purchase of 40 additional Acela Express passenger cars. Approximately \$50.0 million of the capital budget is programmed for projects at stations that will advance compliance with ADA, and \$15.0 million is budgeted to begin preliminary engineering for the NEC Gateway Project.

CRITICAL ACCOUNTING ESTIMATES

MD&A is based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates and assumptions on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Company believes the following accounting estimates are most critical to an understanding of its financial statements. Estimates are considered to be critical if they meet both of the following criteria: (i) the estimate requires assumptions about material matters that are uncertain at the time the accounting estimates are made, and (ii) material changes in the estimates are reasonably likely from period to period. For a detailed discussion on the application of these and other accounting estimates, refer to Note 3 in the Company's Consolidated Financial Statements.

Capitalization, Depreciation and Amortization of Property and Equipment

Due to the highly capital intensive nature of the railroad industry, capitalization and depreciation of property and equipment are substantial components of the Company's financial statements. Property and equipment, including leasehold improvements, comprised approximately 91.2% of the Company's total assets at the end of fiscal year 2011, and related depreciation and amortization comprised approximately 15.1% of total operating expenses in fiscal year 2011.

As disclosed in Note 3 to the Consolidated Financial Statements, 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. This excludes computer equipment and software, which are individually depreciated over their useful lives, which is generally 5 to 10 years. 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.

The Company believes the group method of depreciation closely approximates the straight-line method of depreciation. Additionally, because of the nature of most of its assets (e.g., track is one contiguous, connected asset), the Company believes that this is the most effective way to properly depreciate its assets.

Amtrak 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 full study took place in fiscal year 2009 and resulted in new depreciation rates. 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.

During 2007, the Company discovered that a significant number of concrete 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 to record the degradation of the ties and prioritize tie replacement. The Company has reduced the remaining life of the ties produced by this vendor. These ties have been given a unique useful life after the study by Amtrak’s depreciation consultant and are being depreciated using the group method. See Note 3 to the Consolidated Financial Statements for detailed discussion.

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 recoverable. An impairment review is performed 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 to the Consolidated Financial Statements 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.

Casualty Losses and Claims

Casualty reserves represent accruals for personal injury, occupational injury, passenger liability and miscellaneous liability claims. The ultimate loss projections are undiscounted and estimated using standard actuarial methodologies, including estimates for provisions for unasserted claims ("IBNR"). During fiscal years 2011 and 2010, the actuarial reserves for casualty losses and claims were \$197.4 million and \$199.4 million, respectively, included in the Consolidated Balance Sheets. The following table summarizes the casualty reserves by types for fiscal years ended 2011 and 2010 (in millions):

	Year Ended September 30,	
	2011	2010
Personal Injuries	\$ 76.6	\$ 76.5
Reported Occupational Injuries	11.3	12.8
Passenger Liability	24.0	24.9
Miscellaneous Liability	50.5	47.2
IBNR - Asbestos E	8.0	8.0
IBNR - Carpal Tunnel	1.2	0.6
IBNR - Hearing Loss	0.2	0.2
IBNTR - Cum. Trauma Disorder	25.6	29.2
Total	<u>\$ 197.4</u>	<u>\$ 199.4</u>

Personal Injuries

Personal injury reserves represent liabilities for employee work-related injuries. Work-related injuries for Amtrak employees are subject to the Federal Employees' Liability Act ("FELA"), rather than state workers' compensation laws. FELA is applicable only to railroads and it is a fault-based tort system that may produce different results as compared with other state workers' compensation laws. In all cases, Amtrak records a liability when the expected loss for the claim is both probable and estimable.

Amtrak retains an independent actuarial firm to assist management in assessing the value of personal injury claims and cases. An analysis is performed by the independent actuarial firm annually and is reviewed by management. Actual results may vary from estimates because of the number, type and severity of the injury, costs of medical treatments and uncertainties in litigation.

The estimated unpaid losses in fiscal year 2011 were approximately \$0.1 million higher compared with the estimates recorded in fiscal year 2010. While claim count was lower in fiscal year 2011 when compared

with claim count in fiscal year 2010, the paid amounts were higher than expected in fiscal year 2011, compared with fiscal year 2010, resulting in a slight increase in the reserve.

Occupational Injuries

Occupational claims arise from allegations of injury or illness resulting from workplace conditions or exposures. For example, an occupational injury claim could result if an employee claimed that an injury occurred as a result of a fall while performing work activities. An occupational illness claim could result from an employee allegation of illness from exposure to a chemical product or from an allegation of chronic physical trauma resulting in such illnesses as cumulative trauma disorder, carpal tunnel syndrome or hearing loss.

The Company is also a party to a number of asbestos claims by employees alleging exposure to asbestos in the workplace. The heaviest possible exposure for employees resulted from work conducted in and around steam locomotive engines that were largely phased out beginning around the 1950s. Other types of exposures, however, including exposure from locomotive component parts and building materials, continued until these exposures were substantially eliminated by 1985. Diseases associated with asbestos typically have long latency periods (amount of time between exposure to a disease and the onset of the disease) which can range from 10 to 40 years after exposure.

Amtrak retains an independent actuarial firm to assist management in assessing the value of the Company's occupational and asbestos reserves. The analysis is performed by the specialist annually and is reviewed by management. The objective of the analysis is to determine the number of incurred but not reported claims. With the exception of carpal tunnel and asbestos, management and third-party specialists have determined that ten years is the most probable time period in which unasserted claim filings and claim values can be estimated. Carpal tunnel claims use a four-year period to estimate the reserve because of the shorter latency period for these types of injuries. Asbestos-related claims use a forty-year period to estimate the reserve because of longer latency periods which can range from 10 to 40 years after exposure. The third party specialist analyzes Amtrak's history of claim filings, severity, payments and other relevant facts, and applies the data to various actuarial reserving methods in order to determine future anticipated claim filings and settlement values. The claim liability is dependent upon many individual judgments made as to the specific case reserves as well as the judgments of the consulting actuary and management in the periodic studies. Accordingly, there could be significant changes in the liability, which Amtrak would recognize when such a change became known.

The estimated unpaid losses for occupational claims in fiscal year 2011 are approximately \$1.5 million lower compared with the estimates in fiscal year 2010. The experience for these claims continues to be favorable, highlighted by the lower reported claim counts of 84, 71, and 84 for the three most recent report years. This represents a 35% decrease in reported claims when compared with the three immediately prior report years of 115, 121, and 143 in fiscal years 2008, 2007, and 2006, respectively. In addition, there was approximately \$0.8 million of downward incurred loss development during the prior reporting periods. The continued low level of reported occupational injury claims resulted in lower frequency selections and lower unreported losses in the models underlying the unreported occupational injuries.

Passenger Liability

Passenger liability claims arise from claims for personal injury to a passenger, death of a passenger, or damage to property of a passenger arising from or in connection with the provision of rail passenger transportation, or from or in connection with any rail passenger transportation operations over or rail passenger transportation use of right-of-way or facilities owned, leased, or maintained by any high-speed railroad authority or operator, any commuter authority or operator, any rail carrier, or any state.

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 the statutory cap. Amtrak retains an independent actuarial firm to assist management in assessing the value of the Company's passenger-related claims. The analysis is performed by the specialist annually and is reviewed by management. Actual results may vary from estimates because of the number, type and severity of the injury, costs of medical treatments and uncertainties in litigation.

The estimated unpaid losses in fiscal year 2011 are approximately \$24.0 million, which is \$0.9 million lower than the estimated unpaid losses projected in fiscal year 2010. The decline is because of a significantly lower than expected loss activity for all accident periods used to estimate and project the unpaid liability. In response to the favorable loss activity, the estimated ultimate losses in fiscal year 2010 accident periods and prior years had been reduced by approximately \$3.9 million. This decrease is largely attributable to the accident periods in fiscal years 2008 and 2009.

Miscellaneous Liability

Miscellaneous liability claims include all other claims not covered under the personal injury, occupational injury, and passenger liabilities claims discussed above. The estimates are developed by the independent actuarial firm that evaluates and develops unpaid losses based on the analysis of historical claims data. The estimated unpaid losses in fiscal year 2011 are about \$3.3 million higher compared with fiscal year 2010. The fiscal year 2010 accident year incurred loss was the largest ever experienced as of 12 months, and remains the largest at 24 months. The liability was adjusted to reflect this pattern.

Environmental

As further described in Note 11 to the Consolidated Financial Statements included in the Annual Report, the Company is subject to extensive and complex federal and state environmental laws and 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. Amtrak's policy is 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. Some of the Company's real estate properties may have the presence of asbestos-containing building materials. If these properties undergo major renovations or are demolished, certain environmental regulations that are in place may specify the manner in which the asbestos-containing materials must be assessed, handled, and disposed of. The Company has identified a number of locations for which major

renovations are planned and liabilities have been recorded. However, for remaining locations, the Company has no plans or expectations to undertake demolitions or major renovations that would require the removal of the asbestos containing materials.

Although a liability exists for the removal of asbestos materials, sufficient information is not available currently to estimate the liability, as the range of time over which the Company may settle these obligations is unknown or cannot be reasonably estimated. Although the Company believes it has appropriately recorded current and long-term liabilities for known and estimable future environmental costs, it could incur significant costs that exceed reserves or require unanticipated cash expenditures as a result of any of the foregoing. Based upon information currently available, the Company believes its environmental reserves are adequate to fund remedial actions to comply with present laws and regulations, and that the ultimate liability for these matters, if any, will not materially affect its overall financial condition, results of operations, or liquidity. During fiscal years 2011 and 2010, the environmental reserve was \$62.3 million and \$70.8 million, respectively. These recorded liabilities for estimated future environmental costs are undiscounted and include future costs for remediation and restoration of sites as well as any significant ongoing monitoring costs.

Pension and Other Post-Retirement Benefits

Accounting for pensions and other post-retirement benefits requires management to make several estimates and assumptions (see Note 12 to the Consolidated Financial Statements). These include the discount rates used to measure future obligations and interest expense, long-term rate of return on plan assets, salary scale inflation rates, health care cost trend rates, and other assumptions. In addition, the amounts recorded are affected by changes in the interest rate environment because the associated liabilities are discounted to their present value.

The Company engages an independent, external actuary to compute the amounts of liabilities and expenses relating to these plans subject to the assumptions that the Company selects. The Company reviews the discount, long-term plan asset, rate of compensation increase and health care cost trend rates on an annual basis and makes modifications to the assumptions based on current rates and trends as appropriate.

Discount Rates

Discount rates affect the amount of liability recorded and the interest expense component of pension and other post-retirement benefit expense. Discount rates reflect the rates at which pension and other post-retirement benefits could be effectively settled, or in other words, how much it would cost the Company to buy enough high quality bonds to generate cash flow equal to the Company's expected future benefit payments.

The Company determines the discount rate based on the market yield as of each fiscal year end for high quality corporate bonds whose maturities match the plans' expected benefit payments. The discount rate used by the Company to value its 2011 pension and other post-retirement benefits was 4.45%. For 2010, the discount rate used by the Company to value its pension and other post-retirement benefits was 4.91%. Each year, these discount rates are reevaluated and adjusted to reflect the best estimate of the currently effective settlement rates. If interest rates generally decline or rise, the assumed discount rates will change.

Long-term Rate of Return on Plan Assets

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested, or to be invested, to provide for benefits included in the projected benefit obligation. In estimating that rate, the Company gives appropriate consideration to the returns being earned by the plan assets in the funds and the rates of return expected to be available for reinvestment.

The Company's expected long-term rate of return on plan assets considers the current and projected asset mix of the funds. Management balances market expectations obtained from various investment managers and economists with both market and actual plan historical returns to develop a reasonable estimate of the expected long-term rate of return on assets. As this assumption is long-term, it is adjusted less frequently than other assumptions used in pension accounting. The Company used a long-term rate of return on plan assets of 8.0% to value its fiscal year 2011 and 2010 pension obligation.

Rate of Compensation Increase

Rate of compensation increase is based on current trends and historical data accumulated by the Company. The Company reviews recent wage increases and management incentive compensation payments in its assessment of rate of compensation increase. The Company used a salary scale rate of 4.20% to value its fiscal year 2011 and 2010 pension obligations.

Health Care Cost Trend Rates

Health care cost trend rates are based on recent plan experience and industry trends. The Company uses guidance from employee benefits and actuarial consultants, Company specific claims trends, and healthcare cost studies to substantiate the inflation assumption for health care costs. The fiscal year 2011 and 2010 assumed health care cost trend rate ranged from 8-10% and 9-10%, respectively, based upon current actuarial projections. However, the year-to-year comparisons may fluctuate.

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

	1% Increase	1% Decrease
Effect on total service and interest cost component	\$ 16.2	\$ (12.7)
Effect on postretirement benefit obligation	\$ 214.6	\$ (141.9)

Other Assumptions

The calculations made by the actuaries also include assumptions relating to mortality rates, turnover and retirement age. These assumptions are based upon historical data and are selected by management.

2011 Estimated Pension and Other Post-Retirement Benefits Expense

Net pension and other post-retirement benefits expense in fiscal year 2011 is expected to be approximately \$20.3 million and \$101.9 million, respectively, compared with \$21.1 million and \$79.1 million, respectively, in fiscal year 2010. The increase in the other post-retirement benefit expense is primarily related to

additional amortization of the losses and prior service costs and the decrease in the discount rate (which causes expense to increase).

Provision for Income Taxes

The accounting for income taxes requires recognition of deferred tax assets and liabilities for 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 liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted rates expected to be in effect during the year in which the differences reverse. Deferred tax assets generally represent items that can be used as a tax deduction or credit in the Company's tax return in future years for which the tax benefit has already been reflected on the Company's Consolidated Statements of Operations. The Company establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized. Judgment is required in estimating valuation allowances. The determination of the amount of valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (i) the timing and amount of the reversal of taxable temporary differences, (ii) expected future taxable income, and (iii) the impact of tax planning strategies, which can also be impacted by changes to tax laws. Deferred tax liabilities generally represent items that have already been taken as a deduction on the Company's tax return but have not yet been recognized as an expense in the Company's Consolidated Statements of Operations.

Management evaluates its potential exposures from tax positions taken that have or could be challenged by taxing authorities in the evaluation. These potential exposures result because taxing authorities may take positions that differ from those taken by management in the interpretation and application of statutes, regulations, and rules. Management considers the possibility of alternative outcomes based upon past experience, previous actions by taxing authorities (e.g., actions taken in other jurisdictions), and advice from tax experts. The Company has evaluated income tax positions taken in prior years and believes that all positions are more likely than not to be sustained in an audit.

Legal

As part of its operations, the Company is a party to various legal proceedings and administrative actions in the normal course of business. An accrual for a loss contingency is established if information available prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements, and the amount of loss can be reasonably estimated. If no accrual is made for a loss contingency because one or both of these conditions are not met, or if an exposure to loss exists in excess of the amount accrued, disclosure of the contingency is made when there is at least a reasonable possibility that a loss or an additional loss may have been incurred.

The Company evaluates all exposures relating to legal liabilities on a monthly basis and adjusts reserves when appropriate under the guidance noted above. The amount of a particular reserve may be influenced by factors that include official rulings, newly discovered or developed evidence, or changes in laws, regulations and evidentiary standards.

Inflation

In preparing financial statements, U.S. generally accepted accounting principles require the use of historical cost, which does not reflect the effects of inflation on the replacement cost of property. Due to the capital intensive nature of Amtrak's business, the replacement cost of these assets would be significantly larger than the amounts reported under the historical cost basis.



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Independent Auditors' Report

To the Board of Directors and Stockholders
National Railroad Passenger Corporation
Washington, D.C.

We have audited the accompanying consolidated balance sheet of the **National Railroad Passenger Corporation** and subsidiaries ("Amtrak" or the "Company") as of September 30, 2011, and the related consolidated statements of operations, comprehensive loss, cash flows, and changes in capitalization for the year 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 audit. The consolidated financial statements of the Company as of September 30, 2010, were audited by other auditors whose report dated December 16, 2010, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

As explained in Notes 1 and 2 to the consolidated financial statements, the Company has a history of operating losses and is dependent upon substantial Federal Government subsidies to sustain its operations. As further explained in Note 13 to the consolidated financial statements, there are currently no Federal Government subsidies appropriated for any period subsequent to the fiscal year ending September 30, 2012. Without the receipt of such subsidies, Amtrak will not be able to continue to operate in its current form and significant operating changes, restructuring, or bankruptcy may occur.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the **National Railroad Passenger Corporation** and subsidiaries as of September 30, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

December 30, 2011

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CONSOLIDATED BALANCE SHEETS

(In Thousands of Dollars, Except Share Data)

ASSETS	September 30,	
	2011	2010
Current Assets		
Cash and cash equivalents	\$ 126,779	\$ 205,057
Restricted cash and cash equivalents	57,247	514,671
Accounts receivable, net of allowances of \$8,556 and \$11,977 at September 30, 2011 and 2010, respectively	172,450	108,584
Materials and supplies, net of allowances of \$58,292 and \$54,115 at September 30, 2011 and 2010, respectively	213,575	213,249
Prepaid expenses	13,746	14,101
Other current assets	32,832	27,940
Total current assets	616,629	1,083,602
Property and Equipment:		
Locomotives	1,447,556	1,420,285
Passenger cars and other rolling stock	2,572,583	2,519,845
Right-of-way and other properties	9,971,446	8,878,247
Construction in progress	1,367,223	1,238,884
Leasehold improvements	374,740	373,756
Property and equipment, gross	15,733,548	14,431,017
Less - Accumulated depreciation and amortization	(5,633,117)	(5,304,176)
Total property and equipment, net	10,100,431	9,126,841
Other Assets, Deposits, and Deferred Charges:		
Notes receivable on sale-leasebacks	50,012	48,239
Deferred charges, deposits, and other	304,304	307,699
Total other assets, deposits, and deferred charges	354,316	355,938
Total assets	\$ 11,071,376	\$ 10,566,381
LIABILITIES and CAPITALIZATION		
Current Liabilities:		
Accounts payable	\$ 425,429	\$ 427,253
Accrued expenses and other current liabilities	508,189	505,707
Deferred ticket revenue	107,952	98,117
Current maturities of long-term debt and capital lease obligations	191,449	177,773
Total current liabilities	1,233,019	1,208,850
Long-Term Debt and Capital Lease Obligations:		
Capital lease obligations	1,374,090	1,556,197
Mortgages	160,500	179,585
Equipment and other debt	117,372	74,337
Total long-term debt and capital lease obligations	1,651,962	1,810,119
Other Liabilities and Deferred Credits:		
Deferred state capital payments	890,070	867,977
Casualty reserves	146,010	150,988
Deferred gain on sale-leasebacks	57,827	62,601
Postretirement employee benefits obligation	1,170,909	999,072
Environmental reserve	57,724	61,164
Other liabilities	54,806	60,676
Total other liabilities and deferred credits	2,377,346	2,202,478
Total liabilities	5,262,327	5,221,447
Commitments and Contingencies		
Capitalization:		
Preferred stock - \$100 par, 109,396,994 shares authorized, issued and outstanding at September 30, 2011 and 2010	10,939,699	10,939,699
Common stock - \$10 par, 10,000,000 shares authorized, 9,385,694 issued and outstanding at September 30, 2011 and 2010	93,857	93,857
Debt and other paid-in capital	23,436,542	21,503,041
Accumulated deficit	(28,010,565)	(26,668,561)
Accumulated other comprehensive loss	(650,484)	(523,102)
Total capitalization	5,809,049	5,344,934
Total liabilities and capitalization	\$ 11,071,376	\$ 10,566,381

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

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands of Dollars)

	Year Ended September 30,	
	2011	2010
Revenues:		
Passenger related	\$ 2,152,020	\$ 1,973,908
Commuter	163,825	152,466
Other	360,019	358,026
State capital payments	30,887	28,984
Total revenues	<u>2,706,751</u>	<u>2,513,384</u>
Expenses:		
Salaries, wages, and benefits	1,946,996	1,791,650
Train operations	253,603	262,465
Fuel, power, and utilities	337,830	299,683
Materials	210,649	210,307
Facility, communications, and office related	187,410	189,676
Advertising and sales	113,190	113,745
Casualty and other claims	54,264	58,113
Depreciation, net of amortization	598,549	593,120
Other	400,627	337,286
Indirect cost capitalized to property and equipment	(147,623)	(134,265)
Total expenses	<u>3,955,495</u>	<u>3,721,780</u>
Net loss from continuing operations before other (income) and expense	<u>1,248,744</u>	<u>1,208,396</u>
Other (Income) and Expense:		
Interest income	(8,538)	(34,626)
Interest expense	101,798	135,527
Other expense, net	<u>93,260</u>	<u>100,901</u>
Net loss	<u>\$ 1,342,004</u>	<u>\$ 1,309,297</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In Thousands of Dollars)

	Year Ended September 30,	
	2011	2010
Net loss	\$ 1,342,004	\$ 1,309,297
Other Comprehensive Loss:		
Unrealized loss on pension and OPEB	127,382	137,931
Comprehensive loss	<u>\$ 1,469,386</u>	<u>\$ 1,447,228</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of Dollars)

	Year Ended September 30,	
	2011	2010
Cash Flows From Operating Activities:		
Net loss	\$ (1,342,004)	\$ (1,309,297)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, net of amortization	598,549	593,120
Gain on disposals of property and equipment	(176)	(340)
Other	(3,815)	2,181
Changes in assets and liabilities:		
Accounts receivable	(65,466)	1,207
Materials and supplies	5,089	(31,069)
Prepaid expenses	(1,567)	8,390
Other current assets	(4,597)	(22,846)
Other assets, deposits, and deferred charges	3,574	25,505
Accounts payable, deferred ticket revenue, accrued expenses and other current liabilities	(29,319)	126,238
Deferred state capital payments	(30,887)	(28,984)
Other liabilities and deferred credits	30,166	17,181
Net cash used in operating activities	(840,453)	(618,714)
Cash Flows From Investing Activities:		
Change in restricted cash and cash equivalents	457,424	(431,756)
Purchases and refurbishments of property and equipment	(1,541,151)	(1,299,866)
Proceeds from disposals of property and equipment	6,269	2,752
Net cash used in investing activities	(1,077,458)	(1,728,870)
Cash Flows From Financing Activities:		
Proceeds from federal paid-in capital	1,929,503	2,385,650
Proceeds from federal and state capital payments	56,978	110,637
Repayments of debt and capital lease obligations	(212,036)	(169,668)
Proceeds from issuance of debt	65,227	-
Change in cash overdraft	(39)	(42)
Net cash provided by financing activities	1,839,633	2,326,577
Net change in cash and cash equivalents	(78,278)	(21,007)
Cash and cash equivalents-beginning of year	205,057	226,064
Cash and cash equivalents-end of year	<u>\$ 126,779</u>	<u>\$ 205,057</u>
Supplemental Disclosure of Cash Payments:		
Interest paid, net of amount capitalized	\$ 102,629	\$ 111,491
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Other non-cash increase in property, includes accruals of		
amounts due for purchases	\$ 41,477	\$ 20,028
New equipment purchases under capital lease obligations	\$ 952	\$ 1,354
Debt and capital lease reduction through use of notes receivable	\$ -	\$ 19,233
Capital lease obligations terminated and restructured:		
Capital lease obligations reduced through use of notes receivable ...	\$ -	\$ 665,704
Capital lease obligations reduced through lease refinancing	\$ 1,055	\$ -
Equipment reduced by deferred gain on sale-leaseback	\$ -	\$ 126,433

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

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITALIZATION

(In Thousands of Dollars)

	Preferred stock	Common stock	Debt and other paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Totals
Balance at September 30, 2009 ..	\$ 10,939,699	\$ 93,857	\$ 19,091,178	\$(25,359,264)	\$(385,171)	\$ 4,380,299
Federal paid-in capital	-	-	2,386,914	-	-	2,386,914
Federal capital and other payments	-	-	24,949	-	-	24,949
Net loss	-	-	-	(1,309,297)	-	(1,309,297)
Unrealized loss on on pension and OPEB	-	-	-	-	(137,931)	(137,931)
Balance at September 30, 2010 ..	\$ 10,939,699	\$ 93,857	\$ 21,503,041	\$(26,668,561)	\$(523,102)	\$ 5,344,934
Federal paid-in capital	-	-	1,929,503	-	-	1,929,503
Federal capital and other payments	-	-	3,998	-	-	3,998
Net loss	-	-	-	(1,342,004)	-	(1,342,004)
Unrealized loss on pension and OPEB	-	-	-	-	(127,382)	(127,382)
Balance at September 30, 2011 ..	\$ 10,939,699	\$ 93,857	\$ 23,436,542	\$(28,010,565)	\$(650,484)	\$ 5,809,049

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”) 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 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.

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. Amtrak’s ability to continue operating in its current form is dependent upon the continued receipt of subsidies from the Federal Government (see Note 2).

NOTE 2: FUNDING

The enactment on October 16, 2008, of the Passenger Rail Investment and Improvement Act of 2008 (“PRIIA”) as Public Law 110-432 authorized to the Secretary of the DOT (the “Secretary”) five annual grants for Amtrak amounting to \$9.8 billion for fiscal years 2009 through 2013. The enactment on April 15, 2011, of H.R. 1473 Department of Defense and Full-Year Continuing Appropriations Act, 2011 as Public Law 112-10 covered funding for the period of October 1, 2010 through September 30, 2011 (the “2011 Act”). The 2011 Act provided for a total of \$1,474.4 million of which \$561.9 million was for operating needs, \$912.5 million for capital and debt service needs, \$9.2 million was designated to the FRA for oversight and expenses associated with implementation of PRIIA section 212, and \$3.0 million, or .2%, as an across-the-board rescission.

The enactment on February 17, 2009, of the American Recovery and Reinvestment Act of 2009 (the “ARRA”) as Public Law 111-5, as amended, 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 \$4.2 million was retained by the FRA for the costs of program management oversight. Further, \$446.8 million was designated for capital security grants, including life safety improvements. The remaining \$844.0 million was designated for 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 (“NEC”). As of September 30, 2011, the Company spent \$446.8 million for capital security, and \$844.0 million in projects for the repair, rehabilitation, or upgrade of railroad assets or infrastructure of which 38.8% was spent for projects along the NEC for a total of \$1.3 billion on ARRA related projects. All projects were substantially completed by the approved extended deadline of September 30, 2011. The Amtrak Office of Inspector General spent \$2.3 million of the \$5.0 million allocated and expects to spend all monies by the deadline of September 30, 2013.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

The enactment on October 5, 2011, of the Continuing Appropriations Resolutions, 2012 (the “2012 CR”) as Public Law 112-36 covers funding for the period of October 1, 2011 through November 18, 2011, or until the enactment into law of the appropriations for fiscal year 2012. The 2012 CR provides operating funds totaling \$74.1 million and capital investment funds totaling \$120.4 million. As indicated in Note 13, the appropriations for fiscal year 2012 were subsequently enacted into law.

In May 2011, the DOT awarded Amtrak \$449.9 million in funding to upgrade its rail infrastructure to support more frequent and faster high-speed rail service, and to improve reliability of current service between New York and Washington. The funding will go towards the project to upgrade electrical power, signal systems, and track and overhead catenary wires between Morrisville, Pennsylvania and New Brunswick, New Jersey – one of the busiest segments of the NEC and where the densest concentration of Acela Express high-speed rail operations occurs. It will also reconfigure track switches at the western entrance to New York Penn Station to mitigate congestion issues.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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”). All significant intercompany balances and transactions have been eliminated.

CUS was incorporated on July 3, 1913, as the Union Station Company, for the purpose of constructing, operating, and maintaining a new railroad terminal in the City of Chicago. The name was officially changed to Chicago Union Station Company on May 7, 1915. Amtrak acquired 50% stock ownership in 1976 as part of the conveyance of the NEC and Off-Corridor properties. Amtrak purchased the remaining 50% stock ownership in 1984. CUS’s business is comprised of the following segments: provision of right-of-way and station access and use to intercity and commuter services; lease and licensing of station space for retail services, display advertising, special events and other commercial uses; and production and sales of steam for heating and other uses.

PRIL was incorporated on December 18, 1996, under the laws of Bermuda to provide excess liability and property insurance coverage to Amtrak.

PSL was formed on June 20, 2001, to acquire from Amtrak and sublet back to Amtrak the leasehold estate in a portion of the real property and improvements located in the City and State of New York, commonly known as Penn Station.

WTC was formed on December 6, 1901, and is comprised of buildings and the rail yard adjacent to Washington Union Station. WTC provides switching services for passenger trains using the station or passing through the area.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

TSL was formed on December 9, 1987, as a limited partnership. On April 22, 1992, each initial limited partner transferred to Amtrak all of its rights, title, and interest in the partnership, and after the transfer, Amtrak became the sole 99% limited partner. TSL was formed to own, rehabilitate, and manage the real property owned by Amtrak at 30th Street Station in Philadelphia, Pennsylvania.

Cash and Cash Equivalents

All short-term investments with original maturities of less than 90 days are considered cash and cash equivalents. These consist of bank deposits, money market fund investments, and treasury bills.

Cash and cash equivalents are maintained at various financial institutions and, at times, balances may exceed federally insured limits. All of the non-interest bearing cash balances were fully insured at September 30, 2011, due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and Amtrak's non-interest bearing cash balances may again exceed federally insured limits. The Company has not experienced any losses related to these balances.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist primarily of funds received that are restricted for specific purposes or cash set aside and restricted for specific payments. As of September 30, 2011 and 2010, total restricted cash was \$57.2 million and \$514.7 million, respectively.

As of September 30, 2010, Amtrak had \$372.0 million in restricted cash and cash equivalents received in advance as ARRA funds, which were restricted for capital security grants; projects for repair, rehabilitation, or upgrade of railroad assets or infrastructure; and other capital projects that may expand passenger rail capacity. All of these advanced ARRA funds were expended for these restricted purposes during fiscal year 2011 (see Note 2).

Further, during fiscal year 2010, Amtrak received an advance of \$200.0 million from its appropriation of \$1,002.0 million for the capital program and debt service expense authorized in the Departments of Transportation and Housing and Urban Development and Related Agencies Appropriations Act 2010 (the "2010 Act"). This amount is restricted in its use to the extent it remains unexpended at the end of any period. As of September 30, 2011 and 2010, Amtrak had \$47.7 million and \$136.3 million, respectively, remaining in restricted cash and cash equivalents related to this 2010 advance. The Company received approval from the FRA to extend the time period to spend the remaining \$47.7 million of the 2010 advance, from December 31, 2010 to December 31, 2011, on capital improvements related to the Americans with Disabilities Act ("ADA") (see Note 10).

Accounts Receivable and Allowance for Doubtful Accounts

Billed accounts receivable represent amounts for which invoices have been sent to customers. These accounts receivable are recorded at the invoiced amount and do not bear interest. Unbilled accounts receivable represent amounts recognized as revenue for which invoices have not yet been sent to customers. The Company recorded \$32.6 million and \$37.2 million of unbilled accounts receivables as of September 30, 2011 and 2010, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's billed 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. As of September 30, 2011 and 2010, the allowance for doubtful accounts was \$8.6 million and \$12.0 million, respectively.

Materials and Supplies

Materials and supplies, which are stated at weighted-average cost, net of allowance for shrinkage and obsolescence, consist primarily of items for maintenance and improvement of property and equipment. An allowance for shrinkage and obsolescence of \$58.3 million and \$54.1 million as of September 30, 2011 and 2010, respectively, is provided 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 six fuel derivative contracts as of September 30, 2011. Since Amtrak does not designate the derivative contracts as hedging instruments, mark-to-market gains and losses on these derivatives are recorded in current earnings in the Consolidated Statements of Operations. Changes in fair value are recorded as a component of "Fuel, power, and utilities" in the Consolidated Statements of Operations.

For fiscal years 2011 and 2010, Amtrak recognized net decreases of \$15.4 million and \$0.9 million, respectively, in "Fuel, power, and utilities" expense in the Consolidated Statements of Operations associated with derivative fuel contracts. As of September 30, 2011 and 2010, Amtrak had derivative fuel contracts with a fair value of approximately \$16.4 million and \$11.2 million, respectively, included in the Consolidated Balance Sheets. Approximately \$11.3 million and \$8.0 million of the total fair value is recorded in "Other current assets" in the Consolidated Balance Sheets as of September 30, 2011 and 2010, respectively. The non-current portion of the total fair value of \$5.1 million and \$3.2 million is recorded in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets as of September 30, 2011 and 2010, respectively (see Note 8).

Property, Equipment, 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. This excludes computer equipment and software, which are individually depreciated over their useful lives, which is generally 5 to 10 years. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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 years 2011 and 2010.

Construction in progress is stated at cost and includes direct costs of construction as well as interest expense capitalized during the period of construction. Amtrak capitalizes interest costs in connection with the construction of major facilities, locomotives, and passenger cars. Construction in progress is transferred to fixed assets when substantially all the activities necessary to prepare the assets for their intended use are completed. Depreciation commences upon capitalization. Capitalized interest is recorded as part of the asset to which it relates and is depreciated over the asset's useful life. Interest costs capitalized on construction projects were \$0.6 million for fiscal year 2011. There were no such interest costs capitalized on construction projects in fiscal year 2010.

The useful lives of locomotives, passenger cars, and other rolling stock assets for depreciation purposes range up to 42 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 preventive 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 is generally 5 to 10 years.

The Company recognizes the fair value of any liability for conditional asset retirement obligations, including environmental remediation liabilities, when incurred, which is generally upon acquisition, construction, or development and /or through the normal operation of the asset, if sufficient information exists with which Amtrak can reasonably estimate the fair value of the obligation. Amtrak capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the capitalized cost is depreciated over the useful life of the related asset and upon settlement of the liability, Amtrak either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The asset retirement cost capitalized during fiscal year 2011 was \$4.5 million and is included in "Right of way and other properties" in the Consolidated Balance Sheets. There were no such costs capitalized during fiscal year 2010.

During 2007, the Company discovered that a significant number of rail ties produced by one vendor would 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 163,000 and 207,000 rail ties during fiscal years 2011 and 2010, respectively, and plans on replacing approximately 72,000 ties in fiscal year 2012 and the approximately 633,000 remaining ties in fiscal years 2013 through 2017 at an estimated total cost of \$299.6 million. The Company has assigned a unique group depreciation rate to this group of ties, which was determined by an outside civil engineering firm and factors in the replacement schedule as determined by Amtrak's Engineering Department.

As a result, depreciation expense is being accelerated over the remaining life of these ties. This additional depreciation expense increased the net loss during fiscal years 2011 and 2010 by approximately \$11.8 million and \$35.8 million, respectively. On March 15, 2010, Amtrak and the concrete tie manufacturer executed a settlement agreement to resolve Amtrak's claims for defective concrete ties. Under the settlement agreement, Amtrak will receive a combination of annual payments totaling \$10.0 million and purchase discounts up to a total of an additional \$10.0 million for new concrete tie purchases through December 31, 2018. Amtrak received \$2.5 million in fiscal years 2011 and 2010.

Amtrak periodically engages a civil engineering firm with expertise in railroad property usage to conduct a study to evaluate depreciation rates for property and equipment. In addition to the adjustment to depreciation rates as a result of periodic depreciation studies, certain other events could occur that would materially affect Amtrak's estimates and assumptions related to depreciation. Unforeseen changes in operations or technology could substantially alter assumptions regarding Amtrak's ability to realize the return of the investment in 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 because 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.

Indirect Cost Capitalized To Property and Equipment

Amtrak has developed an overhead expense allocation methodology in an effort to develop supportable and auditable estimates of the total cost of operational and construction projects. Overhead expense allocations represent the indirect support expenses related to specific geographic regions and departments that are involved in a particular project. These indirect costs are capitalized along with the direct costs of material, labor, and other direct costs. Amtrak's overhead rates are updated annually at the end of each fiscal year based upon the actual activity and costs incurred during the fiscal year.

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 recoverable. An impairment review is performed 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

Asset retirement obligations

The Company accounts for asset retirement obligations (“ARO”) in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 410, *Asset Retirement and Environmental Obligations*. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the asset. In accordance with FASB ASC Topic 410, the Company recognizes the fair value of the ARO in the period in which it is incurred, if a reasonable estimate of fair value can be made. The fair value of the obligation is estimated when the Company obtains sufficient information about the timing and or method of settlement. When the obligation is initially recorded, Amtrak capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the capitalized cost is depreciated over the useful life of the related asset and upon settlement of the liability, Amtrak either settles the obligation for its recorded amount or realizes a gain or loss upon settlement.

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 estimates include unasserted claims. As of September 30, 2011 and 2010, the actuarial reserve for casualty losses and claims “Casualty reserves” was \$197.4 million and \$199.4 million, respectively in the Consolidated Balance Sheets.

The “casualty reserves” include other non-actuarial reserves for vehicle and other claims of \$2.6 million and \$5.6 million as of September 30, 2011 and 2010, respectively. Of the total “casualty reserves” as of September 30, 2011 and 2010, the estimated current claims liability included in “Accrued expenses and other current liabilities” in the Consolidated Balance Sheets was \$54.0 million. Included in “Deferred charges, deposits, and other” in the Consolidated Balance Sheets as of September 30, 2011 and 2010, are estimated insurance recoveries of \$0.4 million and \$1.8 million, respectively, which relate to loss events that Amtrak has incurred.

Revenue Recognition

“Passenger related” revenue in the Consolidated Statements of Operations, for fiscal years 2011 and 2010, 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 follows (in millions):

	2011	2010
Ticket	\$ 1,851.5	\$1,702.1
State contribution	191.1	174.3
Food and beverage	109.4	97.5
Total passenger related revenue	<u>\$ 2,152.0</u>	<u>\$1,973.9</u>

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010

“Commuter” revenue includes the revenues earned under contractual arrangements to operate various commuter rail services for a cost-based fee. Total “commuter” revenue was \$163.8 million and \$152.5 million in fiscal years 2011 and 2010, respectively.

“Other” revenue, for fiscal years 2011 and 2010, 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 retail, parking, advertising, real property leases / easements / sales, right-of-way fees, freight access fee revenue from the use of Amtrak-owned tracks by freight railroad companies and other gains.

Other revenue is as shown below (in millions):

	<u>2011</u>	<u>2010</u>
Other transportation	\$ 138.0	\$ 135.6
Reimbursable	96.1	100.7
Commercial development	76.3	74.7
Freight access fee and other	42.8	40.4
Other gains	6.8	6.6
Total	<u>\$ 360.0</u>	<u>\$ 358.0</u>

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, which is expected to be completed in 2017. The arrangement included two components: 1) the force account services; and 2) the easements, which were separated and accounted as two separate units of accounting. Total consideration received associated with easements of \$51.4 million was deferred in 2007 and is being recognized in “Other gains” over a 30-year period.

The deferred revenue balance of approximately \$41.8 million and \$43.5 million is included in “Other liabilities” in the Consolidated Balance Sheets as of September 30, 2011 and 2010, respectively. Approximately \$1.7 million of the deferred revenue balance is recorded in “Accrued expenses and other current liabilities” in the Consolidated Balance Sheets in both fiscal years. Total consideration received for the force account services of \$2.0 million is being recognized as the work is performed.

Revenues associated with Amtrak’s labor forces utilized in construction and protection services is being recognized in revenue as earned when Amtrak services are performed.

“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 state capital payments” in the Consolidated Balance Sheets. Total “state capital payments” revenue was \$30.9 million and \$29.0 million in fiscal years 2011 and 2010, respectively.

Advertising Expenses

The Company records advertising expenses as incurred and reports these amounts in “Advertising and sales” in the Consolidated Statements of Operations. Advertising expenses were \$55.7 million and \$59.3 million for the fiscal years ended September 30, 2011 and 2010, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Income Taxes

The Company accounts for its income taxes in accordance with FASB ASC Topic 740, *Income Taxes*, which requires recognition of deferred tax assets and liabilities for 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.

Management evaluates its potential exposures from tax positions taken that have or could be challenged by taxing authorities in the evaluation. These potential exposures result because taxing authorities may take positions that differ from those taken by management in the interpretation and application of statutes, regulations, and rules. Management considers the possibility of alternative outcomes based upon past experience, previous actions by taxing authorities (e.g., actions taken in other jurisdictions), and advice from tax experts. The Company has evaluated income tax positions taken in prior years and believes that all positions are more likely than not to be sustained in an audit.

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 fiscal years ended September 30, 2011 and 2010 (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 financial statements, and report amounts of revenues and expenses during the reporting period.

The Company bases these estimates on historical experience, the current economic environment, and on various other assumptions that are believed to be reasonable under the circumstances. However, uncertainties associated with these estimates exist and actual results may differ from these estimates. Some of the more significant estimates include: allowance for doubtful accounts receivable and obsolescence of material and supplies, 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), estimated costs for retroactive wages, estimated costs of asset retirement obligations, and environmental reserves.

Comprehensive Loss

Amtrak reports a comprehensive loss in the Consolidated Statements of Comprehensive Loss. Comprehensive loss is defined as all changes in capitalization during a period, other than those resulting from investments by and distributions to stockholders. As of September 30, 2011 and 2010, Accumulated Other Comprehensive Loss consists of adjustments for pension and other post-retirement liabilities.

Reclassifications and Basis of Presentation

Certain reclassifications have been made to the prior year's Consolidated Financial Statements and accompanying Notes to conform to the fiscal year 2011 presentation. These reclassifications have no effect on prior year's reported net loss.

The Company has reclassified the 2010 portion of property and equipment related to construction in progress from "Locomotives" of \$8.4 million, "Passenger cars and other rolling stock" of \$60.5 million, "Right-of-way and other properties" of \$1.1 billion, and "Leasehold improvements" of \$5.0 million to "Construction in progress" totaling \$1.2 billion in the Consolidated Balance Sheets.

The Company reclassified long-term fuel derivative contracts with approximate value of \$3.2 million from "Other current assets" to "Deferred charges, deposits, and other" in the Consolidated Balance Sheets as of September 30, 2010. The long-term fuel derivative contracts were hedges with terms of more than one year at September 30, 2010.

The Company reclassified approximately \$0.5 million of prepaid insurance from "Other current assets" to "Prepaid expenses" in the Consolidated Balance Sheets as of September 30, 2010.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update ("ASU") 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (IFRS) of Fair Value Measurement - Topic 820*. ASU 2011-04 is intended to provide a consistent definition of fair value and improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with accounting principles generally accepted in the United States of America and IFRS. The update is effective for annual periods beginning after December 15, 2011. Upon adoption, the Company does not expect this standard to have a material impact on its financial condition or results of operations.

In June 2011, the FASB issued authoritative accounting guidance included in ASU 2011-05, *Comprehensive Income (Topic 220)*. This guidance eliminates the option to report other comprehensive income and its components in the statement of changes in capitalization. Companies can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. The Company is currently evaluating which method it will utilize to present items of net income and other comprehensive income. This presentation guidance is effective for the Company on October 1, 2012.

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 \$1,933.5 million and \$2,411.9 million for fiscal years 2011 and 2010, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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In accordance with the 2011 Act (Public Law 112-10), Amtrak was provided with a net appropriation of \$1,474.4 million. Of the 2011 appropriation, \$561.9 million and \$901.8 million were received as an operating subsidy and as a capital and debt service reimbursement, respectively, in fiscal year 2011, and \$10.7 million of the capital and debt service reimbursement was received in fiscal year 2012. In addition, certain debt service reimbursements in accordance with the 2010 Act (Public Law 111-117) were received in 2011 and recorded in “Debt and other paid-in capital”. The 2011 reimbursements from the 2010 Act were approximately \$75.1 million.

In accordance with the 2010 Act, Amtrak was provided with a total appropriation of \$1,554.6 million. Of the 2010 appropriation, \$563.0 million was received as an operating subsidy and \$916.5 million as a capital subsidy in fiscal year 2010. The capital subsidy included \$200.0 million, which Amtrak received in advance against capital and debt service expenditures, of which \$136.3 million remained unexpended as of September 30, 2010.

The 2011 Act also appropriated \$19.4 million to directly fund operations of Amtrak’s Office of the Inspector General (the “OIG”) to be spent by September 30, 2011. Amtrak and the OIG entered into a Services Agreement on January 8, 2010, whereby Amtrak would continue to provide accounting and financial management services for the OIG. Amtrak was reimbursed for expenses incurred upon the submission of invoices to the OIG. As of September 30, 2011, Amtrak invoiced \$17.3 million and received \$13.0 million, which is recorded in “Debt and other paid-in capital” in the Consolidated Balance Sheets and Statements of Changes in Capitalization.

The 2010 Act appropriated \$19.0 million to directly fund operations of Amtrak’s OIG to be spent by September 30, 2010. As of September 30, 2010, Amtrak invoiced \$18.8 million, of which \$17.6 million was received in fiscal year 2010 and recorded in “Debt and other paid-in capital” in the Consolidated Balance Sheets and Statements of Changes in Capitalization.

Since 2005, the Department of Homeland Security has awarded Amtrak a total of \$126.8 million in annual grants through 2011 from the Intercity Passenger Rail Grants Program, American Recovery and Reinvestment Act Rail and Transit Security Grant Program, and other security grants. Funding is provided on a reimbursable basis. Amtrak has received \$40.0 million and \$29.3 million as of September 30, 2011 and 2010, respectively, of which \$10.7 million and \$7.3 million was received during fiscal years 2011 and 2010, respectively, and are included in “Debt and Other Paid-in Capital” in the Consolidated Balance Sheets and Statements of Changes in Capitalization.

In 2008, the FRA awarded Amtrak efficiency grant funding of approximately \$62.7 million from fiscal years 2006 and 2007. Amtrak has received a total of \$62.7 million as of September 30, 2010, of which \$21.6 million was received during fiscal year 2010, and 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. Amtrak has received a total of \$100.0 million and \$14.9 million as of September 30, 2011 and 2010, respectively, of which \$4.0 million and \$3.4 million was received during fiscal years 2011 and 2010, respectively, for New York Tunnel and Life Safety improvements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The ARRA provided and restricted \$1.3 billion and \$979.6 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) through September 30, 2011 and 2010, respectively, of which \$316.2 million and \$880.9 million was received during fiscal years 2011 and 2010, respectively. Of the amount provided, \$5.0 million was received and allocated to Amtrak's Office of the Inspector General.

On October 15, 2010, the United States Department of Treasury and DOT, acting through the FRA, in consultation with each other and the Company, entered into a Memorandum of Understanding (the "MOU") to set forth terms and conditions for the exercise of certain early buyout options on select leases entered into by the Company. The MOU provides funding up to \$420.5 million from October 15, 2010 through July 1, 2013. Amtrak received \$51.5 million during fiscal year 2011 and exercised two early buyout options.

"Debt and other paid-in capital", included in the Consolidated Balance Sheets and Statements of Changes in Capitalization, also includes certain funding received from the Federal Government to finance acquisition of and improvements to property and equipment. In exchange for this funding, Amtrak issued two promissory notes to the United States of America. The first note with a balance of \$4.0 billion as of September 30, 2011 and 2010, 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 as of September 30, 2011 and 2010, was issued in 1983 and matures on November 1, 2082, with successive 99-year renewal terms, and is secured by all 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. As of September 30, 2011 and 2010, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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As of September 30, 2011 and 2010, 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 made an offer to the stockholders to redeem the stock for cash at a price of \$0.03 per share. By a letter, dated November 2, 2000, counsel for the four common stockholders responded to Amtrak and rejected the offer as inadequate.

In May 2008, American Premier Underwriters, Inc. ("APU") owner of 55.8% of Amtrak's common stock through its corporate predecessor, Penn Central, filed a lawsuit in federal court in Cincinnati, Ohio, asserting that Amtrak has "eroded" the value of the common stock. APU is seeking \$52.0 million plus 40 years of interest (see Note 10).

NOTE 6: MORTGAGES AND DEBT

Total debt in the Consolidated Balance Sheets consists of the following (in thousands):

	September 30, 2011		September 30, 2010	
	Current	Long-Term	Current	Long-Term
Long-Term Debt:				
Mortgage obligations	\$19,085	\$160,500	\$17,440	\$179,585
Equipment loans	10,224	8,494	10,072	19,659
30th St PEDFA Garage Revenue Bonds*	965	43,615	920	44,580
UDAG loan**	10,536	-	130	10,536
RRIF loan***	-	65,681	-	-
	<u>\$40,810</u>	<u>\$278,290</u>	<u>\$28,562</u>	<u>\$254,360</u>
Less: Unamortized bond discount related				
to 30th St PEDFA Garage Revenue Bonds	-	418	-	438
Total	<u>\$40,810</u>	<u>\$277,872</u>	<u>\$28,562</u>	<u>\$253,922</u>

* Pennsylvania Economic Development Financing Authority ("PEDFA")

** Urban Development Action Grant ("UDAG")

*** Railroad Rehabilitation and Improvement Financing program ("RRIF loan")

Letters of Credit

The Company had two letters of credit with total availability of approximately \$48.4 million and \$50.4 million as of September 30, 2011 and 2010, respectively. The first letter of credit supplies credit support to the PEDFA Facilities Series B Revenue Bonds. The agreement expires in February 2012, is secured by Amtrak's property, and had availability of approximately \$45.9 million as of September 30, 2011 and 2010. The remaining letter of credit is unsecured and supports commitments made in the ordinary course of business. As of September 30, 2011 and 2010, there were no draws against either letters of credit.

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 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 and is recorded in “Deferred charges, deposits, and other” in the Consolidated Balance Sheets as of September 30, 2011 and 2010. Semi-annual principal plus interest payments are due on the mortgage through maturity in June 2017. As of September 30, 2011 and 2010, the outstanding balance due on the mortgage was \$179.6 million and \$197.0 million, respectively. The mortgage loan is not insured or guaranteed by any governmental entity, private mortgage or other insurer, trustee, or any other person.

Equipment Loans

In 2010 and 2009, Amtrak exercised early buyout options to purchase forty locomotives and eight superliner passenger cars that were under capital leases. Amtrak paid off the equity portion of the capital leases and assumed the debt portion as new loans from the lenders for \$32.0 million. The loans are payable in semi-annual payments through maturity with the final loan payments due from January 2012 through July 2014. The interest rates vary from 7.01% to 9.61%. As of September 30, 2011 and 2010, the outstanding balance due on these loans was \$18.7 million and \$29.7 million, respectively.

Other Debt

On January 7, 2003, PEDFA issued \$50.0 million of 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, Pennsylvania (the “City”). The bonds have multiple maturities ending on June 1, 2033. The bonds were issued at a discount of \$0.6 million and Amtrak incurred \$0.5 million in underwriter’s fees that are being amortized on a straight-line basis over the maturity of the bonds, which is not materially different from the effective interest method. The bonds bear interest, by individual maturities, at fixed rates ranging from 4.50% 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. Amtrak will obtain title to the garage when the principal balance of the PEDFA Garage bonds is paid in full.

In 2003, Amtrak recorded \$50.0 million of capital lease obligations in “Equipment and other debt”. As of September 30, 2011 and 2010, the Company has \$44.2 million and \$45.1 million, respectively, of the capital lease obligation outstanding recorded in “Equipment and other debt”, of which approximately \$1.0 million and \$0.9 million, respectively, of the capital lease obligation is recorded in “Current maturities of long-term debt and capital lease obligations” in the Consolidated Balance Sheets.

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Amtrak has recorded capital expenditures for \$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, 2011 and 2010. As of September 30, 2011 and 2010, the remaining net proceeds from PEDFA in the amounts of \$9.4 million and \$8.2 million, respectively, are recorded in “Deferred charges, deposits, and other” in the Consolidated Balance Sheets.

TSL has a non-interest bearing obligation of \$10.5 million and \$10.7 million to the City under the UDAG loan agreement as of September 30, 2011 and 2010, respectively. Principal is being repaid in \$0.1 million annual installments each November, with the remaining balance paid off in November 2011. The City's rights under the UDAG loan agreement are secured by a leasehold mortgage.

Railroad Rehabilitation and Improvement Financing Program

On June 21, 2011, the Company entered into a \$562.9 million financing agreement with the FRA, through the RRIF loan, to finance the purchase of 70 new electric locomotives, related spare parts, and improvements to existing maintenance facilities to service the new locomotives. In fiscal year 2011, the Company received an advance of \$65.2 million under the RRIF loan. Advances bear interest at an interest rate of 4.04% per annum. The Company incurred and recorded \$0.6 million of interest expense on the advance, which was capitalized as part of “Construction in progress” in the Consolidated Balance Sheets as of September 30, 2011. Amtrak also pays a 4.424% credit risk premium on amounts advanced under the RRIF loan program. The credit risk premium may, under certain circumstances, be returned by the FRA to Amtrak, together with accrued interest, at a date after the repayment of the RRIF loan. In connection with the \$65.2 million advance, the Company paid a \$2.9 million credit risk premium, which was deferred and is included in “Deferred charges, deposits, and other” in the Consolidated Balance Sheets and is being amortized over the term of the loan. The amortization of the credit risk premium is capitalized as part of construction in progress. Further, on June 21, 2011, in connection with the RRIF loan, Amtrak entered into a Master Lease Agreement with Wells Fargo Bank Northwest (“Owner Trustee”). The Owner Trustee's role in the Master Lease Agreement is a trustee for the benefit of the FRA. Under the Master Lease Agreement, Amtrak will lease 70 new electric locomotives and will satisfy the FRA advances via quarterly rent payments on the lease. The repayment of the advance is required immediately following the date that ten locomotives have been delivered and accepted by Amtrak and made subject to the Master Lease Agreement, provided that, under no circumstance, shall that date be later than March 15, 2015. Once the first rent payment has occurred, rents will continue, on a quarterly basis, for a full twenty-five year lease period and rents will be set at a level to fully pay interest and amortize principal over the lease term.

Interest Rates

Per annum weighted-average percentage interest rates by debt type for all interest-bearing borrowings are shown below (in percentages):

	September 30, 2011	September 30, 2010
Mortgage obligations	9.50	9.50
PEDFA bonds	5.81	5.80
Equipment loans	8.13	8.01
RRIF loan	4.04	-

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The overall weighted-average interest rate on all interest-bearing borrowings is 7.7% and 8.8% per annum at September 30, 2011 and 2010, respectively.

Scheduled Debt Maturities

As of September 30, 2011, scheduled maturities of debt for each of the five succeeding fiscal years and thereafter are as follows (in thousands):

<i>Year Ending September 30,</i>	
2012	\$ 40,810
2013	27,385
2014	26,954
2015	27,324
2016	30,200
Thereafter	166,427
Total	<u>\$ 319,100</u>

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. Amtrak is in compliance with all of its financial covenants as of September 30, 2011.

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 discount is being amortized on a straight-line basis over the maturity of the bonds, which is not materially different from the effective interest method. 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 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 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 lease payments to PEDFA 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.

In 2001, Amtrak recorded the above bond proceeds of \$155.0 million in "Capital lease obligations", \$3.2 million of deferred financing costs, amortized on a straight-line basis over the terms of the arrangement, which is not materially different from the effective interest method, \$6.3 million of remaining deposits in "Deferred charges, deposits, and other", and \$145.5 million in "Right-of-way and other properties".

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As of September 30, 2011 and 2010, \$148.2 million and \$149.2 million, respectively, of the capital lease obligation remains outstanding. The remaining bond proceeds included in “Deferred charges, deposits, and other” in the Consolidated Balance Sheets were \$7.7 million as of September 30, 2011 and 2010.

Equipment

Amtrak leases equipment, primarily passenger cars and locomotives, under capital leasing arrangements. As of September 30, 2011 and 2010, the gross amount of assets recorded under capital leases was \$2.3 billion and \$2.4 billion with accumulated amortization of \$1.4 billion and \$1.0 billion, respectively. 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. Amtrak is in compliance with all of its financial covenants as of September 30, 2011.

Defeased Sale-Leaseback Transactions

During fiscal year 2000, Amtrak entered into twelve defeased sale-leaseback transactions involving 624 in-service passenger coaches (the “Defeased Sale-Leasebacks”). These transactions resulted 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 and secure the early buyout exercise prices. (The referenced GIC’s/EPUA’s and DPUA’s are collectively referred to as the “Defeasance Instruments”). The Defeasance Instruments plus accreted interest are presented as “Notes receivable on sale-leasebacks” in the Consolidated Balance Sheets. The original \$580.5 million gain on the sales was deferred and is being amortized as a reduction to depreciation expense over the terms of the capital leasebacks. During fiscal years 2011 and 2010, \$4.1 million and \$9.4 million of deferred gains on these transactions were amortized, respectively.

Under the terms of these leases, Amtrak has an obligation to replace the Equity Defeasance Instruments when a GIC/EPUA Provider ceases to be a qualified provider by falling below specified long-term credit ratings specified in the lease documents. As of September 30, 2011, Amtrak has one EPUA Provider who provides the Equity Defeasance Instruments for the remaining leases and is in compliance with the long-term credit ratings specified in the lease documents. Of the original twelve defeased sale-leaseback transactions, three lease agreements were terminated in fiscal year 2009 and seven lease agreements were terminated in fiscal year 2010. Amtrak recognized \$169.5 million in “Deferred gain on sale-leasebacks” and an associated reduction in “Passenger cars and other rolling stock” as a result of these transactions. Additionally, in fiscal year 2010, Amtrak eliminated the debt portion of the leverage lease structure for the two remaining defeased leases. 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. The two remaining Defeasance Instruments accrete value at fixed interest rates of 3.5% and 4.0% per annum on the defeasance instruments intended to secure the future payment of the equity portion of lease rents and the early buyout exercise prices (the “Equity Defeasance Instruments”).

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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 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.

As of September 30, 2011, future minimum lease payments under equipment and facility capital leases including amounts to be funded from Defeasance Instruments, for each of the five succeeding fiscal years and thereafter, are as follows (in thousands):

<i>Year Ending September 30,</i>	
2012	\$ 219,963
2013	221,127
2014	231,430
2015	175,969
2016	175,582
Thereafter	<u>1,144,034</u>
Total payments	\$2,168,105
Less: amount representing interest at rates ranging from 2.8% to 9.0%	\$ 643,415
Present value of minimum lease payments at September 30, 2011	<u>\$1,524,690</u>

The current portion of capital lease obligations as of September 30, 2011 and 2010, was \$150.6 million and \$149.2 million, respectively, and is included in "Current maturities of long-term debt and capital lease obligations" in the Consolidated Balance Sheets.

Operating Rights and Leases

As of September 30, 2011, for each of the five succeeding fiscal years and thereafter, Amtrak is obligated for the following minimum rental payments, principally for station and office space, under operating leases that have initial or remaining non-cancelable lease terms in excess of one year (in thousands):

<i>Year Ending September 30,</i>	
2012	\$ 16,963
2013	15,820
2014	15,208
2015	14,003
2016	11,407
Thereafter	<u>18,677</u>
Total	<u>\$ 92,078</u>

Rent expense (which includes cancelable and non-cancelable leases) for the fiscal years ended September 30, 2011 and 2010, was \$48.5 million and \$47.1 million, respectively.

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Most of the rights-of-way over which Amtrak operates are owned by other railroads. Amtrak uses such trackage under contracts with these railroads. The terms of the agreements range up to six years, although they may remain in effect longer if neither party seeks to renegotiate. Costs incurred are based on usage. The total amount incurred for use of the other railroads' rights-of-way during the fiscal years ended September 30, 2011 and 2010, totaled \$123.4 million and \$136.5 million, respectively, and is included in "Train operations" in the Consolidated Statements of Operations.

NOTE 8: FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, 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. FASB ASC Topic 820 established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- 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).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following tables present the Company's assets measured at fair value on a recurring basis as of September 30, 2011 and 2010 (in thousands), by the FASB ASC Topic 820 valuation hierarchy.

Fair Value Measurement as of September 30, 2011				
Description	Level 1	Level 2	Level 3	Total
Fuel derivatives contracts	\$ -	\$16,400	\$ -	\$16,400
Total	\$ -	\$16,400	\$ -	\$16,400

Fair Value Measurement as of September 30, 2010				
Description	Level 1	Level 2	Level 3	Total
Fuel derivatives contracts	\$ -	\$11,182	\$ -	\$11,182
Total	\$ -	\$11,182	\$ -	\$11,182

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The estimated fair value of Amtrak's non-derivative financial instruments are as follows (in thousands):

	September 30, 2011		September 30, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgage obligations	\$179,585	\$227,341	\$197,025	\$260,526
PEDFA Bonds, net of discount	44,162	52,096	45,062	46,152
UDAG loan	10,536	10,501	10,666	10,192
Equipment loan	18,718	20,261	29,731	32,128
RRIF loan	65,681	60,293	-	-
	<u>\$318,682</u>	<u>\$370,492</u>	<u>\$282,484</u>	<u>\$348,998</u>

The estimated fair values of the mortgage obligations and the remaining PEDFA bonds are based upon dealer quoted prices at September 30, 2011 and 2010, for debt with the same remaining maturities. The estimated fair values of the UDAG, equipment, and RRIF loans are based upon discounted cash flow analyses using interest rates available to Amtrak at September 30, 2011 and 2010, for debt with the same remaining maturities.

For cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities, the carrying amounts approximate fair value given the short-term nature of the financial instruments or conversely based on a non-recurring assessment of fair value.

NOTE 9: INCOME TAXES

There was no provision or benefit for income taxes for the years ended September 30, 2011 and 2010, 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 Amtrak's actual income tax rate for the fiscal years ended September 30, 2011 and 2010, is as follows:

	2011	2010
U.S. federal statutory income tax rate	35.0%	35.0%
Federal operating grants	-14.7%	-15.0%
Valuation allowance	-12.8%	-12.3%
Depreciation	-8.3%	-8.4%
Other	0.8%	0.7%
Effective income tax rate	<u>0.0%</u>	<u>0.0%</u>

Basis differences of \$2.6 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.

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Amtrak 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 \$4.6 million.

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

	September 30, 2011	September 30, 2010
Deferred Tax Assets:		
Deferred gain on sale leaseback	\$ 20,239	\$ 21,910
Capital leases (net of depreciation)	247,382	272,418
Bad debt reserve	1,365	1,866
Inventory reserve	20,402	18,940
Accrued vacation	33,085	32,143
Claims reserves	69,182	69,742
Pension and other postretirement employee benefits	420,592	348,919
Other accruals	19,634	10,009
Capitalized software	548	891
Net operating loss carryforward	2,678,049	2,722,610
Deferred charges, deposits and other assets	-	3,500
Capital loss (rate security)	3,229	-
Depreciation	258,426	261,226
Pass-through entities	(1,446)	(470)
Gross Deferred Tax Assets	3,770,687	3,763,704
Less: valuation allowance	3,765,162	3,760,580
Net Deferred Tax Asset	5,525	3,124
Deferred Tax Liabilities:		
Deferred rent	(5,098)	(3,124)
30th Street Station	(427)	-
Gross Deferred Tax Liabilities	(5,525)	(3,124)
Net Deferred Tax Asset	\$ -	\$ -

Net operating loss carryforwards were \$7.7 billion and \$7.8 billion as of September 30, 2011 and 2010, respectively. These carryforwards will expire in various years from 2011 through 2031.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Financial Assistance

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.

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The Company does not believe that the liabilities that may result from such audits for periods through September 30, 2011, would have a material effect on its financial position or the results of operations.

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 incurred in fiscal years 2011 and 2010 were \$12.1 million and \$8.7 million, respectively, and are included in "Materials" expense in the Consolidated Statements 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 fiscal years 2011 and 2010, the Company incurred \$25.1 million and \$23.3 million, respectively, in service charges related to the Master Service Agreement with AT&T which are included in "Facility, communication, and office related" expense in the Consolidated Statements of Operations. The remaining minimum commitment is approximately \$10.8 million and is expected to be incurred over the remaining term of the agreement.

On June 30, 2009, Amtrak and International Business Machines 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 began 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. For the fiscal years ended 2011 and 2010, the Company incurred \$54.2 million and \$17.3 million, respectively in charges related to the Master Service Agreement with IBM, which are included in "Other" expense in the Consolidated Statements of Operations. The remaining minimum commitment is approximately \$63.6 million for these services over the remaining term of the agreement.

Purchase Commitments

On August 3, 2010, the Company entered into a four-year contract with a contractor to purchase 130 new long-distance single level cars. The base price of the contract is \$298.1 million. The Company issued a Notice to Proceed ("NTP") on September 7, 2010. The Company will make payments to the contractor pursuant to an approved payment schedule upon contractor's successful completion of certain tasks (milestones) during the contract. Funding for fleet acquisitions in the amount of \$128.0 million is included in the Company's approved capital program for fiscal year 2011. The Company has incurred \$28.7 million in project costs in fiscal year 2011.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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On September 28, 2010, the Company entered into a six-year contract with a contractor to purchase 70 new electric locomotives. The base price of the contract is \$466.3 million. The Company will make payments to the Contractor pursuant to an approved payment schedule upon the contractor's successful completion of certain tasks (milestones) during the contract.

As of September 30, 2011, the Company has incurred \$95.8 million in project costs of which \$65.2 million have been funded by the RRIF loan (see Note 6). The first locomotives are expected to be delivered in fiscal year 2013 with final delivery of all locomotives in fiscal year 2016.

Amtrak has various other purchase commitments related to capital improvements incident to the ordinary conduct of business. 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 self-insured 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 of railroad property and for damage to freight railroad equipment, lading, and property.

Labor Agreements

Approximately 85% 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 was able to serve Section 6 demands under the Railway Labor Act. Section 6 demands are proposals to change terms of the labor agreements affecting wages, benefits, or work rules. Initial sessions to discuss Section 6 demands between Amtrak and some of its unions began in December 2009, and will continue throughout fiscal year 2012.

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As of September 30, 2011, Amtrak has ratified five-year labor contracts with 64.5% of its unionized workforce which includes the Transportation Communications International Union; Joint Council of Carmen, Coach Cleaners and Helpers; Amtrak Service Workers Council; American Train Dispatchers Association; American Railway and Airway Supervisors Association – (Maintenance of Way, Maintenance of Equipment, and On-Board-Supervisors); International Association of Machinists and Aerospace Workers; International Brotherhood of Electrical Workers; National Conference of Firemen and Oilers, International Brotherhood of Boilmakers and Blacksmiths; Sheet Metal Workers' International Association; and the Fraternal Order of Police.

With the exception of the Fraternal Order of Police, the new agreements for the unions provide for specified general wage increases beginning July 1, 2010, and every six months thereafter, until January 1, 2015. The new agreement with the Fraternal Order of Police provides for specified general wage increases beginning April 1, 2011, and every six months thereafter, until October 1, 2015.

Management continues to negotiate with the remaining unions that have unratified labor agreements. The Company has accrued for retroactive wages for unions with unratified contracts on the basis that the remaining contracts will ratify with similar wage increases. An accrual of approximately \$18.8 million and \$3.0 million is included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets as of September 30, 2011 and 2010, respectively.

Legal Proceedings

In May 2008, APU, corporate successor to Penn Central, filed a lawsuit in federal court in Cincinnati, Ohio, asserting that Amtrak "eroded" the value of its common stock. APU sought \$52.0 million plus 40 years of interest. APU owns 55.8% of Amtrak's common stock. Under the Rail Passenger Service Act of 1970, APU was permitted to have Amtrak assume APU's responsibility to operate intercity passenger rail service in return for paying Amtrak one-half of APU's 1969 passenger service losses. APU took advantage of that opportunity, entered into a 1971 agreement with Amtrak, paid \$52.0 million as required, and chose to receive Amtrak common stock at par value (rather than tax deductions of equal value). APU's claims were litigated in arbitration proceedings and before the federal court. In an order dated June 21, 2011, the federal court granted Amtrak's motion to dismiss APU's lawsuit. In a second order dated September 13, 2011, the court also denied APU's motion to alter the court's judgment for Amtrak. APU filed an appeal to the U.S. Court of Appeals for the Sixth Circuit, where the case is now pending. Amtrak has not recorded a liability in the consolidated financial statements.

In July 2010, the City of New York ("NY City") filed a federal court action against Amtrak in the Southern District of New York. NY City seeks \$25.0 million, alleging under several theories, all based upon 1906 and 1909 agreements between NY City and other railroads, that Amtrak is responsible for a major public highway bridge reconstruction project for the Shore Road Circle Bridge in the Bronx. Amtrak disputes NY City's claims and filed a motion to dismiss on jurisdictional grounds, which was granted on June 13, 2011. The case was transferred to the U.S. District Court for the District of Columbia where it is in its preliminary stages, and there have been no rulings on the merits of NY City's claims. The Company believes it is reasonably possible, but not probable, that a loss could be incurred related to this claim. Amtrak has not recorded a liability in the consolidated financial statements.

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 Amtrak's 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.

ADA Compliance

Under the ADA, stations in the intercity rail transportation system served by Amtrak were 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. The Company has developed a five-year plan to bring its stations into ADA compliance. This plan is regularly updated and adjusted based on external factors, such as recent regulation promulgated by the DOT regarding ADA requirements for platforms. This new regulation requires platform length level boarding at all stations with no active freight railroad use (as described in the rule) and also requires that all alternative means assisted boarding—meaning other than plans for full-length level boarding platforms—be submitted to DOT for review and approval prior to construction. In light of these external factors, Amtrak reassesses its earlier developed plans to meet the requirements and believes that revised plans will entail additional costs and time. Amtrak is also working to obtain sufficient funding to achieve full ADA compliance of all station components for which it is responsible under the ADA. The extent of these estimated 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 have not yet been fully analyzed. Accordingly, the accompanying financial statements do not reflect the costs of Amtrak becoming fully compliant with the ADA.

Positive Train Control

In 2008, Congress enacted the Rail Safety Improvement Act. The legislation includes a mandate that all Class I railroads and each railroad hosting intercity or commuter rail passenger service have Positive Train Control ("PTC") systems installed and operating by December 31, 2015. A Class I railroad is required to install PTC on any route where there is 5 million or more gross tons of railroad traffic per year and the presence of poison by inhalation hazard materials, or used for regularly scheduled intercity or commuter rail passenger service. The PTC Rule provides for exceptions to PTC requirements, which are subject to FRA approval, on rail lines hosting passenger trains on which freight traffic volumes, and the number of passenger trains operated, do not exceed limits specified in the rule as light density territory. Amtrak is working with federal, state, and local authorities and commuter and freight railroads to ensure Amtrak trains are compliant with PTC systems adopted for use by host railroads. Additional funding to fully comply with PTC requirements is necessary and will be requested. Compliance with PTC requirements on the host railroads outside of the NEC could drive significant costs to Amtrak. Amtrak's contribution to PTC installation and maintenance on host railroad property has not yet been defined. Accordingly, the accompanying financial statements do not reflect the costs of Amtrak becoming fully compliant with PTC.

NOTE 11: ENVIRONMENTAL MATTERS

The Company is subject to extensive and complex federal and state environmental laws and 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. Amtrak's policy is 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. Some of the Company's real estate properties may have the presence of asbestos-containing building materials. If these properties undergo major renovations or are demolished, certain environmental regulations that are in place may specify the manner in which the asbestos containing materials must be assessed, handled, and disposed. The Company has identified a number of locations for which major renovations are planned and liabilities have been recorded. However, for remaining locations, the Company has no plans or expectations to undertake demolitions or major renovations that would require the removal of the asbestos containing materials.

Although a liability exists for the removal of asbestos materials, sufficient information is not available currently to estimate the liability, as the range of time over which the Company may settle these obligations is unknown or cannot be reasonably estimated. Although, the Company believes it has appropriately recorded current and long-term liabilities for known and estimable future environmental costs, it could incur significant costs that exceed reserves or require unanticipated cash expenditures as a result of any of the foregoing. Based upon information currently available, the Company believes its environmental reserves are adequate to fund remedial actions to comply with present laws and regulations, and that the ultimate liability for these matters, if any, will not materially affect its overall financial condition, results of operations, or liquidity. As of September 30, 2011 and 2010, the environmental reserve was \$62.3 million and \$70.8 million, respectively. These recorded liabilities for estimated future environmental costs are undiscounted and include future costs for remediation and restoration of sites as well as any significant ongoing monitoring costs. The current portion of the reserve was \$4.6 million and \$9.6 million in 2011 and 2010, respectively and as reported in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets. Of the reserve, \$49.6 million and \$57.7 million, included in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets as of September 30, 2011 and 2010, respectively, relates to estimated future capital expenditures for environmental remediation.

Amtrak has not recorded any receivables for recoveries from other parties or from insurance recoveries; the amounts included in "Environmental Reserve" in the Consolidated Balance Sheets reflect only Amtrak's portion of the gross liability. In those instances where Amtrak has received a buyout of third party liabilities, the amounts are considered credits against past capital expenses, and therefore are not viewed as receivables. The ultimate liability for environmental 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 related to environmental matters.

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Amtrak's management and counsel believe that additional future remedial actions for known environmental matters will not have a material adverse effect on the results of operations or financial condition.

NOTE 12: POSTRETIREMENT 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, 2011 and 2010, was as follows (in thousands):

	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
Reconciliation of Projected Benefit Obligation:				
Obligation at October 1	\$ 370,712	\$ 323,746	\$ 958,635	\$ 778,186
Service cost	13,204	11,356	27,085	20,617
Interest cost	17,885	17,386	46,193	41,707
Change due to change in discount rate	24,850	25,181	59,428	57,796
Actuarial loss	39,450	5,582	14,145	50,250
Change in plan provisions	-	-	-	35,835
Benefit payments	(12,121)	(12,539)	(31,352)	(25,756)
Obligation at September 30	<u>\$ 453,980</u>	<u>\$ 370,712</u>	<u>\$ 1,074,134</u>	<u>\$ 958,635</u>
	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
Reconciliation of Fair Value of Plan Assets:				
Plan assets at October 1	\$ 281,077	\$ 228,650	\$ -	\$ -
Actual (loss) gain on plan assets	(7,384)	27,516	-	-
Employer contributions	38,000	37,450	31,352	25,756
Participant contributions	-	-	1,369	1,103
Medicare D subsidy	-	-	1,096	922
Benefit payments	(12,121)	(12,539)	(33,817)	(27,781)
Plan assets at September 30	<u>\$ 299,572</u>	<u>\$ 281,077</u>	<u>\$ -</u>	<u>\$ -</u>

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Funded Status:	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
Net liability recognized in the Consolidated Balance Sheets	<u>\$(154,408)</u>	<u>\$ (89,635)</u>	<u>\$(1,074,134)</u>	<u>\$(958,635)</u>
Accumulated Benefit Obligation (ABO) at September 30,	<u>\$ 392,467</u>	<u>\$ 324,608</u>	<u>\$ 1,074,134</u>	<u>\$ 958,635</u>

Pension and other postretirement benefit amounts recognized in the Consolidated Balance Sheets at September 30, 2011 and 2010, are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
Current liabilities	\$ (15,408)	\$ (13,069)	\$ (42,225)	\$ (36,129)
Noncurrent liabilities	<u>(139,000)</u>	<u>(76,566)</u>	<u>(1,031,909)</u>	<u>(922,506)</u>
Net amount recognized	<u>\$ (154,408)</u>	<u>\$ (89,635)</u>	<u>\$(1,074,134)</u>	<u>\$(958,635)</u>

Pension and other postretirement benefit amounts recognized in accumulated other comprehensive loss at September 30, 2011 and 2010, are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
Net loss	\$223,470	\$141,012	\$ 392,251	\$ 343,356
Prior service cost	-	-	34,764	38,734
Net amount recognized	<u>\$223,470</u>	<u>\$141,012</u>	<u>\$ 427,015</u>	<u>\$ 382,090</u>

Components of Net Periodic Benefit Cost

The following table provides the components of net periodic benefit cost for the plans for fiscal years 2011 and 2010 (in thousands):

	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
Service cost	\$ 13,204	\$ 11,356	\$ 27,085	\$ 20,617
Interest cost	17,885	17,386	46,193	41,707
Expected return on plan assets	(23,464)	(18,608)	-	-
Amortization of prior service cost	-	-	3,971	17
Amortization of net loss	<u>12,691</u>	<u>10,985</u>	<u>24,677</u>	<u>16,803</u>
Net periodic benefit cost	<u>\$ 20,316</u>	<u>\$ 21,119</u>	<u>\$ 101,926</u>	<u>\$ 79,144</u>

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 \$19.7 million.

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The estimated net loss and prior service cost 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 \$29.5 million and \$4.0 million, respectively.

Plan Assets

The Company's pension plan asset allocation at September 30, 2011 and 2010, and target allocation for 2012, are as follows:

	Plan Assets		
	2012	2011	2010
Domestic equity securities	25 - 45%	30.2%	37.9%
Global asset allocation funds	20 - 30%	27.8%	27.3%
Fixed income securities	15 - 25%	20.4%	20.4%
Common/collective trust	10 - 20%	12.9%	-
Real estate investment trust	0 - 10%	5.0%	6.9%
Cash and cash equivalents	0%	3.7%	7.5%

The investment strategy for pension plan assets 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. Assets are strategically allocated among equity, fixed income securities, real estate, and global asset allocation managers who have the ability to invest in stocks, bonds, and other assets in the U.S. and abroad in order to achieve diversification of investments and to reduce volatility in investment returns as well as maintain flexibility for the managers to allocate assets to areas of the market they believe have greater upside potential while avoiding areas of the market that they believe are likely to under perform. The asset allocation will be evaluated and rebalanced to return each of the asset classes back to the target range percentage, within 6-8 weeks following the end of each quarter, unless the Retirement Investment Committee determines otherwise. As a result of the asset allocation diversification strategies, there are no significant concentrations of risk within the portfolio of investments.

As discussed earlier, the accounting guidance on fair value measurements specifies a fair value hierarchy based on the ability to observe inputs used in valuation techniques (Level 1, 2 and 3). Following is a description of the valuation methodologies used for investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy. Further, upon adoption of the provisions of ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, the Company expanded disclosures for those assets whose fair value is estimated using the net asset value ("NAV") per share or its equivalent for which fair value is not readily determinable. The Company does not intend to sell any of the funds at an amount different from NAV per share at September 30, 2011, nor does the Company have any unfunded commitments related to these funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Domestic equity securities – This investment category consists of common stock issued by U.S. corporations and American Depositary Receipt (“ADR”) issued by U.S. banks. Common shares and ADRs are traded actively on exchanges and price quotes for these shares are readily available. These assets are classified as Level 1 investments.

Global assets allocation funds – This category consists of BlackRock Global Allocation Class I fund (“BlackRock”), PIMCO All Asset Institutional fund (“PIMCO”), and Stone Harbor Local Markets fund (“Stone Harbor”). The BlackRock investment (fair value of \$35.8 million and \$32.6 million at September 30, 2011 and 2010, respectively) seeks to provide high total investment return. It invests in domestic and foreign equities, debt securities, and money market instruments. The PIMCO investment (fair value of \$38.3 million and \$33.4 million at September 30, 2011 and 2010, respectively) seeks maximum real return, consistent with preservation of real capital and prudent investment management. It targets solid real (after inflation) returns from a global opportunity of traditional and alternative asset classes. The Stone Harbor investment (fair value of \$9.1 million at September 30, 2011) seeks to maximize total return, which consists of income on its investments and capital appreciation. The fund normally invests at least 80% of net assets in Emerging Markets Investments. Emerging Markets Investments include fixed income securities and derivative instruments that economically are tied to an emerging market country, which are denominated in the predominant currency of the local market of an emerging country or whose performance is linked to those countries’ currencies, markets, economies, or ability to repay loans. These investments are actively traded; price quotes for these shares are readily available; and these assets are classified as Level 1 investments.

Fixed income securities – This investment category consist of U.S. Treasuries, U.S. Government bonds, Corporate bonds, Agency-backed bonds, Municipal bonds, Asset-backed securities, and Mortgage-backed securities. These assets are valued based on a compilation of primary observable market information or a broker quote in a non-active market. These assets are classified as Level 2 investments.

Common/collective trust – This category consists of an investment in the Thornburg International Equity Fund (the “Thornburg Fund”). The Thornburg Fund is a trust for the collective investment of assets of participating tax qualified pension and profit sharing plans and related trusts, and governmental plans. It seeks long-term capital appreciation by investing in equity securities of all types. As a secondary consideration, the Thornburg Fund also seeks current income. The value of its units is determined daily by calculating NAV per unit. The fair value of the investment as of fiscal year-end is estimated based on the NAV. The investment is redeemable any day the Thornburg Fund is open for business. This asset is classified as a Level 2 investment. As of September 30, 2010, this category also included investment in the AXA Rosenberg Liquidating fund (“AXA Liquidating Fund”). There was no readily available market for this investment, therefore the AXA Liquidating Fund issued fair value financial statements and calculated NAV based upon the number of Member Interests outstanding. The fair value of the AXA Liquidating Fund was estimated based upon the NAV of the fund. The investment in the AXA Liquidating Fund was not redeemable but was to be paid out upon maturity of the underlying assets. This asset was classified as a Level 3 investment. The investment in this fund was fully redeemed in December 2010.

Real estate investment trust – This category consists of an investment in the Morgan Stanley Prime Property fund (“Prime Property Fund”). The fair value of the investments in the Prime Property Fund has been estimated using the NAV of the Plan’s ownership interest (units) in the partner’s capital.

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The investment in the Prime Property Fund can be redeemed on a quarterly basis but with no guarantee that cash will be available at any particular time to fund the redemption request. If cash is not available, the redemption will be deferred at the discretion of the fund manager until sufficient cash is available. As of September 30, 2010, this fund had not satisfied all redemption requests and therefore was classified as a Level 3 investment. As of September 30, 2011, there were no unsatisfied redemption requests; as a result, this asset was transferred from a Level 3 to a Level 2 investment.

Cash and cash equivalents – Cash and cash equivalents consist of short term instruments held for the purpose of paying plan expenses and benefits. In addition, cash equivalents include cash positions managed by the equity and fixed income fund managers for maintaining liquidity of the portfolios. Cash and cash equivalents are valued based on the carrying amount, which approximates fair value. These assets are classified as Level 1 investments.

The following tables represent the fair values of the Company's pension assets by level within the fair value hierarchy as of September 30, 2011 and 2010 (in thousands):

September 30, 2011	Total	Level 1	Level 2	Level 3
Agency backed bonds	\$ 963	\$ -	\$ 963	-
U.S. government securities	6,826	-	6,826	-
Corporate bonds	18,624	-	18,624	-
Government bonds	410	-	410	-
Municipal bonds	3,696	-	3,696	-
Asset-backed securities	4,687	-	4,687	-
Government mortgage-backed securities	20,517	-	20,517	-
Corporate mortgage-backed securities	5,197	-	5,197	-
Total fixed income	60,920	-	60,920	-
Large – cap	50,440	50,440	-	-
Mid – cap	32,436	32,436	-	-
Small – cap	7,600	7,600	-	-
Total equity securities	90,476	90,476	-	-
Money market funds				
Real estate investment trust	10,974	10,974	-	-
Mutual funds:	15,061	-	15,061	-
Global asset allocation funds				
Common/collective trust	83,229	83,229	-	-
	38,644	-	38,644	-
Other assets (a)	\$ 299,304	\$ 184,679	\$ 114,625	\$ -
Total	268			
	<u>\$ 299,572</u>			

(a) Other assets include accrued interest and dividends receivable and pending broker settlements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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September 30, 2010	Total	Level 1	Level 2	Level 3
Agency backed bonds	\$ 803	\$ -	\$ 803	\$ -
U.S. government securities	5,337	-	5,337	-
Corporate bonds	14,324	-	14,324	-
Government bonds	214	-	214	-
Municipal bonds	4,921	-	4,921	-
Asset-backed securities	5,191	-	5,191	-
Government mortgage-backed securities	11,909	-	11,909	-
Corporate mortgage-backed securities	6,569	-	6,569	-
Total fixed income	49,268	-	49,268	-
Large – cap	51,246	51,246	-	-
Mid – cap	31,509	31,509	-	-
Small – cap	8,808	8,808	-	-
Total equity securities	91,563	91,563	-	-
Money market funds	18,151	18,151	-	-
Real estate investment trust	16,622	-	-	16,622
Mutual funds:				
Global asset allocation funds	65,931	65,931	-	-
Common/collective trust	35	-	-	35
	<u>\$ 241,570</u>	<u>\$ 175,645</u>	<u>\$ 49,268</u>	<u>\$ 16,657</u>
Other assets (a)	39,507			
Total	<u>\$ 281,077</u>			

(a) Other assets include accrued interest and dividends receivable and pending broker settlements.

The Company's pension plan holds Level 3 assets which are primarily ownership interests in investment partnerships and trusts that own private market securities and real estate. Fair value is generally based on the company's units of ownership and NAV of the investment entity. The following table presents a rollforward of activity for Level 3 assets between September 30, 2011 and September 30, 2010 (in thousands):

Assets	Beginning Balance	Sales	Realized Losses	Unrealized Gains	Transfer To Level 2	Ending Balance
Real estate investment trust (b)	\$ 16,622	\$ (3,800)	\$ (1,386)	\$ 2,398	\$ (13,834)	\$ -
Common/collective trust	35	-	(35)	-	-	-
Total investment assets	\$ 16,657	\$ (3,800)	\$ (1,421)	\$ 2,398	\$ (13,834)	\$ -

(b) The company's policy is to recognize transfers in and transfers out as of the end of the reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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The table below presents a rollforward of activity for Level 3 assets between September 30, 2010 and September 30, 2009 (in thousands):

Assets	Beginning Balance	Sales	Unrealized Gains (Losses)	Ending Balance
Real estate investment trust	\$ 15,894	\$ -	\$ 728	\$ 16,622
Common/collective trust	750	(137)	(578)	35
Total investment assets	\$ 16,644	\$ (137)	\$ 150	\$ 16,657

Rate of Return

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.

In the short term, there may be fluctuations of positive and negative yields year over year, but over the long-term, the return is expected to be approximately 8.0%.

Estimated Future Benefit Payments

Based upon the assumptions used to measure pension and other postretirement benefit obligations as of September 30, 2011, and including pension and other postretirement benefits attributable to estimated future employee service, Amtrak expects pension benefits and other postretirement benefits to be paid over the next ten years as follows (in thousands):

<i>Year Ending September 30,</i>	<u>Pension Benefits</u>	<u>Other Benefits</u>
2012	\$ 15,408	\$ 42,225
2013	16,840	44,905
2014	18,419	49,193
2015	20,295	53,910
2016	22,385	59,096
2017-2021	145,037	337,518

Contributions

Amtrak expects to make a \$10.5 million contribution to the defined benefit plan in fiscal year 2012. Additionally, in fiscal year 2012, Amtrak expects to contribute \$42.2 million towards other postretirement benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Assumptions

Weighted-average assumptions used to determine benefit obligations at September 30, 2011 and 2010, are as follows:

	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
Discount rate	4.45%	4.91%	4.45%	4.91%
Rate of compensation increase	4.20%	4.20%	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for the years ended September 30, 2011 and 2010, are as follows:

	Pension Benefits		Other Benefits	
	2011	2010	2011	2010
Discount rate	4.91%	5.47%	4.91%	5.47%
Expected long term return on assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	4.20%	4.20%	N/A	N/A

Assumed healthcare cost trend rates at September 30, 2011 and 2010, are as follows:

	2011	2010
Healthcare cost trend rate assumed for next year	8% - 10%	9% - 10%
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	2019	2019

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):

	1% Increase	1% Decrease
Effect on total of service and interest cost component	\$ 16,243	\$ (12,696)
Effect on postretirement benefit obligation	\$ 214,584	\$ (141,921)

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 FASB ASC Topic 715, *Compensation – Retirement Benefits*. Amtrak's ABO for its other benefits is reduced by \$84.9 million and \$82.5 million for fiscal years 2011 and 2010, 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 \$11.3 million and \$10.0 million for the fiscal years ended September 30, 2011 and 2010, respectively.

NOTE 13: SUBSEQUENT EVENTS

RRIF Loan

On October 20, 2011, the Company received a second advance of approximately \$23.3 million under the RRIF loan. The entire amount of the advance was used to reimburse allowable costs for the construction of new locomotives. In connection with the advance, the Company paid approximately \$1.0 million in credit risk premiums.

Enactment of the 2012 Act

The enactment on November 18, 2011, of H.R. 2112 Department of Defense and Full-Year Continuing Appropriations Act, 2012 (the "2012 Act") as Public Law 112-55 covers funding for the period of October 1, 2011 through September 30, 2012. The 2012 Act provides for a total of \$1,418.0 million of which \$466.0 million is for operating needs, \$952.0 million for capital and debt service needs (of which \$9.5 million is withheld by FRA for oversight and expenses associated with implementation of PRIIA section 212). The net amount available to Amtrak is \$1,408.5 million. Of the amounts provided for capital and debt service, not less than \$50.0 million is to be spent on ADA related projects and \$15.0 million is designated for the Gateway Tunnel project.

Management's Evaluation

The Company has evaluated subsequent events through December 30, 2011, which is the date the financial statements were available to be issued. There were no other events that require adjustments to or disclosure in the Company's financial statements for the year ended September 30, 2011.

The Board of Directors



Pictured from left to right: Mr. DiClemente, Mr. Coscia, Vice Chair Ms. Naples, Chairman Mr. Carper, Mr. Boardman, Mr. Moreland, Mr. Szabo, Mr. Yachmetz. Secretary LaHood not pictured

Thomas Carper (Chairman of the Board, and Chairman of Service Development, Marketing, Product Management and Customer Service Committees)

Nominated by President George W. Bush as a Director of the Amtrak Board of Directors in May 2007. Confirmed by the U.S. Senate in March 2008. Elected Chairman of the Board in 2009. Mr. Carper was a small business owner from Macomb, Illinois and served as Mayor of Macomb from 1991 to 2003. He was appointed by the Amtrak Board of Directors to serve on the Amtrak Mayors' Advisory Council and served as its Chair from 2000 to 2001. In 2003 he was named regional director of the West Central Region for Opportunity Returns by the Illinois governor. He retired from this position in 2010. Mr. Carper received a Bachelor of Arts Degree from Western Illinois University in 1982. He served in the U.S. Army from 1967 to 1970 in Thailand and Vietnam.

Nancy A. Naples (Vice Chairman of the Board, Chairman of the Human Resources & Compensation Committee)

Nominated by President George W. Bush as a Director of the Amtrak Board in May, 2007. Confirmed by the U.S. Senate in March, 2008. She currently serves as Vice Chairman of the Board. Previously she served as New York State Commissioner of Motor Vehicles under Governor Pataki. She began her career in public service in 1993 when she was elected Erie County (N.Y.) Comptroller, a position she held until 2005. She began her career on Wall Street where she spent twenty years, serving as an Assistant Vice President of the former Chemical Bank, Vice President of Merrill Lynch & Co., and Vice President of Hong Kong Bank (HSBC). Preceding her election as Comptroller, she was Vice President of Finance and Operations for Joseph J. Naples & Associates. She is a graduate of Marymount College of Fordham University and earned an MBA from Pace University.

Joseph Boardman

Appointed President and Chief Executive Officer by Amtrak's Board of Directors, effective in November 2008. Mr. Boardman served as the U.S. Federal Railroad (FRA) Administrator prior to that and was a member of the Amtrak Board of Directors. Prior to joining the FRA, Mr. Boardman served as the Commissioner of the New York State Department of Transportation (NYSDOT). He has served in the transportation industry for over thirty years with experience in city, county, state, and federal government. In addition, he owned his own transportation management company. He is a former chairman of both the Executive Committee of the Transportation Research Board (TRB) and the American Association of State Highway and Transportation Officials' (AASHTO) Standing Committee on Rail Transportation (SCORT). Mr. Boardman is a native of New York State. He served in the United States Air Force in Vietnam in 1968-1969. He received a Bachelor of Science Degree in Agriculture Economics from Cornell University in Ithaca, N.Y., and a Master of Science Degree in Management Science from the State University of New York at Binghamton.

Jeffrey Moreland (Chairman, Government Affairs and Legal & Corporate Affairs Committee)

Nominated by President Barack Obama as a Director of the Amtrak Board in January 2010. Confirmed by the U.S. Senate in June 2010. Mr. Moreland was recently an executive vice president for Public Affairs at Burlington Northern Santa Fe Railway Company (BNSF). Prior to this position, he was an executive vice president, Law & Government Affairs and Secretary; executive vice president law and chief of staff; senior vice president law and chief of staff; and senior vice president law and general counsel. From 1970 to 1978, Moreland was employed at the Securities and Exchange Commission (SEC). Mr. Moreland received his B.S. from Georgetown University, a J.D. from Catholic University School of Law, and an MBA from the University of Chicago.

Albert DiClemente (Chairman of the Security, Safety and Environmental Affairs Committee)

Nominated by President Barack Obama as a Director of the Amtrak Board in November 2009. Confirmed by the U.S. Senate in 2010. Mr. DiClemente recently retired as a Vice President of CB Richard Ellis, Inc., where he worked since 2003. Prior to this he worked for Insignia/ESG and Jackson Cross & Associates as Director and Associate Director. He is a graduate of the University of Delaware with a B.A. in political science.

Anthony Coscia (Chairman of the Audit and Finance Committee)

Nominated by President Barack Obama as a Director of the Amtrak Board in November 2009. Confirmed by the U.S. Senate in 2010. Mr. Coscia is the former Chairman of the Port Authority of New York and New Jersey. Mr. Coscia is a partner at Windels Marx Lane and Mittendorf, LLP. He has also served with the New Jersey Economic Development Authority. He is a graduate of the Georgetown University School of Foreign Service and he received his law degree from Rutgers University.

Ray LaHood (Secretary, Department of Transportation)

Ray LaHood became the 16th Secretary of Transportation in January 2009 and in that capacity he serves as an ex officio member of the Amtrak Board of Directors. Prior to this, Secretary LaHood served 14 years in the U.S. House of Representatives from Illinois. He also Served as Chief of Staff to U.S. Congressman Robert Michel and as District Administrative Assistant to Congressman Thomas Railsback. He also served in the Illinois State Legislature. Before his career in government, Secretary LaHood was a high school teacher and was a director at Rock Island County Youth Services Bureau and Chief planner for the Bi-States Metropolitan Planning Commission in Illinois. He is a graduate of the Bradley University.

Joseph Szabo

Nominated by President Barack Obama in March 2009 and confirmed by the U.S. Senate in 2009. Mr. Szabo currently is the twelfth administrator of the Federal Railroad Administration (FRA). He serves as an alternate for Secretary LaHood on the Amtrak Board of Directors. Prior to this he worked for Illinois Central Railroad and later for Metra, as a switchman, trainman and conductor. He has also served in various roles beginning in 1984 for the United Transportation Union. Prior to his assumption of duties as the FRA administrator, he was a Vice President for Illinois State AFL-CIO. He is a graduate of the Governor's State University with a B.A. in labor relations.

Mark Yachmetz

Mr. Yachmetz currently is an associate administrator of the Federal Railroad Administration (FRA). He serves as an alternate for Secretary LaHood on the Amtrak Board of Directors. He has also served in various roles beginning in 1991 for the Federal Railroad Administration. He is a graduate of the University of Maryland with a B.S. in civil engineering.

The Management Team



Pictured from left to right: standing – Mr. Woodcock, Mr. Stadtler, Mr. McHugh, Mr. O'Connor, Mr. Boardman, Mr. Gardner, Mr. Melnkovic, Mr. Fremaux, Mr. Waddell, seated – Mr. Deitchman, Ms. Acheson, and Ms. Reid.

Eleanor Acheson

Vice President and General Counsel

Joseph McHugh

Vice President, Government Affairs and Communications

Joseph Boardman

President and Chief Executive Officer

Barry Melnkovic

Chief Human Capital Officer

John O'Connor

Vice President and Chief of Police

Roy Deitchman

Vice President, Environmental Health and Safety

Peggy Reid

Chief Corporate Liaison

D.J. Stadtler

Chief Financial Officer

Emmett Fremaux, Jr.

Vice President, Marketing and Product Management

Stephen Gardner

Vice President, NEC Infrastructure and Investment Development

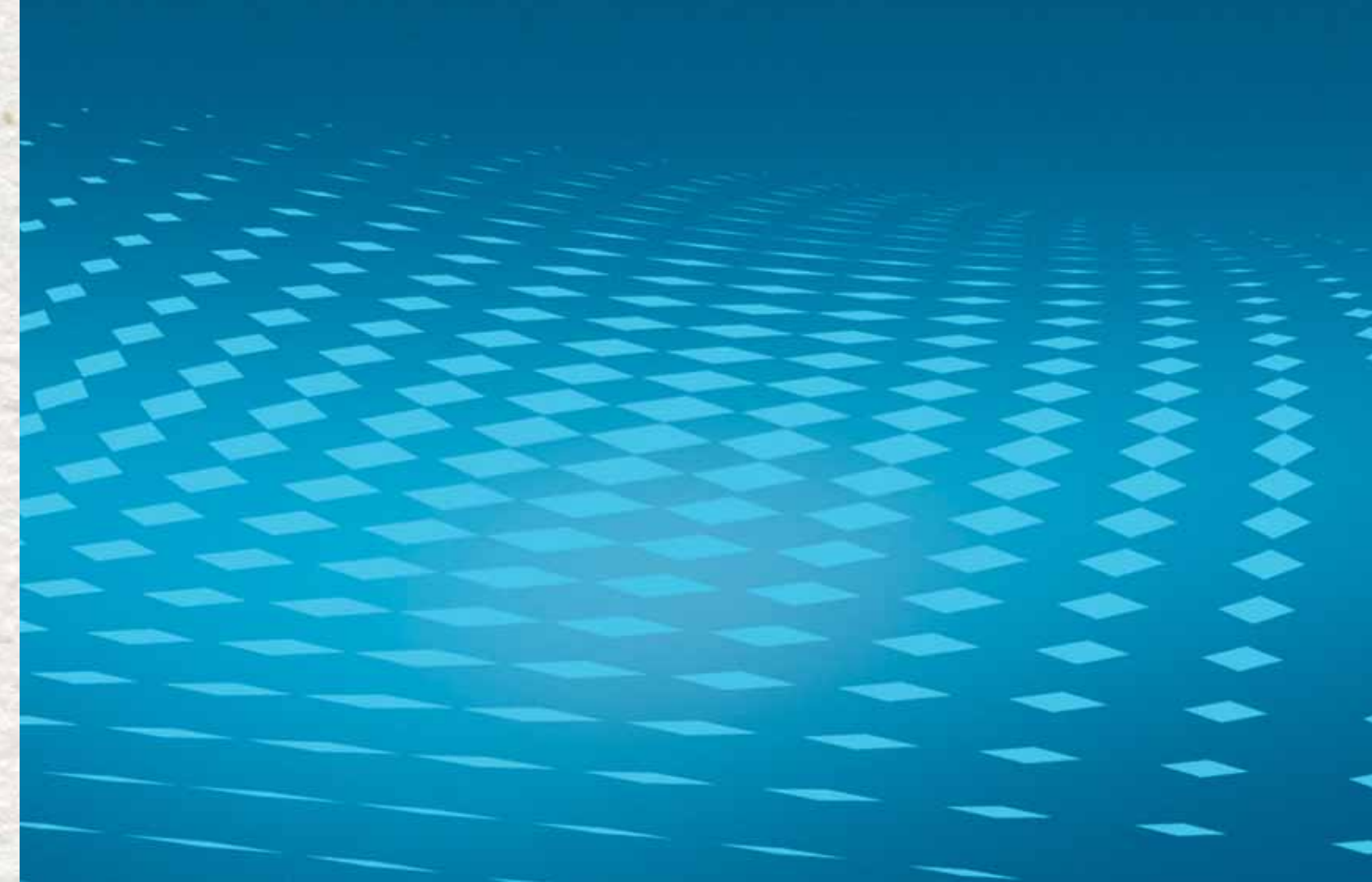
Dee Waddell

Acting Chief Information Officer

Charles Woodcock

Chief Labor Relations Officer and Assistant Vice President

Notes





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