AMTRAK®
ANNUAL REPORT

FISCAL YEAR 2014

"Moving America Where It Wants To Go"

Cover photo: Gary Pancavage

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FOREWORD

The National Railroad Passenger Corporation (Amtrak) is incorporated under the terms of 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).

Amtrak is operated and managed as a for-profit corporation. Congress created Amtrak in 1970 to take over the intercity passenger rail services of approximately two dozen private railroads. In exchange for relieving these companies of their passenger rail obligations, federal law and regulatory order required them to allow Amtrak access to their tracks so it could independently operate its national intercity passenger rail network.

In establishing Amtrak, Congress found that "modern, efficient, intercity railroad passenger service is a necessary part of a balanced transportation system; that the public convenience and necessity require the continuance and improvement of such service… [and] that the traveler in America should to the maximum extent feasible have freedom to choose the mode of travel most convenient to his needs…"

The Passenger Rail Investment and Improvement Act of 2008 (P.L.110-432) , assigned Amtrak the mission "to provide efficient and effective intercity passenger rail mobility consisting of high quality service that is trip-time competitive with other intercity travel options."

Amtrak manages a national network structured to provide short-distance services of 750 miles or less and long-distance trains that provide system connectivity on routes ranging up to 2,438 miles in length. It serves 46 of the 48 contiguous states and provides mobility to the nation's largest urban areas and some of its smallest rural communities.

By the end of 2014, Amtrak had partnered with 18 states under 19 operating agreements to offer short-distance services and connect and build the American economy. Over the past decade, the company has set numerous ridership and revenue records, and has endeavored to improve its system and equipment while safeguarding taxpayers' investment in the national network.

The Amtrak System

MAINE
Orono
Bangor
Augusta
Acadia Nat. Park
Brunswick
Portland
Montréal
St. Albans
Essex Junction
Berlin
Plattsburgh
Lake Placid
Westport
Castleton
White River Junction
Rutland
Concord
NEW HAMPSHIRE
VERMONT
NEW YORK
Schenectady
Springfield
Boston
MASSACHUSETTS
Toronto
Niagara Falls
Rochester
Syracuse
Albany-Rensselaer
Aldershot
Buffalo
Hartford
Providence
RHODE ISLAND
New Haven
New London
CONNECTICUT
Erie
Jamestown
PENNSYLVANIA
New York
Grand Forks
Voyageurs Nat. Park
Isle Royale Nat. Park
MINNESOTA
Hancock
Houghton
Duluth
Detroit Lakes
Marquette
Sault Ste. Marie
Staples
Hinckley
WISCONSIN
Escanaba
St. Ignace
Mackinaw City
St. Cloud
Hudson
Menomonie
Chippewa Falls
Abbotsford
Wittenberg
Shawano
Traverse City
MICHIGAN
St. Paul-Minneapolis
Stanley
Wausau
Green Bay
Red Wing
Eau Claire
Stevens Point
Fond du Lac
Appleton
Bay City
Saginaw
Port Huron
Winona
Sheboygan
Owosso
Flint
Wisconsin Dells
Columbus
Grand Rapids
East Lansing
Portage
Pontiac
Milwaukee
Madison
Detroit
Kalamazoo
Battle Creek
IOWA
Rockford
Chicago
Cleveland
Toledo
South Bend
Hammond-Whiting
Cuyahoga Valley Nat. Park
Altoona
Harrisburg
Lancaster
Trenton
NEW JERSEY
Philadelphia
Mount Pleasant
Davenport
Creston
Osceola
Ottumwa
Galesburg
INDIANA
OHIO
Pittsburgh
BWI Marshall Airport
Wilmington
N.J. Transit
Atlantic City
Burlington
Baltimore
Fort Madison
Bloomington-Normal
Grantsville
Kent Island/Grasonville
La Plata
Cumberland
DELAWARE
Quincy
Champaign-Urbana
Indianapolis
WEST VIRGINIA
Shenandoah Nat. Park
Washington, DC
Ocean City
Kansas City
Springfield
Mattoon
Cincinnati
Salisbury
MARYLAND
ILLINOIS
Charlottesville
Lorton (Auto Train® Terminal)
Topeka
Independence
St. Louis
Lawrence
Lees Summit
Warrensburg
Sedalia
Jefferson City
Hermann
Washington
Kirkwood
Centralia
Carbondale
Louisville
Ashland
Charleston
Clifton Forge
Richmond
Williamsburg
Newport News
Virginia Beach
Petersburg
Lynchburg
VIRGINIA
Norfolk
KENTUCKY
MISSOURI
Mammoth Cave Nat. Park
Danville
Greensboro
Burlington
Durham
Raleigh
Rocky Mount
Wilson
Winston-Salem
High Point
Cary
Selma
Greenville
New Bern
Havelock
Morehead City
Goldsboro
Kinston
Salisbury
Kannapolis
Gastonia
Poplar Bluff
Fulton
Great Smoky Mtns. Nat. Park
TENNESSEE
Walnut Ridge
Newbern-Dyersburg
Spartanburg
Greenville
Clemson
Charlotte
Hamlet
Fayetteville
Southern Pines
NORTH CAROLINA
ARKANSAS
Camden
Dillon
Wilmington
Memphis
Gainesville
Toccoa
Columbia
Florence
Little Rock
Kingstree
Hot Springs Nat. Park
Malvern
Arkadelphia
MISSISSIPPI
Anniston
Atlanta
Denmark
Congaree Nat. Park
SOUTH CAROLINA
Charleston
Birmingham
Hope
Texarkana
Greenwood
Tuscaloosa
GEORGIA
Yemassee
Dallas
Marshall
Shreveport
Mineola
Longview
Yazoo City
Jackson
ALABAMA
Savannah
Meridian
Jesup
LOUISIANA
Hazlehurst
Nacogdoches
Brookhaven
Laurel
McComb
Hattiesburg
Jacksonville
Hammond
Slidell
Picayune
Lake Charles
Baton Rouge
Waldo
Palatka
Gainesville
DeLand
Daytona Beach
Houston
Beaumont
Lafayette
New Iberia
Schriever
New Orleans
Ocala
The Villages
Wildwood
Sanford (Auto Train® Terminal)
Winter Park
La Marque
Galveston
Walt Disney World
Dade City
Orlando
Kissimmee
Tampa
Lakeland
Winter Haven
St. Petersburg-Clearwater
Bradenton
Sebring
Okeechobee
Sarasota
West Palm Beach
Delray Beach
Port Charlotte
Deerfield Beach
Fort Myers
FLORIDA
Fort Lauderdale
Hollywood
Miami
Everglades Nat. Park
Biscayne Nat. Park
AMTRAK
Enjoy the journey.

LETTER FROM THE CEO OF AMTRAK and the CHAIRMAN OF THE BOARD

Joseph H. Boardman

Anthony Coscia

We are pleased to present this Fiscal Year 2014 (FY 2014) Amtrak Annual Report, which includes the audited financial results of the company as of and for the year ended September 30, 2014.

Since Amtrak began operations in 1971, it has been a vital component of the nation's multimodal transportation system. This is more true today than it has ever been in the past. During FY 2014, Amtrak welcomed aboard more than 30.9 million passengers and earned approximately $3.2 billion in revenue.

The Amtrak Board of Directors approved an updated Strategic Plan to guide the company's actions and decision-making from FY 2014 through FY 2018. We are committed to delivering intercity transportation with superior safety, customer service and financial excellence. Providing a safe environment for our passengers and employees is our first priority. This includes the proper operation and maintenance of our fleet and facilities, learning and practicing safe behaviors in the workplace and collaborating with communities to promote safety on and around railroad property.

As FY 2014 began, Amtrak had successfully negotiated contracts with 18 states under 19 agreements to increase state control and funding of 26 passenger rail routes of 750 miles or less. The agreements fulfilled Section 209 of the federal Passenger Rail Investment and Improvement Act of 2008 (PRIIA), which requires states to share costs with Amtrak under a consistent formula for all routes of less than 750 miles, excluding the Northeast Corridor (NEC).

Amtrak pursued opportunities during the year to enhance our customer services in response to market demand, further cultivate relationships with our state partners and promote investment not only in the NEC, but the nation's rail system at large. Among the initiatives launched in FY 2014, for example, was the addition of a 60-seat coach to the *Auto Train* to capitalize on demand during peak periods. Ridership and revenue on the popular service grew by 3.5 percent and 7.2 percent, respectively, over the prior year. With the Illinois Department of Transportation, we started a pilot program to allow travelers to bring pets onboard state-supported trains; it serves as a model for similar programs planned for other routes. Amtrak also collaborated with four state partners in the Midwest to add AmtrakConnect℠ Wi-Fi service on eight state-supported routes.

The NEC saw its highest ridership to date in FY 2014 with 11.7 million passengers—a 3.3 percent improvement over the previous year. Both the *Northeast Regional* and *Acela Express* services set new ridership records.

In April, the Northeast Corridor Infrastructure and Operations Advisory Commission, a federally-created organization that coordinates NEC development and investment, released a report detailing the economic benefits of the rail line for the region. Although the NEC Region covers just two percent of the nation's land area, it is home to 17 percent of the population and produces 20 percent of the U.S. gross domestic product. Roughly seven million jobs are located within five miles of the region's Amtrak stations. The commission estimates that an unexpected loss of the NEC for a single day could potentially cost the region $100 million in transportation-related impacts and productivity losses.

Given the NEC's importance to the regional and national economies, Amtrak and its federal and state partners continue to search for sustained funding for the maintenance, modernization and replacement of critical railroad infrastructure used by Amtrak, commuter and freight services. The lack of long-term funding constricts our ability to undertake large-scale, multi-year capital investments such as the Gateway Program, which includes the construction of a new two-track tunnel under the Hudson River.

Importantly, a major initiative to improve reliability, mobility and connectivity for Northeast travelers came to fruition on February 7, 2014, when the first of 70 new Amtrak Cities Sprinter (ACS-64) electric locomotives entered revenue service. Constructed by Siemens at its plant in Sacramento, California, parts for the locomotives came from more than 60 suppliers in over 20 states.

Outside of the NEC, where Amtrak largely operates on tracks owned by the Class I railroads, as well as regional and short lines, ridership declined by 4.5 percent in FY2014. The year was marked by severe freight congestion on parts of the national network that contributed to delays, missed connections, poor on-time performance and increased operating costs. Congestion on the rail system slows the movement of people and goods, thereby negatively impacting the economy.

We worked proactively with our freight industry partners to address concerns, while ensuring that our systems, on-board service, and station employees kept passengers informed about the impact of and reasons for any delays. In April 2014, Amtrak began operating the *Empire Builder* on a modified, lengthened schedule to account for congestion on BNSF-owned infrastructure west of St. Paul, Minnesota. Areas along the route in North Dakota and eastern Montana are at the center of the booming shale oil industry. We also agreed to temporarily detour trains between Fargo and Minot, North Dakota, to allow BNSF to speed infrastructure improvements. The train's regular operating schedule was restored in January 2015. Toward the close of the fiscal year, the *Capitol Limited* and *Lake Shore Limited* also faced ongoing congestion-related delays on Norfolk Southern and CSX-owned tracks in the Midwest and Amtrak worked closely with those railroads as well.

Delays in the Chicago area highlighted the need for a larger discussion with our freight and commuter partners on infrastructure and operational improvements in the region, a hub of the national rail system. Amtrak subsequently established a panel in October 2014 whose mission was to provide recommendations for reducing delays to passenger and freight traffic.

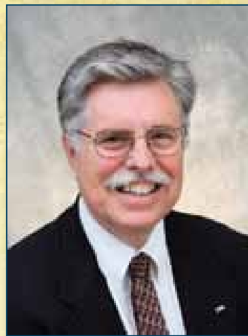
Amtrak, in collaboration with federal and state governments, is laying the groundwork for the passenger rail system of the future. Our vision incorporates renewed infrastructure, next-generation equipment, reimagined stations and an enhanced customer experience that responds to customer demand. If we are to move America where it wants to go, we must be nimble in responding to the dynamic transportation marketplace. Drawing on the skills of the 20,000 men and women of America's Railroad®, this vision can be made a reality.

Sincerely,

Joe Boardman	Anthony Coscia
President and Chief Executive Officer	*Chairman, Board of Directors*


AMTRAK

THE EXECUTIVE TEAM



Joseph Boardman
President and CEO

DJ Stadtler
Chief Operations Officer

Gerald Sokol
Chief Financial Officer

Eleanor Acheson
General Counsel and Corporate Secretary

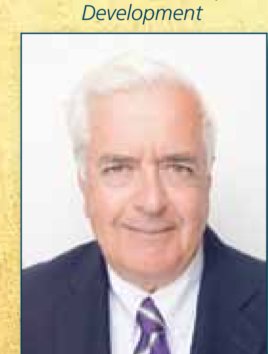
Joseph McHugh
Vice President Government Affairs and Corporate Communications

Stephen Gardner
Vice President NEC Infrastructure and Investment Development Development

Barry Melnkovic
Chief Human Capital Officer

Matthew Hardison
Chief Marketing and Sales Officer

Margaret B. Reid
Chief of Staff



Mark Yachmetz
Chief Strategic Officer

Polly Hanson
Chief of Police

Jason Molfetas
Chief Information Officer

Susan Reinertson
Chief of Emergency Management and Corporate Security

THE BOARD OF DIRECTORS

Pictured from left to right: Albert DiClemente, Christopher Beall, Jeffrey Moreland, Vice Chairman of the Board; Anthony Coscia, Chairman of the Board; Joseph Boardman, Amtrak President and CEO; Yvonne Brathwaite Burke, Thomas Carper and Paul Nissenbaum.
Anthony Foxx, Secretary, Department of Transportation and Joseph Szabo, Alternate for the U.S. Secretary of Transportation, are absent from the photo.

BIOGRAPHIES OF THE BOARD OF DIRECTORS

Anthony Coscia
(Chairman of the Board and Chairman of the Product Development, Marketing & Customer Service Committee)

Anthony Coscia was nominated by President Barack Obama as a Director of the Amtrak Board of Directors and was confirmed by the U.S. Senate in June 2010. Mr. Coscia was elected Chairman of the Board in March 2013.

He is Chairman of United Water, Inc. and an Independent Director at Sun Bancorp, Inc. and Sun National Bank. Mr. Coscia also served as Chairman of the Board of Commissioners of the Port Authority of New York and New Jersey from 2003 through June 2011. As Chairman of the Port Authority, Mr. Coscia had broad oversight responsibility in connection with the agency's varied transportation businesses and $6.7 billion annual budget. From February 1992 to March 2003, Mr. Coscia served as Chairman of the New Jersey Economic Development Authority (NJEDA). Mr. Coscia is a Partner at Windels Marx Lane & Mittendorf, LLP. He has specific experience in the area of redevelopment finance and has worked extensively on corporate governance issues. He is a Phi Beta Kappa graduate of the Georgetown University School of Foreign Service (B.S.F.S., 1981), and he received his law degree from Rutgers University School of Law (J.D., 1984).

Joseph Boardman (President & CEO)

Appointed President and Chief Executive Officer by Amtrak's Board of Directors, effective in November 2008, Mr. Boardman served as the Administrator of the U.S. Federal Railroad Administration (FRA) 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.

Thomas Carper (Chairman of the Security & Safety Committee)

Thomas Carper was nominated by President Barack Obama for a second term as a Director of the Amtrak Board of Directors and was confirmed by the U.S. Senate in August 2013. He was initially nominated by President George W. Bush in 2008 for his first term on the Board. In 2009, Mr. Carper was elected Chairman of the Board where he served until March 2013. 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. Mr. Carper was a small business owner from Macomb, Ill., and served as Mayor of Macomb from 1991 to 2003. 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.

Jeffrey Moreland (Vice Chairman of the Board, Chairman of the Audit & Finance Committee and Chairman of the Government Relations, Legal, Environmental & Corporate Affairs Committee)

Jeffrey Moreland was nominated by President Barack Obama as a Director of the Amtrak Board of Directors and was confirmed by the U.S. Senate in June 2010. Mr. Moreland was elected Vice Chairman of the Board in March 2013. Mr. Moreland was recently Executive Vice President for Public Affairs at Burlington Northern Santa Fe Railway Company (BNSF). Prior to that position, he served as 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 at BNSF. From 1970 to 1978, Moreland was employed at the Securities and Exchange Commission (SEC). Mr. Moreland received his Bachelor of Science from Georgetown University, a Juris Doctor from Catholic University School of Law, and a Master of Business Administration from the University of Chicago.

Albert DiClemente (Chairman of the Human Capital and Compensation Committee and Chairman of the Corporate Assets Development Committee)

Albert DiClemente was first nominated by President Barack Obama as a Director of the Amtrak Board of Directors and confirmed by the U.S. Senate in 2010. Mr. DiClemente was renominated by the President and reconfirmed by the U.S. Senate in October 2012. He recently retired as the 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. From 1977 until 1997, he served as State Director for then-Senator Joseph R. Biden, Jr. He is a graduate of the University of Delaware with a Bachelor of Arts in Political Science.

Anthony Foxx (Secretary, Department of Transportation)

Anthony Foxx became the 17th United States Secretary of Transportation on July 2, 2013. As U.S. Secretary of Transportation, he leads an agency with more than 55,000 employees and a $70 billion budget that oversees air, maritime, and surface transportation. He joined the U.S. Department of Transportation after serving as the mayor of Charlotte, N.C., from 2009 to 2013. Prior to being elected mayor, Secretary Foxx served two terms on the Charlotte City Council as an At-Large Representative. Secretary Foxx is an attorney and has spent much of his career in private practice. He also worked as a law clerk for the U.S. Sixth Circuit Court of Appeals, a trial attorney for the Civil Rights Division of the U.S. Department of Justice, and staff counsel to the U.S. House of Representatives Committee on the Judiciary. Secretary Foxx received a law degree from New York University's School of Law as a Root-Tilden Scholar, the University's prestigious public service scholarship. He earned a Bachelor's degree in History from Davidson College.

Joseph Szabo (FRA Administrator, Alternate for the Secretary of Transportation)

Joseph Szabo was nominated by President Barack Obama in March 2009 and confirmed by the U.S. Senate in 2009. Mr. Szabo served as the 12th Administrator of the Federal Railroad Administration (FRA). During FY2014, he served as an alternate for Secretary Anthony Foxx 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 (UTU). Prior to his assumption of duties as the FRA Administrator, he was a Vice President for the Illinois State AFL-CIO. He is a graduate of Governor's State University with a Bachelor of Arts in Labor Relations.

Yvonne Brathwaite Burke

Yvonne Brathwaite Burke was nominated by President Barack Obama as a Director of the Amtrak Board and was confirmed by the U.S. Senate in January 2013. Ms. Burke is from Los Angeles, Calif., and is currently a member of the California Transportation Commission. She served as a Los Angeles County Supervisor representing the 2nd District (1992-2008) and served as the Chair three times (1993-94, 1997-98, 2002-03). On December 1, 2008, she retired from the Board of Supervisors. Ms. Burke also served for 16 years on the Los Angeles Metro Board of Directors, serving as Chair for one term. In 1973, she was elected to the U.S. House of Representatives. Ms. Burke was the first African-American woman to represent the West Coast in Congress. During her tenure in Congress, she served on the House Select Committee on Assassinations and the House Committee on Appropriations; during her tenure on the Appropriations Committee, she introduced an amendment to the Alaskan Pipeline legislation to establish a new precedent that provided for a set aside for minority and women businesses to participate in federal contracts. In 1973, with the birth of her daughter Autumn, Ms. Burke became the first Congresswoman to give birth while in office and the first to be granted maternity leave by the Speaker of the United States House of Representatives. She did not seek re-election to Congress in 1978 but instead ran for Attorney General of California. She won the Democratic nomination over Los Angeles City Attorney Burt Pines but was defeated in the general election by Republican State Senator George Deukmejian. Ms. Burke attended the University of California at Berkeley and the University of California at Los Angeles, where she received a Bachelor's degree. She also received a Juris Doctor from the University of Southern California Law School.

Christopher Beall

Christopher Beall was nominated by President Barack Obama as a Director of the Amtrak Board and confirmed by the U.S. Senate in January 2013. Mr. Beall is a Managing Director and Co-Portfolio Manager of Oaktree's Infrastructure Investing strategy. He has over 16 years of experience in direct investments, investment banking, and finance. Mr. Beall served as a key investment professional for Highstar Capital for 10 years prior to joining Oaktree in 2014 and continues to serve as a Partner of Highstar Capital for certain legacy funds not managed by Oaktree. Prior to joining Highstar in 2004, he worked in the Global Natural Resources Group at Lehman Brothers, Inc., and in operations and engineering at Koch Pipeline Company, a natural gas transmission pipeline owned by Koch Industries, Inc. He currently serves on the Boards of Directors for Northstar Transloading, Star Atlantic, the Ports America Companies, and Wespac Midstream. Mr. Beall received a Bachelor of Science in Mechanical Engineering from Oklahoma State University and a Master of Business Administration from Harvard Business School.

Moving America where it wants to go!

...Enjoy the journey®

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

The following is a discussion of Amtrak’s 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 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 below:

- If we do not receive sufficient Federal Government funding, our ability to operate in current form may be adversely affected;
- Our business is subject to federal, and to some state and local, laws and regulations;
- Our business is capital intensive and without sufficient capital investment, we may be unable to maintain and improve current infrastructure and rolling stock;
- Our business is subject to numerous operational risks, such as changes in general economic, weather, or other conditions, equipment failure, disruption of our supply chain, war, acts of terrorism, and other catastrophic events which could result in significant disruptions to our operations, increased expenses or decreased revenues;
- Large portions of our operating costs are driven by prices for diesel fuel and electricity; spikes in energy costs can greatly affect our ability to fund other programs and projects that are necessary to achieve our goals;
- Most of our 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 our insurance coverage; and
- Any decline in the economy that reduces business travel or depresses consumer spending in the U.S. will have a negative impact on Amtrak.

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 result of new information, future events and developments, or otherwise.

GENERAL BUSINESS DESCRIPTION

Amtrak is America’s Railroad®, the nation’s intercity passenger rail service and its high-speed rail operator. Our principal business is to provide rail passenger service in the major intercity travel markets of the United States. In addition to our core business of intercity passenger railroad operations, we engage in related ancillary businesses that include:

- 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; and
- managing and leasing of commercial real estate.

We operate a national rail network of more than 21,300 route miles serving more than 500 destinations in 46 states, the District of Columbia and three Canadian provinces. As of September 30, 2014, our fleet included 1,286 passenger cars, 376 locomotives, 80 *Auto Train* vehicle carriers, and 63 baggage cars. We have begun to take delivery under agreements to purchase 130 new long-distance single-level cars and 70 electric locomotives. A request for proposals has been issued for Next Generation high speed trainsets. Amtrak is the nation's only high-speed intercity passenger provider, operating at a top speed of 150 mph (241 kph). More than half of our trains operate at top speeds of 100 mph (160 kph) or greater.

Amtrak is the only railroad in North America to maintain right-of-way for service at speeds in excess of 125 mph (201 kph) and our engineering forces maintain more than 350 route-miles of track for 100+ mph (160 + kph) service.

We own 67 station structures, 48 platforms and 38 parking lots. We have 18 tunnels consisting of 24 miles of track and 1,414 bridges. We own most of the maintenance and repair facilities for our fleet.

The Northeast Corridor (NEC) is the busiest railroad segment in North America with more than 2,200 trains operating over some portion of the Washington, D.C. - Boston route each day. In our fiscal year ended September 30, 2014 (FY2014), the Boston-New York-Washington, D.C. portion of the NEC carried 11.7 million passengers, the best year ever, on the *Acela Express*, *Northeast Regional* Service, or other Amtrak trains.

Amtrak receives funding from 18 states under 19 operating agreements for financial support of 26 short distance routes (less than 750 miles). In FY2014, five state-supported corridors had ridership of one million passengers or more:

- *Pacific Surfliner* service (San Diego-Los Angeles-San Luis Obispo) – 2.7 million;
- *Capitol Corridor* service (San Jose-Oakland-Sacramento-Auburn) – 1.4 million;
- *Keystone Corridor* service (Harrisburg-Philadelphia-New York City) – 1.3 million;
- *San Joaquin* service (Oakland/Sacramento-Bakersfield) – 1.2 million; and
- *Empire* service (New York-Albany-Niagara Falls) – 1.1 million.

Four other corridors had ridership in excess of 500,000 passengers in FY2014:

- *Hiawatha* service (Chicago-Milwaukee) – 0.8 million;
- *Amtrak Cascades* service (Eugene-Portland-Seattle-Vancouver, B.C.) – 0.8 million;
- *Lincoln* service (Chicago-St. Louis) – 0.6 million; and
- *Downeaster* service (Boston-Portland) – 0.5 million.

Amtrak owned and/or maintained property includes:

- Northeast Corridor: The 363 miles of the 457-mile mainline NEC which connects

Washington, D.C., Philadelphia, New York City, and Boston, the busiest passenger line in the country, with trains regularly reaching speeds of 125-150 mph (201-241 kph). Two sections are owned by others: (1) the New York Metropolitan Transportation Authority (10 miles) and Connecticut Department of Transportation (46 miles) own 56 miles on Metro North between New Rochelle, New York, and New Haven, Connecticut and (2) the Commonwealth of Massachusetts owns 38 miles between the Massachusetts/Rhode Island border and Boston that is operated and maintained by Amtrak;

- Springfield Line: A 60.5-mile track segment from New Haven, Connecticut, to Springfield, Massachusetts;
- *Keystone* Corridor: The 104 miles of up to 110 mph (177 kph) track in Pennsylvania between Philadelphia and Harrisburg;
- Michigan: A 96-mile segment of 110 mph (177 kph) track in Michigan and Indiana which uses the first high-speed positive train control system in revenue service outside the NEC; and
- New York Hudson Line: In December 2012, Amtrak and CSX Transportation reached an agreement for Amtrak to operate, maintain and dispatch approximately 94 miles of the New York City to Niagara Falls Empire Corridor in New York between Poughkeepsie and Hoffmans (near Schenectady).

During FY2014, an average of more than 878,000 people every weekday depended on commuter rail services that used Amtrak-owned infrastructure, dispatching, and shared operations, or rode commuter trains operated by us under contracts with local or regional agencies.

Outside of the NEC, we contract with freight railroads for the use of their tracks and other resources required to operate our trains, with incentives for on-time dispatching. These host railroads are responsible for the condition of their tracks and for the dispatching on their tracks. Approximately 72 percent of Amtrak's train miles are run on tracks owned by other railroads.

We have approximately 20,000 employees and approximately 86 percent of our labor force is covered by labor agreements.

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. In October 2015, Congress passed the Surface Transportation Extension Act of 2015, which included a three-year extension of the PTC deadline. Under the new law, we will have until December 31, 2018 to fully implement PTC technology. Please refer to Note 10 to the Consolidated Financial Statements included in this Annual Report for more detailed information.

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. While portions of the right-of-way follow alignments that date back to the 1830s, Amtrak, the U.S. 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 our major routes (New York to Washington, D.C. and New York to Boston), we carry more passengers than all of the airlines serving these routes, and our share of the air-rail market from the endpoints to intermediate cities such as Philadelphia is even larger. One hundred and forty Amtrak trains run on the NEC each day.

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

Our short-distance corridor trains operate outside of the NEC. 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 our national network at larger stations. State-supported services are vital links in the Amtrak national network. The power of increasing demand for passenger rail is recognized through state investments to improve service, speed, and safety. In addition, states and communities realize stations served by Amtrak are anchors for economic development, catalysts for historic preservation and tourism growth, sites for commercial and cultural uses and points of civic pride.

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. We operate 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 we serve. Operating over routes that range up to 2,438 miles in length (the *Empire Builder*), 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, we offer sleeping car service. 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 the host railroad tracks owned by freight and commuter railroads.

OTHER BUSINESS

Our 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, and right-of-way fees; and freight access fee revenue from the use of Amtrak-owned tracks.

CONSOLIDATED RESULTS OF OPERATIONS

The following discussion presents an analysis of results of our operations for FY2014 and FY2013 (in millions):

	Year Ended September 30,			
	2014	**2013**	**$ Change**	**% Change**
Total revenues	$ 3,235.6	$ 2,990.8	$ 244.8	8.2%
Total operating expenses	4,283.6	4,204.2	79.4	1.9
Net other expense	34.6	62.2	(27.6)	(44.4)
Net Loss	**$ (1,082.6)**	**$ (1,275.6)**	**$ 193.0**	**15.1%**
Ridership	30.9	30.9	0.0	0.2%

* *Beginning in FY2014, Amtrak started to count the actual ridership for multi-ride tickets through eTicketing rather than the estimates used previously. The FY2013 ridership figures presented above were restated from 31.6 million to 30.9 million using the new calculation method.*

Total revenues increased $244.8 million, or 8.2%, from FY2013. The increase is primary attributable to FY2013 service disruption caused by Super Storm Sandy (Sandy), increased state supported revenue as well as increased reimbursable work completed in FY2014. Total operating expenses increased $79.4 million, or 1.9%, from FY2013. This increase was driven primarily by higher depreciation expense, higher material expense and increased maintenance of way work. The increase was partially offset by lower train operation expense.

The annual federal appropriations for general operating, capital and debt service totaled $1.4 billion in FY2014 and $1.3 billion in FY2013. Of these amounts, $340.0 million and $441.6 million were appropriated for general operating expenses for FY2014 and FY2013, respectively. The portion of eligible operating expenses covered by our revenue was 95% in FY2014 and 89% in FY2013.

Total Revenues (in millions)

	Year Ended September 30,			
Revenues	**2014**	**2013**	**$ Change**	**% Change**
Passenger-related:				
Ticket	$ 2,147.2	$ 2,056.2	$ 91.0	4.4%
State supported	235.2	187.1	48.1	25.7
Food and beverage	125.8	123.4	2.4	1.9
Subtotal – Passenger-related revenue	2,508.2	2,366.7	141.5	6.0
Commuter	119.0	112.2	6.8	6.1
Other	608.4	511.9	96.5	18.9
Total revenues	**$ 3,235.6**	**$ 2,990.8**	**$ 244.8**	**8.2%**

Ticket Revenues and Ridership Analysis

Amtrak Ridership and Ticket Revenues (in millions)

	Ridership*			**Ticket Revenues** ($)**		
	2014	**2013**	**% Change**	**2014**	**2013**	**% Change**
NEC	11.7	11.3	3.3%	$ 1,191.4	$ 1,101.0	8.2%
SD	14.7	14.8	(0.6)	486.6	478.1	1.8
LD	4.5	4.8	(4.5)	510.7	525.9	(2.9)
Total	**30.9**	**30.9**	**0.2%**	**$ 2,188.7**	**$ 2,105.0**	**4.0%**

* *Beginning in FY2014, Amtrak started to count the actual ridership for multi-ride tickets through eTicketing rather than the estimates used previously. The FY2013 ridership figures presented above were restated from 31.6 million to 30.9 million using the new calculation method.*

** *Ticket revenues in this table include food and beverage provided as part of the ticket price.*

FY2014 total ridership was relatively flat in comparison to our FY2013 ridership, both were 30.9 million. Ticket revenue in FY2014 (before food and beverage transfer) increased $83.7 million, or 4.0%, compared with FY2013.

NEC ridership and ticket revenues increased by 3.3% and 8.2%, respectively, in FY2014, compared with FY2013. The increase was primarily attributable to the service disruption caused by Sandy in FY2013.

SD and other routes train ridership was relatively flat in FY2014, decreasing from 14.8 million to 14.7 million. Ridership and ticket revenue on the *Keystone*, *Empire* and *Hiawatha* routes increased while the *Cascades*, *Capitol Corridor*, *Washington-Newport News* and *Chicago Hub* routes suffered declines in ridership and ticket revenue.

LD routes ridership and ticket revenues decreased by 4.5% and 2.9%, respectively, in FY2014, compared with FY2013. Most of our 15 long-distance routes saw a decrease in ridership and ticket revenue in FY2014 especially the *Empire Builder*, *Texas Eagle*, *Silver Meteor* and *Lake Shore Ltd*. The decrease in ridership and ticket revenue was primarily due to poor on-time performance. However, the FY2014 ridership and ticket revenue growth continued to be strong on the *Capitol Ltd*. and *Sunset Ltd*. routes. *Auto Train* ridership and ticket revenue also increased primarily attributable to an additional coach car added to the train in FY2014 and a fare increase in late FY2013.

State supported revenues

We partner with 18 states under 19 agreements to bring service to their communities and these services comprise more than half of our departures. Total state-supported revenues of $235.2 million in FY2014 came from California, Connecticut, Illinois, Indiana, Maine, Massachusetts, Michigan, Missouri, New York, North Carolina, Oklahoma, Oregon, Pennsylvania, Texas, Vermont, Virginia, Washington, and Wisconsin. State supported revenues increased by $48.1 million, primarily because of the signing of new agreements with certain states and recording of associated revenue in FY2014, compared with FY2013.

Commuter revenues
In addition to providing 18 states with state-supported Amtrak intercity service, we partnered with the states or regional transportation authorities in Connecticut, Florida, California and Maryland, to operate commuter rail services for a cost-based fee. We also provide maintenance of way, maintenance of equipment and/or dispatching services for transportation authorities in Florida, Massachusetts and Washington. Commuter revenues increased by $6.8 million primarily due to increased contracted maintenance of equipment services for Connecticut Department of Transportation (DOT) as well as increased operating revenue from Metrolink.

Other revenues
We had other revenues of $608.4 million in FY2014, comprised of revenue from reimbursable engineering and capital improvement projects; other transportation revenue from use of Amtrak owned tracks and other services; commercial development revenue from retail, parking, advertising, real property leases/easements/sales, and right-of-way fees; amortization of state funds used to acquire depreciable assets; and freight access fee revenue from the use of Amtrak-owned tracks from freight railroad companies. In FY2014, other revenues increased by $96.5 million or 18.9% primarily because of increased reimbursable work done for Michigan DOT and New York DOT.

Total Operating Expenses (in millions)

	Year Ended September 30,			
Operating Expenses:	**2014**	**2013**	**$ Change**	**% Change**
Salaries, wages, and benefits	$ 2,105.8	$ 2,095.4	$ 10.4	0.5%
Train operations	223.9	272.0	(48.1)	(17.7)
Fuel, power, and utilities	363.0	370.1	(7.1)	(1.9)
Materials	203.2	187.3	15.9	8.5
Facility, communication, and office-related	190.6	181.9	8.7	4.8
Advertising and sales	96.4	95.0	1.4	1.5
Casualty and other claims	58.7	67.4	(8.7)	(12.9)
Depreciation and amortization	759.0	687.1	71.9	10.5
Other	416.2	374.4	41.8	11.2
Indirect cost capitalized to property and equipment	(133.2)	(126.4)	(6.8)	5.4
Total operating expenses	**$ 4,283.6**	**$ 4,204.2**	**$ 79.4**	**1.9%**

Salaries, wages & benefits expenses increased $10.4 million or 0.5% in FY2014, compared with FY2013, primarily due to salary and contractual wage increases.

Train operations expenses decreased by $48.1 million or 17.7% in FY2014, compared with FY2013, primarily due to lower incentive payments made to Host Railroads for adherence to scheduled departure and arrival times.

Fuel, power and utilities expenses decreased by $7.1 million or 1.9% in FY2014, compared with FY2013, primarily due to lower fuel prices and energy usage.

Materials expenses increased by $15.9 million or 8.5% in FY2014, compared with FY2013, primarily due to changes in component overhaul pricing, increased rolling stock repair, and increased uncapitalizable activity for locomotive repair and maintenance.

Facility, communication, and office-related expenses increased $8.7 million or 4.8% in FY2014, compared with FY2013, primarily due to increased reimbursable maintenance of way activity, increased data communication costs and snow removal expenses.

Advertising and sales expenses increased by $1.4 million or 1.5% in FY2014, compared with FY2013, primarily due to increased advertising programs to boost ridership and revenues as well as increased credit card commission payments due to higher net ticket sales.

Casualty and other claims expenses decreased by $8.7 million or 12.9% in FY2014, compared with FY2013, primarily as a result of lower claims activity in FY2014.

Depreciation and amortization expense increased by $71.9 million or 10.5% in FY2014, compared with FY2013, primarily due to an increase in the cost basis of property and equipment.

Other expenses increased by $41.8 million or 11.2% in FY2014, compared with FY2013, primarily due to increased reimbursable expense for Michigan maintenance of way work and expenses incurred for funded initiatives. The increase in other expenses was partially offset by insurance recoveries received in connection with damage incurred following Sandy.

Indirect cost capitalized to property and equipment increased by $6.8 million or 5.4% in FY2014, compared with FY2013, primarily because of an increase in capital spending on track replacement work and capitalized engineering labor.

Net Other Expense (in millions)

Net other expense includes interest income on cash and cash equivalents and escrow deposits held, interest expense associated with the financing of equipment and buildings, loss recognized upon the early extinguishment of debt, and other non-operating income and expenses.

	Year Ended September 30,			
Other Expense:	**2014**	**2013**	**$ Change**	**% Change**
Interest income	$ (2.1)	$ (2.4)	$ 0.3	(12.5)%
Interest expense	61.0	75.0	(14.0)	(18.7)
Loss on early extinguishment of debt	_	10.5	(10.5)	(100.0)
Other (income) expense, net	(24.3)	(20.9)	(3.4)	16.3
Net other expense	**$ 34.6**	**$ 62.2**	**$ (27.6)**	**(44.4)%**

Interest income was earned on surplus cash and was relatively unchanged from year to year.

Interest expense decreased by $14.0 million or 18.7% in FY2014, compared with FY2013, primarily because of the decrease in the outstanding principal balance on existing capital leases resulting from regular principal payments made throughout FY2014 along with impact of the early buyouts exercised in FY 2014 and late in FY2013.

Loss on early extinguishment of debt decreased by $10.5 million in FY2014, compared with FY2013. In FY2013, we restructured the Pennsylvania Economic Development Financing Authority (PEDFA) Garage Bonds and purchased the equity interests in the lease related to the three *Acela* High Speed Maintenance Facilities (HSMF). These transactions resulted in losses on early extinguishment of debt. There were no similar transactions in FY2014.

Other income, net increased by $3.4 million or 16.3% in FY2014. The amount reported in FY2014 was primarily attributable to gains realized on sales of property in that year. The amount reported in FY2013 was primarily attributable to a gain recognized on the exercise of an early buyout option in that year.

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.

Overview of Cash Flows

We rely 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 we own. Our primary uses of cash are to support operations; maintain and improve our infrastructure; pay debt service; acquire new and maintain existing locomotives, rolling stock and other equipment; and meet other obligations.

Cash Flow Data (in millions)

Summary cash flow data	**Year Ended September 30,**			
	2014	**2013**	**$ Change**	**% Change**
Cash flows (used in) provided by:				
Operating activities	$ (459.7)	$ (364.8)	$ (94.9)	26.0%
Investing activities	(1,063.6)	(1,010.6)	(53.0)	5.2
Financing activities	1,665.0	1,446.9	218.1	15.1
Net increase in cash and cash equivalents	141.7	71.5	70.2	98.2
Cash and cash equivalents beginning of year	282.3	210.8	71.5	33.9
Cash and cash equivalents end of year	**$ 424.0**	**$ 282.3**	**$ 141.7**	**50.2%**

Operating Cash Flows

Net operating cash outflows for FY2014 increased by $94.9 million to $459.7 million. The higher FY2014 operating cash outflow was partially driven by the payout in FY2014 of $39.3 million in retroactive wage increases accrued as of September 30, 2013. The increase was also due to delays in a number of state contribution payments. In addition, approximately $47.6 million of the higher operating cash outflow was due to the acquisition in FY2013 of the equity ownership interests related to the *Acela* High Speed Maintenance Facilities and the return of the collateral payments, both of which lowered FY2013 cash outflows. The increase in operating cash outflows was partially offset by $30.0 million in insurance proceeds collected in FY2014 related to Sandy.

Investing Cash Flows
Cash flow relating to investing activities consists primarily of cash used for capital expenditures. Net cash used in investing activities was $1.1 billion in FY2014, compared with $1.0 billion in FY2013. The increase was primarily driven by spending on the new ACS-64 electric locomotives.

Financing Cash Flows
Cash flows from financing activities consist primarily of federal and state appropriations, and proceeds from issuance of long-term debt, offset by repayment of debt and capital lease obligations. Financing activities provided cash of $1.7 billion in FY2014, compared with $1.4 billion in FY2013. The year-over-year change was primarily driven by new debt issuances in FY2014 (see Note 6 to the Consolidated Financial Statements located elsewhere in this Annual Report).

Financing cash flows for FY2014 and FY2013 are discussed in more detail below:

- Net financing cash inflows for FY2014 were $1.7 billion. Appropriations from the federal government under the 2014 Full-Year Continuing Appropriations Act provided funding of $1.2 billion in FY2014. During the same period, we received $198.6 million in proceeds from the issuance of two long-term loans from commercial banks; $172.1 million in federal and state capital payments; $134.1 million under the Disaster Relief Appropriations Act, 2013; $113.1 million under the American Recovery and Reinvestment Act of 2009 High Speed Intercity Passenger Rail program; and $60.6 million under a financing agreement with the Federal Railroad Administration (FRA), through the Railroad Rehabilitation & Improvement Financing (RRIF) loan program. Proceeds from federal appropriations and other grants were used for debt and capital lease obligations repayments of $279.6 million.

- Net financing cash inflows for FY2013 were $1.4 billion. Appropriations from the Federal Government under the 2013 Full-Year Continuing Appropriations Act provided funding in FY2013 of $1.3 billion. During the same period, we received $110.1 million under a financing agreement with the FRA, through the RRIF loan program; $57.2 million under a Memorandum of Understanding (MOU) agreement with the FRA; $130.8 million in federal and state capital payments; $42.0 million in proceeds from the issuance of PEDFA Garage Bonds and $3.7 million in reimbursements from the 2012 Full-Year Continuing Appropriations Act. Proceeds from federal appropriations and other grants were used for debt repayments of $11.8 million, to pay capital lease obligations and exercise five lease early buyout options for $154.9 million, and to pay mortgage obligations of $117.1 million.

We are subject to various covenants and restrictions under our borrowing and leasing arrangements. A default by us or acceleration of our indebtedness may result in a cross-default with other debt and may have a material adverse effect on us. As of September 30, 2014, we had failed to meet our covenant obligation under our borrowing arrangements to provide our audited financial statements as of and for the year ended September 30, 2013 on a timely basis. Waivers were received from certain lenders where necessary to prevent a default and upon delivery of the audited financial statements for FY2013 in November 2014, we came into compliance with our financial reporting covenant obligation. However, in January 2015, we failed to meet our covenant obligation to provide on a timely basis our audited financial statements as of and for the year ended September 30, 2014. Waivers were received from certain lenders where necessary to prevent a default, and upon delivery of the audited financial statements contained in this Annual Report to our lenders and lessors in October 2015, we satisfied all of our financial reporting covenant obligations.

Overview of Contractual Obligations and Capital Expenditures

Contractual Obligations

We have historically funded debt service payments on our indebtedness and capital leases (other than RRIF financing) from federal capital appropriations. If capital funds are insufficient to cover our eligible debt service payments, we would expect to use cash from operating revenues to cover such payments.

The following table outlines our material obligations under long-term debt and capital and operating lease obligations as of the end of FY2014 (in millions):

Payments Due by Period

	Total	Up to 1 year	>1 year to 3 years	3 years to 5 Years	>5 years
Long-term debt*	$ 757.0	$ 67.4	$ 172.5	$ 93.2	$ 423.9
Equipment and facility capital lease obligations**	762.8	75.3	177.3	152.3	357.9
Operating rights and leases**	93.8	16.6	27.8	18.7	30.7
Total	**$ 1,613.6**	**$ 159.3**	**$ 377.6**	**$ 264.2**	**$ 812.5**

* *As described in Note 6 to the Consolidated Financial Statements.*

** *As described in Note 7 to the Consolidated Financial Statements.*

In the normal course of business, we enter into long-term contractual commitments for future services needed for the operations of our 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 our 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 our indebtedness.

The enactment of the Continuing Appropriations Resolutions, 2015 as Public Law 113-164 along with the enactment of the Consolidated and Further Continuing Appropriations Act, provided total funding of $1.4 billion for Amtrak's FY2015. The enactment of the Continuing Appropriations Act, 2016 as Public Law 114-53 on September 30, 2015 provided funding for Amtrak through December 11, 2015.

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. We receive funds from state and local entities for capital programs as well as from federal appropriations.

The following table summarizes major capital expenditures by department for FY 2014 and FY 2013 (in millions):

	Year Ended September 30, 2014	**2013**
Engineering	$ 669.7	$ 533.4
Mechanical	349.7	415.9
Information Technology (IT)	36.8	38.3
Other	151.5	151.0
Total	**$ 1,207.7**	**$ 1,138.6**

- Engineering major capital expenditures in FY2014 included $392.9 million for right of way (track, signals, substations, etc.) replacement and upgrade projects; $143.3 million for construction and upgrades to bridges, tunnels, and culverts; and $77.5 million for station and facility upgrades. Included in the station and facility upgrades is approximately $24.1 million of capital improvements for compliance with the Americans with Disabilities Act.

- Mechanical major capital expenditures in FY2014 included $94.2 million related to the acquisition of new ACS-64 locomotives; $71.7 million for overhauls and conversions of Amfleets (single-level intercity passenger cars built for us in the 1970s and 1980s); $56.7 million related to the overhaul of Acela trainsets; $54.8 million for overhauls and modifications on Superliners (bi-level passenger cars built for us in the 1970s and 1990s and used on long distance trains that do not use the NEC); and $27.2 million for locomotive overhauls.

- IT major capital expenditures in FY2014 included $10.4 million for our regular employee hardware replacement program and $8.8 million for the Reservation Ecosystem Next Generation Program (a program providing reservation services for passengers to book, modify, or view reservation information in real time).

- Other major capital expenditures in FY14 included $39.3 million related to safety, security, and infrastructure protection; $27.9 million related to the early buyout of leases on various passenger cars; $17.0 million to remediate structural failings in the Philadelphia 30th Street Station under street parking garage; and $14.8 million for the Operations Foundation project (a program to implement new technology within the Operations Department).

CRITICAL ACCOUNTING ESTIMATES

This MD&A is based on our Consolidated Financial Statements contained elsewhere in this Annual Report, 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. We base these estimates and judgments on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

We believe the following accounting estimates are most critical to an understanding of our 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 our 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 our financial statements. Property and equipment, including leasehold improvements, comprised 90.4% of our total assets at the end of FY2014, and related depreciation and amortization comprised 17.7% of total operating expenses in FY2014.

Except as described below, property and equipment that we own are carried at cost and are depreciated using the group method of depreciation (group method) 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 stated at cost and are individually depreciated on a straight-line basis over their estimated useful lives, which are generally five to ten years. Properties held under capital leases and leasehold improvements are depreciated over the shorter of their estimated useful lives or their respective lease terms.

We periodically engage a civil engineering firm with expertise in railroad property usage to conduct a study to evaluate depreciation rates for assets subject to the group method. These rates are used for the group depreciation calculations. In addition to the adjustment to group depreciation rates as a result of periodic depreciation studies, certain other events could occur that would materially affect our estimates and assumptions related to depreciation. Unforeseen changes in operations or technology could substantially alter assumptions regarding our ability to realize the return of investment on our operating assets and, therefore, affect the amount of current and future depreciation expense. Because group method 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 group method 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 group method calculation of depreciation expense could increase. Likewise, if future studies indicate that assets have longer lives, the group method calculation of depreciation expense could decrease.

Impairment of Long-Lived Assets

Properties and other long-lived assets are reviewed for impairment whenever events or business conditions indicate that the carrying amount of an asset may not be recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows. If impairment indicators are present, the assets are evaluated for sale or other dispositions, and their carrying amounts are reduced to fair value based on discounted cash flows or other estimates of fair value.

In performing our impairment analysis, we assume future federal government subsidies at levels consistent with the historical funding levels discussed in Note 2 to our Consolidated Financial Statements. We believe funding at historical levels is the best estimate of the future. At this approximate level of funding, we determined that no indicators of impairment existed as of September 30, 2014. If future federal government funding drops below historical levels, substantial impairment may occur.

On October 29, 2012, Sandy, one of the largest Atlantic storms on record, came ashore in the Northeast and mid-Atlantic region of the United States. NEC service was suspended on October 29th, partial service was resumed on November 1st and full service was resumed on November 15th. We sustained damage to our tunnels and other structures in New York and New Jersey, requiring repair work and disrupting passenger service. We currently estimate that total damages related to Sandy will be at least $1.05 billion, most of which are related to cleaning the tunnels and replacing certain assets inside them over time. The tunnels are currently operating at full capacity, concurrently with the cleaning and replacement work. We determined that there was no impairment to the tunnels as of September 30, 2014, and expenses related to cleaning and replacement costs are being recognized as incurred. With the assistance of a third party consultant, we reviewed the impacted assets and determined that certain infrastructure assets associated with specific locations along the NEC route would need to be replaced sooner than previously anticipated. Accordingly, we assigned unique group depreciation rates to these assets. As a result, depreciation expense totaling $193.1 million will be accelerated over the remaining life of these assets. Of this amount, $147.1 million for ventilation facilities and bridges is being accelerated over a total of five years, $33.5 million for the East River Tunnel is being accelerated over a total of 11 years, and $12.5 million for the North River Tunnel is being accelerated over a total of 17 years. The acceleration of depreciation expense increased our net loss during FY2014 and FY2013 by $31.7 million and $39.7 million, respectively. As of September 30, 2013 the estimated accelerated depreciation was $231.8 million. Our estimate changed during FY2014 to $193.1 million as disclosed above. The change in estimate is being recognized on a prospective basis.

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 incurred but not reported claims. As of September 30, 2014 and 2013, the reserves for casualty losses and claims were $196.7 million and $236.0 million, respectively.

Environmental

As further described in Note 11 to the Consolidated Financial Statements included elsewhere in this Annual Report, we are subject to extensive and complex federal and state environmental laws and regulations that can give rise to environmental issues. As a result of our operations and acquired properties, we are from time to time involved in administrative and judicial proceedings and administrative inquiries related to environmental matters. Our policy is to accrue estimated liabilities and capitalize such amounts of remediation costs relating to properties acquired with existing environmental conditions and to expense remediation costs incurred on properties for environmental clean-up matters occurring after acquisition. The liability is periodically adjusted based on our present estimate of the costs we will incur related to these sites and/or actual expenditures made. Some of our 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. We have identified a number of locations for which major renovations are planned and liabilities have been recorded. However, for remaining locations, we have 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 we may settle these obligations is unknown or cannot be reasonably estimated. Although we believe we have appropriately recorded current and long-term liabilities for known and estimable future environmental costs, we 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, we believe our 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 our overall financial condition, results of operations, or liquidity. As of the end of FY2014 and FY2013, the environmental reserve was $53.1 million and $60.5 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.

We engage an independent, external actuary to compute the amounts of liabilities and expenses relating to these plans subject to the assumptions that we select. We review the discount rate, expected long-term return on plan assets, rate of compensation increase and health care cost trend rates on an annual basis and make modifications to the assumptions based on current rates and trends as appropriate.

On March 18, 2015, our Board of Directors approved amendments to freeze benefits under our defined benefit retirement plan and to modify our postretirement medical benefits program for nonunion employees. These amendments are expected to reduce our pension and other post-retirement benefit expense in future years. See Note 12 to the Consolidated Financial Statements for additional information.

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 us to buy enough high quality bonds to generate cash flow equal to our expected future benefit payments.

We determine 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 we used to value our pension and other post-retirement benefit obligations was 4.57% and 5.18% at September 30, 2014 and 2013, respectively. 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, we give 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.

Our 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. We used a long-term rate of return on plan assets of 7.5% to value both FY2014 and FY2013 pension obligations.

Rate of Compensation Increase

Rate of compensation increase is based on current trends and historical data accumulated by us. We review recent wage increases and management incentive compensation payments in our assessment of the rate of compensation increase. We used a compensation increase rate of 4.20% to value our pension obligations at September 30, 2014 and 2013.

Health Care Cost Trend Rates

Health care cost trend rates are based on recent plan experience and industry trends. We use guidance from employee benefits and actuarial consultants, Amtrak-specific claims trends, and healthcare cost studies to substantiate the inflation assumption for health care costs. The assumed health care cost trend rate ranged from 7.50% to 8.50% at September 30, 2014, compared with a range of 7.75% to 8.75% at September 30, 2013, based upon current actuarial projections.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for our other post-retirement benefit obligations. A 1% point change in assumed healthcare cost trend rates in FY2014 would have the following effects (in millions):

	1% Increase	**1% Decrease**
Effect on total service and interest cost component	$ 19.9	$ (14.5)
Effect on postretirement benefit obligation	$ 241.9	$ (161.5)

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.

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 on our tax return in future years for which the tax benefit has already been reflected in our Consolidated Statements of Operations. We establish valuation allowances for our 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 (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies, which can also be impacted by changes to tax laws. Deferred tax liabilities primarily relate to fixed assets for which we have no basis for tax purposes because the fixed assets were purchased with federal grants, which are recorded within equity and are not included in taxable income.

We evaluate our 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. We have evaluated income tax positions taken in prior years and believe that all positions are more likely than not to be sustained in an audit.

Legal

As part of our operations, we are 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 our 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.

We evaluate all exposures relating to legal liabilities on a monthly basis and adjust 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.

On May 12, 2015, Amtrak Train 188, traveling from Washington, D.C., northbound for New York's Penn Station, derailed north of 30th Street Station while traveling through a curve. The National Transportation Safety Board's (NTSB's) preliminary analysis determined that the train was traveling 106 mph when the engineer applied the train's emergency brakes moments before the derailment. The NTSB's investigation is ongoing, and we anticipate its final report in approximately one year from the date of the derailment. As of October 1, 2015, there are 65 lawsuits pending and our estimate of liability for passenger claims and on-duty employee claims is $163.9 million and $9.3 million, respectively. Total passenger and/or on-duty employee claims in excess of $20.0 million are expected to be covered by insurance. We also suffered property damage in the incident. We are still assessing the extent of the damages but the financial impact of the damages will be capped at our

$10.0 million property insurance deductible. Any amounts in excess of $10.0 million are expected to be covered by insurance. Please refer to Note 13 to the Consolidated Financial Statements included elsewhere in this Annual Report for more detailed information.

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 our business, the replacement cost of these assets would be significantly larger than the amounts reported under the historical cost basis.

CONSOLIDATED FINANCIAL STATEMENTS

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
Years Ended September 30, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Financial Statements

Years Ended September 30, 2014 and 2013

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Report of Independent Auditors

The Board of Directors and Stockholders
National Railroad Passenger Corporation

We have audited the accompanying consolidated financial statements of National Railroad Passenger Corporation and subsidiaries (Amtrak or the Company), which comprise the consolidated balance sheets as of September 30, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, changes in capitalization, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of National Railroad Passenger Corporation and subsidiaries at September 30, 2014 and 2013, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Federal Government Funding

As explained in Notes 1 and 2 in the accompanying consolidated financial statements, the Company has a history of operating losses and is dependent upon substantial Federal Government subsidies to sustain its operations and maintain its underlying infrastructure. As further explained in Note 2 to the consolidated financial statements, the Company is receiving Federal Government funding under the Consolidated and Further Continuing Appropriations Act, 2015. The Company expects to receive interim Federal Government funding under Congressional continuing resolutions for fiscal year 2016 until the formal appropriations bill is signed into law. There are currently no Federal Government subsidies appropriated by law for any period subsequent to December 11, 2015. Without the receipt of Federal Government funding, the Company will not be able to continue in its current form and significant operating changes, restructurings, or bankruptcy might occur. Our opinion is not modified with respect to this matter.

Ernst & Young LLP

October 1, 2015

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Balance Sheets

(In Thousands of Dollars, Except Share Data)

	September 30, 2014	September 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	**$ 424,041**	$ 282,280
Restricted cash and cash equivalents	**5,149**	6,813
Accounts receivable, net of allowances of $4,429 and $3,076 at September 30, 2014 and 2013, respectively	**307,917**	202,702
Materials and supplies, net of allowances of $46,074 and $45,423 at September 30, 2014 and 2013, respectively	**268,410**	258,133
Prepaid expenses	**15,396**	16,223
Other current assets	**44,219**	14,972
Total current assets	**1,065,132**	781,123
Property and equipment:		
Locomotives	**1,709,439**	1,531,045
Passenger cars and other rolling stock	**2,992,737**	2,922,180
Right-of-way and other properties	**11,733,797**	11,321,458
Construction-in-progress	**1,311,304**	1,126,936
Leasehold improvements	**527,439**	498,153
Property and equipment, gross	**18,274,716**	17,399,772
Less – Accumulated depreciation and amortization	**(7,016,382)**	(6,455,403)
Total property and equipment, net	**11,258,334**	10,944,369
Other assets, deposits, and deferred charges:		
Notes receivable on sale-leasebacks	**54,440**	53,755
Deferred charges, deposits, and other	**76,020**	149,906
Total other assets, deposits, and deferred charges	**130,460**	203,661
Total assets	**$ 12,453,926**	$ 11,929,153

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Balance Sheets (continued)

(In Thousands of Dollars, Except Share Data)

	September 30, 2014	September 30, 2013
Liabilities and capitalization		
Current liabilities:		
Accounts payable	**$ 337,478**	$ 304,942
Accrued expenses and other current liabilities	**560,935**	592,768
Deferred ticket revenue	**133,733**	127,653
Current maturities of long-term debt and capital lease obligations	**106,291**	134,393
Total current liabilities	**1,138,437**	1,159,756
Long-term debt and capital lease obligations:		
Capital lease obligations	**483,088**	510,079
Other long-term debt	**681,210**	645,133
Total long-term debt and capital lease obligations	**1,164,298**	1,155,212
Other liabilities and deferred credits:		
Deferred state capital payments	**1,190,592**	1,065,993
Casualty reserves	**150,748**	178,709
Deferred gain on sale-leasebacks	**54,355**	73,567
Postretirement employee benefits obligation	**1,232,671**	1,077,310
Environmental reserve	**46,042**	53,420
Deferred income taxes	**226**	3,879
Other liabilities	**74,953**	71,216
Total other liabilities and deferred credits	**2,749,587**	2,524,094
Total liabilities	**5,052,322**	4,839,062
Commitments and contingencies *(Note 10)*		
Capitalization:		
Preferred stock – $100 par, 109,396,994 shares authorized, issued and outstanding at September 30, 2014 and 2013	**10,939,699**	10,939,699
Common stock – $10 par, 10,000,000 shares authorized, 9,385,694 issued and outstanding at September 30, 2014 and 2013	**93,857**	93,857
Other paid-in capital	**28,209,068**	26,697,860
Accumulated deficit	**(31,352,171)**	(30,269,559)
Accumulated other comprehensive loss	**(488,849)**	(371,766)
Total capitalization	**7,401,604**	7,090,091
Total liabilities and capitalization	**$ 12,453,926**	$ 11,929,153

See accompanying notes.

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Statements of Operations
(In Thousands of Dollars)

	Year Ended September 30, 2014	2013
Revenues:		
Passenger related	**$ 2,508,165**	$ 2,366,726
Commuter	**119,032**	112,230
Other	**608,389**	511,898
Total revenues	**3,235,586**	2,990,854
Expenses:		
Salaries, wages, and benefits	**2,105,766**	2,095,418
Train operations	**223,880**	271,974
Fuel, power, and utilities	**362,971**	370,131
Materials	**203,232**	187,255
Facility, communication, and office related	**190,629**	181,948
Advertising and sales	**96,381**	95,013
Casualty and other claims	**58,653**	67,378
Depreciation and amortization	**759,023**	687,061
Other	**416,205**	374,397
Indirect cost capitalized to property and equipment	**(133,191)**	(126,390)
Total expenses	**4,283,549**	4,204,185
Net loss before other expense	**1,047,963**	1,213,331
Other expense:		
Interest income	**(2,045)**	(2,371)
Interest expense	**60,989**	74,976
Loss on early extinguishment of debt	**–**	10,476
Other income, net	**(24,295)**	(20,858)
Other expense, net	**34,649**	62,223
Net loss	**$ 1,082,612**	$ 1,275,554

See accompanying notes.

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Statements of Comprehensive Loss

(In Thousands of Dollars)

	Year Ended September 30, 2014	2013
Net loss	**$ 1,082,612**	$ 1,275,554
Other comprehensive loss:		
Pension and other postretirement benefit items:		
Net loss (gain) arising during the period	**133,442**	(175,016)
Prior service credit during period	**–**	(188,038)
Amortization of actuarial loss	**(38,113)**	(58,653)
Amortization of prior service cost	**21,754**	(3,971)
Total pension and other postretirement benefit items	**117,083**	(425,678)
Comprehensive loss	**$ 1,199,695**	$ 849,876

See accompanying notes.

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Statements of Changes in Capitalization

(In Thousands of Dollars)

	Preferred Stock	Common Stock	Other Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at September 30, 2012	$ 10,939,699	$ 93,857	$ 25,208,088	$ (28,994,005)	$ (797,444)	$ 6,450,195
Federal paid-in capital	–	–	1,489,772	–	–	1,489,772
Net loss	–	–	–	(1,275,554)	–	(1,275,554)
Total pension and other postretirement benefit items	–	–	–	–	425,678	425,678
Balance at September 30, 2013	10,939,699	93,857	26,697,860	(30,269,559)	(371,766)	7,090,091
Federal paid-in capital	–	–	**1,511,208**	–	–	**1,511,208**
Net loss	–	–	–	**(1,082,612)**	–	**(1,082,612)**
Total pension and other postretirement benefit items	–	–	–	–	**(117,083)**	**(117,083)**
Balance at September 30, 2014	**$ 10,939,699**	**$ 93,857**	**$ 28,209,068**	**$ (31,352,171)**	**$ (488,849)**	**$ 7,401,604**

See accompanying notes.

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Consolidated Statements of Cash Flows

(In Thousands of Dollars)

	Year Ended September 30, 2014	2013
Cash flows from operating activities		
Net loss	$ (1,082,612)	$ (1,275,554)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	759,023	687,061
(Gain) loss on sale of property and equipment	(10,913)	81
Gain on exercise of early buyout option	–	(19,567)
Loss on early extinguishment of debt	–	10,476
Other	8,084	10,649
Changes in assets and liabilities:		
Accounts receivable	(110,637)	6,899
Materials and supplies	(13,452)	(13,287)
Prepaid expenses	827	(2,511)
Other current assets	(29,247)	10,460
Other assets, deposits, and deferred charges	73,017	50,664
Accounts payable, deferred ticket revenue, accrued expenses and other current liabilities	4,258	76,200
Deferred state capital payments	(47,532)	(37,451)
Other liabilities and deferred credits	(10,534)	131,066
Net cash used in operating activities	(459,718)	(364,814)
Cash flows from investing activities		
Change in restricted cash and cash equivalents	1,664	1,317
Purchases and refurbishments of property and equipment	(1,100,167)	(1,013,136)
Proceeds from disposals of property and equipment	34,960	1,254
Net cash used in investing activities	(1,063,543)	(1,010,565)
Cash flows from financing activities		
Proceeds from federal paid-in capital	1,511,208	1,489,772
Proceeds from federal and state capital payments	172,129	130,778
Repayments of debt and capital lease obligations	(279,570)	(283,858)
Proceeds from issuance of debt	261,255	110,147
Net cash provided by financing activities	1,665,022	1,446,839
Net change in cash and cash equivalents	141,761	71,460
Beginning balance of cash and cash equivalents	282,280	210,820
Ending balance of cash and cash equivalents	$ 424,041	$ 282,280
Supplemental disclosure of cash payments		
Interest paid, net of amount capitalized	$ 71,709	$ 73,214
Supplemental disclosure of noncash investing and financing activities		
Debt and capital lease reduction through use of escrow deposits/notes receivable	–	400
Other non-cash changes in property, includes accruals of amounts due for purchases	1,261	4,783

See accompanying notes.

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 Secretary of the United States Department of Transportation (the DOT) owns all issued and outstanding preferred stock (see Note 5). 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 certain 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 and capital funds grant agreements (see Note 4). 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). The DOT, through the FRA, also provides financing to Amtrak through the Railroad Rehabilitation and Infrastructure Financing Program (see Note 6 and Note 7).

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 (FY) 2009 through 2013. Pursuant to the Continuing Appropriations Resolutions, 2014 (the 2014 CR) and Continuing Appropriations Resolutions, 2015 (the 2015 CR), some of the requirements in PRIIA continue to apply to the 2014 CR and 2015 CR.

The enactment on October 17, 2013 of the 2014 CR as Public Law 113-46 and the enactment on January 17, 2014 of the Consolidated Appropriations Act, 2014, as Public Law 113-76 provided total funding of approximately $1.4 billion for Amtrak's fiscal year ended September 30, 2014 (FY2014), consisting of capital and debt service assistance funds totaling $1.0 billion, of which $10.3 million is designated to the FRA for oversight of capital projects and expenses associated with implementation of PRIIA section 212, and operating funds totaling $340.0 million. As of

2. Funding (continued)

September 30, 2014, $1.2 billion of the funding from the enactments had been received. Amtrak received the remaining $153.7 million in the fiscal year ending September 30, 2015 (FY2015).

The enactment on September 28, 2012 of the Continuing Appropriations Resolutions, 2013 (the 2013 CR) as Public Law 112-175 and the enactment on March 26, 2013 of the Consolidated and Further Continuing Appropriations Act, 2013 (the FY2013 Full Year CR) as Public Law 113-6 provided total funding of approximately $1.3 billion for Amtrak's fiscal year ended September 30, 2013 (FY2013), consisting of capital and debt service assistance funds totaling $902.2 million, of which $9.0 million was designated to the FRA for oversight of capital projects and expenses associated with implementation of PRIIA section 212, and operating funds totaling $441.6 million. At September 30, 2013, all of the funding from the enactments was received.

The enactment on September 19, 2014 of the 2015 CR as Public Law 113-164 along with the enactment on December 16, 2014 of the Consolidated and Further Continuing Appropriations Act, 2015, as Public Law 113-235 provided total funding of $1.4 billion for Amtrak's FY2015, consisting of capital and debt service assistance funds totaling $1.1 billion, of which $10.7 million is designated to the FRA for oversight of capital projects and expenses associated with implementation of PRIIA section 212, and operating funds totaling $250.0 million. As of September 30, 2015, $1.1 billion of the funding from the enactments had been received.

The terms of the operating grant generally provide funding for the associated fiscal year while the capital and debt service assistance grant generally provide that such funds can be retained until expended, generally expected to be by December 31 of the subsequent year. There are currently no Federal operating or capital and debt services subsidies appropriated for any period subsequent to December 11, 2015. Without such subsidies, Amtrak will not be able to continue to operate in its current form and significant operating changes, restructuring or bankruptcy may occur. Such changes or restructuring would likely result in asset impairments. The Company ultimately expects it will receive sufficient funds in the form of Continuing Appropriations Resolutions or other appropriations legislation to support its operations for the foreseeable future.

3. Basis of Presentation and Summary of Significant Accounting Policies

Method of Accounting

The accompanying consolidated 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); and its 99.9% interest in Washington Terminal Company (WTC). 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 interest in CUS in 1976 as part of the conveyance of the Northeast Corridor (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; and lease and licensing of station space for retail services, display advertising, special events and other commercial 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 April 17, 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.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

All short-term investments with original maturities of 90 days or less 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.

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. The balance in restricted cash and cash equivalents as of September 30, 2014 consists of restricted funds for certain operations of the Amtrak Police Department. As of September 30, 2013, the balance in restricted cash and cash equivalents consisted of (i) restricted funds for certain operations of the Amtrak Police Department (ii) restricted cash from a contractor performing work for the Illinois Department of Transportation, (iii) restricted cash held for Amtrak's Office of Inspector General and used to reimburse the cost of program management and oversight under the American Recovery and Reinvestment Act of 2009; and (iv) restricted cash set aside and used to fund union employee healthcare claims paid by a former insurance provider in connection with Amtrak's self-insured medical program.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable in the Consolidated Balance Sheets includes billed and unbilled accounts receivable. 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 $102.3 million and $46.4 million of unbilled accounts receivable as of September 30, 2014 and 2013, respectively.

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 and the characteristics of current accounts, as well as general economic conditions and trends.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

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. The allowance for shrinkage and obsolescence is recorded based on specific identification and expected usage rates.

Derivative and Hedging Activities

Amtrak periodically enters into derivative contracts to manage a portion of its 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 held one and three fuel derivative contracts as of September 30, 2014 and 2013, respectively. Amtrak does not designate its 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 FY2014 and FY2013, Amtrak recognized a net increase of $3.9 million and $6.5 million, respectively, in "Fuel, power, and utilities" expense in the Consolidated Statements of Operations associated with derivative fuel contracts. As of September 30, 2014 and 2013, Amtrak had derivative fuel contracts with a fair value of $0.9 million and $3.3 million, respectively, included in "Other current assets" in the Consolidated Balance Sheets.

Amtrak periodically enters into interest rate swap agreements to manage its interest rate exposure to floating rate debt obligations. Amtrak does not designate its interest rate swaps as hedging instruments. Changes in the fair value of its interest rate swaps are recorded as a component of "Interest expense" in the Consolidated Statements of Operations.

On June 19, 2014, in conjunction with financing for the early termination of certain capital lease obligations (see Note 6), Amtrak entered into an interest rate swap arrangement to convert floating rate debt to a fixed rate. As of September 30, 2014, the fair value of the swap contract was a liability of less than $100,000.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

On November 2, 2012, in conjunction with the Pennsylvania Economic Development Financing Authority (PEDFA) Garage Bond reissuance (see Note 6), Amtrak entered into an interest rate swap arrangement. As of September 30, 2014 and 2013, the fair value of the PEDFA Garage Bond interest rate swap derivative contract was $0.5 million and $1.0 million, respectively, which is included in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets.

Property, Equipment, and Depreciation

Except as described below, property and equipment owned by the Company are carried at cost and depreciated using the group method of depreciation (group method) 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 stated at cost and are individually depreciated on a straight-line basis over their estimated useful lives, which are generally five to ten years. Properties held under capital leases and leasehold improvements are depreciated over the shorter of their estimated useful lives or their respective lease terms. Land is carried at cost.

For assets depreciated under the group method, upon normal sale or retirement, the cost less the net salvage value is charged to "Accumulated depreciation" in the Consolidated Balance Sheets and no gain or loss is recognized. Gains or losses related to significant premature retirements of depreciable property and the disposal of land are recorded as gains and losses in the Consolidated Statements of Operations 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 FY2014 and FY2013.

Amtrak periodically engages an outside civil engineering firm with expertise in railroad property usage to conduct a study to evaluate depreciation rates for assets subject to the group method. These rates are used for the group depreciation calculations. In addition to the adjustment to group depreciation rates because 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 on its investment in operating assets and, therefore, affect the amounts of current and future depreciation expense. Because group method 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 group method

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

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 group method calculation of depreciation expense could increase. Likewise, if future studies indicate that assets have longer lives, the group method calculation of depreciation expense could decrease.

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, at which time depreciation commences. 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 $11.7 million and $8.6 million for FY2014 and FY2013, respectively.

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 from five 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 five to ten years.

The Company accounts for asset retirement obligations (AROs) 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 any liability for conditional AROs, including environmental remediation liabilities, in the period in which it is 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. The capitalized cost is depreciated over the useful life of the related asset and upon

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

settlement of the liability Amtrak either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The asset retirement costs capitalized were $9.7 million as of both September 30, 2014 and 2013, and were included in "Right of way and other properties" in the Consolidated Balance Sheets.

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 99,697 and 135,515 rail ties during FY2014 and FY2013, respectively, and plans on replacing approximately 430,000 remaining ties in FY2015 through FY2018 at an estimated total cost of $201.1 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 acceleration of depreciation expense increased the net loss during FY2014 by approximately $1.3 million and decreased the net loss during FY2013 by approximately $1.8 million. 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 recurring 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 $2.0 million and $1.4 million in FY2014 and FY2013, respectively.

Indirect Cost Capitalized to Property and Equipment

Overhead expense allocations represent the indirect support expenses related to specific geographic regions and departments that are involved in particular operating and construction projects. These indirect costs, which include fringe benefits allocable to direct labor, are capitalized along with the direct costs of material, labor, and other direct costs. Amtrak's overhead rates are updated at the end of each fiscal year based upon the actual activity and costs incurred during the fiscal year.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Properties and other long-lived assets are reviewed for impairment whenever events or business conditions indicate that their carrying amounts may not be recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows. If impairment indicators are present, the assets are evaluated for sale or other disposition, and their carrying amounts are reduced to fair value based on discounted cash flows or other estimates of fair value.

In performing its impairment analysis, the Company assumes future Federal Government subsidies at levels consistent with the historical funding levels discussed in Note 2. The Company believes funding at historical levels is the best estimate to be used of the future. At this approximate level of funding, the Company determined that no indicators of impairment existed as of September 30, 2014. If future Federal Government funding drops below historical levels, substantial impairment may occur as discussed in Note 2.

On October 29, 2012, Super Storm Sandy (Sandy), one of the largest Atlantic storms on record, came ashore in the Northeast and mid-Atlantic region of the United States. NEC service was suspended on October 29th, partial service was resumed on November 1st and full service was resumed on November 15th. Amtrak sustained damage to tunnels and other structures in New York and New Jersey, requiring repair work and disrupting passenger service. Costs incurred by Amtrak during FY2014 and FY2013 totaled approximately $7.0 million and $21.7 million, respectively, including repairs to damaged property and emergency incurred expenses to continue operating the affected tunnels. Amtrak currently estimates that total damages related to Sandy will be at least $1.05 billion, most of which are related to cleaning the tunnels and replacing certain assets inside them over time. The tunnels are currently operating at full capacity, concurrently with the cleaning and replacement work. The Company determined that there was no impairment to the tunnels as of September 30, 2014, and expenses related to cleaning and replacement costs are being recognized as incurred. With the assistance of a third party consultant, the Company reviewed the impacted assets and determined that certain infrastructure assets associated with specific locations along the NEC route would need to be replaced sooner than previously anticipated. Accordingly, the Company assigned unique group depreciation rates to these assets. As a result, depreciation expense totaling $193.1 million will be accelerated over the remaining life of these assets. Of this amount, $147.1 million for ventilation facilities and bridges is being accelerated over a total of five years, $33.5 million for the East River Tunnel is being accelerated over a total of 11 years, and $12.5 million for the North River Tunnel is being accelerated over a total of 17 years. The acceleration of depreciation

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

expense increased the Company's net loss during FY2014 and FY2013 by $31.7 million and $39.7 million, respectively. As of September 30, 2013 the estimated accelerated depreciation was $231.8 million. The Company's estimate changed during FY2014 to $193.1 million as disclosed above. The change in estimate is being recognized on a prospective basis.

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 an estimate for unasserted claims. As of September 30, 2014 and 2013, the reserve for casualty losses and claims was $196.7 million and $236.0 million, respectively. Of the total amount reserved as of September 30, 2014 and 2013, the estimated current claims liability included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets was $46.0 million and $57.3 million, respectively. The balance of the reserve as of both September 30, 2014 and 2013 is included in "Casualty reserves" in the Consolidated Balance Sheets.

Revenue Recognition

"Passenger related" revenue in the Consolidated Statements of Operations includes ticket revenue, state contribution revenue associated with requested service provided by Amtrak, and food and beverage revenue as follows (in millions):

	Year Ended September 30,	
	2014	**2013**
Ticket	**$ 2,147.2**	$ 2,056.2
State contribution	**235.2**	187.1
Food and beverage	**125.8**	123.4
Total passenger related revenue	**$ 2,508.2**	$ 2,366.7

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.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

"Commuter" revenue includes the revenues earned under contractual arrangements to operate various commuter rail services for a cost-based fee. These revenues are recognized when the related services are provided.

"Other" revenue, for FY2014 and FY2013, includes (i) revenue from reimbursable engineering and capital improvement activities (these revenues are generally recognized when the associated costs are incurred); (ii) other transportation revenue from use of Amtrak-owned tracks and other services (these revenues are generally recognized when the related services are provided); (iii) commercial development revenue from retail, parking, advertising, real property leases/easements/sales, and right-of-way fees (these revenues are generally recognized as the services are provided); (iv) amortization of state funds used to acquire depreciable assets (such payments are deferred when received and amortized over the estimated composite life of the related assets purchased with the funds, and the unamortized amounts are included in "Deferred state capital payments" in the Consolidated Balance Sheets); and (v) freight access fee revenue from the use of Amtrak-owned tracks by freight railroad companies and other gains.

The components of other revenue are as follows (in millions):

	Year Ended September 30, 2014	2013
Reimbursable	**$ 277.9**	$ 188.2
Other transportation	**145.0**	141.6
Commercial development	**77.9**	84.3
Amortization of state capital payments	**47.5**	37.5
Freight access fees and other	**60.1**	60.3
Total other revenue	**$ 608.4**	$ 511.9

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 $36.8 million and $35.5 million for FY2014 and FY2013, respectively.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

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 carry-forwards. 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. 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 historical 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 24301, 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 FY2014 and FY2013 (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.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

The Company bases these estimates on historical experience, the current economic environment, and 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 and obsolescence of material and supplies, estimated useful lives of property and equipment, calculation of accelerated depreciation related to Sandy, recoverability of long-lived assets, estimates of wrecked and damaged equipment, estimates of casualty reserves, pension and other postretirement employee benefits expense and obligations (including expected return on plan assets, discount rates, rate of future compensation increases, and health care cost trend rates), estimated costs for retroactive wages for union employees, estimated costs of asset retirement obligations, valuation allowance for deferred tax assets and environmental reserves.

Comprehensive Loss

Amtrak reports a comprehensive loss in the Consolidated Statements of Comprehensive Loss. Comprehensive loss is defined as changes in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. As of September 30, 2014 and 2013, "Accumulated other comprehensive loss" consists of adjustments for pension and other postretirement liabilities.

Recent Accounting Pronouncements

In February 2013, the FASB issued Accounting Standards Update (ASU) No. 2013-02, *Comprehensive Income (Topic 220)*. This guidance seeks to improve the reporting of reclassifications out of accumulated other comprehensive income. Companies are required to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. generally accepted accounting principles (GAAP). This update will become effective for the Company beginning with FY2015. The Company does not expect the adoption of this standard to have a material impact on its financial condition or results of operations.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes previous revenue recognition guidance. The new standard requires that a company recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the company expects to receive in exchange for those goods and services. Companies will need to use more judgment and estimates than under the guidance currently in effect, including estimating the amount of variable revenue to recognize over each identified performance obligation. Additional disclosures will be required to help users of financial statements understand the nature, amount and timing of revenue and cash flows arising from the contracts. In August 2015, the FASB issued a deferral of the effective date of this pronouncement. The new standard will become effective for the Company beginning with the fiscal year ending September 30, 2020 and can be adopted either retrospectively to each prior reporting period presented or as a cumulative effect adjustment as of the date of adoption. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40).* This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The guidance will be effective for the Company beginning with the fiscal year ending September 30, 2017, with early adoption permitted. As the Company expects to continue to receive funding from the Federal Government, Amtrak does not expect the adoption of this ASU to have a significant impact on its consolidated statements of financial condition or results of operations.

In April 2015, the FASB issued ASU No. 2015-03, *Imputation of Interest (Subtopic 835-30),* simplifying the presentation of debt issuance costs. Under the new guidance, the debt issuance costs related to a recognized debt liability will be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability. The amortization of debt issuance costs will continue to be included in interest expense. This guidance should be applied retrospectively and is effective for the Company beginning with the fiscal year ending September 30, 2017, with early adoption permitted. This ASU is not expected to have a material impact on the Company's consolidated statements of financial position or results of operations.

3. Basis of Presentation and Summary of Significant Accounting Policies (continued)

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820).* This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This ASU is effective for the Company beginning with the fiscal year ending September 30, 2017. Reporting entities must apply the new guidance retrospectively to all periods presented. This ASU is expected to impact the Company's fair value disclosures on pension assets, but it will not have an impact on the Company's consolidated statements of financial condition or results of operations.

4. Accounting and Reporting for Federal Payments

Certain funds are provided to Amtrak during the year through federal payments for capital and operating expenditures. These federal payments, which are recorded when received in "Other paid-in capital" in the Consolidated Balance Sheets and Consolidated Statements of Changes in Capitalization, totaled $1.5 billion for both FY2014 and FY2013.

In accordance with the 2014 CR, Amtrak was provided with net assistance appropriations of $391.4 million. Of the 2014 CR appropriation, $129.5 million was appropriated as an operating subsidy and $261.9 million was appropriated as a capital subsidy. Both appropriations were fully received during FY2014. The FY2014 Full Year CR provided Amtrak with additional appropriations of $988.4 million. Of the additional 2014 appropriations, $210.5 million was appropriated and received as an operating subsidy in FY2014 and $777.9 million was appropriated as a capital subsidy of which $624.2 million was received during FY2014. Amtrak received the remaining FY2014 capital subsidy of $153.7 million in FY2015.

In accordance with the Disaster Relief Appropriations Act, 2013 (Public Law No. 113-2, January 29, 2013), Amtrak was provided with a net appropriation of $30.2 million for damages incurred following Sandy on October 29, 2012, of which $3.5 million and $19.8 million was received in FY2014 and FY2013, respectively, and with a net appropriation of $185.0 million for the Hudson Yards Concrete Encasement Project, of which $130.6 million and $0.5 million was received in FY2014 and FY2013, respectively.

In accordance with the FY2013 Full Year CR, Amtrak was provided with a total appropriation of $1.3 billion. Of the 2013 appropriation, $441.7 million was appropriated and received as an operating subsidy in FY2013 and $893.1 million was appropriated as a capital subsidy, all of which was received during FY2013.

4. Accounting and Reporting for Federal Payments (continued)

The 2013 CR appropriated $19.4 million to directly fund operations of Amtrak's Office of Inspector General (OIG) to be spent by March 31, 2013. 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 is reimbursed for expenses incurred upon the submission of invoices to the OIG. As of September 30, 2014, Amtrak invoiced and received $18.6 million, which was recorded in "Other paid-in capital" in the Consolidated Balance Sheets and Consolidated Statements of Changes in Capitalization.

Since 2005, the Department of Homeland Security has awarded Amtrak a total of $149.1 million in annual grants 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 cumulatively received $108.3 million and $92.0 million as of September 30, 2014 and 2013, respectively, which are included in "Other Paid-in Capital" in the Consolidated Balance Sheets and Statements of Changes in Capitalization.

In May 2011, the DOT awarded Amtrak $449.9 million in American Recovery and Reinvestment Act of 2009 High Speed Intercity Passenger Rail 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 supports the project to upgrade electrical power, signal systems, and track and overhead catenary wires between Trenton 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. Funding is provided on a reimbursable basis. As of September 30, 2014 and 2013, Amtrak cumulatively received $133.7 million and $20.6 million, respectively, which were recorded in "Other paid-in capital" in the Consolidated Balance Sheets and Statements of Changes in Capitalization.

"Other paid-in capital", included in the Consolidated Balance Sheets and Statements of Changes in Capitalization, also includes the effects of 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 has a balance of $4.0 billion as of September 30, 2014 and 2013, was issued in 1976 and matures on December 31, 2975, and is secured by the real and personal property of Amtrak, WTC, CUS, and PRIL. The second note has a balance of $1.1 billion as of September 30, 2014 and 2013, was issued in 1983 and matures on November 1, 2082, with successive 99-year renewal terms, if the note has not been paid at maturity or accelerated in accordance with its

4. Accounting and Reporting for Federal Payments (continued)

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 is entitled to repayment and 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 Penn Station mortgage in Note 6), or upon the occurrence of various actions concerning an Amtrak bankruptcy, reorganization, or assignment for the benefit of creditors.

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, 2014 and 2013, 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 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 ten shares of common stock at the option of the preferred stockholder.

As of September 30, 2014 and 2013, 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 FY2002. 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.

5. Preferred and Common Stock (continued)

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 and 40 years of interest. The lawsuit has been dismissed twice in its entirety by the federal district court. APU appealed the second dismissal on June 29, 2015. Legal briefing before the Sixth Circuit Court of Appeals is scheduled to be completed by the end of October 2015 (see Note 10). Management does not believe that the ultimate outcome of this lawsuit will have a material impact on its financial condition or results of operations.

6. Mortgages and Debt

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

	September 30, 2014		September 30, 2013	
	Current	**Long-Term**	**Current**	**Long-Term**
Long-term debt:				
Mortgage obligations:				
Penn Station mortgage	**$ 25,040**	**$ 91,695**	$ 22,870	$ 116,735
High speed maintenance facilities	**6,954**	**62,177**	6,531	69,131
Frequency converter facility	**1,675**	**136,855**	1,610	138,535
Subtotal	**33,669**	**290,727**	31,011	324,401
Equipment loans	**4,112**	**–**	7,407	4,112
PEDFA 30th St Garage Revenue Bonds	**1,732**	**37,195**	1,691	38,926
Term Loan A	**17,192**	**108,582**	–	–
Term Loan B	**6,042**	**62,459**	–	–
RRIF Loan*	**4,624**	**190,615**	–	277,694
Principal amount of long-term debt	**67,371**	**689,578**	40,109	645,133
Less unamortized discount	**(470)**	**(8,368)**	–	–
Total long-term debt	**$ 66,901**	**$ 681,210**	$ 40,109	$ 645,133

*Debt component of Railroad Rehabilitation and Improvement Financing (RRIF) Loan obligation (see below and Note 7).

6. Mortgages and Debt (continued)

Letters of Credit

The Company has an unsecured commercial letter of credit of $2.5 million that supports the issuance of auto fleet insurance. As of September 30, 2014 and 2013, there were no draws against this letter of credit.

Mortgage Obligations

Penn Station Mortgage

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, $34.4 million as of September 30, 2014 and 2013 was deposited into escrow for the benefit of the lender and is recorded in "Deferred charges, deposits, and other" in the Consolidated Balance Sheets. Semiannual principal plus interest payments are due on the mortgage through maturity in June 2017. The outstanding balance due on the mortgage was $116.7 million and $139.6 million as of September 30, 2014 and 2013, respectively. The mortgage loan is guaranteed by Amtrak. The mortgage loan is not insured or guaranteed by any governmental entity, private mortgage or other insurer, trustee, or any other person.

High Speed Maintenance Facilities

On October 30, 2012, Amtrak purchased the equity ownership interests related to leveraged lease agreements under which Amtrak leases three Acela maintenance facilities. As a result of the buyout, Amtrak no longer makes lease payments relating to the equity interest, but continues to make payments servicing the leveraged lease debt. As of September 30, 2014 and 2013, the balance of such debt was $69.1 million and $75.6 million, respectively. Amtrak's obligations are collateralized by a pledge of Amtrak's interests in the maintenance facilities.

6. Mortgages and Debt (continued)

Frequency Converter Facility

During FY2001, PEDFA completed two issues of exempt facilities revenue bonds, the net proceeds of which were used to finance part of the costs associated with Amtrak's construction of a frequency converter facility (the Facility). The first series (Series A) for $110.8 million was issued in February 2001, at a $0.8 million discount, netting $110.0 million. The second series (Series B) for $45.0 million was issued in April 2001, at par. Amtrak procured the bond proceeds of each issue through a structured financing arrangement with PEDFA. Under this arrangement, Amtrak leased the Facility to PEDFA until November 2041, under a long-term ground lease, in exchange for the total net proceeds. Simultaneously, Amtrak leased the Facility back from PEDFA 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. Amtrak's obligations in connection with the Series A Bonds and the Series B Bonds (and any reissuances thereof) are collateralized by a pledge of Amtrak's interest in the Facility.

On February 15, 2012, Amtrak initiated a mandatory tender for purchase of the $45.0 million Series B bonds. The Series B bonds were remarketed to a commercial bank that agreed to hold the reissued Series B bonds (Series B 2012) for a period of five years. In connection with the mandatory tender for purchase and the issuance of the Series B 2012 bonds, the interest rate was converted to a tax-effected fraction of the one-month London Interbank Offered Rate (LIBOR) plus 0.65% per annum, which was an effective rate of 0.55% and 0.56% at September 30, 2014 and 2013, respectively. The LIBOR-based interest rate will continue unless or until converted to another interest rate mode by Amtrak. In connection with this transaction, the Company and PEDFA executed and amended certain provisions included in the existing bond documents and lease arrangements with PEDFA.

On March 31, 2012, PEDFA issued $95.1 million of PEDFA exempt facilities revenue refunding bonds (Series A 2012) to refund Series A of 2001 with varying maturities between November 1, 2013 and 2041. The interest rates on the Series A 2012 bonds range from 3.0% to 5.0% (yields ranging from 1.1% to 4.7%), payable semiannually. The Series A 2012 Bonds were issued at a $4.6 million premium, which is being amortized on a straight-line basis (which approximates the effective interest method) over the term of the Series A 2012 bonds. The proceeds from the issuance and funds from the existing debt service reserve fund were used to (i) refund the 2001 Series A bonds outstanding in the amount of $102.4 million; (ii) pay accrued and unpaid interest on Series A bonds of $2.7 million; and (iii) pay the redemption premium of $1.0 million and the issuance costs of $1.3 million. The issuance costs were classified within "Deferred charges,

6. Mortgages and Debt (continued)

deposits, and other" in the Consolidated Balance Sheets and are being amortized to interest expense over the term of each bond issuance. As of September 30, 2014 and 2013, $138.5 million and $140.1 million, respectively, of the Series A 2012 and Series B 2012 obligations remain outstanding. Amtrak guaranteed all principal and interest payments by PEDFA on the Series A and Series B bonds.

Equipment Loans

In 2010 and 2009, Amtrak exercised early buyout options to purchase 40 locomotives and eight superliner passenger cars under capital leases. Amtrak assumed the debt related to the capital leases as new loans from the lenders for $32.0 million. The loans are payable in semiannual payments through maturity with the final loan payments due from January 2012 through January 2015. The interest rates vary from 7.37% to 9.61%. The outstanding balance due on these loans was $4.1 million and $11.5 million as of September 30, 2014 and 2013, respectively. Amtrak's obligations in connection with these loans are collateralized by a pledge of the related rolling stock.

PEDFA 30th St. Garage Revenue Bonds

On January 7, 2003, PEDFA issued $50.0 million of Revenue Bonds (the 2003 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 (30th Street Station Garage). The bonds had multiple maturities ending on June 1, 2033. The bonds were issued at a $0.6 million discount and Amtrak incurred $0.5 million in underwriter's fees that were being amortized on a straight-line basis over the maturity of the bonds. The bonds bore interest, by individual maturities, at fixed rates ranging from 4.50% to 5.875%. Amtrak also entered into a "Pledge and Security Agreement" with PEDFA under which Amtrak guaranteed the payment of the principal and interest on the 2003 PEDFA Garage Bonds. Amtrak's obligations with regard to the 2003 PEDFA Garage Bonds (and any reissuances thereof) are collateralized by a pledge of Amtrak's interests in the 30th Street Station Garage.

On November 2, 2012, at Amtrak's request, PEDFA issued $42.0 million of Revenue Bonds (the 2012 PEDFA Garage Bonds) in order to refinance the 2003 PEDFA Garage Bonds. At the date of issuance, the 2012 PEDFA Garage Bonds were remarketed to a commercial bank that agreed to hold them for a period of seven years. The $42.0 million proceeds together with $4.2 million released from the then-existing restricted funds for the 2003 PEDFA Garage Bonds were used to

6. Mortgages and Debt (continued)

refund the 2003 PEDFA Garage Bonds outstanding at that time plus accrued and unpaid interest and to pay other costs of the financing. In FY2013, the Company wrote off $5.7 million of deferred financing costs related to the original issuance of the 2003 PEDFA Garage Bonds. The write-off was recognized in the FY2013 Consolidated Statement of Operations as "Loss on early extinguishment of debt". The 2012 PEDFA Garage Bonds mature in 20 years, with mandatory purchase by Amtrak at par plus accrued interest at the end of the seventh year unless an extension agreement is executed with the commercial bank that holds them. Interest accrues at a variable one month LIBOR rate. The principal outstanding under the 2012 PEDFA Garage Bonds was $38.9 million and $40.6 million as of September 30, 2014 and 2013, respectively.

On November 2, 2012, Amtrak also entered into an interest rate swap agreement to manage the interest cost and risk associated with the 2012 PEDFA Garage Bonds. The notional principal amount of the swap agreement matches the outstanding bond obligation at the end of every month. The termination date is November 1, 2019, with an option to extend to November 1, 2032, if Amtrak delivers a notice of exercise prior to October 29, 2019. Under the agreement, Amtrak pays a fixed interest rate of 1.58% and receives a variable one month LIBOR rate on the outstanding notional principal amount. As a result, the effective interest rate on the 2012 PEDFA Garage Bonds is 2.39%.

Amtrak reported capital expenditures of $35.0 million related to the construction of the parking garage in "Right-of-Way and other properties" in the Consolidated Balance Sheets as of both September 30, 2014 and 2013.

Term Loan A and Term Loan B

On November 27, 2013, the Company entered into a $130.0 million credit facility with PNC National Bank, N.A. (the Bridge Loan) to finance the early termination of certain capital leases (see Note 7). On June 19, 2014, the Company converted the Bridge Loan into a $200.0 million long-term loan, secured by certain of the Company's P-42 diesel locomotives, of which $130.0 million was financed with PNC Equipment Finance, LLC (Term Loan A) and $70.0 million was financed with RBS Asset Finance Inc. (Term Loan B). Under the terms of the agreement for Term Loan A, the Company incurs interest at a rate of LIBOR plus 1.0%. At the time that Term Loan A was entered into, the Company entered into an interest rate swap agreement, the impact of which made the effective interest rate on Term Loan A 2.76%. Under the agreement for Term Loan B, the Company incurs interest at a rate of 3.36%. The Company is repaying the two term loans in quarterly installments beginning September 20, 2014 and

6. Mortgages and Debt (continued)

continuing through June 20, 2021 in the case of Term Loan A and June 20, 2024 in the case of Term Loan B. As of September 30, 2014, the outstanding balance was $125.8 million under Term Loan A and $68.5 million under Term Loan B. In connection with the Bridge Loan, Term Loan A and Term Loan B, Amtrak incurred $0.8 million of loan origination fees paid to the lenders which are being amortized using the effective interest method over the terms of the respective term loans. Amtrak also incurred $0.6 million of legal fees and other debt issuance costs which are being amortized over the term of the loans on a straight line basis.

Railroad Rehabilitation and Improvement Financing Loan (RRIF Loan)

On June 21, 2011, the Company entered into a $562.9 million RRIF Loan financing agreement with the FRA and a related Master Lease Agreement with Wells Fargo Bank Northwest (Owner Trustee), to finance the purchase of 70 new electric locomotives, related spare parts, and improvements to existing maintenance facilities to service the new locomotives. Amtrak's obligations are collateralized by a pledge of the locomotives, spare parts, and certain facilities expected to be constructed with loan proceeds. The Owner Trustee's role in the Master Lease Agreement is as a trustee for the benefit of the FRA. Amtrak will repay the FRA advances (plus interest thereon) via quarterly lease payments under the Master Lease Agreement. The first payment occurred on September 15, 2014. Payments will continue, on a quarterly basis, for a full 25-year period at an amount sufficient to fully pay interest and amortize principal over the term. During FY2014, Amtrak took delivery of the first 21 of the 70 locomotives. Upon acceptance of each locomotive, the associated portion of the obligation under the RRIF Loan converts to a capital lease for accounting purposes (see Note 7).

During the years ended September 30, 2014 and 2013, the Company received new advances under the RRIF Loan of $60.6 million and $110.1 million, respectively. As of September 30, 2014 and 2013, the total outstanding balance under the RRIF Loan (debt and capital lease obligations) was $344.9 million and $277.7 million, respectively. All advances under the RRIF Loan bear interest at an interest rate of 4.04% per annum. Of the total amount outstanding on September 30, 2014, $195.2 million was classified as a debt obligation and $149.7 million was classified as a capital lease obligation. The full balance of the RRIF Loan was classified as debt as of September 30, 2013 as the Company had not taken delivery of any of the locomotives as of that date.

6. Mortgages and Debt (continued)

The Company incurred interest charges on the advances classified as debt obligations of \$11.7 million and \$8.6 million for the years ended September 30, 2014 and 2013, respectively, that were capitalized and recorded in "Construction-in-progress" in the Consolidated Balance Sheets.

Amtrak pays a 4.424% credit risk premium on all amounts advanced under the RRIF Loan program. The credit risk premium may be returned by the FRA to Amtrak after the repayment of the RRIF Loan. As of September 30, 2014 and 2013, the Company had paid cumulative credit risk premiums of \$14.4 million and \$11.7 million, respectively. The credit risk premium balance at September 30, 2014 is offset in part against the debt balance and in part against the capital lease obligation in the Consolidated Balance Sheets and is being amortized over the term of the RRIF Loan using the effective interest method. The effective interest rate of the RRIF Loan is 4.45% and will vary over time because of the additional credit risk premium with each draw. The balance of the credit risk premium is allocated proportionally between debt and capital lease obligations. The amortization of the credit risk premium allocated to debt is capitalized along with interest expense as part of "Construction-in-progress" in the Consolidated Balance Sheets.

Interest Rates

The annual weighted-average interest rates for all interest-bearing borrowings (inclusive of the impact of any interest rate swaps) are shown below:

	September 30,	
	2014	**2013**
Mortgage obligations	**6.24%**	6.35%
PEDFA Garage Bonds	**2.39**	2.39
Equipment loans	**9.61**	9.40
RRIF Loan	**4.04**	4.04
Term loans	**2.97**	N/A

The overall weighted-average interest rate on all interest-bearing borrowings (inclusive of the impact of any interest rate swaps) is 4.7% and 5.2% per annum at September 30, 2014 and 2013, respectively.

6. Mortgages and Debt (continued)

Scheduled Debt Maturities

On September 30, 2014, scheduled maturities of debt are (in thousands):

Year Ending September 30,	
2015	$ 67,371
2016	67,045
2017	105,457
2018	44,698
2019	48,486
Thereafter	423,892
Principal amount of long-term debt	756,949
Less unamortized discount	(8,838)
Total long-term debt	$ 748,111

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 with other debt and may have a material adverse effect on the Company. As of September 30, 2014, the Company had failed to meet its covenant obligation under its borrowing arrangements to provide on a timely basis its audited financial statements, as of and for the year ended September 30, 2013. Waivers were received from certain lenders where necessary to prevent a default and upon delivery of the audited financial statements for the year ended September 30, 2013 in November 2014, the Company came into compliance with its financial reporting covenant obligation. However, in January 2015, the Company failed to meet its covenant obligation to provide on a timely basis its audited financial statements as of and for the year ended September 30, 2014. Waivers were received from certain lenders where necessary to prevent a default, and upon delivery of these audited financial statements, the Company will have satisfied all of its financial reporting covenant obligations.

7. Leasing Arrangements

Amtrak leases equipment, primarily passenger cars and locomotives, and related maintenance infrastructure under capital leasing arrangements. Amtrak has entered into various lease transactions in which the lease structure contains variable interest entities (VIEs). These VIEs were created solely for the purpose of doing lease transactions and have no other activities, assets or liabilities outside of the lease transactions. In some of the arrangements, Amtrak has the option to purchase some or all of the assets at a fixed price, thereby creating variable interests for Amtrak in the VIEs.

Amtrak maintains and operates the assets based on contractual obligations within the lease arrangements, which set specific guidelines consistent with industry standards. As such, Amtrak has no control over activities that could materially impact the fair value of the leased assets. Amtrak does not hold the power to direct the activities of the VIEs and, therefore, does not control the ongoing activities that have a significant impact on the economic performance of the VIEs. Additionally, Amtrak does not have the obligation to absorb losses, or the right to receive benefits of the VIEs.

As of September 30, 2014 and 2013, the gross amount of assets recorded under capital leases was $1.4 billion and $1.6 billion, respectively, with accumulated amortization of $0.7 billion and $0.8 billion, respectively.

Amtrak is subject to various covenants and restrictions under its leasing arrangements. Amtrak has given guarantees or entered into reimbursement agreements in connection with certain of these lease transactions. 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 (see Note 6).

RRIF Loan

In FY2014, 21 of the 70 planned new electric locomotives were delivered to the Amtrak Equipment Trust 2011 (Trust) for the RRIF Loan and leased to Amtrak. The Trust maintains title to the locomotives and administers the RRIF Loan.

The delivery of each locomotive creates a capital lease for accounting purposes between the Company and the Trust. As of September 30, 2014, $149.7 million of the amount due under the RRIF Loan was attributable to locomotives leased under the Trust and is recorded, net of unamortized discounts applied to the capital lease obligation of $6.3 million, as a capital lease obligation. See additional disclosure regarding the RRIF Loan in Note 6.

7. Leasing Arrangements (continued)

Amtrak has the right to terminate the lease and purchase any or all of the locomotives at any time during the lease term by paying the termination value specified in the lease.

Lease Terminations

During FY2014, Amtrak terminated certain capital leases by paying an early termination price which included the purchase of the leased equipment as part of the lease termination for all but one of the terminated leases. The lease termination amount paid by Amtrak for all of the terminated leases was $199.9 million. As part of the lease terminations, Amtrak acquired 83 P-42 locomotives, 29 Surfliner railcars, and seven Superliner railcars. All the equipment purchased by Amtrak was for the normal operation of its train service and the Company expects to continue to use the equipment for the foreseeable future.

Future Minimum Lease Payments

As of September 30, 2014, future minimum lease payments under capital leases are (in thousands):

Year ending September 30,	
2015	$ 75,348
2016	87,899
2017	89,370
2018	75,805
2019	76,484
Thereafter	357,863
Total minimum lease payments	762,769
Less: discounted to current period amount at interest rates ranging from 4.5% to 9.1%	240,291
Present value of minimum lease payments at September 30, 2014	$ 522,478

The current portion of capital lease obligations as of September 30, 2014 and 2013, was $39.3 million and $94.3 million, respectively, and is presented in "Current maturities of long-term debt and capital lease obligations" in the Consolidated Balance Sheets.

7. Leasing Arrangements (continued)

Operating Rights and Leases

As of September 30, 2014, Amtrak is obligated for the following minimum rental payments under operating rights and lease agreements (in thousands):

Year ending September 30,	
2015	$ 16,610
2016	14,321
2017	13,504
2018	11,034
2019	7,711
Thereafter	30,693
Total	$ 93,873

Rent expense for FY2014 and FY2013 was $53.3 million and $54.6 million, respectively and is included in "Facility, communication and office related" expenses in the Consolidated Statements of Operations.

Amtrak lease offices, operating areas, stations and other terminal space. These leases often contain renewal options to enable the Company to retain the use of facilities. Some of the leases contain escalation clauses that increase the rents based on a fixed or variable rate, such as an inflation factor index. Under certain leases, the Company is obligated to pay additional amounts based on the facility's operating expenses.

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 FY2014 and FY2013, totaled $89.5 million and $131.4 million, respectively, and are included in "Train operations" in the Consolidated Statements of Operations.

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).

The Company's derivative financial instruments are valued by a third-party consultant based on prevailing market data derived from proprietary models and are carried at fair value on the consolidated balance sheet per FASB ASC Topic 820. 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, 2014 and 2013, by the FASB ASC Topic 820 valuation hierarchy (in thousands).

	Level 1	Level 2	Level 3	Total
September 30, 2014				
Fuel derivative contracts	**$ –**	**$ 872**	**$ –**	**$ 872**
Interest rate swaps	**–**	**481**	**–**	**481**
Total	**$ –**	**$ 1,353**	**$ –**	**$ 1,353**
September 30, 2013				
Fuel derivative contracts	$ –	$ 3,254	$ –	$ 3,254
Interest rate swap	–	1,025	–	1,025
Total	$ –	$ 4,279	$ –	$ 4,279

8. Fair Value Measurements (continued)

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

	September 30, 2014		September 30, 2013	
	Principal Amount	**Fair Value**	**Principal Amount**	**Fair Value**
Mortgage obligations	**$ 324,396**	**$ 357,252**	$ 355,412	$ 404,393
Equipment loans	**4,112**	**4,251**	11,519	12,502
PEDFA Garage Bond	**38,927**	**29,273**	40,617	41,754
Term Loan A	**125,774**	**118,962**	–	–
Term Loan B	**68,501**	**67,899**	–	–
RRIF Loan (debt component)	**195,239**	**230,366**	277,694	266,125
	$ 756,949	**$ 808,003**	$ 685,242	$ 724,774

The estimated fair values of the non-derivative financial instruments listed above are based upon discounted cash flow analyses using interest rates available to Amtrak at September 30, 2014 and 2013, for debt with the same remaining maturities.

For pension assets, all fair value measurement disclosures are included in Note 12. 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.

9. Income Taxes

There was no provision or benefit for income taxes for the fiscal years ended September 30, 2014 and 2013, which differed from the expected amount computed by applying the U.S. federal income tax rate of 35% to pretax loss. A reconciliation of the U.S. federal statutory income tax rate to Amtrak's actual income tax rate for FY2014 and FY2013 is as follows:

	2014	**2013**
U.S. federal statutory income tax rate	**35.0%**	35.0%
Federal operating grants	**(11.7)**	(12.3)
Valuation allowance	**(24.9)**	(23.8)
Other	**1.6**	1.1
Effective income tax rate	**0.0%**	0.0%

9. Income Taxes (continued)

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

	September 30, 2014	September 30, 2013
Deferred tax assets:		
Net operating loss carryforward	**$ 2,442,944**	$ 2,365,336
Pension and other postretirement employee benefits	**459,837**	402,159
Capital leases	**182,610**	211,126
Claims reserves	**67,877**	66,949
Other accruals	**32,499**	43,187
Accrued vacation and other compensation accruals	**36,796**	35,489
Deferred gain on sale leaseback	**19,024**	25,749
Inventory reserve	**16,126**	15,898
Capital loss (rate security)	**3,229**	3,229
Bad debt reserve	**1,550**	1,077
Capitalized software	**251**	281
Gross deferred tax assets	**3,262,743**	3,170,480
Less: valuation allowance	**(136,037)**	(154,551)
Net deferred tax assets	**3,126,706**	3,015,929
Deferred tax liabilities:		
Fixed assets	**(3,113,979)**	(3,013,148)
Insurance recoveries	**(11,466)**	–
Deferred rent	**(1,367)**	(6,438)
30th Street Station	**(120)**	(222)
Gross deferred tax liabilities	**(3,126,932)**	(3,019,808)
Net deferred tax liability	**$ (226)**	$ (3,879)

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 decreased by $18.5 million.

Net operating loss carryforwards were $7.0 billion and $6.8 billion as of September 30, 2014 and 2013, respectively. The carryforwards at September 30, 2014, will expire in various years from 2018 through 2034.

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 because of these audits become a liability of the Company. The Company does not believe that the liabilities that may result from such audits for periods through September 30, 2014, would have a material effect on its financial position or the results of operations.

Commitments

Amtrak has various purchase commitments related to capital improvements pertaining 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. 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.

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 on September 7, 2010. The Company makes 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, 2014, the Company has incurred $95.2 million in project related costs. As of September 30, 2014, the Company had not taken delivery of any of the cars. Deliveries began in FY2015 and final delivery of all cars is expected by April 2017.

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 this 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, 2014, the Company has incurred $394.9 million in project costs of which $325.4 million have been funded by the RRIF Loan (see Note 6). As of September 30, 2014, the

10. Commitments and Contingencies (continued)

Company had taken delivery of 21 locomotives, and final delivery of the remaining locomotives is expected by the end of FY2016. On September 12, 2014, the Company entered into a 15 year contract with the same contractor to provide materials and engineering technical support for the new electric locomotives. The Company will pay the contractor $7.1 million per year plus a variable amount based on total mileage of the fleet each year.

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 and there is a need to insure in the event of multiple occurrences, Amtrak purchases excess liability insurance limits beyond this statutory cap. See Note 13 for information regarding a derailment that occurred subsequent to September 30, 2014.

Amtrak operates a majority of its 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 generally 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 generally indemnify Amtrak for bodily injury and property damage claims made by freight railroad employees and third parties, and for damage to freight railroad equipment, lading, and property.

Amtrak holds insurance policies to insure against catastrophic events. As of September 30, 2014, Amtrak has submitted insurance claims related to losses occasioned following Sandy totaling $1.1 billion, of which $125.0 million has been received by the Company to date. Of this amount, $30.0 million was received during FY2014 and $95.0 million was received subsequent to fiscal year-end. Of the amount received to date, $62.8 million has been recognized in the Consolidated Statement of Operations for FY2014 as a reduction of "Other" expenses, consisting of $30.0 million allocated to business interruption and $32.8 million related to costs incurred as of September 30, 2014. No amounts were recorded in the Consolidated Statement of Operations for FY2013. The amount received in FY2015 in excess of the amount recognized in the

10. Commitments and Contingencies (continued)

Consolidated Statement of Operations for FY2014 will be recognized in the FY2015 Consolidated Statement of Operations. The remainder of the claim and all future claims will not be recognized by Amtrak until further confirmation of the assessed damages is agreed to by the insurers or additional cash is received.

On September 17, 2014, the Company filed a lawsuit in the United States District Court for the Southern District of New York regarding insurance claims for losses following Sandy. The complaint sought declaratory relief and alleged that in connection with outstanding claims for losses following Sandy the insurance carrier defendants breached more than 25 first-party all-risk property insurance policies that defendants sold to the Company in 2011. The lawsuit proceeded on an expedited schedule and the trial was scheduled to commence on July 14, 2015.

On June 24, 2015, the judge ruled in the insurers' favor on their pending summary judgment motions, finding that: (a) the inundation of property in the aftermath of Sandy falls within the definition of flood in the insurance policies; (b) no ensuing loss was suffered; and (c) Amtrak's losses arose from a single occurrence. The order then dismissed the excess liability insurers on the grounds that Amtrak's insurance claim would not allow recovery from excess liability insurers whose exposure is only to claims that exceed the $125 million sub-limit for flood set forth in the various policies.

On July 2, 2015, the judge dismissed the lawsuit based on a settlement reached between Amtrak and those insurers providing coverage for liability amounts of $125 million or less. Amtrak appealed the June 24, 2015 decision dismissing the excess liability insurers to the United States Court of Appeals for the Second Circuit on July 23, 2015.

Labor Agreements

Approximately 86% of Amtrak's labor force is covered by labor agreements. As of September 30, 2014, Amtrak has ratified five-year labor contracts with all of its unionized workforce, which includes the Transportation Communications International Union; Joint Council of Carmen, Coach Cleaners and Helpers; Amtrak Service Workers Council; Brotherhood of Locomotive Engineers; American Train Dispatchers Association; International Association of Machinists and Aerospace Workers; International Brotherhood of Electrical Workers; National Conference of Firemen and Oilers, International Brotherhood of Boilermakers and Blacksmiths; Sheet Metal Workers' International Association; the Fraternal Order of Police; Brotherhood of Railroad Signalmen; and Brotherhood of Maintenance of Way Employes.

10. Commitments and Contingencies (continued)

With the exception of the Fraternal Order of Police, the agreements for the unions provide for specified general wage increases beginning July 1, 2010, and every six months thereafter, until and including January 1, 2015. The 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.

The Company generally accrues for retroactive wages for unions with unratified contracts on the basis that the remaining contracts would ratify with similar wage increases, which is what occurred for unions with unratified contracts as of September 30, 2013. All retroactive wages as of September 30, 2013 were paid in FY2014. As all unions had ratified contracts as of September 30, 2014, no accrual was recorded as of September 30, 2014. An accrual of $39.3 million was included in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheet as of September 30, 2013.

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. The Sixth Circuit affirmed the District Court's dismissal of APU's complaint except for one procedural due process claim that was remanded to the District Court. On remand, the District Court granted Amtrak's motion to dismiss the case, for a second time, and also dismissed APU's subsequent motion to reconsider or alter that decision. APU appealed the second dismissal on June 29, 2015. Legal briefing before the Sixth Circuit Court of Appeals is scheduled to be completed by the end of October 2015. 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 related to this claim in the consolidated financial statements.

10. Commitments and Contingencies (continued)

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 sought $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 disputed 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. The District Court granted Amtrak's motion for summary judgment and denied NY City's claims. NY City appealed to the DC Circuit Court of Appeals. On January 16, 2015, the DC Circuit ruled in Amtrak's favor, affirming the ruling of the District Court. NY City did not pursue further motions or appeals and the case is now closed.

Amtrak is involved in various other litigation and arbitration proceedings in the normal course of business, including but not limited to several distinct tort, contract and civil rights claims. 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, recorded liabilities, where applicable, are adequate to cover the future payment of such liabilities 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.

Americans With Disabilities Act (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 plan to bring its stations into ADA compliance. This plan is regularly updated and adjusted based on new information and external factors, such as direction the Company receives from the FRA and other government agencies. On June 9, 2015, the Department of Justice (DOJ) provided Amtrak with a Letter of Findings and Conclusions regarding ADA compliance at Amtrak. DOJ has indicated, both in its Letter of Findings and in its communications with Amtrak's counsel, that DOJ intends to work cooperatively with Amtrak to negotiate a settlement or consent decree.

10. Commitments and Contingencies (continued)

Amtrak is 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 that 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. As of September 30, 2014, Amtrak has spent a total of $307.7 million on ADA-related projects. Approximately $37.5 million and $52.8 million of the expenditures were incurred during FY2014 and FY2013, respectively.

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 are five million or more gross tons of railroad traffic per year and the presence of poison by inhalation hazardous materials. PTC is required on any rail line used for regularly scheduled intercity or commuter rail passenger service. The PTC rules provide 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. Amtrak is working with federal and state 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 result in 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. As of September 30, 2014, Amtrak has spent $132.1 million in general capital funds for PTC-related projects. Approximately $32.5 million and $20.1 million of the expenditures were incurred during FY2014 and FY2013, respectively.

Although the Company plans to have all of the NEC rail owned or controlled by the Company fully PTC compliant by the December 31, 2015 deadline, certain other Amtrak owned and/or operated rail is not expected to be compliant with the PTC requirements by December 31, 2015. In addition, certain host railroad companies over whose rail Amtrak's passenger trains operate have indicated that they will not be compliant with the PTC requirements by December 31, 2015. Those host railroads have indicated they will be forced to suspend passenger rail on their lines

10. Commitments and Contingencies (continued)

unless Congress extends the December 31, 2015 deadline. Absent an extension of the December 31, 2015 deadline or an alternative solution to allow continued passenger rail service over Amtrak's rail and host railroad property that is not PTC compliant, Amtrak's operations will be impacted. While the Company is hopeful that the deadline will be extended, it remains uncertain whether Congress will extend the implementation deadline or whether an alternative solution which would allow continued passenger rail service will be implemented. It is possible that Amtrak service could be disrupted in areas where PTC has not yet been fully implemented. However, the possible impact of any such disruption cannot be estimated at this time.

Kansas City Terminal Railway Co. (KCT) is a Class III railroad whose property is located in and around Kansas City, Missouri. Currently, Amtrak operates four Missouri state-supported service trains and two Amtrak long distance trains over KCT's rail lines each day. Under federal law, Class III railroads currently are not required to install PTC unless the railroad carries passenger trains. Because Amtrak operates passenger service over KCT's lines, KCT is required to install PTC by December 31, 2015. On April 4, 2014, KCT filed a claim before the National Arbitration Panel (NAP, a standing panel of railroad arbitrators established in 1971) to recover from Amtrak the full cost of installing PTC on its lines under the terms of Amtrak's operating agreement with KCT. Amtrak moved to dismiss the arbitration action, asserting that federal law, not the contract, controlled any Amtrak obligation to pay for PTC and that the Surface Transportation Board was the proper entity to decide such issues. However, the NAP ruled that the dispute fell within the scope of the Operating Agreement. Upon KCT's motion requesting "interim compensation" (i.e., a portion of KCT's ongoing costs for installing PTC), the NAP ruled that Amtrak must pay KCT a portion of its PTC installation costs, subject to a "true-up" in the final award in the arbitration proceeding. In response to that ruling, Amtrak sent a letter to KCT, notifying KCT that it would be forced to discontinue service over KCT's rail lines. Settlement discussions and a stay of the arbitration proceeding followed that notice. On August 7, 2015, Amtrak and KCT reached a settlement pursuant to which Amtrak paid KCT an agreed upon amount and KCT acknowledged their obligation to complete installation of PTC on their rail lines.

Other railroads over which Amtrak operates its passenger trains also have indicated they will assert claims against Amtrak to recover costs of PTC installation. The final outcome of any additional PTC claims cannot be predicted with certainty, but the Company expects that the outcome could result in additional accruals that could be material to Amtrak. Any accruals will be reflected in the periods in which such liability becomes probable and estimable.

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 remediation costs relating to properties acquired with existing environmental conditions, 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 environmentally-regulated wastes or materials. If these properties undergo excavations, major renovations or are demolished, certain environmental regulations that are in place may specify the manner in which the wastes or materials must be assessed, handled, and disposed. The Company has identified a number of locations for which excavations and major renovations are planned and liabilities have been recorded. However, for remaining locations, the Company has no plans or expectations to undertake excavations, demolitions or major renovations that would require the removal of the environmentally-regulated wastes or materials.

Although a potential liability exists for the removal or remediation of environmentally-regulated 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 at this time. Although the Company believes it has appropriately recorded current and long-term reserves 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, 2014 and 2013, the environmental reserve was $53.1 million and $60.5 million, respectively. These reserves 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 $7.1 million as of both September 30, 2014 and 2013, and is reported in "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets. Of the reserve, $33.5 million and $40.1 million, included in "Right-of-way and other properties" in the Consolidated Balance Sheets as of September 30, 2014 and 2013, respectively, relates to estimated future capital expenditures for environmental remediation.

11. Environmental Matters (continued)

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 estimate of its portion of the gross liability. In those instances where Amtrak has received a buyout of third party liabilities, the amounts are recorded as credits against 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.

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

12. Postretirement Employee Benefits

Amtrak has a qualified non-contributory defined benefit retirement plan (the Retirement Income Plan) whose assets are held in trust covering non-union employees and certain union employees who at one time held non-union positions.

Amtrak provides medical benefits to its qualifying retirees and life insurance to some retirees in limited circumstances under its postretirement benefits program. Railroad union employees' life insurance benefits are covered by a separate policy purchased by Amtrak. Under Amtrak's postretirement benefits program, substantially all salaried employees hired prior to April 1, 2013 (as described below) 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.

On March 27, 2013 the Retirement Income Plan and non-union postretirement benefit plan were amended to provide that no employee hired, rehired or who transfers from a collectively-bargained position on or after April 1, 2013 will be eligible to participate in these plans. However, if a non-union employee terminates employment or transfers to a collective bargaining position and returns within 90 days of the termination or transfer, he or she would be eligible to re-enter the plans.

12. Postretirement Employee Benefits (continued)

On March 18, 2015, Amtrak's Board of Directors approved an amendment to freeze benefits under the Retirement Income Plan, effective June 30, 2015. This change will result in no additional benefits being earned by participants based on service or pay after June 30, 2015. These plan changes resulted in a curtailment and required a remeasurement as of March 31, 2015. The curtailment and the remeasurement resulted in a net decrease in the projected benefit obligation as of the remeasurement date of $64.6 million which was offset against existing unrecognized losses.

Also on March 18, 2015, Amtrak's Board of Directors approved an amendment to modify its postretirement medical benefits program for non-union employees. Effective June 30, 2015:

- Excluding certain Grandfathered Retirees and Retired Executives, retirees age 65 and older will have to obtain medical coverage through a third party medical exchange. Amtrak will fund a tax-advantaged health reimbursement account to assist retirees with medical expenses.

- Eligibility requirements for future retirees will be changed to age 55 with ten years of service, or age 60 with five years of service for employees who are age 50 or over as of June 30, 2015.

- Employees less than age 50 on June 30, 2015 will no longer be eligible for subsidized benefits under the Plan.

These postretirement medical benefit program changes required a remeasurement as of March 31, 2015. The remeasurement resulted in a net decrease in the projected benefit obligation as of the remeasurement date of $402.8 million. The decrease in the projected benefit obligation will be reflected as a prior service credit and will be amortized over approximately four years beginning April 1, 2015.

12. Postretirement Employee Benefits (continued)

Obligations and Funded Status

The liability of the Company's pension benefits under its Retirement Income Plan, as well as other postretirement benefits plans, as of September 30, 2014 and 2013 was as follows (in thousands):

	Pension Benefits		Other Benefits	
	2014	**2013**	**2014**	**2013**
Reconciliation of projected benefit obligation:				
Obligation at October 1	**$ 422,099**	$ 457,170	**$ 1,120,535**	$ 1,356,892
Service cost	**14,713**	17,292	**30,701**	40,852
Interest cost	**21,396**	19,551	**56,679**	57,987
Change in discount rate	**35,606**	(47,946)	**92,402**	(131,041)
Actuarial loss (gain)	**40,823**	(8,147)	**(36,609)**	25,035
Change in plan provisions	**–**	–	**–**	(188,038)
Benefit payments	**(17,152)**	(15,821)	**(49,252)**	(41,152)
Obligation at September 30	**$ 517,485**	$ 422,099	**$ 1,214,456**	$ 1,120,535
Reconciliation of fair value of plan assets:				
Plan assets at October 1	**$ 393,608**	$ 345,864	**$ –**	$ –
Actual gain on plan assets	**29,119**	40,155	**–**	–
Employer contributions	**14,000**	25,000	**49,252**	41,152
Participant contributions	**–**	–	**1,794**	1,710
Medicare Part D subsidy	**–**	–	**981**	935
Benefit payments, net	**(18,605)**	(17,411)	**(52,027)**	(43,797)
Plan assets at September 30	**$ 418,122**	$ 393,608	**$ –**	$ –
Funded status:				
Net liability recognized in Consolidated Balance Sheets	**$ (99,363)**	$ (28,491)	**$ (1,214,456)**	$ (1,120,535)
Accumulated Benefit Obligation at September 30	**$ (461,126)**	$ (378,388)	**$ (1,214,456)**	$ (1,120,535)

12. Postretirement Employee Benefits (continued)

Pension and other postretirement benefit amounts recognized in the Consolidated Balance Sheets at September 30, 2014 and 2013 are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2014	**2013**	**2014**	**2013**
Current liabilities	**$ 20,439**	$ 18,335	**$ 60,709**	$ 53,381
Non-current liabilities	**78,924**	10,156	**1,153,747**	1,067,154
Net amount recognized	**$ 99,363**	$ 28,491	**$ 1,214,456**	$ 1,120,535

Pension and other postretirement benefit amounts recognized in accumulated other comprehensive loss at September 30, 2014 and 2013 are as follows (in thousands):

	Pension Benefits		Other Benefits	
	2014	**2013**	**2014**	**2013**
Net loss	**$ 150,116**	$ 76,202	**$ 478,196**	$ 456,780
Prior service cost	**–**	–	**(139,463)**	(161,216)
Net amount recognized	**$ 150,116**	$ 76,202	**$ 338,733**	$ 295,564

Components of Net Periodic Benefit Cost

The following table provides the components of net periodic benefit cost for the plans for FY2014 and FY2013 (in thousands):

	Pension Benefits		Other Benefits	
	2014	**2013**	**2014**	**2013**
Service cost	**$ 15,163**	$ 17,692	**$ 30,701**	$ 40,852
Interest cost	**21,396**	19,551	**56,679**	57,987
Expected return on plan assets	**(29,337)**	(26,048)	**–**	–
Amortization of prior service cost	**–**	–	**(21,754)**	3,971
Amortization of net loss	**3,735**	11,930	**34,378**	46,723
Net periodic benefit cost	**$ 10,957**	$ 23,125	**$ 100,004**	$ 149,533

12. Postretirement Employee Benefits (continued)

Prior to consideration of the impact of the changes to the Retirement Income Plan which occurred subsequent to September 30, 2014 as described above, the estimated net loss for the Retirement Income Plan that would have been amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year was $10.9 million.

Prior to consideration of the impact of the change in other postretirement plans which occurred subsequent to September 30, 2014 as described above, the estimated net loss and prior service cost for the other defined benefit postretirement plans that would have been amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year were $34.8 million and a credit of $21.1 million, respectively.

Plan Assets

The Company's pension plan asset allocation at September 30, 2014 and 2013, and target allocation for 2015, are as follows:

	Plan Assets		
	2015	**2014**	**2013**
Domestic equity securities	18–38%	**30.9%**	29.8%
Global asset allocation funds	20–40	**28.0**	28.4
Fixed income securities	13–23	**16.5**	16.1
Common/collective trust	6–34	**18.1**	18.6
Real estate investment trust	0–10	**5.3**	5.0
Money market funds	0–5	**1.2**	2.1

The investment strategy for Retirement Income Plan assets is to invest the assets in a manner whereby long-term return 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.

12. Postretirement Employee Benefits (continued)

Assets are strategically allocated among equity, fixed income, 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 underperform. The asset allocation is evaluated and rebalanced to return each of the asset classes back to the target range percentage within six to eight 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.

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 – see Note 8). The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy. Further, upon adoption of the provisions of the ASU No. 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, 2014, nor does the Company have any unfunded commitments related to these funds.

Domestic Equity Securities

This investment category consists of common stock issued by U.S. corporations and American Depository Receipts (ADRs) issued by U.S. banks. Common stock and ADRs are traded actively on exchanges and price quotes for these shares are readily available. These assets are classified as Level 1 investments.

Fixed Income Securities

This investment category consists of U.S. Treasuries, U.S. Government bonds, corporate bonds, agency-backed bonds, municipal bonds, asset-back 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.

12. Postretirement Employee Benefits (continued)

Money Market Funds

Money market funds generally transact subscription and redemption activity at a $1.00 stable NAV. However, on a daily basis the fund's NAV is calculated using the amortized cost (not market value) of the securities held in the fund. It is generally accepted as industry best practice that securities valued at amortized cost are Level 2 assets; amortized cost does not meet the criteria for an "active market." This factor was the primary determinant used by management to assign a fair value hierarchy of Level 2 to money market funds. Amtrak's category of investments in money market funds is comprised of JPMorgan 100% U.S. Treasury Securities Money Market Fund. Management obtained and reviewed JP Morgan's Money Market Funds Annual Report and reviewed the investment valuation for JPMorgan 100% U.S. Treasury Securities Money Market Fund in the significant accounting policies section of the report, which states that, "Each Fund has elected to use the amortized cost method of valuation pursuant to Rule 2a-7 under the 1940 Act provided that certain conditions are met, including that the Fund's Board of Trustees continues to believe that the amortized cost valuation method fairly reflects the market based NAV per share of the Fund." Investments in money market funds are classified as Level 2 assets as of September 30, 2014 and 2013.

Real Estate Investment Trust

This category consists of an investment in the Morgan Stanley 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. 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 the 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, 2014 and 2013, there were no unsatisfied redemption requests. Investments in real estate investment funds are classified as Level 2 assets as of September 30, 2014 and 2013.

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 $51.1 million and $47.3 million at September 30, 2014 and 2013, 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

12. Postretirement Employee Benefits (continued)

value of $49.2 million and $46.8 million at September 30, 2014 and 2013, 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 $16.8 million and $17.6 million at September 30, 2014 and 2013, respectively) seeks to maximize total return, which consists of income on its investments and capital appreciation. Stone Harbor normally invests at least 80% of its net assets in Emerging Markets Investments. "Emerging Markets Investments" include fixed income securities and derivative instruments that are economically tied to an emerging market country and 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.

Common/Collective Trust

This category consists of an investment in the Thornburg International Equity Fund (the Thornburg Fund), Eaton Vance Parametric Fund (the Eaton Vance Fund), and Loomis Sayles Multi Sector Credit (the Loomis Sayles Fund). The Thornburg Fund (fair value of $44.0 million at each of September 30, 2014 and 2013) is a trust for the collective investment of assets of participating tax qualified pension and profit-sharing plans and related trusts and governmental plans. The Thornburg Fund 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 units are not traded on a recognized stock exchange and the value of the Thornburg Fund units is determined daily by calculating the NAV. The investments in the Thornburg Fund are redeemable any day the Thornburg Fund is open for business. The Loomis Sayles Fund (fair value of $20.0 million and $18.2 million at September 30, 2014 and 2013, respectively) seeks to generate solid long-term risk-adjusted investment performance with significant allocations to non-U.S. dollar and emerging markets debt securities. Securities rated below BBB- are limited to 50% of the portfolio. The units are not traded on a recognized stock exchange and the value of the Loomis units is determined daily by calculating NAV. The investments in the Loomis Sayles Fund are redeemable any day the Loomis Sayles Fund is open for business. The Eaton Vance Fund (fair value of $11.9 million and $11.1 million at September 30, 2014 and 2013, respectively) seeks long-term capital appreciation and normally invests at least 80% of its net assets in equity securities of companies located in emerging market countries. It intends to invest primarily in securities of companies located in countries included in the MSCI Emerging Markets Index or the MSCI Frontier Markets Index. The units are not traded on a recognized

12. Postretirement Employee Benefits (continued)

stock exchange and the value of the Eaton units is determined daily by calculating NAV. The investments in the Eaton Vance Fund are redeemable any day the Eaton Vance Fund is open for business.

The following table represents the fair values of the Company's pension assets by level within the fair value hierarchy at September 30, 2014 and 2013 (in thousands):

	Total	Level 1	Level 2	Level 3
September 30, 2014				
Agency backed bonds	$ 581	$ –	$ 581	$ –
U.S. government securities	5,418	–	5,418	–
Corporate bonds	17,599	–	17,599	–
Government bonds	277	–	277	–
Municipal bonds	4,400	–	4,400	–
Asset-backed securities	9,738	–	9,738	–
Mortgage-backed securities government	23,046	–	23,046	–
Mortgage-backed securities corporate	7,703	–	7,703	–
Total fixed income	68,762	–	68,762	–
Large cap	106,901	106,901	–	–
Mid cap	20,527	20,527	–	–
Small cap	1,397	1,397		
Total equity securities	128,825	128,825	–	–
Money market funds	5,474	–	5,474	–
Real estate investment trust	22,031	–	22,031	–
Global asset allocation funds	117,122	117,122	–	–
Common/collective trust	75,792	–	75,792	–
Total fair value investments	418,006	$ 245,947	$ 172,059	$ –
Other assets*	116			
Total plan assets	$ 418,122			

*Other assets include accrued interest and dividends receivable and pending broker settlements.

12. Postretirement Employee Benefits (continued)

	Total	Level 1	Level 2	Level 3
September 30, 2013				
Agency backed bonds	$ 449	$ –	$ 449	$ –
U.S. government securities	5,158	–	5,158	–
Corporate bonds	17,671	–	17,671	–
Government bonds	333	–	333	–
Municipal bonds	5,350	–	5,350	–
Asset-backed securities	4,847	–	4,847	–
Mortgage-backed securities government	24,730	–	24,730	–
Mortgage-backed securities corporate	4,910	–	4,910	–
Total fixed income	63,448	–	63,448	–
Large cap	93,197	93,197	–	–
Mid cap	24,051	24,051	–	–
Total equity securities	117,248	117,248	–	–
Money market funds	8,257	–	8,257	–
Real estate investment trust	19,460	–	19,460	–
Global asset allocation funds	111,699	111,699	–	–
Common/collective trust	73,191	–	73,191	–
Total fair value investments	393,303	$ 228,947	$ 164,356	$ –
Other assets*	305			
Total plan assets	$ 393,608			

*Other assets include accrued interest and dividends receivable and pending broker settlements.

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 7.5%.

12. Postretirement Employee Benefits (continued)

Estimated Future Benefit Payments

Prior to consideration of the impact of the changes which occurred subsequent to September 30, 2014 as described above and based upon the assumptions used to measure the pension and other postretirement benefit obligations as of September 30, 2014, including pension and other postretirement benefits attributable to estimated future employee service, Amtrak expects that pension benefits and other postretirement benefits to be paid over the next ten years would have been as follows (in thousands):

	Pension Benefits	Other Benefits
Year ending September 30:		
2015	$ 20,439	$ 60,558
2016	22,418	64,638
2017	22,147	66,980
2018	26,022	72,785
2019	27,767	73,675
2020-2024	161,391	357,327

Contributions

In FY2015, Amtrak contributed $14.0 million to the defined benefit plan and $49.3 million towards other postretirement benefits.

Assumptions

Weighted-average assumptions used to determine benefit obligations at September 30, 2014 and 2013 are as follows:

	Pension Benefits		Other Benefits	
	2014	2013	2014	2013
Discount rate	**4.57%**	5.18%	**4.57%**	5.18%
Rate of compensation increase	**4.20%**	4.20%	**N/A**	N/A

12. Postretirement Employee Benefits (continued)

Weighted-average assumptions used to determine net periodic benefit cost for the years ended September 30, 2014 and 2013 are as follows:

	Pension Benefits		**Other Benefits**	
	2014	**2013**	**2014**	**2013**
Discount rate	**5.18%**	4.35%	**5.18%**	4.35%
Expected long-term return on assets	**7.50%**	7.50%	**N/A**	N/A
Rate of compensation increase	**4.20%**	4.20%	**N/A**	N/A

Assumed health care cost trend rates are as follows:

	September 30,	
	2014	**2013**
Healthcare cost trend rate assumed for next year	**7.50%–8.50%**	7.75%–8.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5.00%**	5.00%
Year that the rate reaches the ultimate trend rate	**2029**	2029

Assumed health care 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 on the Other Benefits plans (in thousands):

	1% Increase	**1% Decrease**
Effect on total of service and interest cost component	$ 19,881	$ (14,530)
Effect on postretirement benefit obligation	241,895	(161,452)

12. Postretirement Employee Benefits (continued)

Prescription Drug Benefits

On December 8, 2003, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (the Medicare Act) was signed into law. The Medicare Act introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Amtrak elected to record an estimate of the effects of the Medicare Act in accounting for its postretirement benefit plans and provide disclosures required by ASC Topic 715, *Compensation – Retirement Benefits*. Amtrak's accumulated pension benefit obligation for its other benefits is reduced by $112.7 million and $57.6 million for FY2014 and FY2013, respectively, for this prescription drug benefit.

401(k) Savings Plan

Amtrak provides a 401(k) savings plan for non-union 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 $11.4 million and $10.9 million for FY2014 and FY2013, respectively. Subsequent to September 30, 2014, the maximum employer contribution was increased from five percent to seven percent, effective July 1, 2015.

Additionally, Amtrak provides a 401(k) saving plan for union employees. Amtrak does not match any portion of the employee contributions under this plan.

13. Subsequent Events

Train Derailment

On May 12, 2015, Amtrak Train 188, traveling from Washington, D.C., northbound for New York's Penn Station, derailed north of 30th Street Station while traveling through a curve. There were 250 passengers and eight Amtrak employees on board. Eight passengers were killed and over 200 were injured.

13. Subsequent Events (continued)

The curve's track speed was 50 mph. The National Transportation Safety Board's (NTSB's) preliminary analysis determined that the train was traveling 106 mph when the engineer applied the train's emergency brakes moments before the derailment. The NTSB has found no evidence of mechanical, track, or signal system issues. The NTSB's investigation is ongoing, and Amtrak anticipates its final report in approximately one year from the date of the derailment.

As of October 1, 2015, there are 65 lawsuits pending: three filed by employees and 62 filed by passengers (including the estates of eight deceased passengers), with a total of 75 passengers named as plaintiffs in those 62 passenger lawsuits. Amtrak continues to move passenger cases filed in state courts to federal courts and seeks to transfer those filed outside of Pennsylvania to the United States District Court for the Eastern District of Pennsylvania sitting in Philadelphia. Several plaintiffs have joined in filing a motion for transfer to federal court in Philadelphia for coordinated or consolidated proceedings, and to transfer all subsequently filed actions arising out of the derailment to that court for inclusion in a Multi-District Litigation proceeding. The Company's current estimate of liability for passenger claims is $163.9 million. The on-duty employee claims and lawsuits are governed by the Federal Employers Liability Act which sets the negligence threshold, allows for compensatory damages but no punitive damages and has no limit on recoveries from a single incident. The Company's current estimate of liability for on-duty employee claims is $9.3 million. Total passenger and/or on-duty employee claim liabilities in excess of $20.0 million are expected to be covered by insurance. Amtrak is not contesting liability for compensatory damages in these cases.

In addition, Amtrak suffered property damage in the incident. Amtrak is still assessing the extent of the damages but the financial impact of the damages will be capped at Amtrak's $10.0 million property insurance deductible. Any amounts in excess of $10.0 million are expected to be covered by insurance.

Insurance Ruling

On June 24, 2015, a judge for the United States District Court, Southern District of New York issued a ruling that limited the recoverable losses related to Sandy that Amtrak could seek in a suit involving its insurance providers (see Note 10).

KCT PTC Settlement

On August 7, 2015, Amtrak and KCT settled a dispute related to payment for costs incurred by KCT in connection with KCT's implementation of PTC on KCT's lines (see Note 10).

13. Subsequent Events (continued)

Modification to Retirement Programs

On March 18, 2015, Amtrak's Board of Directors approved changes to certain of Amtrak's retirement programs (see Note 12).

Management's Evaluation

The Company has evaluated subsequent events through October 1, 2015, 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 FY2014.

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