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PITTSBURGH & WEST VIRGINIA RAILROAD

Form 10-K

March 31, 2008

PITTSBURGH & WEST VIRGINIA RAILROAD
(a Pennsylvania business trust)

2007
ANNUAL REPORT and 10-K

PITTSBURGH & WEST VIRGINIA RAILROAD
#2 Port Amherst Drive
Charleston, West Virginia 25306

April 15, 2008

To the Shareholders

Pittsburgh & West Virginia Railroad ("the Trust") has elected to be treated for tax purposes as a real estate investment trust. As such, the Trust is not required to pay federal corporate income taxes on any of its taxable income that is distributed to shareholders. It has been the Trust's policy to distribute as dividends all of its ordinary taxable income.

The Trust's only line of business is the ownership of a small railroad running from western Pennsylvania to the eastern section of Ohio. The railroad is under long-term lease to Norfolk Southern Corporation (NSC) for a fixed rental of \$915,000 per year. This amount, equivalent to 60 cents per share, is the only cash income to the Trust. All cash available, after payment of administrative expenses, is distributed as dividends. This net cash flow amounted to \$ 781,000 or 52 cents per share in 2007, and dividends of 52 cents were distributed. Income and distributions in the prior year were approximately the same. A quarterly dividend of 13 cents per share was paid on March 31, 2008, to shareholders of record March 10, 2008.

The lease with NSC requires accounting for substantial amounts of non-cash rental. These amounts do not increase cash flow or net income and are not reported in our published financial statements.

Included in this report is our 2007 annual report to the Securities and Exchange Commission on Form 10-K.

Enclosed is the proxy material for the Annual Shareholders meeting to be held in Charleston, West Virginia, on May 15, 2008. Please sign and return the proxy card promptly.

For the Trustees,

/s/ Herbert E. Jones, Jr.
Herbert E. Jones, Jr.
Chairman of the Board

/s/ Herbert E. Jones, III
Herbert E. Jones, III
President

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2007
Commission File Number 1-5447

PITTSBURGH & WEST VIRGINIA RAILROAD
(Exact name of registrant as specified in its charter)

Pennsylvania
(State of organization)

25-6002536
(I.R.S. Employer Identification No.)

#2 Port Amherst Drive, Charleston, WV
(Address of principal executive offices)

25306-6699
(Zip Code)

Registrant's telephone number, including area code (304) 926-1124

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Shares of beneficial interest, without par value	American Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days: Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, small reporting company, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐
Non-accelerated filer ☒ Small Reporting Company ☐

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Indicate by check mark whether the registrant is a shell company
(as defined in Rule 12b-2 of the Act.) Yes No X

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of February 29, 2008 was \$ 14,161,927.

At February 29, 2008, there were 1,510,000 outstanding shares of beneficial interest.

Notices and communications from the Securities and Exchange Commission for the registrant may be sent to Robert R. McCoy, Vice President and Secretary-Treasurer, #2 Port Amherst Drive, Charleston, WV 25306.

The information required by Part III hereof is incorporated by reference from Registrant's Proxy Statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2007.

PART I

Item 1 BUSINESS

Pittsburgh & West Virginia Railroad (the Registrant) was organized in Pennsylvania in 1967, as a business trust, for the purpose of acquiring the business and property of a small leased railroad. The railroad was leased in 1964 to Norfolk and Western Railway Company, now known as Norfolk Southern Corporation ("NSC"), by Registrant's predecessor company for 99 years with the right of unlimited renewal for additional 99 year periods under the same terms and conditions, including annual rent payments.

Registrant's business consists solely of the ownership of the properties subject to the lease, and of collection of rent thereon. The rent received is \$915,000 per year, in cash, which amount is fixed and unvarying for the life of the lease, including any renewal periods. In addition, the lease provides that certain non-cash items be recorded as rent income each year. These entries are equal in amount to the sum of (1) Registrant's federal income tax deductions for depreciation, retirements, and amortization of debt discount expense, and (2) all other expenses of the Registrant, except those expenses incurred for the benefit of its shareholders. For financial reporting purposes, only the cash income is reported, as the non-cash items, although recorded under the terms of the lease, have no financial value because of the indeterminate settlement date.

Registrant has elected to be treated for tax purposes as a real estate investment trust. As such, the trust itself is exempt from federal income tax, to the extent that its income is distributed to shareholders. However, dividends paid by Registrant are ordinary taxable income to its shareholders. In order to maintain qualified status, at least 90% of ordinary taxable income must be distributed. It is Registrant's policy to distribute annually approximately 100% of ordinary taxable income.

Item 1B Unresolved Staff Comments

None

Item 2 PROPERTIES

The properties leased to NSC consist of 112 miles of main line road extending

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from Pittsburgh Junction, Ohio, through parts of West Virginia, to Connellsville, Pennsylvania; approximately 20 miles of branch lines; and other assets used in the operation of the railroad, such as real estate, machinery and equipment, and supplies, but excluding rolling stock all of which was sold to NSC prior to the effective date of the lease.

The more significant provisions of the lease applicable to the properties are:

NSC at its own expense and without deduction from the rent, will maintain, manage and operate the leased property and make such improvements thereto as it considers desirable. Such improvements made by NSC become the property of the Registrant, and the cost thereof constitutes a recorded indebtedness of Registrant to NSC. The indebtedness is offset when non-cash rental is recorded over the depreciable life of the improvements. Such part of the leased property as is, in the opinion of NSC, not necessary, may be disposed of. The proceeds of any disposition are retained by NSC and constitute an indebtedness of NSC to Registrant. These amounts are due and payable upon termination of the lease, whether by default or expiration. Because of the indeterminate settlement date for these items, such transactions and balances have not been reported in the financial statements since 1982.

Upon termination of the lease, all properties covered by the lease would be returned to Registrant, together with sufficient cash and other assets to permit operation of the railroad for one year.

Following is summary financial data for Norfolk Southern Corporation (NSC), the lessee of the Registrant's properties, as reported in the NSC Form 10-K filed February 15, 2008:

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

	(\$ in millions, except per share amounts)				
	2007	2006	2005	2004	2003
RESULTS OF OPERATIONS					
Railway operating revenues	\$9,432	\$9,407	\$8,527	\$7,312	\$6,468
Railway operating expenses	6,847	6,850	6,410	5,610	5,404
Income from railway operations	2,585	2,557	2,117	1,702	1,064
Other income-net	93	149	74	76	19
Interest expense on debt	441	476	494	489	497
Income from continuing operations before income tax and accounting changes	2,237	2,230	1,697	1,289	586
Provision for income taxes	773	749	416	379	175
Income from continuing operations before accounting changes	1,464	1,481	1,281	910	411
Discontinued operations	-	-	-	-	10
Cumulative effect of changes in accounting principles, net of taxes	-	-	-	-	114
Net income	\$1,464	\$1,481	\$1,281	\$ 910	\$ 535
PER SHARE DATA					
Income from continuing operations before accounting changes - basic	\$ 3.74	\$ 3.63	\$ 3.17	\$ 2.31	\$ 1.05
- diluted	\$ 3.68	\$ 3.57	\$ 3.11	\$ 2.28	\$ 1.05
Net income - basic	\$ 3.74	\$ 3.63	\$ 3.17	\$ 2.31	\$ 1.37
- diluted	\$ 3.68	\$ 3.57	\$ 3.11	\$ 2.28	\$ 1.37
Dividends	\$ 0.96	\$ 0.68	\$ 0.48	\$ 0.36	\$ 0.30
Stockholders' equity at					

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Year end	\$25.64	\$24.19	\$22.63	\$19.92	\$17.83
FINANCIAL POSITION					
Total assets	\$26,144	\$26,028	\$25,859	\$24,748	\$20,596
Total long-term debt, including current maturities	\$ 6,368	\$ 6,600	\$ 6,930	\$ 7,525	\$ 7,160
Stockholders' equity	\$ 9,727	\$ 9,615	\$ 9,276	\$ 7,977	\$ 6,976

Item 3 LEGAL PROCEEDINGS

There were no legal proceedings.

Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fourth quarter to a vote of security holders.

PART II

Item 5 MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Registrant's shares are listed for trading on the American Stock Exchange under the symbol of "PW". At February 29, 2008, there were approximately 685 holders of record of registrant's shares of beneficial interest

Stock Market and Dividend information per share of beneficial interest.

2007 Quarters Ended

	3/31	6/30	9/30	12/31
Sales price of traded shares				
High.....	\$ 9.65	\$ 9.45	\$ 9.45	\$ 9.50
Low.....	8.74	8.90	8.87	9.00
Dividends paid	.13	.13	.13	.13

2006 Quarters Ended

	3/31	6/30	9/30	12/31
Sales price of traded shares				
High.....	\$ 9.40	\$ 9.25	\$ 9.30	\$ 9.19
Low.....	8.90	8.20	8.66	8.65
Dividends paid	.13	.13	.13	.13

It is the Registrant's intention to continue distributing quarterly dividends. A quarterly dividend of \$.13 per share is payable March 31, 2008 to shareholders of record on March 10, 2008.

Item 6 SELECTED FINANCIAL DATA

(\$Thousands, except per share amounts)

	2007	2006	2005	2004	2003
Revenues	\$ 915	\$ 915	\$ 915	\$ 915	\$ 915

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Income available for distribution	781	789	780	805	799
Net income	781	789	780	805	799
Total assets	9,196	9,199	9,204	9,209	9,190
Per share amounts:					
Net income	.52	.52	.52	.53	.53
Income available for distribution	.52	.52	.52	.53	.53
Cash dividends	.52	.52	.52	.51	.53

Item 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

All of the Registrant's railroad properties are leased to Norfolk and Western Railway Company, now known as Norfolk Southern Corporation (NSC), for 99 years, with unlimited renewals on the same terms. Cash rental is a fixed amount of \$915,000 per year, with no provision for change during the term of the lease and any renewal periods. This cash rental is the only source of funds. Although the lease provides for additional rentals to be recorded, these amounts do not increase cash flow or net income as they are charged to NSC's settlement account with no requirement for payment, except at termination or non renewal of the lease. Due to the indeterminate settlement date, these additional rental amounts are not recorded for financial reporting purposes. Income available for distribution in 2007 and in 2006 was approximately \$781,000 and \$789,000, respectively.

Registrant's only cash outlays, other than dividend payments, are for general and administrative expenses, which include professional fees, office rental and director's fees. Professional fees have increased primarily due to the costs of complying with the requirements of the Sarbanes-Oxley Act of 2002. The leased properties are maintained entirely at NSC's expense.

Since cash revenue is fixed in amount and outlays for general and administrative expenses are relatively modest, inflation has had no material impact on Registrant's reported net income for the past three years. Although recent inflationary trends have been relatively low, annual rental income is a fixed amount for the current lease term and any renewal periods, and inflation could affect the real dollar value of the rental income over time. Changes in inflationary trends could also affect the general and administration expenses.

Item 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Quarterly financial data (in \$thousands, except per share amounts)

2007	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Revenues	\$ 229	\$ 229	\$ 229	\$ 228
Net income	171	188	210	212
Per share	.11	.12	.14	.14
2006				
Revenues	\$ 229	\$ 229	\$ 229	\$ 228
Net income	173	195	210	211
Per share	.11	.12	.14	.14

Detailed financial statements of Registrant appear on pages F-3 through F-8 of this report. Per share data for the year is slightly different from the sum of four quarters due to rounding.

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Item 9 CHANGES IN AND DISAGREEMENTS WITH AUDITORS' ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

Item 9a CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management is responsible for establishing and maintaining effective internal controls over financial reporting. Within 90 days prior to the date of this report, the Registrant carried out an evaluation under the supervision and with the participation of the Registrant's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures pursuant to Rule 13a-14 under the Securities Exchange Act of 1934, as amended. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Registrant's disclosure controls and procedures are adequate and effective in timely alerting them to material information relating to the Registrant required to be included in the Registrant's periodic filings with the SEC.

There have been no significant changes in the Registrant's internal controls or in other factors that that could significantly affect internal controls subsequent to the date the Registrant carried out its evaluation.

Changes in Internal Control over Financial Reporting

We maintain a system of internal accounting controls that are designed to provide reasonable assurance that our books and records accurately reflect the transactions of the Registrant and that our policies and procedures are followed. There have been no changes in our internal control during the fourth quarter that have materially affected, or are reasonably likely to materially affect such controls.

Management's Annual Report on Internal Control over Financial Reporting

This annual report does not include an attestation report of the Registrant's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Registrant's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Registrant to provide only management's report in this annual report.

The management of Pittsburgh & West Virginia Railroad is responsible for establishing and maintaining adequate internal control over financial reporting. The Registrant's internal control system was designed to provide reasonable assurance to management and the Trustees regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Even those systems determined to be effective can provide only reasonable assurance with respect to financial statement presentation and preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Management conducted an evaluation of the effectiveness of the Registrant's internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring

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Organizations of the Treadway Commission.

PART III

Item 10 DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

This information is incorporated herein by reference to Registrant's 2008 Proxy Statement.

Item 11 EXECUTIVE COMPENSATION

Not applicable.

Item 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Management's ownership of Registrant's shares of beneficial interest as of February 29, 2008.

Name	Shares Beneficially Owned	Percent of Outstanding Shares
Virgil E. Wenger, Trustee	200	0.013
Herbert E. Jones, Jr., Trustee	4,000	0.265
Larry R. Parsons, Trustee	12,500	0.828
C. Howard Capito, Trustee	1,000	0.066
Herbert E. Jones, III, Trustee and President	0	0.000
All trustees and officers as a group (6 persons)	17,700	1.172

Item 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is set forth in Registrant's 2007 Proxy Statement, which is incorporated herein by reference.

Item 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

This information is set forth in Registrant's 2007 Proxy Statement, which is incorporated herein by reference.

PART IV

Item 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 1.1 A list of all financial statements and financial statement schedules filed as part of this report is set forth on page F-1 herein.

Exhibit 1.2 - all the exhibits listed below are incorporated herewith by

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reference to Form 8 Amendment to Annual Report on Form 10-K for the year ended December 31, 1988:

- 3.1 Pittsburgh & West Virginia Railroad Declaration of Trust dated February 18, 1967.
- 3.2 Pittsburgh & West Virginia Railroad Regulations.
- 3.3 Plan and Agreement of Reorganization, dated February 18, 1967, between Pittsburgh & West Virginia Railroad and The Pittsburgh and West Virginia Railway Company
- 3.4 Amendment No. 1 to Plan and Agreement of Reorganization dated February 18, 1967, between The Pittsburgh and West Virginia Railway Company and Pittsburgh & West Virginia Railroad.
- 10.1 Lease of railroad properties, dated July 12, 1962, between the Pittsburgh and West Virginia Railway Company and Norfolk and Western Railway Company.
- 10.2 Assignment of lease by The Pittsburgh and West Virginia Railway Company to Pittsburgh & West Virginia Railroad.

Exhibit 1.3 - Section 302 Certification for Herbert E. Jones, Jr.

Exhibit 1.4 - Section 302 Certification for Herbert E. Jones, III

Exhibit 1.5 - Section 302 Certification for Robert R. McCoy

Exhibit 1.6 - Section 906 Certification for Herbert E. Jones, Jr.,
Herbert E. Jones, III, and Robert R. McCoy

(b) No report on Form 8-K was filed during the fourth quarter of 2007.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PITTSBURGH & WEST VIRGINIA RAILROAD

By /s/ Robert R. McCoy
Robert R. McCoy
Vice President and Secretary-Treasurer

Date: March 24, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Herbert E. Jones, Jr.
Herbert E. Jones, Jr.
Chairman of the Board and Trustee

/s/ Herbert E. Jones, III
Herbert E. Jones, III
President and Trustee

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Date: March 24, 2008