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PITTSBURGH & WEST VIRGINIA RAILROAD  
Form 10-Q  
November 14, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the Quarter ended September 30, 2006

Commission File Number 1-5447

PITTSBURGH & WEST VIRGINIA RAILROAD

Pennsylvania  
(State of Organization)

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

2 Port Amherst Drive, Charleston, WV 25306  
(Address of principal executive offices)

Telephone (304) 926-1124\*

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 requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the period covered by this report.

1,510,000 shares of beneficial interest, without par value.

\* Notices and communications from the Securities and Exchange Commission for the registrant may be sent to Robert A. Hamstead, Secretary and Treasurer, #2 Port Amherst Drive, Charleston, WV 25306.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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## STATEMENT OF INCOME (Dollars in Thousands except Per Share Amounts) (Unaudited)

|  | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |        |
|--|-------------------------------------|--------|------------------------------------|--------|
|  | 2006                                | 2005   | 2006                               | 2005   |
| INCOME AVAILABLE FOR DISTRIBUTION:                   |                                     |        |                                    |        |
| Interest income from capital lease                   | \$ 229                              | \$ 229 | \$ 686                             | \$ 686 |
| Less general and administrative expense              | 19                                  | 23     | 108                                | 114    |
| NET INCOME   | \$ 210                              | \$ 206 | \$ 578                             | \$ 572 |
| Per Share:<br>(1,510,000 average shares outstanding) |                                     |        |                                    |        |
| Net Income   | \$ .14                              | \$ .14 | \$ .38                             | \$ .38 |
| Cash Dividends                                       | \$ .13                              | \$ .13 | \$ .39                             | \$ .39 |

The accompanying notes are an integral part of these financial statements.

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### BALANCE SHEET (Dollars in Thousands)

|   | (Unaudited)<br>September 30<br>2006 | (Audited)<br>December 31<br>2005 |
|---|-------------------------------------|----------------------------------|
| ASSETS  |                                     |                                  |
| Net investment in capital lease   | \$ 9,150                            | \$ 9,150                         |
| Cash  | 35                                  | 54                               |
|   | \$ 9,185                            | \$ 9,204                         |
| LIABILITIES AND SHAREHOLDERS' EQUITY  |                                     |                                  |
| Liabilities:  |                                     |                                  |
| Accounts payable and accrued liabilities  | \$ 0                                | \$ 9                             |
| Shareholders' equity:   |                                     |                                  |
| Shares of beneficial interest, at no par value, 1,510,000 shares issued and outstanding | 9,145                               | 9,145                            |
| Retained earnings   | 40                                  | 50                               |

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|  |          |          |
|--|----------|----------|
| Total shareholders' equity                 | 9,185    | 9,195    |
| Total liabilities and shareholders' equity | \$ 9,185 | \$ 9,204 |

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS  
(Dollars in Thousands)  
(Unaudited)

|  | Nine Months Ended<br>September 30, |        |
|--|------------------------------------|--------|
|  | 2006                               | 2005   |
| Cash flows from operating activities:  |                                    |        |
| Net income   | \$ 579                             | \$ 572 |
| Adjustment to reconcile net income to net cash provided by operating activities: |                                    |        |
| Increase (decrease) in accounts payable  |                                    |        |
| And accrued liabilities  | ( 9)                               | -      |
| Net cash provided by operating activities  | \$ 570                             | \$ 572 |
| Cash flows used in financing activities:   |                                    |        |
| Dividends paid   | 589                                | 589    |
| Net increase (decrease) in cash  | (19)                               | (17)   |
| Cash, beginning of period  | 54                                 | 59     |
| Cash, end of period  | \$ 35                              | \$ 42  |

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The accompanying notes are an integral part of these financial statements.

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#### Notes to financial statements:

(1) The foregoing interim financial statements are unaudited but, in the opinion of management, reflect all adjustments necessary for a fair presentation of the results of operations for the interim periods presented. All adjustments are of a normal recurring nature.

(2) Registrant has elected to be treated for tax purposes as a real estate investment trust. As such, the Trust is exempt from paying federal corporate income tax on any income that is distributed to shareholders. It has been Registrant's policy to distribute annually all of its ordinary taxable income. Consequently, no provision has been made for federal income tax.

(3) Under the terms of the lease, Norfolk Southern Corporation has leased all of Pittsburgh & West Virginia Railroad's real properties, including its railroad lines, for a term of 99 years, renewable by the lessee upon the same terms for additional 99-year terms in perpetuity. The lease provides for a cash rental of \$915,000 per year for the current lease period and all renewal periods. The net investment in capital lease, recognizing renewal options in perpetuity, was estimated to have a current value of \$9,150,000 assuming an implicit interest rate of 10%.

(4) Under the provisions of the lease, the Trust may not issue, without the prior written consent of Norfolk Southern, any shares or options to purchase shares or declare any dividends on its shares of beneficial interest in an amount exceeding the value of the assets not covered by the lease plus the annual cash rent of \$915,000 to be received under the lease, less any expenses incurred for the benefit of shareholders. At September 30, 2006, all net assets are covered by the lease. The Trust may not borrow any money or assume any guarantees except with the prior written consent of Norfolk Southern.

#### Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

All of Registrant's railroad properties are on long-term lease to Norfolk Southern Corporation for the fixed, unvarying amount of \$915,000 cash rental per year. The lease also requires that additional amounts be accounted for as noncash rent income to be settled or paid at lease termination. Because this noncash income will not be settled until the expiration of the lease, no values have been reported in the accompanying interim financial statements for the balance of the account or the transactions affecting the balance.

With fixed revenue and expenses relatively constant, there is very little fluctuation in operating results between periods. In comparing the third quarter of 2006 with the preceding second quarter of 2006 and the third quarter of 2005, revenues totaled \$229,000, \$229,000, and \$229,000, respectively. Net income and income available for distribution was \$210,000, \$195,000, and \$206,000, respectively.

Since cash revenue is fixed in amount and outlays for general and administrative expenses are relatively modest, inflation has had no

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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 4. 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.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

None

### Item 1A. Risk Factors

None

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits

|              |  |
|--------------|--|
| Exhibit 31.1 | Section 302 Certification for Herbert E. Jones, Jr.  |
| Exhibit 31.2 | Section 302 Certification for Herbert E. Jones, III  |
| Exhibit 31.3 | Section 302 Certification for Robert A. Hamstead   |
| Exhibit 32.1 | Section 906 Certification for Herbert E. Jones, Jr.,<br>Herbert E. Jones, III and Robert A. Hamstead |

## SIGNATURES

Pursuant to the requirements 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

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

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/s/ Robert A. Hamstead  
Robert A. Hamstead  
Secretary and Treasurer

Date: November 13, 2006

Exhibit 31.1

SECTION 302 CERTIFICATION

CERTIFICATIONS

I, Herbert E. Jones, Jr., certify that:

1. I have reviewed this report on Form 10-Q of Pittsburgh & West Virginia Railroad.
2. Based on my knowledge, this report on Form 10-Q does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies in the design or operation of internal

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control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

November 13, 2006

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

Exhibit No. 31.2

### SECTION 302 CERTIFICATION

#### CERTIFICATIONS

I, Herbert E. Jones, III certify that:

1. I have reviewed this report on Form 10-Q of Pittsburgh & West Virginia Railroad.
2. Based on my knowledge, this report on Form 10-Q does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any changes in the registrant's

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internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

November 13, 2006

/s/ Herbert E. Jones, III  
Herbert E. Jones, III  
President  
Exhibit 31.3

SECTION 302 CERTIFICATION

CERTIFICATIONS

I, Robert A. Hamstead, certify that:

1. I have reviewed this report on Form 10-Q of Pittsburgh & West Virginia Railroad.
2. Based on my knowledge, this report on Form 10-Q does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:



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- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

November 13, 2006

/s/ Robert A. Hamstead  
Robert A. Hamstead  
Vice President, Secretary and Treasurer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pittsburgh & West Virginia Railroad (the "Company") on Form 10-Q for the fiscal quarter ending September 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certify, pursuant to and for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 13, 2006

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

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

/s/ Robert A. Hamstead  
Robert A. Hamstead  
Vice President, Secretary and Treasurer