PITTSBURGH & WEST VIRGINIA RAILROAD
Form 10-K
March 29, 2007

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, 2006 Commission File Number 1-5447

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

Pennsylvania	25-6002536
(State of organization)	(I.R.S. Employer Identification No.)
#2 Port Amherst Drive, Charleston, WV	25306-6699
(Address of principal executive offices)	(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 X 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 X

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 X 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, and accelerated filer, 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 X

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 2, 2007 was $ 13,816,500.

At February 2, 2007, 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 A. Hamstead, 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, 2006.

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 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 23, 2006:

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

($ in millions, except per share amounts)

	2006	2005	2004	2003	2002
RESULTS OF OPERATIONS					
Railway operating revenues	$ 9,407	$ 8,527	$ 7,312	$ 6,468	$ 6,270
Railway operating expenses	6,850	6,410	5,610	5,402	5,112
Income from railway operations	2,557	2,117	1,702	1,064	1,158
Other income-net	149	74	76	19	66
Interest expense on debt	476	494	489	497	518
Income from continuing operations before income tax and accounting changes	2,230	1,697	1,289	586	706
Provision for income taxes	749	416	379	175	246
Income from continuing operations before accounting changes	1,481	1,281	910	411	460
Discontinued operations	-	-	-	10	-
Cumulative effect of changes in accounting principles, net of taxes	-	-	-	114	-
Net income	$ 1,481	$ 1,281	$ 910	$ 535	$ 460
PER SHARE DATA					
Income from continuing operations before accounting changes - basic	$ 3.63	$ 3.17	$ 2.31	$ 1.05	$ 1.18
- diluted	$ 3.57	$ 3.11	$ 2.28	$ 1.05	$ 1.18
Net income - basic	$ 3.63	$ 3.17	$ 2.31	$ 1.37	$ 1.18
- diluted	$ 3.57	$ 3.11	$ 2.28	$ 1.37	$ 1.18
Dividends	$ 0.68	$ 0.48	$ 0.36	$ 0.30	$ 0.26
Stockholders' equity at					

Year end	$ 24.19	$ 22.63	$ 19.92	$ 17.83	$ 16.71
FINANCIAL POSITION					
Total assets	$ 26,028	$ 25,859	$ 24,748	$ 20,596	$ 19,956
Total long-term debt, including current maturities	$ 6,600	$ 6,930	$ 7,525	$ 7,160	$ 7,364
Stockholders' equity	$ 9,615	$ 9,276	$ 7,977	$ 6,976	$ 6,500

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 2, 2007, there were approximately 784 holders of record of registrant's shares of beneficial interest.

Stock Market and Dividend information per share of beneficial interest.

	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

	2005 Quarters Ended			
	3/31	6/30	9/30	12/31
Sales price of traded shares				
High.....	$ 9.80	$ 9.49	$ 9.44	$ 9.75
Low.....	9.10	9.02	8.95	9.03
Dividends paid	.14	.12	.13	.13

It is the Registrant's intention to continue distributing quarterly dividends. A quarterly dividend of $.13 per share is payable March 30, 2007 to shareholders of record on March 9, 2007.

Item 6 SELECTED FINANCIAL DATA

($Thousands, except per share amounts)

	2006	2005	2004	2003	2002
Revenues	$ 915	$ 915	$ 915	$ 915	$ 915
Income available for distribution	789	780	805	799	821

Net income	789	780	805	799	821
Total assets	9,199	9,204	9,209	9,190	9,190
Per share amounts:					
Net income	.52	.52	.53	.53	.54
Income available for distribution	.52	.52	.53	.53	.54
Cash dividends	.52	.52	.51	.53	.55

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 2006 and in 2005 was approximately $789,000 and $780,000, 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)

2006	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Revenues	$ 229	$ 229	$ 229	$ 228
Net income	173	195	210	211
Per share	.11	.12	.14	.14
2005				
Revenues	$ 229	$ 229	$ 229	$ 228
Net income	164	202	207	209
Per share	.11	.13	.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.

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

None

Item 9a 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 was no change in Registrant's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act during Registrant's last fiscal quarter that materially affected, or is reasonably likely to materially affect, Registrant's internal control over financial reporting.

PART III

Item 10 DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

This information is incorporated herein by reference to Registrant's 2007 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 2, 2007.

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 2006 Proxy Statement, which is incorporated herein by reference.

Item 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

This information is set forth in Registrant's 2006 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 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 A. Hamstead
Exhibit 1.6 - Section 906 Certification for Herbert E. Jones, Jr., Herbert E. Jones, III, and Robert A. Hamstead

(b) No report on Form 8-K was filed during the fourth quarter of 2006.

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 A. Hamstead

Robert A. Hamstead
Vice President and Secretary-Treasurer

Date: March 29, 2007

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

Date:March 29,2007

Audited Financial Statements

Pittsburgh & West Virginia Railroad

Years Ended December 31, 2006 and 2005

TABLE OF CONTENTS

	Page
Report of Independent Registered Public Accounting Firm	F-2
Financial Statements:	
Balance Sheet	F-3
Statement of Operations	F-4
Statement of Changes in Shareholders' Equity	F-5
Statement of Cash Flows	F-6
Notes to Financial Statements	F-7 - F-10

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders
Pittsburgh & West Virginia Railroad

We have audited the accompanying balance sheet of Pittsburgh & West Virginia Railroad, a Pennsylvania business trust (the Trust), as of December 31, 2006 and 2005, and the related statements of operations, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2006. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pittsburgh & West Virginia Railroad as of December 31, 2006 and 2005, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

s/ Gibbons & Kawash

Charleston, West Virginia
March 26, 2007

PITTSBURGH & WEST VIRGINIA RAILROAD

BALANCE SHEET

December 31, 2006 and 2005

ASSETS	2006	2005
Net investment in capital lease	$ 9,150,000	$ 9,150,000
Cash	49,389	54,343
	$ 9,199,389	$ 9,204,343
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	$ -	$ 8,950
Shareholders' equity:		
Shares of beneficial interest, without par value: Authorized number of shares - unlimited; issued and outstanding - 1,510,000 shares at December 31, 2006 and 2005	9,145,359	9,145,359
Retained earnings	54,030	50,034
	9,199,389	9,195,393
	$ 9,199,389	$ 9,204,343

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

PITTSBURGH & WEST VIRGINIA RAILROAD

STATEMENT OF OPERATIONS

Years Ended December 31, 2006, 2005, 2004

	2006	2005	2004

Interest income from capital lease	$ 915,000	$ 915,000	$ 915,000
Less general and administrative expenses	125,804	134,763	110,034
Net income	$ 789,196	$ 780,237	$ 804,966
Per share:			
Net income	$ 0.52	$ 0.52	$ 0.53

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

PITTSBURGH & WEST VIRGINIA RAILROAD

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended December 31, 2006, 2005, and 2004

	Shares of Beneficial Interest	Retained Earnings
Balance at December 31, 2003	$ 9,145,359	$ 20,131
Net income	-	804,966
Cash dividends paid ($.53 per share)	-	(770,100)
Balance at December 31, 2004	9,145,359	54,997
Net income	-	780,237
Cash dividends paid ($.51 per share)	-	(785,200)
Balance at December 31, 2005	9,145,359	50,034
Net income	-	789,196
Cash dividends paid ($.52 per share)	-	(785,200)

Balance at December 31, 2006	$ 9,145,359	$ 54,030

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

PITTSBURGH & WEST VIRGINIA RAILROAD

STATEMENT OF CASH FLOWS

Years Ebded December 31, 2006, 2005 and 2004

	2006	2005	2004
Cash flows from operating activities:			
Net income	$ 789,196	$ 780,237	$ 804,966
Adjustments to reconcile net income to net cash provided by operating activities:			
Decrease in accounts payable and accrued liabilities	(8,950)	-	(16,000)
Net cash provided by operating activities	780,246	780,237	788,966
Cash flows used in financing activities			
Dividends paid	(785,200)	(785,200)	(770,100)
Net increase (decrease) in cash	(4,954)	(4,963)	18,866
Cash, beginning of year	54,343	59,306	40,440
Cash, end of year	$ 49,389	$ 54,343	$ 59,306

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

PITTSBURGH & WEST VIRGINIA RAILROAD

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Pittsburgh & West Virginia Railroad (the Trust) is a business trust organized under the laws of Pennsylvania on February 18, 1967, for the purpose of leasing railroad properties to Norfolk Southern Corporation. The leased properties consist of a railroad line 112 miles in length, extending from Connellsville, Washington, and Allegheny Counties in the Commonwealth of Pennsylvania, Brooke County in the State of West Virginia, and Jefferson and Harrison Counties in the State of Ohio, to Pittsburgh Junction, Harrison County, State of Ohio. There are also branch lines that total 20 miles in length located in Washington County and Allegheny County in Pennsylvania and Brooke County, West Virginia. The lease provides the Trust's source of revenue, which is received in quarterly installments.

Revenue Recognition

Interest on the capital lease is recognized as earned based on an implicit rate of 10% over the life of the lease which is assumed to be perpetual.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2 - CAPITAL LEASE

Under the terms of a lease which became effective October 16, 1964 (the "lease"), Norfolk Southern Corporation (formerly Norfolk and Western Railway Company) (Norfolk Southern) - (the "lessee") leased all of Pittsburgh & West Virginia Railroad's (the "Trust") 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 annum for the current 99 year lease period and all renewal periods. The leased properties are maintained entirely at Norfolk Southern's expense.

PITTSBURGH & WEST VIRGINIA RAILROAD

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - CAPITAL LEASE (Continued)

Prior to 1983, the lease was accounted for as an operating lease in accordance with the Statement of Financial Accounting Standards (SFAS) No. 13, "Accounting for Leases," because the railroad assets as accounted for under "betterment accounting" were considered similar to land. Effective January 1, 1983, the Interstate Commerce Commission (ICC) changed the method of accounting for railroad companies from "betterment accounting" (which was previously used by the Trust and most railroads) to "depreciation accounting." The leased assets, under "depreciation accounting," are no longer similar to land; and, effective January 1, 1983, under the provisions of Statement No. 13, the lease is considered a capital lease and the property deemed sold in exchange for rentals receivable under the lease. The lease may be terminated by the lessee either by expiration of the initial or any renewal term, or by default of Norfolk Southern. In the event of termination, Norfolk Southern is obligated to return to the Trust all properties covered by the lease, together with sufficient cash and other assets to permit operation of the railroad for a period of one year, and to settle the noncash settlement account described in Note 3.

The Trust has determined that the lease term is perpetual based on these substantial penalties to the lessee upon nonrenewal. Accordingly, as of January 1, 1983, the rentals receivable of $915,000 per annum, recognizing renewal options by the lessee in perpetuity, were estimated to have a present value of $9,150,000, assuming an implicit interest rate of 10%.

3 - NONCASH RENTAL SETTLEMENT

Under the terms of the lease, a noncash settlement account is maintained to record amounts due to or due from Norfolk Southern upon termination of the lease. The amount is credited with noncash rent equivalent to: (a) the deductions allowable to the Trust, for tax purposes for depreciation, amortization or retirements of the leased properties and amortization of debt discount and expense; and (b) all other expenses of the Trust, except those incurred for the benefit of the shareholders. The settlement account is charged with the cost of capital asset acquisitions and expenses of the Trust paid for by Norfolk Southern on behalf of the Trust.

At December 31, 2006 and 2005, the noncash settlement account had a balance of $14,229,640 and $13,885,185, respectively, receivable from Norfolk Southern. The account will not be settled until the expiration of the lease, whether by default or nonrenewal. Because of the indeterminate settlement date of the account, no values have been reported in the accompanying financial statements for the balance of the account or the transactions affecting the balance.

PITTSBURGH & WEST VIRGINIA RAILROAD

NOTES TO FINANCIAL STATEMENTS

(Continued)

4 - INCOME TAXES

The Trust was organized as a Pennsylvania business trust and has elected to be treated under the Internal Revenue Code as a real estate investment trust. As such, the Trust is exempt from Federal taxes on taxable income and capital gains to the extent that they are distributed to shareholders. In order to maintain qualified status, at least 90% of ordinary taxable income must be distributed; it is the intention of the Trustees to continue to make sufficient distributions of ordinary taxable income. Dividends distributed for the years ended December 31, 2006, 2005, and 2004, were comprised entirely of ordinary income.

5 - RELATED PARTY TRANSACTIONS

A Trustee of the Trust serves as Chairman and CEO of Wheeling & Lake Erie Railway Company which subleases from Norfolk Southern Corporation the right of way and real estate owned by the Trust. The Sublease is substantially similar by virtue of assignment and assumption of rights and obligations as the Lease between the Trust and Norfolk Southern Corporation. As Chairman and CEO of Wheeling & Lake Erie Railway, the Trustee exercises the rights and obligations under the Sublease to maintain the property, to operate the property, and to sell or dispose of the property not needed for ongoing operations in accordance with the provisions of the Lease and Sublease.

The Trust leases office space and equipment from a company related to its Chairman. Rent is paid on a month to month basis in the amount of $1,500 per month.

6 - CONTINGENCY

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 December 31, 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.

7 - SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The following presents a summary of the unaudited quarterly financial information for the years ended December 31, 2006 and 2005.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter

Year Ended December 31, 2006				
Revenue	$ 228,750	$ 228,750	$ 228,750	$ 228,750
Net income	$ 172,884	$ 195,426	$ 210,115	$ 210,771
Net income per share	$ 0.11	$ 0.13	$ 0.14	$ 0.14
Year Ended December 31, 2005				
Revenue	$ 228,750	$ 228,750	$ 228,750	$ 228,750
Net income	$ 163,470	$ 202,046	$ 206,323	$ 208,398
Net income per share	$ 0.11	$ 0.13	$ 0.14	$ 0.14