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PITTSBURGH & WEST VIRGINIA RAILROAD  
Form 10-Q  
May 12, 2010

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 Quarterly period ended March 31, 2010

Commission File Number: 1-5447

PITTSBURGH & WEST VIRGINIA RAILROAD

Pennsylvania  
(State of Organization)

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

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

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, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer  Accelerated filer  Non-accelerated  
filer  Smaller reporting company

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 latest practicable date.

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 R. McCoy, Secretary and Treasurer, #2 Port Amherst Drive, Charleston, WV 25306.

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

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

	Three Months Ended	
	March 31,	
	2010	2009
INCOME AVAILABLE FOR DISTRIBUTION:		
Interest income from capital lease	\$ 229	\$ 229
Less general and administrative expense	71	77
NET INCOME	\$ 158	\$ 152
Per Share: (1,510,000 average shares outstanding)		
Net Income	\$ .10	\$ .10
Cash Dividends	\$ .12	\$ .12

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

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#### BALANCE SHEET (Dollars in Thousands)

	(Unaudited) March 31, 2010	(Audited) December 31 2009
ASSETS		
Net investment in capital lease	\$ 9,150	\$ 9,150
Cash	17	40
	\$ 9,167	\$ 9,190
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity:		
Shares of beneficial interest, at no par value, 1,510,000 shares issued outstanding	9,145	9,145
Retained earnings	22	45
Total shareholders' equity	9,167	9,190

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Total liabilities and shareholders' equity	\$ 9,167	\$ 9,190
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The accompanying notes are an integral part of these financial statements.

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

	Three Months Ended March 31,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 158	\$ 152
Adjustment to reconcile net income to net cash provided by operating activities:		
Net cash provided by operating activities	\$ 158	\$ 152
Cash flows used in financing activities:		
Dividends paid	181	181
Net increase decrease in cash	(23)	(29)
Cash, beginning of period	40	44
Cash, end of period	\$ 17	\$ 15

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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. Furthermore, in accordance with the terms of the lease, Norfolk Southern Corporation will reimburse the lessor, in the form of additional rent, for all taxes and governmental charges imposed upon the leased assets of the lessor except for taxes relating to cash rent payments made by the lessee. Due to the treatment of the lease as a direct financing lease for GAAP purposes, the tax basis of the leased property is higher than the GAAP basis in the leased property.

(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 March 31, 2010, 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. MANagements' Discussion and Analysis of Financial Condition and Results of Operations

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 first quarter of 2010 with the preceding fourth quarter of 2009 and the first quarter of 2009, revenues totaled \$229,000, \$228,000, and \$229,000,

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respectively. Net income and income available for distribution was \$158,000, \$212,000, and \$152,000, respectively.

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 moderate, 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 4T. CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining effective disclosure controls and procedures. As of the end of the period covered by 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-15 under the Securities and 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 to ensure that information required to be disclosed in the Registrant's required SEC filings is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

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.

We maintain a system of internal control over financial reporting that is 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 over financial reporting during the first quarter that have materially affected, or are reasonable likely to materially affect such controls.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

None

### Item 1A. Risk Factors

None

### Item 6. Exhibits

- o Exhibit 31.1 Section 302 Certification for Herbert E. Jones, Jr.
- o Exhibit 31.2 Section 302 Certification for Herbert E. Jones, III
- o Exhibit 31.3 Section 302 Certification for Robert R. McCoy
- o Exhibit 99 Section 906 Certification for Herbert E. Jones, Jr., Herbert E. Jones, III, and Robert R. McCoy.

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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 & WV RAILROAD

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

Date: May 12, 2010

/s/Robert R. McCoy  
Robert R. McCoy  
Secretary and Treasurer

Date: May 12, 2010