

Power REIT  
Form 10-K  
March 31, 2015

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UNITED STATES  
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, 2014

Commission File Number: 000-54560

POWER REIT  
(Exact name of registrant as specified in its charter)

Maryland  
(State of organization)

45-3116572  
(I.R.S. Employer Identification No.)

301 Winding Road, Old Bethpage, NY 11804  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (212) 750-0373

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, \$0.001 par value	NYSE MKT
7.75% Series A Cumulative Redeemable Perpetual Preferred Stock, Liquidation Preference \$25 per Share	NYSE MKT

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

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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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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

The aggregate market value of the voting common equity of the Registrant held by non-affiliates as of June 30, 2014, the Registrant's most recently completed second fiscal quarter, was approximately \$12,808,000, computed by reference to the closing price of the Registrant's shares of beneficial interest ("common shares" or "common stock") on June 30, 2014 of \$9.06. For purposes of this calculation, common shares held by persons who hold more than 5% of the outstanding shares and shares held by executive officers and trustees have been excluded. This is not a determination of affiliate or executive officer status for any other purpose. The Registrant has no non-voting common equity.

As of March 24, 2015, there were 1,731,788 common shares outstanding and 144,636 Series A \$25 par value Preferred Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this annual report on Form 10-K incorporates by reference information in Registrant's definitive proxy statement to be filed with the Securities and Exchange Commission (the "SEC" or the "Commission") within 120 days after December 31, 2014.

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## PART I

### Item 1. Business.

Power REIT (the “Registrant” or the “Trust”, and together with its consolidated subsidiaries, “we”, “us”, the “Company” or “Power REIT”, unless the context requires otherwise) is a Maryland-domiciled real estate investment trust (a “REIT”) that holds, develops, acquires and manages real estate assets related to transportation and energy infrastructure in the United States. Within the transportation and energy infrastructure sectors, Power REIT is focused on making new acquisitions of real estate that are or will be leased to renewable energy generation projects, such as utility-scale solar farms and wind farms, that have low or minimal technology risk.

The Trust is structured as a holding company and owns its assets through five wholly-owned, special purpose subsidiaries, with one subsidiary owning another subsidiary, that have been formed in order to hold real estate assets, obtain financing and generate lease revenue. As of December 31, 2014, the Trust’s assets consisted of approximately 112 miles of railroad infrastructure and related real estate which is owned by its subsidiary Pittsburgh & West Virginia Railroad (“P&WV”) and approximately 601 acres of fee simple land leased to a number of solar power generating projects with an aggregate generating capacity of approximately 108 Megawatts (“MW”). Power REIT is actively seeking to expand its portfolio of real estate related to renewable energy generation projects and is pursuing investment opportunities that qualify for REIT ownership within solar, wind, hydroelectric, geothermal, transmission and other infrastructure projects.

P&WV is a business trust organized under the laws of Pennsylvania for the purpose of owning railroad assets that are currently leased to Norfolk Southern Railway (“NSC”) pursuant to a 99-year lease that became effective in 1964 and is subject to an unlimited number of 99-year renewal periods under the same terms and conditions, including annual rent payments, at the option of NSC (the “Railroad Lease”). P&WV’s assets consist of a railroad line of approximately 112 miles in length, extending through Connellsville, Washington and Allegheny Counties in the Commonwealth of Pennsylvania, through Brooke County in the State of West Virginia and through Jefferson and Harrison Counties in the State of Ohio, to Pittsburgh Junction in Harrison County, Ohio. There are also branch lines that total approximately 20 miles in length located in Washington and Allegheny Counties in Pennsylvania and Brooke County in West Virginia. NSC pays P&WV base cash rent of \$915,000 per year, payable in quarterly installments. In addition, Power P&WV believes NSC is obligated to pay additional rent and other amounts, which is currently the subject of litigation. (See Item 3, Legal Proceedings).

PW Salisbury Solar, LLC (“PWSS”) is a Massachusetts limited liability company that owns approximately 54 acres of land located in Salisbury, Massachusetts that is leased to a 5.7 MW operational solar farm. Pursuant to the lease agreement, PWSS’ tenant is required to pay PWSS rent of \$80,800 cash for the year December 1, 2012 to November 30, 2013, with a 1.0% escalation in each corresponding year thereafter. Rent is payable quarterly in advance and is recorded by Power REIT for accounting purposes on a straight-line basis. For each of the twelve months ended December 31, 2014 and 2013 rent has been recorded in the amount of \$89,494. At the end of the 22-year lease period, which commenced on December 1, 2011 (prior to being assumed by PWSS), the tenant has certain renewal options, with terms to be mutually agreed upon.

PW Tulare Solar, LLC (“PWTS”) is a California limited liability company that owns approximately 100 acres of land leased to a five (5) solar farms, with an aggregate generating capacity of approximately 20MW, located near Fresno, California. The solar farm tenants pay PWTS an aggregate annual rent of \$157,500 cash, payable in advance and without escalation during the 25-year term of the leases. At the end of the 25-year term, which commenced in March 2013 (prior to being assumed by PWTS), the tenants have certain renewal options, with terms to be mutually agreed upon. For the years ended December 31, 2014 and 2013, PWTS recorded rental income of \$167,603 and \$39,375, respectively.



PW Regulus Solar, LLC (“PWRS”) is a California limited liability company that owns approximately 447 acres of land leased to an operating solar project with an aggregate generating capacity of approximately 82 Megawatts in Kern County, California near Bakersfield. PWRS’s lease was structured to provide it with initial quarterly rental payments until the solar farm achieved commercial operation which occurred in November 11, 2014. During the primary term of the lease which extends for 20 years from achieving commercial operations, PWRS will receive an initial annual rent of approximately \$735,000 per annum which grows at 1% per annum. The lease is a “triple net” lease with all expenses to be paid by the tenant. At the end of the primary term of the lease, the tenants have certain renewal options with rent calculated as the greater of a minimum stated rental amount or a percentage of the total project-level gross revenue. The acquisition price, not including transaction and closing costs, was approximately \$9.2 million. For the twelve months ended December 31, 2014 and 2013, PWRS recorded rental income of \$570,983 and \$0 respectively. The 2014 rent recorded is from April 14, 2014 (the date of closing on the acquisition).

Power REIT Financo, LLC (“Financo”), a wholly-owned, direct subsidiary of Power REIT, entered into a \$26.2 million credit facility in April 2014 with a major institutional lender (the “Credit Facility”). Financo is the owner of PWRS.

The Company’s revenue is highly concentrated, with lease payments from the lessee of P&WV and PWRS assets representing approximately 52% and 33%, respectively, of the Company’s consolidated revenues for the year ended December 31, 2014.

Mr. David H. Lesser serves as a member and Chairman of our Board of Trustees. He also serves as our Chief Executive Officer, Secretary and Treasurer. Currently, Power REIT has no other officers or employees. As Power REIT’s business grows, the Company will from time to time evaluate its staffing and third party service provision needs and adjust its staffing and third party service arrangements as necessary.

Power REIT was formed as part of a reorganization and reverse triangular merger of P&WV that closed on December 2, 2011. P&WV survived the reorganization as a wholly-owned subsidiary of the Registrant.

Power REIT has elected to be treated for tax purposes as a REIT, which means that it is exempt from U.S. federal income tax if a sufficient portion of its annual income is distributed to its shareholders, and if certain other requirements are met. In order for Power REIT to maintain its REIT qualification, at least 90% of its ordinary taxable annual income must be distributed to shareholders.

Item 1A. Risk Factors.

An investment in Power REIT's securities involves significant risks. Anyone who is making an investment decision regarding Power REIT's securities should, before making that decision, carefully consider the following risk factors, together with all of the other information included in, or incorporated by reference into, this document. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also have a material adverse effect on our business, operations and future performance. If any of the circumstances contemplated in the following risk factors were to occur, Power REIT's business, financial condition, results of operations and prospects could all be materially adversely affected. In any such case, you could lose all or part of your investment.

Risks Related to our Operations

Our business strategy includes growth plans. Our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth or investments effectively.

Power REIT is pursuing a growth strategy focused on infrastructure properties that qualify as real estate for REIT purposes. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in significant growth stages of development. General and administrative expenses, including expenses related to tax, legal and audit have been high and are expected to continue to be high, due to the complex organization of Power REIT, expenses related to growth and our litigation matter more fully discussed below in this Risk Factors section and in Item 3, Legal Proceedings. We cannot assure you that we will be able to expand our market presence in our existing markets or successfully enter new markets or that any such expansion will not adversely affect our results of operations. Failure to manage potential transactions to successful conclusions, or failure more generally to manage our growth effectively, could have a material adverse effect on our business, future prospects, financial condition or results of operations and could adversely affect our ability to successfully implement our business strategy or pay dividends.

Even if we are able to execute our business strategy, that strategy may not be successful.

Even if the Company is able to expand its business as it intends, its investments may not be successful due to a variety of factors, including but not limited to asset under-performance, higher than forecast expenses, failure or delinquency on the part of the Company's lessees, changes in market conditions or other factors, any of which may result in lower returns than expected and may adversely affect the Company's financial condition, results of operations and ability to pay dividends.

We operate in a highly competitive market for investment opportunities and we may be unable to identify and complete acquisitions of real property assets.

We compete with public and private funds, commercial and investment banks, commercial financing companies and public and private REITs to make the types of investments that we plan to make in the U.S. infrastructure sector. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than us. For example, some competitors may have a lower cost of funds and access to funding sources that are currently not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, allowing them to pay higher consideration, consider a wider variety of investments and establish more effective relationships than us. Furthermore, many of our competitors are not subject to the restrictions that our REIT status imposes on us. These competitive conditions could adversely affect our ability to make investments in the infrastructure sector and could adversely affect our distributions to stockholders. Moreover, our ability to close transactions will be subject to our ability to access financing within stipulated contractual time frames, and there is no assurance that we will have access to such financing on terms that are favorable to us, if at all.





Because we expect to distribute substantially all of our taxable income to our stockholders or lenders, we will continue to need additional capital to make new investments. If additional funds are unavailable or not available on favorable terms, our ability to make new investments will be impaired.

Because we plan to distribute substantially all of our taxable income to our shareholders or lenders, our business will from time to time require substantial amounts of new capital if we are to achieve our growth plans. We may acquire additional capital from the issuance of securities senior to our common shares, including additional borrowings or other indebtedness, preferred shares (such as our Series A Preferred Stock, which we have recently begun issuing) or the issuance of other securities. We may also acquire additional capital through the issuance of additional common shares. However, we may not be able to raise additional capital in the future, on favorable terms or at all. Unfavorable business, market or general economic conditions could increase our funding costs, limit our access to capital markets or result in a decision by lenders not to extend credit to us.

To the extent we issue debt securities, other instruments of indebtedness or additional preferred stock, or borrow additional money from banks or other financial institutions, we will be additionally exposed to risks associated with leverage, including increased risk of loss. If we issue additional preferred securities that rank senior to our common shares in our capital structure, the holders of such preferred securities may have separate voting rights and other rights, preferences or privileges, economic and otherwise, more favorable than those of our common shares, and the issuance of such preferred securities could have the effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for common shareholders.

Any inability to access additional financing on terms that are favorable to us may adversely affect our ability to grow and our business generally.

The Company's investment portfolio is, and in the future may continue to be, concentrated in its exposure to a relatively few number of investments, industries and lessees.

As of December 31, 2014, the Company had four investments, consisting of its ownership of its four investment subsidiaries: P&WV, PWSS, PWTS and PWRS. Payments from NSC to P&WV under the Railroad Lease represented approximately 52% and 88% of Power REIT's consolidated revenues in 2014 and 2013, respectively. Payments from PWRS's tenant represented approximately 33% and 0% of Power REIT's consolidated revenues in 2014 and 2013. As the Company grows, its portfolio will likely still remain concentrated in a limited number of investments for a substantial period of time.

The Company is exposed to risks inherent in this sort of investment concentration. Financial difficulty or poor business performance on the part of any single lessee or a default on any single lease will expose the Company to a greater risk of loss than would be the case if the Company were more diversified and holding numerous investments, and the underperformance or non-performance of any of its assets may severely adversely affect the Company's financial condition and results from operations. The Company's lessees could seek the protection of bankruptcy, insolvency or similar laws, which could result in the rejection and termination of our lease agreements and could cause a reduction in the Company's cash flows. Furthermore, the Company intends to concentrate its investment activities in the infrastructure sector, including energy and transportation, which will subject the Company to more risks than if the Company were diversified across many sectors. At times, the performance of the infrastructure sector may lag the performance of other sectors or the broader market as a whole.

In addition, as more fully discussed below in this Risk Factors section and in Item 3, Legal Proceedings, P&WV and Power REIT are currently in litigation with P&WV's lessee, NSC, and NSC's sub-lessee. The future outcome of this litigation is uncertain. An unfavorable outcome could adversely affect the Company's business.

The Registrant and P&WV are in litigation with NSC, the lessee of P&WV's assets, and with NSC's sub-lessee. The litigation involves various risks.

As previously disclosed in our public filings with the SEC, the Registrant and its wholly-owned subsidiary P&WV are in litigation with NSC and NSC's sub-lessee, Wheeling & Lake Erie Railroad ("WLE" and, together with NSC, the "Litigants"). The case is pending in Federal trial court in Pittsburgh (the "Court"). The Litigants initiated the litigation against the Registrant and P&WV in December 2011, seeking, among other things, a declaratory judgment that NSC was not in default under the 99-year Railroad Lease that NSC had entered into with P&WV in the 1960s.

P&WV, as lessor, has asserted counterclaims, seeking determinations that NSC is in default under the Railroad Lease for, among other things, failing to reimburse P&WV for certain legal fees incurred by P&WV, failing to permit P&WV to inspect NSC's books and records as called for under the terms of the Railroad Lease and failing to pay other amounts that P&WV believes are due and owing. P&WV also seeks declarations from the Court (i) that NSC's obligation to repay the indebtedness owed under the Railroad Lease is not indefinite in duration, and (ii) that the indebtedness owed to P&WV is due on demand with interest. If P&WV is successful with certain of its counterclaims, it can terminate the Railroad Lease and demand from NSC payment of the indebtedness. See "Legal Proceedings" under Item 3 for a further discussion of the litigation.

The litigation involves various risks. The Registrant or P&WV might not prevail on issues or claims that they believe they should win. In addition, connection with the litigation, P&WV incurred expenses of approximately \$1,050,000 and \$956,000 during the years ended December 31, 2014 and 2013 respectively. As of December 31, 2014, P&WV had incurred a total of approximately \$2,261,000 of expenses related to the litigation, of which approximately \$1,621,000 had been paid and approximately \$640,000 was payable. P&WV believes that the costs associated with the litigation are reimbursable by NSC under the Railroad Lease, but NSC has refused to pay such amounts. There can be no assurance that P&WV will prevail in collecting its litigation expenses from NSC.

Furthermore, the litigation constitutes a dispute with the Power REIT group's highest-paying lessee. As of the fourth quarter of 2014, NSC has continued to make its quarterly base rental payments (\$228,750 per quarter), despite the pendency of the litigation. However, there can be no assurance that NSC will continue to make its base rental payments.

Moreover, the Litigants have alleged that the Registrant is a successor in interest in respect of the Railroad Lease. If that allegation were to be decided against us in a fact-finding stage of the litigation, it could lead to liability, expenses or other adverse effects, including to the extent the Registrant has issued stock or engaged in certain other financing activities without the prior written consent of the lessee. This is because, under the terms of the Railroad Lease, the "lessor" may not (subject to certain exceptions) borrow money, issue debt or stock or engage in certain other financing without the prior written consent of the lessee (which, pursuant to the Railroad Lease, may not be unreasonably withheld). We believe that the Registrant is not the "lessor" under the Railroad Lease and is not constrained by any of the Railroad Lease restrictions. Nevertheless, there can be no assurance that the Registrant and P&WV will prevail in any determination on the merits of the Litigants' allegation.

In addition to the foregoing risks, the perception of the litigation in the market or to Power REIT's prospective business or finance counterparties, whether or not accurate, could make it harder for us to source investment opportunities or obtain debt or equity financing on terms that would otherwise be available, which in turn could constrain Power REIT's ability to expand its asset base, diversify its investments and grow and improve its business.

We believe we have sufficient liquidity and access to financing to fund the litigation discussed above and our other operations and expansion plans. However, if this were not to be the case, our business could be disrupted. We temporarily suspended dividend payments on our common stock starting with the second quarter of 2013 which is likely to continue until the ongoing costs of the litigation diminish. In order to fund the litigation, we could be required to continue this suspension for a substantial amount of time, or reduce other cash outflows, or forego investment opportunities. Any such development could adversely affect our business and our share prices.

We may incur additional indebtedness, which may adversely affect our financial condition and limit our ability to pay dividends.

Our governing documents do not limit us from incurring additional indebtedness and other liabilities. As of December 31, 2014, we and our subsidiaries had approximately \$11.2 million of indebtedness and other liabilities, a substantial portion of which is secured. We may incur additional indebtedness and become more highly leveraged, which could harm our financial condition and potentially limit our ability to pay dividends.

We cannot assure you that we will be able to pay dividends regularly.

Our ability to pay dividends is dependent on our available cash, our ability to operate profitably and our ability to generate sufficient cash from our operations and distribute them up from our subsidiaries. We cannot guarantee that we will be able to pay dividends on a regular basis.

If our acquisitions or our overall business performance fail to meet expectations, the amount of cash available to us to pay dividends may decrease.

We may not be able to achieve operating results that will allow us to pay dividends at a specific level or to increase the amount of these dividends from time to time. Also, restrictions and provisions in any credit facilities we enter into or any debt securities we issue may limit our ability to pay dividends. We cannot assure you that you will receive dividends at a particular time, or at a particular level, or at all.

The issuance of securities with claims that are senior to those of the common shares of the Company, including the Company's Series A Preferred Stock, may limit or prevent the Company from paying dividends on its common shares. There is no limitation on the Company's ability to issue securities senior to the Company's common shares or incur indebtedness.

The Company's common shares are equity interests that rank junior to the Company's indebtedness and other non-equity claims with respect to assets available to satisfy claims against the Company, and junior to preferred securities of the Company that by their terms rank senior to common shares in the Company's capital structure, including the Series A Preferred Stock. As of December 31, 2014, the Company has incurred debt in connection with its real estate acquisitions, and has issued approximately \$3.6 million of its Series A Preferred Stock. This debt and these preferred securities rank senior to the Company's common shares in the Company's capital structure. The Company expects that in due course it may incur more debt, and issue additional preferred securities, as it pursues its business strategy.



In the case of indebtedness, specified amounts of principal and interest are customarily payable on specified due dates. In the case of preferred securities, such as the Company's Series A Preferred Stock, holders are provided with a senior claim to distributions, according to the specific terms of the securities. In contrast, however, in the case of common shares, dividends are payable only when, as and if declared by the Company's Board of Trustees and depend on, among other things, the Company's results of operations, financial condition, debt service requirements, obligations to pay distributions to holders of preferred securities, such as the Series A Preferred Stock, other cash needs and any other factors that the Board of Trustees may deem relevant or that they are required to consider as a matter of law. The incurrence by the Company of additional debt, and the issuance by the Company of additional preferred securities, may limit or eliminate the amounts available to the Company to pay dividends on its common shares.

Our ability to pay dividends is limited by the Maryland law.

Our ability to pay dividends is limited by the laws of Maryland. Under applicable Maryland law, a Maryland real estate investment trust generally may not make a distribution if, after giving effect to the distribution, the entity would not be able to pay its debts as those debts come due in the usual course of business, or the entity's total assets would be less than the sum of its total liabilities plus (unless the entity's charter provides otherwise) the amount that would be needed if the entity were dissolved at the time of the distribution to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we may not be able to make a distribution on our common shares or Series A Preferred Stock if, after giving effect to the distribution, we would not be able to pay our debts as they come due in the usual course of business or (in the case of our common shares) our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of the Series A Preferred Stock, or (in the case of our Series A Preferred Stock), our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of any outstanding securities with rights or preferences senior to those of the Series A Preferred Stock.

The ability of the Registrant to service its obligations and pay dividends depends on the ability of its wholly-owned subsidiaries to make distributions to it.

Because the Registrant holds its assets through its wholly-owned subsidiaries, its ability to service its debt and other obligations, and to pay dividends on its preferred and common shares, is dependent upon the earnings of those subsidiaries and their ability to make distributions to the Registrant. To the extent any of the Registrant's subsidiaries are ever unable, through operation of law or otherwise, to make distributions to the Registrant, and as a result the Registrant is unable to service its debt or other obligations or pay dividends, our business and the prices of our securities may be adversely affected. In addition, in such circumstances, the Registrant may be forced to issue additional equity or debt, at unfavorable terms, in order to have the cash on hand with which to maintain its compliance with Internal Revenue Service rules that require the Registrant to distribute 90% of its taxable income to its shareholders or lose its REIT status. Or, if such equity or debt funding is unavailable, the Registrant may lose its REIT status.

We are dependent upon Mr. David H. Lesser for our success. On occasion, his interests may conflict with ours.

We are dependent on the diligence, expertise and business relationships of our management team to implement our strategy of acquiring and benefitting from the ownership of infrastructure-related real property assets. This is particularly true at the current time, when we have only a single individual, David Lesser, comprising our management team. Were Mr. Lesser unable to function on behalf of the Company, including in his roles as CEO and Chairman, the Company's business and prospects would be adversely affected. Moreover, Mr. Lesser has other business interests to which he dedicates a portion of his time that are unrelated to Power REIT. Although Mr. Lesser

is one of our major shareholders, on occasion, those other interests of his may conflict with his interests in Power REIT, and such conflicts may be unfavorable to us.

In addition, on occasion, Mr. Lesser may have financial interests that conflict, or appear to conflict, with the Company's interests. For example, an affiliate of Mr. Lesser's has provided bridge funding for two of the Company's acquisitions. Although a majority of our disinterested trustees must approve, and in those instances did approve, Power REIT's involvement in such transactions, in any such circumstance, there may be conflicts of interest between Power REIT on one hand, and Mr. Lesser and his affiliates and interests on the other hand, and such conflicts may be unfavorable to us.

From time to time, our management team may own interests in our lessees or other counterparties, and may thereby have interests that conflict or appear to conflict with the Company's interests.

On occasion, our management team may own interests in our lessees or other counterparties. Although our Declaration of Trust, as amended, restated and supplemented (and which we occasionally refer to herein as our "charter") permits this type of business relationship and a majority of our disinterested trustees must approve any such transaction, in any such circumstance, there may be conflicts of interest between Power REIT on one hand, and the relevant member or members of our management team on the other hand, and these conflicts may be unfavorable to us.

Most of our renewable energy lessees will likely be structured as special purpose vehicles, and therefore their ability to pay us is expected to be dependent solely on the revenues of a specific project, without additional credit support.

Most of our lessees will likely be structured as special purpose vehicles ("SPVs"), whose only source of cash flow will be from the operations of a single energy facility. If the energy facility fails to perform as projected, the SPV lessee might not have sufficient cash flow to make lease or interest payments to us. While we would expect the lenders or other parties connected to such SPVs to step in and continue to make payments to us, there can be no assurance that such parties would do so, rather than, for example, liquidating the facility. Further, if the facility materially underperforms or if energy supply contracts are cancelled, there may be little value in such SPV lessees, and our investments in real estate relating to their facilities may become impaired.

Some losses related to our real property assets may not be covered by insurance or indemnified by our lessees, and so could adversely affect us.

Our new leases will generally require our lessees to carry insurance on our properties against risks customarily insured against by other companies engaged in similar businesses in the same geographic region, and to indemnify us against certain losses. However, there are some types of losses, including catastrophic acts of nature, acts of war or riots, for which we or our lessees cannot obtain insurance at an acceptable cost. If there is an uninsured loss or a loss in excess of insurance limits, we could lose the revenues generated by the affected property and the capital we have invested in the property, assuming our lessee fails to pay us the casualty value in excess of such insurance limit, if any, or to indemnify us for such loss. Nevertheless, in such a circumstance we might still remain obligated to repay any secured indebtedness or other obligations related to the property. Any of the foregoing could adversely affect our financial condition or results of operations.

Legislative, regulatory, accounting or tax rules, and any changes to them or actions brought to enforce them, could adversely affect us.

We and our lessees are subject to a wide range of legislative, regulatory, accounting and tax rules. The costs and efforts of compliance with these laws, or of defending against actions brought to enforce them, could adversely affect us, either directly if we are subject to such laws or actions, or indirectly if our lessees are subject to them.

In addition, if there are changes to the laws, regulations or administrative decisions and actions that affect us, we may have to incur significant expenses in order to comply, or we may have to restrict or change our operations. For example, changes to the accounting treatment of leases by both lessors and lessees under accounting principles generally accepted in the United States (“GAAP”) could change the presentation of information in our financial statements and as a result affect the perception of our business and our growth plans. Changes to Internal Revenue Service interpretations of “real assets” or changes to the REIT portion of the Internal Revenue Code could affect our plans, operations, financial condition and share price.

We have invested, and expect to continue to invest, in real property assets, which are subject to laws and regulations relating to the protection of the environment and human health and safety. These laws and regulations generally govern wastewater discharges, noise levels, air emissions, the operation and removal of underground and above-ground storage tanks, the use, storage, treatment, transportation and disposal of solid and hazardous materials and the remediation of contamination associated with disposals. Environmental laws and regulations may impose joint and several liabilities on tenants, owners or operators for the costs to investigate and remediate contaminated properties, regardless of fault or whether the acts causing the contamination were legal. This liability could be substantial. In addition, the presence of hazardous substances, or the failure to properly remediate these substances, could adversely affect our ability to sell, rent or pledge an affected property as collateral for future borrowings. We intend to take commercially reasonable steps when we can to protect ourselves from the risks of environmental law liability; however, we will not obtain independent third-party environmental assessments for every property we acquire. In addition, any such assessments that we do obtain may not reveal all environmental liabilities, or whether a prior owner of a property created a material environmental condition not known to us. In addition, there are various local, state and federal fire, health, safety and similar regulations with which we or our lessees may be required to comply, and that may subject us or them to liability in the form of fines or damages. In all events, our lessees’ operations, the existing condition of land when we buy it, operations in the vicinity of our properties or activities of unrelated third parties could all affect our properties in ways that lead to costs being imposed on us.

Any material expenditures, fines, damages or forced changes to our business or strategy resulting from any of the above could adversely affect our financial condition and results of operations.



Changes in interest rates may negatively affect the value of our assets, our access to debt financing and the trading price of our securities.

The value of our investments in certain assets may decline if long-term interest rates increase. If interest rates were to rise from their current historically low levels, it may affect the perceived or actual values of our assets and dividends, and consequently the prices of our securities may decline.

Furthermore, to the extent the Company has borrowed funds, a rise in interest rates may result in re-financing risk when those borrowings become due, and the Company may be required to pay higher interest rates or issue additional equity to refinance its borrowings, which could adversely affect the Company's financial condition and results of operations.

Our quarterly results may fluctuate.

We could experience fluctuations in our quarterly operating results due to a number of factors, including variations in the returns on our current and future investments, the interest rates payable on our debt, the level of our expenses, the levels and timing of the recognition of our realized and unrealized gains and losses, the degree to which we encounter competition in our markets and other business, market and general economic conditions. Consequently, our results of operations for any current or historical period should not be relied upon as being indicative of performance in any future period.

We may not be able to sell our real property assets when we desire. In particular, in order to maintain our status as a REIT, we may be forced to borrow funds or sell assets during unfavorable market conditions.

Investments in real property are relatively illiquid compared to other investments. Accordingly, we may not be able to sell real property assets when we desire or at prices acceptable to us. This could substantially reduce the funds available for satisfying our obligations, including any debt or preferred share obligations, and for distributions to our common shareholders.

As a REIT, we must distribute at least 90% of our annual REIT taxable income, subject to certain adjustments, to our shareholders. To the extent that we satisfy the REIT distribution requirement but distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay to our shareholders in a calendar year is less than a minimum amount specified under federal tax laws. In addition to applicable federal taxation, we may be subject to state taxation.

From time to time, we may have taxable income greater than our cash flow available for distribution to our shareholders (for example, due to substantial non-deductible cash outlays, such as capital expenditures or principal payments on debt). If we did not have other funds available in these situations, we could be required to borrow funds, sell investments at disadvantageous prices or find alternative sources of funds in order to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and avoid income and excise taxes in a particular year. Any of these outcomes could increase our operating costs and diminish our available cash flows or ability to grow.

We may fail to remain qualified as a REIT, which would reduce the cash available for distribution to our shareholders and may have other adverse consequences.

Qualification as a REIT for federal income tax purposes is governed by highly technical and complex provisions of the Internal Revenue Code, for which there are only limited judicial or administrative interpretations. Our qualification as a REIT also depends on various facts and circumstances that are not entirely within our control. In addition, legislation, new regulations, administrative interpretations and court decisions might all change the tax laws with respect to the requirements for qualification as a REIT or the federal income tax consequences of qualification as a REIT.

If, with respect to any taxable year, we were to fail to maintain our qualification as a REIT, we would not be able to deduct distributions to our shareholders in computing our taxable income and would have to pay federal corporate

income tax (including any applicable alternative minimum tax) on our taxable income. If we had to pay federal income tax, the amount of money available to distribute to our shareholders would be reduced for the year or years involved. In addition, we would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost and thus our cash available for distribution to our shareholders would be reduced in each of those years, unless we were entitled to relief under relevant statutory provisions. Failure to qualify as a REIT could result in additional expenses or additional adverse consequences, which may include the forced liquidation of some or all of our investments.

Although we currently intend to operate in a manner designed to allow us to continue to qualify as a REIT, future economic, market, legal, tax or other considerations might cause us to lose our REIT status, which could have a material adverse effect on our business, prospects, financial condition and results of operations, and could adversely affect our ability to successfully implement our business strategy and pay dividends.

If an investment that was initially believed to be a real property asset is later deemed not to have been a real property asset at the time of investment, we could lose our status as a REIT or be precluded from investing according to our current business plan.

Power REIT must meet income and asset tests to qualify as a REIT. If an investment that was originally believed to be a real asset is later deemed not to have been a real asset at the time of investment, our status as a REIT could be jeopardized or we could be precluded from investing according to our current business plan, either of which would have a material adverse effect on our business, financial condition and results of operations. Further, we may not seek a private letter ruling from the Internal Revenue Service with respect to some or all of our infrastructure investments. The lack of such private letter rulings may increase the risk that an investment believed to be a real asset could later be deemed not to be a real asset. In the event that an investment is deemed to not be a real asset, we may be required to dispose of such investment, which could have a material adverse effect on us, because even if we were successful in finding a buyer, we might have difficulty finding a buyer on favorable terms or in a sufficient time frame.

If we were deemed to be an investment company under the Investment Company Act of 1940, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on the price of our securities.

A company such as ours would be considered an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), if, among other things, it owned investment securities (including minority ownership interests in subsidiaries or other entities) that have an aggregate value exceeding 40% of the value of its total assets on an unconsolidated basis, or it failed to qualify under the exemption from investment company status available to companies primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.

We do not believe that we are, or are likely to become, an investment company under the 1940 Act. Nevertheless, if we were deemed to be an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our operations and the price of our common shares.

Net leases may not result in fair market lease rates over time.

We expect a portion of our future income to come from net leases, whereby the lessee is responsible for all the costs, insurance and taxes of a property, including maintenance. Net leases typically have longer lease terms and, thus, there is an increased risk that if market rental rates increase in future years, the rates under our net leases will be less than fair market rental rates during those years. As a result, our income and distributions could be lower than they would otherwise be if we did not enter into net leases. When appropriate, we will seek to include a clause in each lease that provides increases in rent over the term of the lease, but there can be no assurance that we will be successful in securing such a clause. Some of our investments may include "percentage of gross revenue" lease payments, which may result in positive or negative outcomes depending on the performance of the acquired asset.



If a sale-leaseback transaction is recharacterized in a lessee's bankruptcy proceeding, our financial condition could be adversely affected.

In certain cases, we intend to enter into sale-leaseback transactions, whereby we would purchase a property and then simultaneously lease the same property back to the seller. In the event of the bankruptcy of a lessee company, a transaction structured as a sale-leaseback may be recharacterized as either a financing or a joint venture, either of which outcomes could adversely affect our business. If the sale-leaseback were recharacterized as a financing, we might not be considered the owner of the property, and as a result would have the status of a creditor in relation to the lessee company. In that event, we would no longer have the right to sell or encumber our ownership interest in the property. Instead, we would have a claim against the lessee company for the amounts owed under the lease, with the claim arguably secured by the property, and the lessee company/debtor might have the ability to restructure the terms, interest rate and amortization schedule of its outstanding balance. If new terms were confirmed by the bankruptcy court, we could be bound by them, and prevented from foreclosing on the property. If the sale-leaseback were recharacterized as a joint venture, we and the lessee company could be treated as co-venturers with regard to the property. As a result, we could be held liable, under some circumstances, for debts incurred by the lessee company relating to the property. Either of these outcomes could adversely affect our financial condition and results of operations.

Provisions of the Maryland General Corporation Law and our Declaration of Trust and Bylaws could deter takeover attempts and have an adverse impact on the price of our common shares.

The Maryland General Corporation Law and our Declaration of Trust and Bylaws contain provisions that may have the effect of discouraging, delaying or making difficult a change in control of Power REIT. The business combination provisions of Maryland law (if our Board of Trustees decides to make them applicable to us), the control share acquisition provisions of Maryland law (if the applicable provisions in our Bylaws are rescinded), the limitations on removal of Trustees, the restrictions on the acquisition of our common shares, the power to issue additional shares and the advance notice provisions of our Bylaws could have the effect of delaying, deterring or preventing a transaction or a change in control that might involve a premium price for holders of the common shares or might otherwise be in their best interests.

In order to assist us in complying with limitations on the concentration of ownership of REIT stock imposed by the Internal Revenue Code, among other purposes, our charter provides that no natural person or entity may, directly or indirectly, beneficially or constructively own more than 9.9% (in value or number of shares, whichever is more restrictive) of the aggregate amount of our outstanding shares of all classes. In addition, our Board of Trustees may, without stockholder action, authorize the issuance of shares of stock in one or more classes or series, including preferred stock. Our Board of Trustees may, without stockholder action, amend our charter to increase the number of shares of stock of any class or series that we have authority to issue. The existence of these provisions, among others, may have a negative impact on the price of our common shares and may discourage third party bids for ownership of our Company. These provisions may prevent any premiums being offered to holders of common shares.

#### Risks Related to Our Investment Strategy

Our focus on the energy and transportation infrastructure sectors will subject us to more risks than if we were broadly diversified to include other asset classes.

Because we specifically focus on infrastructure assets, investments in our securities may present more risks than if we were broadly diversified over numerous sectors of the economy. For example, a downturn in the U.S. energy or transportation infrastructure sectors would have a larger impact on us than on a company that does not concentrate in one sector of the economy. Factors that may adversely affect our investments include, but are not limited to, changes

in supply and demand for infrastructure consumption, prices of national and global commodities, government regulation, world and regional events and general economic conditions.

Renewable energy resources are complex, and our investments in them rely on long-term projections of resource and equipment availability and capital and operating costs; if our or our lessees' projections are incorrect, we may suffer losses.

Although the projection of renewable energy resource availability has been analyzed for decades across different geographies, technologies and topologies, long-term projections of renewable resource availability at a particular site, the availability of generating equipment and the operating costs of harvesting such renewable energy are subject to various uncertainties and in many cases must rely on estimates at best. If any such projections are materially incorrect, our lessees could suffer financial losses, which could adversely affect our investments. In addition, investments based on a percentage of gross revenue could under-perform our investment projections, leading to adverse effects on our financial condition and results of operations.

Infrastructure assets may be subject to the risk of fluctuations in commodity prices and in the supply of and demand for infrastructure consumption.

The operations and financial performance of companies in the infrastructure sector may be directly or indirectly affected by commodity prices and fluctuations in infrastructure supply and demand. Commodity prices and infrastructure demand fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand or supply, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Fluctuations in commodity prices may increase costs for consumers of energy-related infrastructure assets and therefore reduce demand for such infrastructure. Further, extreme price fluctuation upwards or downwards could lead to the development of alternatives to existing energy-related infrastructure and could impair the value of our investments.

Volatility in commodity prices or in the supply of and demand for infrastructure assets may make it more difficult for companies in the infrastructure sector to raise capital to the extent the market perceives that their performance may be tied directly or indirectly to commodity prices. Historically, commodity prices have been cyclical and have exhibited significant volatility. Should infrastructure companies experience variations in supply and demand, the resulting decline in operating or financial performance could adversely affect the value or quality of our assets.

Infrastructure investments are subject to obsolescence risks.

Infrastructure assets are subject to obsolescence risks that could occur as a result of changing supply and demand, new types of construction, changing demographics, changing weather patterns and new technologies. In any such event, there might be few alternative uses for our investments, and our investments might drop in value.

Renewable energy investments may be adversely affected by variations in weather patterns.

Renewable energy investments may be adversely affected by variations in weather patterns, including shifting wind or solar resources and including variations brought about by climate changes, which would cause earnings volatility for our lessees or borrowers and which could affect their ability to make lease or other contractual payments to us. Lease payments that are structured as a percentage of gross revenue typically fluctuate from period to period. Although we believe these fluctuations tend to average out over time, to the extent that our projections are incorrect because weather patterns change significantly, our financial condition and results of operations could be adversely affected.

If the development of renewable energy projects slows, we may have a harder time sourcing investments.

Renewable energy projects are dependent on a variety of factors, including government Renewable Portfolio Standards (RPS), equipment costs and federal and state incentives. Changes in some or all of these factors could result in reduced construction of renewable projects and may make it harder for us to source investments that are attractive to us, and this could have an adverse affect on our business. Volatility in project development and construction may result in uneven growth and may make it hard to predict with certainty our growth trends or patterns, which could make our securities less appealing to investors.

Investments in renewable energy may be dependent on equipment or manufacturers that have limited operating histories or financial or other challenges.

Although most wind, solar and other renewable energy projects use technologies that are well understood by the market, many technologies are undergoing rapid changes and improvements and many have not been tested in operating environments for the expected durations of our investments. Some manufacturers are new or relatively new and may not have the financial ability to support their extended warranties. As a result, if the future performance of equipment that is a basis for a lessee's revenues is lower than projected, such a lessee may have difficulty making its lease payments to us and our business could suffer.

#### Risks Related to Our Securities

There is a 9.9% limit on the amount of our equity securities that any one person or entity may own.

In order to assist us in complying with limitations on the concentration of ownership of REIT stock imposed by the Internal Revenue Code, among other purposes, our charter provides that no natural person or entity may, directly or indirectly, beneficially or constructively own more than 9.9% (in value or number of shares, whichever is more restrictive) of the aggregate amount of our outstanding shares of all classes. If a person were found to own more than this amount, whether as a result of intentionally purchasing our securities, developments outside such person's control



or otherwise – for example, as a result of changes in the Company’s capital structure, the inheritance of securities, or otherwise – then, among other things, the transfers leading to the violation of the 9.9% limit would be void and the Board of Trustees would be authorized to take such actions as it deemed advisable to insure the undoing of the transfers.

Factors could lead to the Company losing one or both of its NYSE MKT listings.

The Company could lose its common shares listing or its Series A Preferred Stock listing, both on the NYSE MKT, depending on a number of factors, including a failure by us to continue to qualify as a REIT, a failure to meet the NYSE MKT ongoing listing requirements, including those relating to the number of shareholders, the price of the Company's securities and the amount and composition of the Company's assets, changes in NYSE MKT ongoing listing requirements and other factors.

Low trading volumes in the Company's listed securities may adversely affect holders' ability to resell their securities at prices that are attractive, or at all.

Power REIT's common shares are traded on the