PITTSBURGH & WEST VIRGINIA RAILROAD
Form 10-K
March 27, 2009

PITTSBURGH & WEST VIRGINIA
RAILROAD
(a Pennsylvania business trust)

2008
ANNUAL REPORT and 10-K

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

April 14, 2009

To the Shareholders

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

The Trust's only line of business is the ownership of a small railroad running from western Pennsylvania to the eastern section of Ohio. The railroad is under long-term lease to Norfolk Southern Corporation (NSC) for a fixed rental of $915,000 per year. This amount, equivalent to 60 cents per share, is the only cash income to the Trust. All cash available, after payment of administrative expenses, is distributed as dividends. This net cash flow amounted to $ 770,000 or 51 cents per share in 2008, and dividends of 51 cents were distributed. Income and distributions in the prior year were $781,000 and 52 cents respectively. A quarterly dividend of 12 cents per share was paid on March 31, 2009, to shareholders of record March 10, 2009.

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

Included in this report is our 2008 annual report to the Securities and Exchange Commission on Form 10-K.

Enclosed is the proxy material for the Annual Shareholders meeting to be held in Charleston, West Virginia, on May 14, 2009. Please sign and return the proxy card promptly.

For the Trustees,

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

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

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, 2008

Commission File Number 1-5447

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

Pennsylvania
(State of organization)

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

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

25306-6699
(Zip Code)

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

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

Title of each class

Shares of beneficial interest,
without par value

Name of each exchange
on which registered

American Stock Exchange

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

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

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, accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer, accelerated filer, and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer
Accelerated filer Non-accelerated filer
Smaller Reporting Company __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 25, 2009 was $ 16,413,700.

At February 25, 2009, there were 1,510,000 outstanding shares of beneficial interest.

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

The information required by Part III hereof is incorporated by reference from Registrant's Proxy Statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2008.

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.

There are no employees. The accounting services and other general administrative services are provided through a contract with the Vice President, Secretary/Treasurer. The investor relations services are provided by a third-party shareholder services company.

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 and approximately 20 miles of branch lines and real estate used in the operation of the railroad.

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. 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 of the lease. 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. In addition, the balance of the settlement account as described in the preceding paragraph would be provided to the Registrant. The amount of the settlement account was $ 15,271,613 at December 31, 2008.

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 18, 2009:

NORFOLK SOUTHERN CORPORATION AND SUBSIDIARIES

($ in millions, except per share amounts)

	2008	2007	2006	2005	2004
RESULTS OF OPERATIONS					
Railway operating revenues	$ 10,661	$9,432	$9,407	$8,527	$7,312
Railway operating expenses	7,577	6,847	6,850	6,410	5,610

Income from railway operations	3,084	2,585	2,557	2,117	1,702
Other income-net	110	93	149	74	76
Interest expense on debt	444	441	476	494	489
Income from continuing operations before income tax and accounting changes	2,750	2,237	2,230	1,697	1,289
Provision for income taxes	1,034	773	749	416	379
Income from continuing operations before accounting changes	1,716	1,464	1,481	1,281	910
Discontinued operations	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of taxes	-	-	-	-	-
Net income	$ 1,716	$1,464	$1,481	$1,281	$ 910
PER SHARE DATA					
Income from continuing operations before accounting changes - basic	$4.60	$3.74	$3.63	$3.17	$2.31
- diluted	$4.52	$3.68	$3.57	$3.11	$2.28
Net income - basic	$4.60	$3.74	$3.63	$3.17	$2.31
Dividends - diluted	$4.52	$3.68	$3.57	$3.11	$2.28
Dividends	$1.22	$0.96	$0.68	$0.48	$0.36
Stockholders' equity at Year end	$26.23	$25.64	$24.19	$22.63	$19.92
FINANCIAL POSITION					
Total assets	$26,297	$26,144	$26,028	$25,859	$24,748
Total long-term debt, including current maturities	$ 6,667	$6,368	$6,600	$6,930	$7,525
Stockholders' equity	$ 9,607	$9,727	$9,615	$9,276	$7,977

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 AND ISSUER PURCHASES OF EQUITY SECURITIES

Registrant's shares are listed for trading on the American Stock Exchange under the symbol of "PW". At February 25, 2009, there were approximately 654 holders of record of registrant's shares of beneficial interest.

Stock Market and Dividend information per share of beneficial interest.

	2008 Quarters Ended			
	3/31	6/30	9/30	12/31
Sales price of traded shares				

High.....................	$9.50	$10.25	$10.25	$14.90
Low.....................	9.00	9.06	9.05	8.10
Dividends paid	.12	.13	.13	.12

2007 Quarters Ended

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

Sales price of traded shares	February 25, 2009
High.....................	$10.90
Low.....................	10.74

It is the Registrant's intention to continue distributing quarterly dividends. A quarterly dividend of $.12 per share is payable March 31, 2009 to shareholders of record on March 10, 2009.

Item 6 SELECTED FINANCIAL DATA

($Thousands, except per share amounts)

	2008	2007	2006	2005	2004
Revenues	$915	$915	$915	$915	$915
Income available for distribution	770	781	789	780	805
Net income	770	781	789	780	805
Total assets	9,195	9,196	9,199	9,204	9,209
Per share amounts:					
Net income	.51	.52	.52	.52	.53
Income available for distribution	.51	.52	.52	.52	.53
Cash dividends	.51	.52	.52	.52	.51

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, as previously discussed in Item 2. Income available for distribution in 2008 and in 2007 was approximately $770,000 and $781,000, 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. Stock exchange fees and costs related to shareholder services have also increased. 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 the 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)

2008	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Revenues	$229	$229	$229	$228
Net income	163	185	212	210
Per share	.11	.12	.14	.14
2007				
Revenues	$229	$229	$229	$228
Net income	171	188	210	212
Per share	.11	.12	.14	.14

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

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

None

Item 9A(T) CONTROLS AND PROCEDURES

Evaluation of Disclosure 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 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 could significantly affect internal controls subsequent to the date the Registrant carried out its evaluation.

Changes in Internal Control over Financial Reporting

We maintain a system of internal accounting controls that 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 during the fourth quarter that have materially affected, or are reasonably likely to materially affect such controls.

Management's Annual Report on Internal Control over Financial Reporting

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

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

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

Management conducted an evaluation of the effectiveness of the Registrant's internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2008.

PART III

Item 10 DIRECTORS AND EXECUTIVE OFFICERS OF REGISTRANT

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

Item 11 EXECUTIVE COMPENSATION

Compensation of Vice President and Secretary and Treasurer

Robert McCoy currently serves as the Vice President and Secretary and Treasurer, and is paid an annual fee of $9,000, which is payable in quarterly installments of $2,250 by the Company for his services.

Item 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Management's ownership of Registrant's shares of beneficial interest as of February 25, 2009.

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
Herbert E. Jones, III, Trustee and President	0	0.000
Robert R. McCoy Vice President and Secretary-Treasurer	0	0.000
All trustees and officers as a group (5 persons)	16,700	1.106

Item 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is set forth in Registrant's 2008 Proxy Statement, which is incorporated herein by reference.

Item 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

This information is set forth in Registrant's 2008 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:

- 2.1 Plan and Agreement of Reorganization, dated February 18, 1967, between Pittsburgh & West Virginia Railroad and The Pittsburgh and West Virginia Railway Company
- 2.2 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.
- 3.1 Pittsburgh & West Virginia Railroad Declaration of Trust dated February 18, 1967.
- 3.2 Pittsburgh & West Virginia Railroad Regulations.
- 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 31.1 - Section 302 Certification for Herbert E. Jones, Jr.

Exhibit 31.2 - Section 302 Certification for Herbert E. Jones, III

Exhibit 31.3 - Section 302 Certification for Robert R. McCoy

Exhibit 99 - Section 906 Certification for Herbert E. Jones, Jr., Herbert E. Jones, III, and Robert R. McCoy

(b) No report on Form 8-K was filed during the fourth quarter of 2008.

SIGNATURES

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

PITTSBURGH & WEST VIRGINIA RAILROAD

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

Date: March 27, 2009

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

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

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

Date: March 27, 2009

Audited Financial Statements

PITTSBURGH & WEST VIRGINIA RAILROAD

Years Ended December 31, 2008 and 2007

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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, 2008 and 2007, 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, 2008. The Trust's management is responsible for these financial statements. 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 audit 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, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

/s/Gibbons & Kawash
March 11, 2009

PITTSBURGH AND WEST VIRGINIA RAILROAD
BALANCE SHEET
December 31, 2008 and 2007

ASSETS	2008	2007
Cash	$44,505	$44,270
Net investment in capital lease	9,150,000	9,150,000
	$9,194,505	$9,194,270

LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity:		
Shares of beneficial interest, without par value:		
Authorized number of shares - unlimited;		
issued and outstanding - 1,510,000 shares		
at December 31, 2008 and 2007	$9,145,359	$9,145,359
Retained earnings	49,146	48,911
	$9,194,505	$9,194,270

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

PITTSBURGH AND WEST VIRGINIA RAILROAD
STATEMENT OF OPERATIONS
December 31, 2008 and 2007

	2008	2007	2006
Interest income			

from capital lease	$ 915,000	$915,000	$915,000
Less general and administrative expenses	144,665	134,919	125,804
Net income	$ 770,335	$780,081	$789,196
Per share:			
Net income	$0.51	$0.52	$0.52

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

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PITTSBURGH AND WEST VIRGINIA RAILROAD
STATEMENT OF CHANGES IN SHAREHOLDERS'EQUITY
December 31, 2008 and 2007

	Shares of Beneficial Interest	Retained Earnings
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
Net income	-	780,081
Cash dividends paid ($.52 per share)	-	(785,200)
Balance at December 31, 2007	9,145,359	48,911
Net income	-	770,335
Cash dividends paid ($.51 per share)	-	(770,100)
Balance at December 31, 2008	$9,145,359	$49,146

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

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PITTSBURGH AND WEST VIRGINIA RAILROAD
STATEMENT OF CASH FLOWS
December 31, 2008 and 2007

	2008	2007	2006
Cash flows from operating activities:			
Net income	$770,335	$780,081	$789,196

Adjustments to reconcile net income to net cash provided by operating activities:			
Decrease in accounts payable and accrued liabilities	-	-	(8,950)
Net cash provided by operating activities	770,335	780,081	780,246
Cash flows used in financing activities			
Dividends paid	(770,100)	(785,200)	(785,200)
Net increase (decrease) in cash	235	(5,119)	(4,954)
Cash, beginning of year	44,270	49,389	54,343
Cash, end of year	$44,505	$44,270	$49,389

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

PITTSBURGH AND 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.

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

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2-CAPITAL LEASE (continued)

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, 2008 and 2007, the noncash settlement account had a balance of $15,271,613 and $14,933,273, 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.

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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, 2008, 2007, and 2006, 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, 2008, 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, 2008 and 2007:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Year Ended December 31, 2008				
Revenue	$228,750	$228,750	$228,750	$228,750
Net income	$163,605	$184,955	$211,692	$210,083
Net income per share	$.11	$.12	$.14	$.14
Year Ended December 31, 2007				
Revenue	$228,750	$228,750	$228,750	$228,750
Net income	$170,873	$187,638	$209,792	$211,777
Net income per share	$.11	$.12	$.14	$.14