

Power REIT  
Form 10-Q  
May 11, 2015

---

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

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

For the quarterly period ended March 31, 2014

000-54560  
(Commission File Number)

POWER REIT

(Exact name of registrant as specified in its charter)

Maryland 45-3116572  
(State of Organization) (I.R.S. Employer Identification No.)

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

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

N/A  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant 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).

Edgar Filing: Power REIT - Form 10-Q

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

1,731,788 common shares, \$0.001 par value, outstanding at May 11, 2015.

---

---

## TABLE OF CONTENTS

	Page No.
<b>PART I – FINANCIAL INFORMATION</b>	
<b>Item 1 – Financial Statements (Unaudited)</b>	<b>3</b>
Consolidated Balance Sheets (Unaudited)	3
Consolidated Statements of Operations (Unaudited)	4
Consolidated Statements of Cash Flows (Unaudited)	5
Notes to Unaudited Consolidated Financial Statements	6
<b>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</b>	<b>14</b>
<b>Item 3 – Quantitative and Qualitative Disclosures About Market Risk</b>	<b>17</b>
<b>Item 4 – Controls and Procedures</b>	<b>17</b>
<b>PART II – OTHER INFORMATION</b>	
Item 1 – Legal Proceedings	18
Item 1A – Risk Factors	19
Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds	19
Item 3 – Defaults Upon Senior Securities	19
Item 4 – Mine Safety Disclosures	20
Item 5 – Other Information	20
Item 6 – Exhibits	20
<b>SIGNATURES</b>	<b>21</b>

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

POWER REIT AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

	(Unaudited) 3/31/2015	(See Note 1) 12/31/2014
<b>ASSETS</b>		
Land	\$6,788,067	\$6,788,067
Net investment in capital lease - railroad	9,150,000	9,150,000
Total real estate assets	15,938,067	15,938,067
Cash and cash equivalents	641,748	654,381
Other receivables	158,553	1,054
Prepaid expenses	76,774	13,576
Intangible assets, net of accumulated amortization	4,715,876	4,775,161
Other assets	1,057,676	957,231
<b>TOTAL ASSETS</b>	<b>\$22,588,694</b>	<b>\$22,339,470</b>
<b>LIABILITIES AND EQUITY</b>		
Deferred revenue	\$369,024	\$25,582
Accounts payable	453,537	572,591
Accounts payable, related party	580,639	641,628
Accrued interest	119,238	46,873
Current portion of long-term debt	199,015	198,709
Long term debt, related party	-	1,650,000
Current debt, related party	1,650,000	-
Other long-term debt	7,432,591	7,519,413
Interest rate swap	711,906	528,040
<b>TOTAL LIABILITIES</b>	<b>11,515,950</b>	<b>11,182,836</b>
Series A 7.75% Cumulative Redeemable Perpetual Preferred Stock Par Value \$25.00 (175,000 shares authorized; 144,636 issued and outstanding as of March 31, 2015 and December 31, 2014)	3,492,149	3,492,149
<b>Commitments and Contingencies</b>		
<b>Equity:</b>		
Common Shares, \$0.001 par value (100,000,000 shares authorized; 1,731,788 and 1,731,788 shares issued and outstanding as of March 31, 2015 and December 31, 2014)	1,732	1,732
Additional paid-in capital	10,869,429	10,815,889
Accumulated deficit	(3,290,566 )	(3,153,136 )
<b>Total Equity</b>	<b>7,580,595</b>	<b>7,664,485</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$22,588,694</b>	<b>\$22,339,470</b>

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



POWER REIT AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
<b>REVENUE</b>		
Lease income from capital lease – railroad, net	\$228,750	\$228,750
Rental income	262,008	69,304
Interest income	11	42
<b>TOTAL REVENUE</b>	<b>490,769</b>	<b>298,096</b>
<b>EXPENSES</b>		
Amortization of intangible assets	59,285	2,413
General and administrative	53,613	41,785
Stock-based compensation	53,540	21,770
Property tax	5,462	6,600
Property acquisition expenses	(1,105 )	4,212
Litigation expenses (see note 8)	4,440	112,712
Interest expense	199,130	50,629
Unrealized loss on interest rate swap	183,866	-
<b>TOTAL EXPENSES</b>	<b>558,231</b>	<b>240,121</b>
<b>NET LOSS</b>	<b>(67,462 )</b>	<b>57,975</b>
Preferred Stock Dividends	69,968	-
<b>NET LOSS ATTRIBUTABLE TO COMMON SHARES</b>	<b>\$(137,430 )</b>	<b>\$57,975</b>
<b>Loss Per Common Share:</b>		
Basic	\$(0.08 )	\$0.03
Diluted	\$(0.08 )	\$0.03
<b>Weighted Average Number of Shares Outstanding:</b>		
Basic	1,731,788	1,674,733
Diluted	1,731,788	1,688,080
Cash dividend per Series A Preferred Share	\$0.48	-

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

POWER REIT AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
<b>Operating activities</b>		
Net loss	\$(67,462 )	\$57,975
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b>		
Amortization of intangible assets	59,285	2,413
Change in unrealized loss on interest rate swap	183,866	-
Amortization of debt costs	62,502	
Stock-based compensation	53,540	21,770
<b>Changes in operating assets and liabilities</b>		
(Increase) decrease in other receivables	(157,500 )	6,164
(Increase) decrease in prepaid expense	(63,199 )	(61,458 )
Increase in other assets	-	(73,114 )
Increase (decrease) in deferred revenue	(162,946 )	144,309
Increase in Prepaid Rent	343,442	-
Increase (decrease) in accounts payable	(114,424 )	241,230
Increase (decrease) in accrued interest	6,747	34,684
Net cash provided by (used in) operating activities	143,851	373,973
<b>Financing Activities</b>		
Principal payment on long-term debt	(86,516 )	(11,851 )
Net proceeds from issuance of preferred stock	-	2,645,000
Cash dividends paid on preferred stock	(69,968 )	-
Net cash provided by financing activities	(156,484 )	2,633,149
Net increase (decrease) in cash and cash equivalents	(12,633 )	3,007,122
Cash and cash equivalents, beginning of period	654,381	78,000
Cash and cash equivalents, end of period	\$641,748	\$3,085,000
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$56,995	\$5,284

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

POWER REIT AND SUBSIDIARIES  
Notes to Unaudited Consolidated Financial Statements

1. GENERAL INFORMATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information, and with the rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Accordingly, these interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of the Company, as defined below, these unaudited consolidated financial statements include all adjustments necessary to present fairly the information set forth herein. All such adjustments are of a normal recurring nature. Results for interim periods are not necessarily indicative of results to be expected for a full year.

These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes included in our latest Annual Report on Form 10-K filed with the SEC on March 31, 2015.

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 March 31, 2015, 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 REIT believes NSC is responsible for additional rent and other amounts, which is currently the subject of litigation. (See Note 5).

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



Edgar Filing: Power REIT - Form 10-Q

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. Rent for the year ended December 31, 2014 was \$89,494. For each of the three months ended March 31, 2015 and 2014 rent has been recorded in the amount of \$22,374. 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.

POWER REIT AND SUBSIDIARIES  
Notes to Unaudited Consolidated Financial Statements

PW Tulare Solar, LLC (“PWTS”) is a California limited liability company that owns approximately 100 acres of land leased to five 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 year ended December 31, 2014, PPWTS recorded rental income of \$167,603. For the three months ended March 31, 2015 and 2014, PWTS recorded rental income of \$38,836 and \$46,030, respectively.

PW Regulus Solar, LLC (“PWRS”) is a California limited liability company that owns approximately 447 acres of land leased to a solar project with an aggregate generating capacity of approximately 82 Megawatts that is under construction and is in Kern County, California near Bakersfield. PWRS’s lease was structured to provide it with initial quarterly rental payments until the solar farm achieves commercial operations which occurred on 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 year ended December 31, 2014, PWRS recorded rental income of approximately \$571,000. For the three months ended March 31, 2015 and 2014, PWRS recorded rental income of \$200,779 and \$0 respectively.

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

During the quarter ended March 31, 2015, the Trust paid a quarterly dividend of approximately \$70,000 (\$0.48375 per share) on Power REIT’s 7.75% Series A Cumulative Redeemable Perpetual Preferred Stock.

The Trust 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 Trust.

The Trust 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 the Trust to maintain its REIT qualification, at least 90% of its ordinary taxable annual income must be distributed to shareholders.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

These consolidated financial statements have been prepared in accordance with GAAP.

### Principles of Consolidation

The accompanying consolidated financial statements include Power REIT and its wholly-owned subsidiaries. All intercompany balances have been eliminated in consolidation.



POWER REIT AND SUBSIDIARIES  
Notes to Unaudited Consolidated Financial Statements

Reclassifications

Certain amounts in the 2014 consolidated financial statements have been reclassified to conform to the 2015 presentation.

Derivative Financial Instruments

The Trust uses derivative financial instruments to reduce interest rate risks. Derivatives are measured at fair value and recognized as either assets or liabilities in the Trust's Consolidated Balance Sheets. Changes in the fair value of these instruments are reported in earnings or other comprehensive income depending on the use of the derivatives and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative and the effect on the Consolidated Financial Statements will depend on its hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows of the asset or liability hedged. The Trust does not hold or issue derivative financial instruments for trading purposes; however, the Trust has not performed the activities necessary to qualify its interest rate swap for hedge accounting. As a result, changes in the fair value of these instruments are reported in earnings.

Fair Value

Fair value represents the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Trust measures its financial assets and liabilities in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- o Level 1 – valuations for assets and liabilities traded in active exchange markets, or interest in open-end mutual funds that allow a company to sell its ownership interest back at net asset value on a daily basis. Valuations are obtained from readily available pricing sources for market transactions involving identical assets, liabilities or funds.
- o Level 2 – valuations for assets and liabilities traded in less active dealer, or broker markets, such as quoted prices for similar assets or liabilities or quoted prices in markets that are not active. Level 2 includes U.S. Treasury, U.S. government and agency debt securities, and certain corporate obligations. Valuations are usually obtained from third party pricing services for identical or comparable assets or liabilities.
- o Level 3 – valuations for assets and liabilities that are derived from other valuation methodologies, such as option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining fair value, the Trust utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considering counterparty credit risk.

**POWER REIT AND SUBSIDIARIES**  
Notes to Unaudited Consolidated Financial Statements

The carrying amounts of Power REIT's financial instruments, including cash and cash equivalents, deposits, and accounts payable approximate fair value because of their relatively short maturity. Financial assets and liabilities reported or disclosed at fair value were as follows:

March 31, 2015  
(\$ in thousands)

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and cash equivalents(1)	\$642	\$-	\$-	\$642
Total at fair value	\$642	\$-	\$-	\$642
<b>Liabilities</b>				
Current debt, related party(2)	\$-	\$1,650	\$-	\$1,650
Long-term debt(3)	-	7,433	-	7,433
Interest rate swap(4)	-	712	-	712
Total at fair value	\$-	\$9,795	\$-	\$9,795

(1) Comprises money market funds, which are included in Cash & Cash Equivalents in the accompanying consolidated balance sheet.

(2) Comprises amount borrowed by PWTS from Hudson Bay Partners, LP, a wholly owned affiliate of David H. Lesser, to fund its acquisition of property in July 2013.

(3) Comprises amounts borrowed and assumed by PWSS in connection with its acquisition of property in December 2012 and PWRS in connection with its acquisition of property in April 2014.

(4) The Trust has entered into swap agreements to hedge interest rate exposure on floating rate debt associated with its Credit Facility. The interest Rate swap is designated as a Level 2 instrument. The fair value of the interest rate swap is determined using observable market inputs such as current interest rates and considered non-performance risk of the Trust and its counterparties. The liability indicates that interest rates have declined since the inception of the swap which represents an unrealized loss at March 31, 2015

For financial assets that utilize Level 1 inputs, the Trust utilizes both direct and indirect observable price quotes, including quoted market prices (Level 1 inputs).

### 3. LONG-TERM DEBT

On April 14, 2014, Power REIT Financo, LLC ("Financo"), a wholly owned, direct subsidiary of Power REIT, entered into a credit facility with a major institutional lender (the "Credit Facility"). As part of the closing of the acquisition by PWRS, approximately \$6,891,000 was drawn on the Credit Facility including approximately \$173,000 drawn to pay for bank fees. The credit facility is intended to fund additional acquisitions. The Credit Facility has a five-year term and carries an interest rate of 350 basis points over LIBOR during the first three years, and 400 basis points over LIBOR during the remainder of the term. Power REIT has entered into interest rate hedging strategies designed to minimize the risks associated with any refinancing and with interest rate swings. The outstanding balance of the Credit facility as of March 31, 2015 is approximately \$6,695,000.

On July 12, 2013, PWTS borrowed \$1,650,000 from Hudson Bay Partners, L.P. ("HBP"), a wholly-owned affiliate of David H. Lesser, our Chairman and CEO, in the form of an A note and a B Note (the "Notes"), to fund the acquisition of

Edgar Filing: Power REIT - Form 10-Q

property located near Fresno, California. The A note has a principal balance of \$1,155,000 and carries an interest rate of 5.0% during the first six months, stepped up to 8.5% thereafter. The B note has a principal balance of \$495,000 and carries an interest rate of 9.5% during the first six months, stepped up to 13.5% thereafter. Both notes mature in January of 2016 and require interest-only payments at six-month intervals or upon a prepayment. In addition to a first lien mortgage on PWTS's property, the notes are also secured by a parent guarantee from the Trust.

**POWER REIT AND SUBSIDIARIES**  
Notes to Unaudited Consolidated Financial Statements

On July 5, 2013, PWSS borrowed \$750,000 from a regional bank (the “PWSS Term Loan”) to refinance a bridge loan that had been extended by HBP in connection with PWSS’ acquisition of leased property in December 2012. The PWSS Term Loan carries a fixed interest rate of 5.0%, a term of 10-years and amortizes based on a twenty-year principal amortization schedule. In addition to being secured by PWSS’ real estate assets, the term loan is secured by a parent guarantee from the Trust. The balance of the PWSS Term Loan as of March 31, 2015 is approximately \$712,000.

On December 31, 2012, as part of the Salisbury land acquisition, PWSS assumed existing municipal financing (“Municipal Debt”). The Municipal Debt has approximately 18 years remaining. The Municipal Debt has a simple interest rate of 5.0% that is paid annually, with the next payment due February 1, 2016. The balance of the Municipal Debt as of March 31, 2015 is approximately \$103,000.

#### 4. LONG-TERM COMPENSATION

##### Summary of Plan Activity – Options

The summary of Plan activity for the three months ended March 31, 2015, with respect to the Trust’s stock options, was as follows:

##### Summary of Plan Activity - Options

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Balance at December 31, 2014	106,000	7.96	67,840
Plan Awards	-		
Options Exercised	-	7.96	
Balance as of March 31, 2015	106,000	7.96	67,840
Options expected to vest at March 31, 2015	35,333	7.96	22,613
Options exercisable as of March 31, 2015	70,667	7.96	45,227

For the three months ended March 31, 2015 and 2014, the weighted average fair value of options vested, not vested and granted is \$0.96 per share. The Aggregate Intrinsic Value is based on the difference between the option exercise price and the closing stock price of \$8.60 at March 31, 2015.

POWER REIT AND SUBSIDIARIES  
Notes to Unaudited Consolidated Financial Statements

## Summary of Plan Activity – Restricted Stock

The summary of Plan activity for the three months ended March 31, 2015, with respect to the Trust’s restricted stock, was as follows:

## Summary of Plan Activity - Restricted Stock

	Number of Shares of Restricted Stock	Weighted Average Grant Date Fair Value
Balance at December 31, 2014	37,042	8.08
Plan Awards	-	
Restricted Stock Vested	-	
Balance as of March 31, 2015	37,042	8.08

## 5. LEGAL PROCEEDINGS

As previously disclosed in its public filings with the SEC, the Trust 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”) concerning matters arising under the Railroad Lease. The case is pending in Federal trial court in Pittsburgh (the “Court”). The Litigants initiated the litigation against the Trust and P&WV in December 2011, seeking, among other things, a declaratory judgment that NSC was not in default under the Railroad Lease.

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 (a) that NSC’s obligation to repay the indebtedness owed under the Railroad Lease is not indefinite in duration, and (b) 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.

The indebtedness is the cumulative result of amounts received by NSC from its dispositions of P&WV property, additional rental amounts due and other sums that NSC owes to P&WV but which NSC has elected, under its interpretation of the Railroad Lease, to pay by increasing its indebtedness to P&WV rather than by providing P&WV with cash. According to records maintained by NSC pursuant to the Railroad Lease and provided by NSC to P&WV, as of December 31, 2012 the indebtedness owed to P&WV was approximately \$16,600,000. NSC has not provided a more recent update of the indebtedness amount. P&WV believes that the indebtedness amount is understated. The indebtedness has not been included in P&WV’s balance sheets prepared under GAAP, because of the dispute as to when it is due. Similarly, certain additional rental amounts that NSC disputes are due on a current basis, and which have historically been treated as indebtedness, have not been included in P&WV’s income statements or balance sheets prepared under GAAP; however, these additional rent amounts have historically been recorded as taxable income on P&WV’s tax returns.

The Litigants have alleged that the Trust 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 and expenses. The Trust



believes that it is not a successor in interest in respect of the Railroad Lease and is not constrained by any of the Railroad Lease restrictions.

The parties have made certain supplements to their respective claims and counterclaims. In August 2013, P&WV filed a second supplement to its counterclaims following the Litigants' disclosure of previously undisclosed dispositions of P&WV property. P&WV believes that additional amounts are owed to it as a result of these dispositions and, accordingly, asserted new counterclaims, including claims of fraud and conversion. Based on the information available at the time P&WV supplemented its claims, P&WV has estimated that the additional amounts owed to it exceed \$8 million, not including potential interest and damages. P&WV also supplemented its counterclaim for additional rental amounts due in order to include the reimbursement of its legal expenses related to the litigation. In response to P&WV's second supplement to its counterclaims, in January 2014 the Litigants amended their pleadings to add additional claims against both P&WV and the Trust. The Litigants' new claims seek additional declarations from the Court that the Litigants have not defaulted on or violated the terms of the Railroad Lease.

POWER REIT AND SUBSIDIARIES  
Notes to Unaudited Consolidated Financial Statements

On September 13, 2013, the Trust filed a motion for summary judgment seeking dismissal of all of the claims against it primarily based on the fact that the Trust is not a party to the Lease. On January 15, 2014, the Court heard oral arguments from the parties on the Trust's motion. On October 16, 2013, the Litigants filed a motion seeking leave to supplement their claims to include: (i) nominal damages, (ii) enjoinder of Power REIT from taking actions in breach of the Lease Agreement, (iii) the withdrawal of NSC's consent to the additional share by PWV; and (iv) the undoing of the reverse triangular merger. On June 19, 2014, the court denied the Trust's motion but also denied Plaintiff's motion seeking leave to supplement their claims with the exception of granting the motion to seek nominal damages.

The fact and expert discovery phases of the litigation have been completed. On September 8, 2014, P&WV filed a Motion for Summary Judgment and on October 22, 2014, the Litigants filed an opposition to such motion and on November 5, 2014, P&WV filed a Reply to NSC and WLE's opposition to such motion. On September 8, 2014, the Litigants filed a Motion for Summary Judgment and on October 22, 2014, P&WV filed an opposition to such motion and on November 5, 2014, the Litigants filed a reply to P&WV's opposition to such motion. On December 16, 2014, the court held oral argument on both of the pending motions for Summary Judgment.

On April 22, 2015, the court denied P&WV's motion for summary judgment and granted the Litigants' summary judgment motion thereby dismissing all of P&WV's claims. On April 29, 2015, the court held a status conference. It is currently anticipated that a trial will occur during the third quarter of 2015 to resolve the remaining issues in the case. The company is reviewing its legal options and evaluating the prospects of an appeal.

P&WV has provided key court filings in the litigation on its website ([www.pwreit.com](http://www.pwreit.com)) under a tab called "P&WV Litigation Update" which is under the "Investor Relations" tab. The provided documents and accompanying supporting documents are not comprehensive or complete and the full case docket is available from the Public Access to Court Records (PACER) website. Power REIT encourages interested parties to review all the public filings available on PACER and to review the risks and disclosures in Power REIT's Annual Report filed on Form 10-k and other documents filed from time to time with the Securities and Exchange Commission (SEC).

During the year ended December 31, 2014, P&WV incurred litigation related expenses of approximately \$1,050,000. During the quarter ended March 31, 2015 and 2014, P&WV incurred litigation related expenses of approximately \$4,000 and \$112,000, respectively. As of March 31, 2015, P&WV had incurred a total of approximately \$2,710,000 of cumulative expenses related to the litigation, of which approximately \$545,000 was payable. P&WV believes that the costs associated with the litigation are reimbursable by NSC under the Railroad Lease as additional rent, but NSC has refused to pay such amounts. At this point, in order to collect on such amounts, P&WV would need to file and prevail on an appeal. There can be no assurance that P&WV will prevail in collecting its litigation expenses from NSC; accordingly, the expenses of the litigation are accrued and expensed as incurred.

POWER REIT AND SUBSIDIARIES  
Notes to Unaudited Consolidated Financial Statements

6. RELATED PARTY TRANSACTIONS

The Trust and its subsidiaries have hired Morrison Cohen, LLP (“Morrison Cohen”) as their legal counsel with respect to general corporate matters and the litigation with NSC. The spouse of the Trust’s Chairman, CEO, Secretary and Treasurer is a partner at Morrison Cohen. During the three months ended March 31, 2015 and 2014, Power REIT (on a consolidated basis) paid approximately \$94,000 and \$0 respectively, in legal fees and costs to Morrison Cohen in connection with various legal matters, including the litigation with NSC, and another approximately \$581,000 had been billed, but not paid as of March 31, 2015.

On July 11, 2013, HBP, a wholly-owned affiliate of the Trust’s Chairman, CEO, Secretary and Treasurer, loaned PWTS \$1,650,000 in the form of senior, secured bridge loan notes which remains outstanding at March 31, 2015. The interest expense related to this secured bridge loan for the three months ended March 31, 2015 and 2014, amounted to \$40,685 and \$39,035 respectively. (See Note 3).

A wholly-owned subsidiary of HBP provides the Trust and its subsidiaries with office space at no cost.

Under the Trust’s Declaration of Trust, the Trust may enter into transactions in which trustees, officers or employees have a financial interest, provided however, that in the case of a material financial interest, the transaction is disclosed to the Board of Trustees or the transaction shall be fair and reasonable. After consideration of the terms and conditions of the retention of Morrison Cohen and the bridge loan arrangements described above, the independent trustees approved the hiring of Morrison Cohen as counsel and approved the bridge loans, determining all such arrangements to be fair and reasonable and in the interest of the Trust.

7. SUBSEQUENT EVENTS

As previously disclosed in its public filings with the SEC, the Trust 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”) concerning matters arising under the Railroad Lease. On April 22, 2015, the court denied P&WV’s motion for summary judgment and granted the Litigants’ summary judgment motion thereby dismissing all of P&WV’s claims. On April 29, 2015, the court held a status conference. It is currently anticipated that a trial will occur during the third quarter of 2015 to resolve the remaining issues in the case. The company is reviewing its legal options and evaluating the prospects of an appeal. (See Note 5).

On April 24, 2015, the Registrant declared a quarterly dividend of \$0.48375 per share on Power REIT’s 7.75% Series A Cumulative Redeemable Perpetual Preferred Stock payable on June 15, 2015 to shareholders of record on May 15, 2015.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements containing the words "believe," "expect," "will," "anticipate," "intend," "estimate," "project," "plan," "assume" or other similar expressions, or negatives of those expressions, although not all forward-looking statements contain these identifying words. All statements contained in this report regarding our future strategy, future operations, projected financial position, estimated future revenues, projected costs, future prospects, the future of our industries and results that might be obtained by pursuing management's current or future plans and objectives are forward-looking statements.

You should not place undue reliance on any forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the information currently available to us and speak only as of the date of the filing of this report. New risks and uncertainties arise from time to time, and it is impossible for us to predict these matters or how they may affect us. Over time, our actual results, performance, financial condition or achievements may differ from the anticipated results, performance, financial condition or achievements that are expressed or implied by our forward-looking statements, and such differences may be significant and materially adverse to our security holders. Our forward-looking statements contained herein speak only as of the date hereof, and we make no commitment to update or publicly release any revisions to forward-looking statements in order to reflect new information or subsequent events, circumstances or changes in expectations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Power REIT is a Maryland-domiciled 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.

Power REIT 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. 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. The Company's investment strategy, which is focused on transportation and energy infrastructure-related real estate, builds upon its subsidiary P&WV's historical ownership of railroad real estate assets, which are currently triple-net leased to NSC.

As of March 31, 2015, the Trust's assets consisted of approximately 112 miles of railroad infrastructure and related real estate leased to a railway company 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 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.



Revenue during the first quarter of 2015 and 2014 was approximately \$491,000 and \$298,000, respectively. Net loss attributable to Common Shares during the first quarter of 2015 was approximately \$137,000 compared to a gain of approximately \$58,000 during the first quarter of 2014. The difference between our 2015 and 2014 first quarter results were principally attributable to the following: \$193,000 of additional rental income from acquired properties; a \$183,000 increase of unrealized interest rate swap expense; a \$149,000 increase in interest expense related to loans to acquire property; an increase of Preferred Stock dividends of approximately \$70,000; offset by a \$108,000 decrease in litigation expenses related to the NSC litigation.

The Trust's cash outlays, other than acquisitions and dividend payments, are for general and administrative ("G&A") expenses, which consist principally of legal and other professional fees, consultant fees, trustees' fees, NYSE MKT listing fees, shareholder service company fees and auditing costs. During the three years ended 2014, The Trust (on a consolidated basis) incurred substantial litigation expenses related to its litigation related to P&WV. (See Note 5).

To meet its working capital and longer-term capital needs, Power REIT relies on cash provided by its operating activities, proceeds received from the issuance of equity securities and proceeds received from borrowings, which are typically secured by liens on acquired assets.

#### FUNDS FROM OPERATIONS – NON GAAP FINANCIAL MEASURES

We assess and measure our overall operating results based upon an industry performance measure referred to as Core Funds From Operations ("Core FFO") which management believes is a useful indicator of our operating performance. This report contains supplemental financial measures that are not calculated pursuant to U.S. generally accepted accounting principles ("GAAP"), including the measure identified by us as Core FFO. Following is a definition of this measure, an explanation as to why we present it and, at the end of this section, a reconciliation of Core FFO to the most directly comparable GAAP financial measure.

Core FFO: Management believes that Core FFO is a useful supplemental measure of the Company's operating performance. Management believes that alternative measures of performance, such as net income computed under GAAP, or Funds From Operations computed in accordance with the definition used by the National Association of Real Estate Investment Trusts ("NAREIT"), include certain financial items that are not indicative of the results provided by the Company's asset portfolio and inappropriately affect the comparability of the Company's period-over-period performance. These items include non-recurring expenses, such as those incurred in connection with litigation, one-time upfront acquisition expenses that are not capitalized under ASC-805 and certain non-cash expenses, including stock-based compensation expense amortization and certain up front financing costs. Therefore, management uses Core FFO and defines it as net income excluding such items. Management believes that, for the foregoing reasons, these adjustments to net income are appropriate. The Company believes that Core FFO is a useful supplemental measure for the investing community to employ, including when comparing the Company to other REITs that disclose similarly adjusted FFO figures, and when analyzing changes in the Company's performance over time. Readers are cautioned that other REITs may use different adjustments to their GAAP financial measures than we do, and that as a result, the Company's Core FFO may not be comparable to the FFO measures used by other REITs or to other non-GAAP or GAAP financial measures used by REITs or other companies.

CORE FUNDS FROM OPERATIONS (FFO)  
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Core FFO Available to Common Shares	\$224,703	\$199,752
Growth - Core FFO	168	%
Core FFO per common share	0.13	0.12
Growth - Core FFO per common share	159	%
Weighted Average shares outstanding (basic)	1,731,788	1,674,733

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES  
(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Net loss Attributable to Common Shares	\$ (137,430 )	\$ 57,975
Litigation expense	4,440	112,712
Property acquisition expenses	(1,105 )	4,212
Stock-based compensation	53,540	21,770
Interest Expense - Unused facility fee	8,355	-
Interest Expense - Amortization of Debt Costs	53,752	670
Amortization of Intangible Asset	59,285	2,413
Unrealized loss on interest rate swap	183,866	-
Core FFO Available to Common Shares	\$ 224,703	\$ 199,752

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, the Trust is not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management is responsible for establishing and maintaining adequate disclosure controls and procedures (as defined in Rules 13a- 15(f) of the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Because of the inherent limitations in all control systems, internal controls over financial reporting may not prevent or detect misstatements. The design and operation of a control system must also reflect that there are resource constraints and management is necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible controls.

Our management assessed the effectiveness of the design and operation of our disclosure controls and procedures. Based on our evaluation, we believe that our disclosure controls and procedures as of March 31, 2015 were effective.

Changes in Internal Control over Financial Reporting:

During the fiscal quarter ended March 31, 2015, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

As previously disclosed in its public filings with the SEC, the Trust 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") concerning matters arising under the Railroad Lease. The case is pending in Federal trial court in Pittsburgh (the "Court"). The Litigants initiated the litigation against the Trust and P&WV in December 2011, seeking, among other things, a declaratory judgment that NSC was not in default under the Railroad Lease.

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 (a) that NSC's obligation to repay the indebtedness owed under the Railroad Lease is not indefinite in duration, and (b) 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.

The indebtedness is the cumulative result of amounts received by NSC from its dispositions of P&WV property, additional rental amounts due and other sums that NSC owes to P&WV but which NSC has elected, under its interpretation of the Railroad Lease, to pay by increasing its indebtedness to P&WV rather than by providing P&WV with cash. According to records maintained by NSC pursuant to the Railroad Lease and provided by NSC to P&WV, as of December 31, 2012 the indebtedness owed to P&WV was approximately \$16,600,000. NSC has not provided a more recent update of the indebtedness amount. P&WV believes that the indebtedness amount is understated. The indebtedness has not been included in P&WV's balance sheets prepared under GAAP, because of the dispute as to when it is due. Similarly, certain additional rental amounts that NSC disputes are due on a current basis, and which have historically been treated as indebtedness, have not been included in P&WV's income statements or balance sheets prepared under GAAP; however, these additional rent amounts have historically been recorded as taxable income on P&WV's tax returns.

The Litigants have alleged that the Trust 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 and expenses. The Trust believes that it is not a successor in interest in respect of the Railroad Lease and is not constrained by any of the Railroad Lease restrictions.

The parties have made certain supplements to their respective claims and counterclaims. In August 2013, P&WV filed a second supplement to its counterclaims following the Litigants' disclosure of previously undisclosed dispositions of P&WV property. P&WV believes that additional amounts are owed to it as a result of these dispositions and, accordingly, asserted new counterclaims, including claims of fraud and conversion. Based on the information available at the time P&WV supplemented its claims, P&WV has estimated that the additional amounts owed to it exceed \$8 million, not including potential interest and damages. P&WV also supplemented its counterclaim for additional rental amounts due in order to include the reimbursement of its legal expenses related to the litigation. In response to P&WV's second supplement to its counterclaims, in January 2014 the Litigants amended their pleadings to add additional claims against both P&WV and the Trust. The Litigants' new claims seek additional declarations from the Court that the Litigants have not defaulted on or violated the terms of the Railroad Lease.

On September 13, 2013, the Trust filed a motion for summary judgment seeking dismissal of all of the claims against it primarily based on the fact that the Trust is not a party to the Lease. On January 15, 2014, the Court heard oral

arguments from the parties on the Trust's motion. On October 16, 2013, the Litigants filed a motion seeking leave to supplement their claims to include: (i) nominal damages, (ii) enjoinder of Power REIT from taking actions in breach of the Lease Agreement, (iii) the withdrawal of NSC's consent to the additional share by PWV; and (iv) the undoing of the reverse triangular merger. On June 19, 2014, the court denied the Trust's motion but also denied Plaintiff's motion seeking leave to supplement their claims with the exception of granting the motion to seek nominal damages.

The fact and expert discovery phases of the litigation have been completed. On September 8, 2014, P&WV filed a Motion for Summary Judgment and on October 22, 2014, the Litigants filed an opposition to such motion and on November 5, 2014, P&WV filed a Reply to NSC and WLE's opposition to such motion. On September 8, 2014, the Litigants filed a Motion for Summary Judgment and on October 22, 2014, P&WV filed an opposition to such motion and on November 5, 2014, the Litigants filed a reply to P&WV's opposition to such motion. On December 16, 2014, the court held oral argument on both of the pending motions for Summary Judgment.

On April 22, 2015, the court denied P&WV's motion for summary judgment and granted the Litigants' summary judgment motion thereby dismissing all of P&WV's claims. On April 29, 2015, the court held a status conference. It is currently anticipated that a trial will occur during the third quarter of 2015 to resolve the remaining issues in the case. The company is reviewing its legal options and evaluating the prospects of an appeal.

P&WV has provided key court filings in the litigation on its website ([www.pwreit.com](http://www.pwreit.com)) under a tab called "P&WV Litigation Update" which is under the "Investor Relations" tab. The provided documents and accompanying supporting documents are not comprehensive or complete and the full case docket is available from the Public Access to Court Records (PACER) website. Power REIT encourages interested parties to review all the public filings available on PACER and to review the risks and disclosures in Power REIT's Annual Report filed on Form 10-k and other documents filed from time to time with the Securities and Exchange Commission (SEC).

During the year ended December 31, 2014, P&WV incurred litigation related expenses of approximately \$1,050,000. During the quarter ended March 31, 2015 and 2014, P&WV incurred litigation related expenses of approximately \$4,000 and \$112,000, respectively. As of March 31, 2015, P&WV had incurred a total of approximately \$2,710,000 of cumulative expenses related to the litigation, of which approximately \$545,000 was payable. P&WV believes that the costs associated with the litigation are reimbursable by NSC under the Railroad Lease as additional rent, but NSC has refused to pay such amounts. At this point, in order to collect on such amounts, P&WV would need to file and prevail on an appeal. There can be no assurance that P&WV will prevail in collecting its litigation expenses from NSC; accordingly, the expenses of the litigation are accrued and expensed as incurred.

#### Item 1A. Risk Factors.

The Trust's results of operations and financial condition are subject to numerous risks and uncertainties as described in its Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2015, which risk factors are incorporated herein by reference. You should carefully consider these risk factors in conjunction with the other information contained in this report. Should any of these risks materialize, the Trust's business, financial condition and future prospects could be negatively impacted.

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

#### Item 3. Defaults Upon Senior Securities.

Not Applicable.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

Not Applicable.

Item 6. Exhibits.

Exhibit Number

Exhibit 31.1

Section 302 Certification for David H. Lesser

Exhibit 32.1

Section 906 Certification for David H. Lesser

Exhibit 101 Interactive data files pursuant to Rule 405 of Regulation S-T, for the quarter ended September 30, 2014: (i) Consolidated Statements of Operations, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flows and (iv) Notes to the Consolidated Financial Statements

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POWER REIT

/s/ David H. Lesser  
David H. Lesser  
Chairman of the Board &  
Chief Executive Officer, Secretary and Treasurer  
Date: May 11, 2015

21

---