Pioneer Railcorp and Subsidiaries

Consolidated Balance Sheet
September 30, 2014 and 2013

	2014	2013
ASSETS		
Current Assets:		
Cash	$ 50,211	$ 50,136
Trade receivables, less allowance for doubtful accounts of $129,213 and $220,703 respectively	2,805,770	3,073,206
Inventories	451,164	587,743
Prepaids and other assets	1,330,963	1,079,475
Deferred income tax	112,000	671,906
Prepayment of income tax	387,665	625,737
Total current assets	**5,137,773**	**6,088,203**
Property and equipment, net	47,027,131	40,505,617
Intangible assets	748,241	843,030
Goodwill	559,255	559,255
	$ 53,472,400	**$ 47,996,105**
LIABILITIES AND EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 252,452	$ 89,952
Current maturities of salary continuation liability and option obligation	390,837	374,517
Note payable	1,017,390	795,683
Accounts payable	2,340,095	2,000,793
Accrued expenses	2,647,660	2,871,963
Deferred income taxes	-	-
Total current liabilities	**6,648,434**	**6,132,908**
Long-Term Liabilities:		
Line-of-credit	13,257,928	13,801,921
Long-term debt	315,323	80,972
Deferred revenue	5,344,867	3,394,384
Salary continuation liability, net of current maturities	3,313,588	3,502,773
Option obligation, net of current maturities	604,491	815,226
Deferred income taxes	7,826,000	5,897,000
Interest rate swap	102,551	74,531
Total long-term liabilities	**30,764,748**	**27,566,807**
Commitments and Contingencies		
Equity:		
Pioneer Railcorp stockholders' equity		
Common stock, Class A (voting), par value $0.001 per share, authorized 20,000,000 shares, issued 4,181,843 shares in 2014 and 2013	4,181	4,181
In tresury 331,450 shares 2014 and 2013	(331)	(331)
Outstanding 3,850,393 shares 2014 and 2013	3,850	3,850
Common stock, Class B (nonvoting), no par value, authorized 20,000,000 shares	-	-
Additional paid-in captial	448,847	448,847
Subsidiary's option to purchase Pioneer Class A common stock	(310,819)	(349,504)
Subsidiary's investment in Pioneer Class A common stock (shares 2014 1,708,640 and 2013 1,683,640)	(9,533,117)	(9,372,932)
Retained Earnings	24,919,241	23,005,626
Accumulated other comprehensive loss	(81,912)	(59,625)
Total Pioneer Railcorp stockholders' equity	15,446,090	13,676,262
Noncontrolling interest	613,128	620,128
Total equity	**16,059,218**	**14,296,390**
	$ 53,472,400	**$ 47,996,105**

Pioneer Railcorp and Subsidiaries

Consolidated Statement of Income
Nine Months Ended September 30, 2014 and 2013

	2014	2013
Railway operating revenue	$ 15,375,251	$ 16,428,111
Operating expenses:		
Maintenance of way and structures	1,557,032	1,597,036
Maintenance of equipment	1,277,953	1,555,266
Transportation	4,319,969	4,372,995
General and administrative	5,581,837	5,477,145
Depreciation and amortization	2,394,828	2,231,641
Gain on sale of property and equipment	(564,661)	(440,748)
	14,566,958	14,793,335
Operating income	**808,293**	**1,634,776**
Other income (expenses):		
Lease income	438,901	517,225
Interest expense	(505,506)	(539,284)
Sale of income tax credits	-	1,425,000
Other, net	54,228	114,044
	(12,377)	1,516,985
Income before provision (benefit) for income taxes	**795,916**	**3,151,761**
Provision (benefit) for income taxes	-	-
Net income	**795,916**	**3,151,761**
Less: noncontrolling interest in preferred stock dividends of consolidated subsidiaries	(32,775)	(45,315)
Net income attributable to Pioneer Railcorp	**763,141**	**3,106,446**
Other comprehensive income (loss), net of tax expense (benefit):		
Adjustment applicable to change in fair value of interest swap contract, net of deferred taxes of ($35,893)	(81,912)	-
Comprehensive income	**$ 681,229**	**$ 3,106,446**

Pioneer Railcorp and Subsidiaries

Consolidated Statement of Cash Flow
Nine Months Ended September 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Net income	$ 795,916	$ 3,151,761
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,394,828	2,231,641
Gain on sale of property and equipment	(563,360)	(454,104)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Trade receivables	639,797	39,175
Prepayment of income taxes	243,570	(391,364)
Inventories	(9,580)	(11,079)
Prepaid expenses and other assets	(657,370)	(55,530)
Increase (decrease) in liabilities:		
Accounts payable	(492,904)	(522,741)
Accrued expenses	(81,827)	435,795
Deferred revenue	(175,530)	79,933
Net cash provided by operating activities	**2,093,540**	**4,503,487**
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	626,148	458,572
Purchase of property and equipment	(4,842,829)	(3,663,787)
Investment in intangible assets	18,376	(504,128)
Net cash used in investing activities	**(4,198,305)**	**(3,709,343)**
Cash Flows from Financing Activities:		
Proceeds from long-term debt	21,375,987	22,469,329
Principal payments on short-term notes payable	627,599	(405,795)
Principal payments on long-term debt	(19,448,115)	(22,296,776)
Purchase of subsidiaries shares from noncontrolling interest	(6,000)	(9,000)
Preferred stock dividend payments to noncontrolling interest	(32,775)	(45,315)
Payments under salary continuation agreement	(141,762)	(131,548)
Payments under agreement to purchase common stock	(148,611)	(137,904)
Purchase of common stock by subsidiary	(121,501)	(238,000)
Net cash used in financing activities	**2,104,822**	**(795,010)**
Cash:		
Beginning of period	50,155	51,002
End of period	$ 50,211	$ 50,136
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Change in fair value of interest rate swap contract, net of deferred taxes of 2014 ($35,893)	$ (22,287)	$ -