

BOSTON OMAHA CORP

FORM 8-K/A (Amended Current report filing)

Filed 01/26/17 for the Period Ending 01/26/17

Address	292 NEWBURY STREET, SUITE 333 BOSTON, MA 02115
Telephone	857-256-0079
CIK	0001494582
Symbol	BOMN
SIC Code	6510 - Real Estate Operators (except Developers) And
Industry	Advertising & Marketing
Sector	Consumer Cyclical
Fiscal Year	12/31

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

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 26, 2017

BOSTON OMAHA CORPORATION
(Exact name of registrant as specified in its Charter)

Delaware
(State or other jurisdiction of Incorporation)

333-170054
(Commission File Number)

27-0788438
(IRS Employer Identification Number)

(Address and telephone number of principal executive offices, including zip code)

c/o Boulderado Group, LLC
292 Newbury Street, Suite 333
Boston, Massachusetts 02115
(857) 256-0079

(Former name or address, if changed since last report)
Not Applicable

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of Registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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EXPLANATORY NOTE

Boston Omaha Corporation (the "**Company**") is filing this Current Report on Form 8-K/A (Amendment No. 1) (the "**8-K/A**") in order to amend its previously filed Current Report on Form 8-K, as filed with the Securities and Exchange Commission on December 8, 2016 (the "**Initial 8-K**"), in order to file certain financial statements and to furnish certain pro forma financial information pursuant to Item 9.01 of this Form 8-K/A.

As described in our Initial 8-K, on December 7, 2016, General Indemnity Group, LLC, our wholly-owned subsidiary ("GIG"), acquired all of the outstanding capital stock of United Casualty and Surety Insurance Company ("UC&S"), a Massachusetts corporation, for a cash purchase price totaling \$13,000,000. As previously reported, in our Form 8-K as filed with the Commission on May 23, 2016, on May 19, 2016, GIG entered into a Stock Purchase Agreement with the shareholders of UC&S. The approval by the Massachusetts Division of Insurance of an acquisition of control statement on Form A, a condition to the closing, was obtained on December 5, 2016.

Item 9.01 of Form 8-K provides that with respect to transactions described pursuant to Item 2.01 of Form 8-K, the financial statements of businesses acquired may be filed, and pro forma financial information regarding such transactions may be furnished, not later than 71 calendar days after the date that the initial report on Form 8-K must be filed. As such, the Company disclosed in the Initial 8-K that it would file the required financial statements and furnish the required pro forma financial information within that time frame.

The Company is now providing (i) audited financial statements for UC&S for the years ended December 31, 2015 and December 31, 2014, (ii) unaudited financial statements of UC&S for the nine-month periods ending September 30, 2016 and September 30, 2015, and (iii) the unaudited proforma combined balance sheet and unaudited pro forma combined statement of operations for Boston Omaha Corporation and UC&S for the year ended December 31, 2015 and the nine month period ended September 30, 2016.

SECTION 9 - FINANCIAL STATEMENTS AND EXHIBITS

Item 9.01 Financial Statements and Exhibits.

(a) **Financial statements of businesses acquired** . The audited financial statements of UC&S. for the years ended December 31, 2015 and December 31, 2014, are filed herewith as Exhibit 99.1 . The unaudited financial statements of UC&S for the nine months ended September 30, 2016 and September 30, 2015 are filed herewith as Exhibit 99.2

(b) **Pro forma financial information** . The unaudited pro forma combined balance sheet and unaudited pro forma combined statement of operations for Boston Omaha Corporation and UC&S for the year ended December 31, 2015 and the nine-month period ended September 30, 2016 are filed herewith as Exhibit 99.3 .

(c) **Shell Company Transaction** .

Not applicable.

(d) **Exhibits**.

Not Applicable

SIGNATURES

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

BOSTON OMAHA CORPORATION

Date: January 26, 2017

/s/ Alex B. Rozek

Name: Alex B. Rozek

Title: President and Treasurer (Principal Executive Officer)

/s/ Joshua Weisenburger

Name: Joshua Weisenburger

Controller (Principal Accounting Officer)

United Casualty and Surety Insurance Company

*Financial Statements for the Years Ended
December 31, 2015 and 2014 and Report of
Independent Registered Public Accounting Firm*

UNITED CASUALTY AND SURETY INSURANCE COMPANY

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
United Casualty and Surety Insurance Company
Quincy, Massachusetts

We have audited the accompanying balance sheets of United Casualty and Surety Insurance Company (the "Company") as of December 31, 2015 and 2014 and the related statements of income, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the 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 audits 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 audits 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 United Casualty and Surety Insurance Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years in the two-year period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

/s/ Stowe & Degon LLC
Westborough, MA
January 9, 2017

UNITED CASUALTY AND SURETY INSURANCE COMPANY

BALANCE SHEETS DECEMBER 31, 2015 AND 2014

ASSETS	2015	2014
CURRENT ASSETS:		
Cash and cash equivalents	\$ 884,609	\$ 848,047
Investments, short-term	1,766,686	523,716
Receivables:		
Premiums	230,312	261,846
Anticipated salvage and subrogation	29,675	37,263
Total receivables	259,987	299,109
Prepaid reinsurance premiums	97,545	90,102
Deferred policy acquisition costs	289,812	261,976
Total current assets	3,298,639	2,022,950
Other assets		
Investments, long-term	4,864	4,864
Funds held as collateral assets	3,346,861	4,291,216
Property and equipment, net	2,145,513	3,377,331
	22,511	36,652
TOTAL ASSETS	\$ 8,818,388	\$ 9,733,013
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accrued underwriting expenses	\$ 89,817	\$ 85,974
Dividends payable	81,798	7,542
Unearned premiums	1,174,208	1,084,285
Accrued losses and loss adjustment expenses	22,000	20,000
Federal income taxes payable	-	12,500
Funds held as collateral	2,145,513	3,377,331
Total current liabilities	3,513,336	4,587,632
LONG-TERM LIABILITIES:		
Deferred tax liability	155,000	147,000
TOTAL LIABILITIES	3,668,336	4,734,632
STOCKHOLDERS' EQUITY:		
Common stock, \$75 par value – 20,000 shares authorized, 14,484 shares issued and outstanding at December 31, 2015 and 2014	1,086,300	1,086,300
Additional paid-in capital	1,459,445	1,459,445
Retained earnings	2,604,307	2,452,636
Total Stockholders' Equity	5,150,052	4,998,381
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,818,388	\$ 9,733,013

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

UNITED CASUALTY AND SURETY INSURANCE COMPANY

STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES:		
Premiums earned	\$ 2,585,127	\$ 2,383,071
Salvage and subrogation	19,276	86,989
Net investment income	96,741	82,897
	<u>2,701,144</u>	<u>2,552,957</u>
OPERATING EXPENSES:		
Underwriting, acquisition and insurance expenses	2,002,230	1,883,403
Losses and loss adjustment expenses	19,283	99,840
Other (income) expense	(5,378)	(1,612)
Depreciation and amortization expense	14,141	13,525
	<u>2,030,276</u>	<u>1,995,156</u>
INCOME BEFORE FEDERAL INCOME TAXES	670,868	557,801
FEDERAL INCOME TAXES	219,200	216,300
NET INCOME	<u>\$ 451,668</u>	<u>\$ 341,501</u>

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

**UNITED CASUALTY AND SURETY INSURANCE
COMPANY**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
BALANCE, JANUARY 1, 2014	14,484	\$ 1,086,300	\$ 1,459,445	\$ 2,286,133	\$ 4,831,878
Dividend declared	-	-	-	(174,998)	(174,998)
Net income	-	-	-	341,501	341,501
BALANCE, DECEMBER 31, 2014	14,484	1,086,300	1,459,445	2,452,636	4,998,381
Dividend declared	-	-	-	(299,997)	(299,997)
Net income	-	-	-	451,668	451,668
BALANCE, DECEMBER 31, 2015	<u>14,484</u>	<u>\$ 1,086,300</u>	<u>\$ 1,459,445</u>	<u>\$ 2,604,307</u>	<u>\$ 5,150,052</u>

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

UNITED CASUALTY AND SURETY INSURANCE COMPANY

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 451,668	\$ 341,501
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income tax expense	8,000	5,000
Depreciation and amortization	14,141	13,525
Amortization of held to maturity investments	3,279	5,940
Change in carrying value of certificates of deposit	(59,032)	(55,669)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	39,122	(15,686)
Increase in prepaid reinsurance premiums	(7,443)	(907)
Increase in deferred policy acquisition costs	(27,836)	(18,167)
Increase in accrued underwriting expenses	3,843	14,232
Increase in unearned premiums	89,923	47,979
Increase in accrued losses and loss adjustment expenses	2,000	1,000
Decrease in federal income taxes payable	(12,500)	(22,500)
Net cash provided by operating activities	<u>505,165</u>	<u>316,248</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	-	(3,707)
Proceeds from the sale of investments	497,138	1,502,601
Investment purchases	<u>(740,000)</u>	<u>(1,825,000)</u>
Net cash used in investing activities	(242,862)	(326,106)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends paid to stockholders	<u>(225,741)</u>	<u>(272,319)</u>
Net cash used in financing activities	<u>(225,741)</u>	<u>(272,319)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,562	(282,177)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>848,047</u>	<u>1,130,224</u>
End of year	<u>\$ 884,609</u>	<u>\$ 848,047</u>
NONCASH CHANGE IN FINANCING ACTIVITIES:		
Dividends declared but not paid	<u>\$ 74,256</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Federal income taxes paid	<u>\$ 223,700</u>	<u>\$ 233,800</u>

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

UNITED CASUALTY AND SURETY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Background – United Casualty and Surety Insurance Company ("UCSIC" or the "Company"), originally a Georgia corporation, redomesticated to the Commonwealth of Massachusetts in June 1993. The Company is licensed and authorized to issue Fidelity and Surety bonds in Massachusetts, New York, Connecticut, New Hampshire, Rhode Island, Maine, Pennsylvania, New Jersey, and Florida. The Company also holds a certificate of authority from the United States Department of the Treasury to act as a Surety and Reinsurer on Federal Bonds.

Basis of Accounting – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates – The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Management reviews its estimates and assumptions annually. Amounts reported for anticipated salvage and subrogation, accrued losses and loss adjustment expenses, and litigation contingencies are based, in part, on management estimates. Management estimates have been made as to the recoverability and value of the collateral held, deferred tax liabilities, and incurred but not reported losses. Actual results could differ from management estimates.

Cash and Cash Equivalents – The Company considers all investments with original maturities of 90 days or less to be cash equivalents. The carrying value of the Company's cash and cash equivalents approximates fair value.

Concentration of Credit Risks – During 2015 and 2014, cash and cash equivalents and certificates of deposit at various financial institutions exceeded the FDIC limit of \$250,000. These funds are deposited with institutions that management believes are financially sound. The Company limits its collection risk exposure on accounts receivable by obtaining collateral from the policyholders.

Investments – Investments are classified as held-to-maturity and are accounted for at amortized cost, or carrying value with regards to certificates of deposit, with no adjustments for changes in fair value. Premiums and discounts are amortized or accreted over the lives of the related fixed maturities as an adjustment to the yield using the effective interest method. Dividend and interest income are recognized when earned. Realized investment gains or losses are included in earnings.

Deferred Policy Acquisition Costs – Policy acquisition costs, primarily commissions to agents and brokers and premium taxes, directly related to the successful acquisition of new or renewal insurance contracts are deferred and amortized over the related policy period, generally one year. The recoverability of these costs is analyzed by management quarterly and if determined to be impaired, is charged to expense. The Company does not consider anticipated investment income in determining whether a premium deficiency exists. All other acquisition expenses are charged to operations as incurred.

Funds Held as Collateral Assets – Funds held as collateral assets consist principally of cash collateral received from principals to guarantee performance on surety bonds issued by the Company, as well as all other contractual obligations of the principals to the surety. The Company also holds other non-cash collateral.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment – Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment are calculated using the straight-line method over the estimated useful lives (generally, the life of the leasehold improvement and three to five years for furniture and equipment.)

Premium and Unearned Premium Reserves – Premiums written are recognized as revenues based on a pro-rata daily calculation over the respective term of the policies in-force. Unearned premiums represent the portion of premiums written applicable to the unexpired term of the policies in-force. The cost of reinsurance ceded is initially written as prepaid reinsurance premiums and is amortized over the reinsurance contract period in proportion to the amount of insurance protection provided. Premiums ceded are netted against premiums written.

Losses and Loss Adjustment Expenses – Unpaid losses and loss adjustment expenses represent estimates for the ultimate cost of unpaid reported and unreported claims incurred and related expense. Estimates for losses and loss adjustment expenses are based on past experience of unreported losses, experience of investigating and adjusting claims and consideration of the level of premiums written during 2015 and 2014, among other things. Since the reserves are based on estimates, the ultimate liability may be more or less than such reserves. At December 31, 2015 and 2014, the Company is unaware of any significant incurred losses not specifically reserved for. The effects of changes in such estimated reserves are included in the results of operations in the periods in which the estimates are changed. In spite of the variability of such estimates, management believes that the liabilities for losses and loss adjustment expenses are adequate.

Income Taxes – The Company calculates deferred income taxes using the "asset and liability method." Under this method, deferred income tax assets and liabilities arise from temporary differences between the tax basis of the assets and liabilities and their reported amount in the financial statements and are measured using enacted tax rates. Current and deferred tax assets and liabilities are aggregated on the balance sheets.

The Company has concluded that there are no significant uncertain tax positions requiring recognition in the financial statements. The Company will report any tax-related interest and penalties related to uncertain tax positions as a component of federal income tax expense.

Premium taxes assessed in each licensed state are typically based on premiums written in each respective state. However, there are several states that assess a retaliatory premium tax which permits the state taxing authority to assess a premium tax at least equal to the premium tax paid to the state in which the insurer is domiciled. Premium taxes, which amounted to \$105,700 and \$98,000 in 2015 and 2014, respectively are reported in the Statements of Income as a component of underwriting, acquisition and insurance expenses.

Advertising Costs – Advertising costs are charged to expense as incurred. Total advertising costs were approximately \$11,900 and \$6,700 for the years ended December 31, 2015 and 2014, respectively.

Recent Accounting Pronouncements – In November 2015, the Financial Accounting Standards Board (FASB) issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which, effective for annual and interim reporting periods beginning after December 15, 2016, simplifies the presentation of deferred income taxes, requiring that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. Since early application is permitted, the new standard has been applied in the Company's financial statements as of December 31, 2015.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In May 2015 the FASB issued ASU No. 2015-09, *Financial Services-Insurance (Topic 944): Disclosures about Short-Duration Contracts*. The guidance requires additional disclosures related to the liability for unpaid claims and claim adjustment expenses in an effort to increase transparency and comparability. The standard is effective for fiscal years beginning after December 15, 2015, and is to be applied retroactively. Management believes that the new guidance will have no material impact on the Company's results of operations or financial position.

In May 2014 the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Insurance contracts have been excluded from the scope of the guidance. In August 2015 the FASB issued an ASU to defer the effective date from fiscal years beginning after December 15, 2016, to fiscal years beginning after December 15, 2017. Management does not expect the adoption of this standard to have a material impact on the Company's financial condition or results of operations.

Subsequent Events – The Company has evaluated all subsequent events through January 9, 2017, the date the financial statements were available to be issued.

2. INVESTMENTS

The carrying value and estimated fair value of investments are as follows:

	December 31, 2015			
	Amortized Cost/ Carrying Value	Gross Unrealized Gains	Gross Unrealized Loss	Estimated Fair Value
U.S. Treasury securities	\$ 814,620	\$ 6,295	\$ -	\$ 820,915
Certificates of deposit, less than 12 months*	1,766,686	-	-	1,761,240
Certificates of deposit, greater than 12 months*	<u>2,532,241</u>	<u>-</u>	<u>-</u>	<u>2,532,241</u>
Total investments, held-to-maturity	5,113,547	<u>\$ 6,295</u>	<u>\$ -</u>	<u>\$ 5,114,396</u>
Amount reported as investments, short-term	<u>1,766,686</u>			
Investments, long-term	<u>\$ 3,346,861</u>			

	December 31, 2014			
	Amortized Cost/ Carrying Value	Gross Unrealized Gains	Gross Unrealized Loss	Estimated Fair Value
U.S. Treasury securities	\$ 817,899	\$ 14,065	\$ -	\$ 831,964
Certificates of deposit, less than 12 months*	523,716	-	-	497,138
Certificates of deposit, greater than 12 months*	<u>3,473,317</u>	<u>-</u>	<u>-</u>	<u>3,473,317</u>
Total investments, held-to-maturity	4,814,932	<u>\$ 14,065</u>	<u>\$ -</u>	<u>\$ 4,802,419</u>
Amount				

reported as
investments,
short-term

523,716

Investments,
long-term

\$ 4,291,216

* Certificates of deposit are stated at carrying value which estimates fair value.

3. DEFERRED POLICY ACQUISITION COSTS

The following table presents the amounts of policy acquisition costs deferred and amortized for the years ended December 31:

	2015	2014
Deferred policy acquisition costs, beginning of year	\$ 261,976	\$ 243,809
Policy acquisition costs deferred	665,884	593,945
Policy acquisition costs expensed	<u>(638,048)</u>	<u>(575,778)</u>
Deferred policy acquisition costs, end of year	<u>\$ 289,812</u>	<u>\$ 261,976</u>

The following table presents the components of underwriting, acquisition and insurance expenses for the years ended December 31:

	2015	2014
Policy acquisition costs expensed	\$ 638,048	\$ 575,778
Payroll and payroll taxes	844,897	810,573
Other operating expenses	<u>519,285</u>	<u>497,052</u>
Underwriting, acquisition and insurance expenses	<u>\$ 2,002,230</u>	<u>\$ 1,883,403</u>

4. PROPERTY AND EQUIPMENT

The following table presents the components of property and equipment at December 31:

	2015	2014
Equipment	\$ 80,667	\$ 80,667
Furniture and fixtures	40,266	40,266
Leasehold improvements	<u>24,265</u>	<u>24,265</u>
	145,198	145,198
Accumulated depreciation and amortization	<u>(122,687)</u>	<u>(108,546)</u>
Property and equipment, net	<u>\$ 22,511</u>	<u>\$ 36,652</u>

Depreciation expense was \$14,141 and \$13,525 for the years ended December 31, 2015 and 2014, respectively.

5. LIABILITY FOR ACCRUED LOSSES AND LOSS ADJUSTMENT EXPENSES

Activity in the liability for accrued losses and loss adjustment expenses (net of revenue from salvage and subrogation) for 2015 and 2014 is summarized as follows:

	2015	2014
Balance at January 1:	\$ 20,000	\$ 19,000
Incurred related to current year	<u>2,000</u>	<u>1,000</u>
Balance at December 31:	<u>\$ 22,000</u>	<u>\$ 20,000</u>

Revenue from salvage and subrogation amounted to \$19,276 and \$86,989 in 2015 and 2014, respectively.

6. FEDERAL INCOME TAXES

The following is a reconciliation of income taxes at the federal statutory rate of 34% to the effective provision for federal income taxes as shown in the Statements of Income:

	2015	2014
Earnings before federal income taxes	\$ 670,868	\$ 557,801
Income taxes at federal statutory rate	\$ 228,100	\$ 189,600
Effect of:		
Change in unearned premium balance	22,303	12,721
Other, net	(31,203)	13,979
Provision for federal income taxes as reported on the Statements of Income	<u>\$ 219,200</u>	<u>\$ 216,300</u>

The provision for federal income taxes consists of the following for the years ended December 31:

	2015	2014
Current	\$ 211,200	\$ 211,300
Deferred	8,000	5,000
Provision for federal income taxes	<u>\$ 219,200</u>	<u>\$ 216,300</u>

The following summarizes the estimated tax effects of temporary difference that are included in the net deferred federal income tax provision:

	2015	2014
Deferred policy acquisition costs	\$ 11,000	\$ 7,000
Property and equipment	(5,000)	(5,000)
Accrued losses and loss adjustment expenses	2,000	3,000
	<u>\$ 8,000</u>	<u>\$ 5,000</u>

Deferred income taxes reflect the net tax effect of temporary difference between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of significant items comprising the Company's net deferred income tax liability are as follows, as of December 31:

	2015	2014
Deferred federal income tax liabilities:		
Deferred policy acquisition costs	\$ 116,000	\$ 105,000
Property and equipment	6,000	11,000
Accrued losses and loss adjustment expenses	33,000	31,000
Net deferred federal income tax liability	<u>\$ 155,000</u>	<u>\$ 147,000</u>

Management believes that all U.S. federal income and state tax matters have been concluded through 2012.

7. RELATED-PARTY TRANSACTION

During 2015 and 2014, the Company paid the life insurance premiums for several policies, of which one of its Directors is the beneficiary. Premiums under these policies amounted to \$15,870 in 2015 and 2014, respectively. In 2004 the Company entered into a split-dollar agreement with the beneficiary of the life insurance policy, whereby the beneficiary has agreed to pay back to the Company the premiums paid on the related policies. The cash surrender value of the policies and death benefit serve as collateral to the agreement. The life insurance held by the related party is term coverage. The Company has conservatively elected not to reflect the premiums paid in 2015 and 2014, as a receivable due from related party as there is no cash surrender value to cover the premiums paid.

8. REINSURANCE

The Company reinsures certain portions of its surety business in order to limit the amount of loss on individual claims. Under the terms of the reinsurance agreement, the Company is responsible for \$125,000 (\$150,000 in 2014) of losses on contract surety for each principal for losses up to \$2,500,000. The Company is also responsible for 20% of the losses on contract surety covered under the reinsurance agreement between \$2,500,000 and \$3,000,000, subject to a maximum of \$100,000 for each principal and in the aggregate. The reinsurer covers amounts in excess of \$125,000. This excess loss coverage, however, is limited, in the aggregate, to losses of \$3,000,000 and, in the case of each principal, to losses of \$2,875,000. Under the excess of loss reinsurance agreement the Company has coverage up to \$5,500,000 on any one principal, subject to an annual aggregate limit of \$5,500,000 on fully secured court bonds. With respect to fully secured court bonds, the Company shall retain net for its own account, its underwriting limitation in accordance with The Department of Treasury less \$125,000 of the business covered. Insurance premiums ceded under this reinsurance agreement during 2015 and 2014 amounted to \$245,406 and \$212,270, respectively. The Company is contingently liable with respect to ceded insurance should any reinsurer be unable to meet the obligations assumed by it.

Effective January 1, 2016, the Company retention layer under its reinsurance agreement was reduced from \$125,000 to \$100,000 for losses up to \$2,500,000 for all surety business in force. Retention was reduced from 20% to 10% and is subject to a maximum of \$50,000 for each principal and in the aggregate for losses between \$2,500,000 and \$3,000,000. The excess of loss coverage aggregate was increased from \$3,000,000 to \$3,500,000 and in the case of each principal to losses of \$3,400,000.

9. STATUTORY FINANCIAL INFORMATION

Insurance companies are required to file financial statements with state insurance regulatory authorities prepared on an accounting basis prescribed or permitted by such authorities (statutory basis). Net earnings and capital and surplus on a statutory basis as of and for the years ended December 31 were as follows:

Statutory Net Earnings		Statutory Capital and Surplus	
2015	2014	2015	2014
\$ 438,973	\$ 336,859	\$ 4,901,365	\$ 4,739,460

For the years ended December 31, 2015 and 2014, statutory net earnings differ from net earnings on a GAAP basis primarily due to the treatment of deferred policy acquisition costs, the basis difference in property and equipment, and accrued losses and loss adjustment expenses.

9. STATUTORY FINANCIAL INFORMATION (CONTINUED)

Capital and surplus requirements of the states in which the Company is licensed to underwrite fidelity and surety insurance, including the Commonwealth of Massachusetts, New York, Connecticut, New Hampshire, Rhode Island, Maine, Pennsylvania, New Jersey, and Florida have been met as of December 31, 2015 and 2014. The Company, as required, maintains a \$100,000 cash collateral deposit in the State of Florida. In addition the Company maintains a deposit of \$250,000 and \$500,000 in the States of New Hampshire and Massachusetts, respectively. The deposits in Florida and New Hampshire were established solely for the benefit of policyholders located in those states. The deposit maintained in Massachusetts is for the benefit of all policyholders.

As of December 31, 2015 and 2014, there are no regulatory restrictions on the payment of dividends to shareholders. However, the Company's ability to declare and pay dividends will depend on the working capital of the Company. Dividends declared to stockholders amounted to \$299,997 and \$174,998 in 2015 and 2014, respectively.

10. LEASES

The Company's corporate offices are located in Quincy, MA. The lease agreement runs through August 1, 2017 with monthly payments, including storage space, of \$5,014. Rent expense for 2015 and 2014 was \$68,438 and \$66,416, respectively. During June 2016 the Company extended the operating lease for its corporate office for five years, expiring on July 31, 2022. The Company has the option to extend the lease for an additional five years through July 2027.

Future minimum lease payments, inclusive of the extension, are as follows:

2016	\$	60,171
2017		68,606
2018		81,400
2019		83,766
2020		86,132
Thereafter		140,927

11. EMPLOYEE BENEFIT PLAN

In September 2004 the Company established the United Casualty and Surety Insurance Company 401(k) Profit Sharing Plan (the "Plan"). The Plan is available to all employees that have completed one year of service and have attained the age of twenty-one. Employees are allowed to contribute up to 75% of their compensation not to exceed the maximum amount allowed by the Internal Revenue Service. The Company may make discretionary matching contributions up to 3% of individual compensation and discretionary profit sharing contributions. During 2015 and 2014, the Company made discretionary contributions of \$22,515 and \$22,618, respectively. Company contributions vest 20% after two years and are 100% vested after six-years.

12. COMMITMENTS AND CONTINGENCIES

Under insurance guaranty fund laws in each state, the District of Columbia and Puerto Rico, insurers licensed to do business can be assessed by state insurance guaranty associations for certain obligations of insolvent insurance companies to policyholders and claimants. Recent regulatory actions against certain insurers encountering financial difficulty have prompted various state insurance guaranty associations to begin assessing insurance companies for the deemed losses. Most of these laws do provide, however, that an assessment may be excused or deferred if it would threaten an insurer's solvency and further provide annual limits on such assessments. A large part of the assessments paid by the Company pursuant to these laws may be used as credits for a portion of the Company's premium taxes.

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Various litigation claims and assessments against the Company, in addition to those otherwise provided for in the Company's statutory financial statements, have arisen in the ordinary course of the Company's business. Additionally, state insurance regulatory authorities and other federal and state authorities regularly make inquiries and conduct investigations concerning the Company's compliance with applicable insurance and other laws and regulations.

In some of the matters referred to above, large and/or indeterminate amounts, including punitive damages and treble damages, are sought. While it is not feasible to predict or determine the ultimate outcome of all pending investigations and legal proceedings or provide reasonable ranges of potential losses, it is the opinion of the Company's management that their outcomes, after consideration of available insurance and reinsurance and the provisions made in the Company's financial statements, are not likely to have a material adverse effect on the Company's financial position. However, given the large and/or indeterminate amounts sought in certain of these matters and the inherent unpredictability of litigation, it is possible that an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company's operating results or cash flows in particular annual periods.

13. SUBSEQUENT EVENTS

During June 2016 the Company extended the corporate office operating lease for an additional five years through July 2022. The lease extension has been reflected in the lease commitment disclosure (see Note 10).

On December 5, 2016, the Massachusetts Department of Insurance approved the purchase of all outstanding common stock of United Casualty Surety Insurance Company by General Indemnity Group, LLC ("GIG"), a subsidiary of Boston Omaha Corporation (OTC: BOMN). Subsequently, on December 7, 2016, the acquisition was completed and under the terms of the stock purchase agreement, GIG paid the Company's shareholders \$13,000,000.

On December 27, 2016 the Company amended its articles whereby the par value of the common stock was increased to \$130 per common share from \$75 per common share. This amendment results in a reclassification of additional paid in capital to the common stock account, however does not impact the reported total of stockholders' equity.

United Casualty and Surety Insurance Company

*Unaudited Financial Statements for the Nine
Months Ended September 30, 2016 and Year
Ended December 31, 2015*

UNITED CASUALTY AND SURETY INSURANCE COMPANY

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UNITED CASUALTY AND SURETY INSURANCE COMPANY

BALANCE SHEETS (UNAUDITED)

ASSETS	September 30, 2016	December 31, 2015
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,678,554	\$ 884,609
Investments, short-term	1,394,842	1,766,686
Receivables:		
Premiums	590,212	230,312
Anticipated salvage and subrogation	84,668	29,675
Total receivables	674,880	259,987
Prepaid reinsurance premiums	99,153	97,545
Deferred policy acquisition costs	335,506	289,812
Total current assets	4,182,935	3,298,639
Other assets	5,529	4,864
Investments, long-term	2,839,725	3,346,861
Funds held as collateral assets	1,682,147	2,145,513
Property and equipment, net	11,905	22,511
TOTAL ASSETS	\$ 8,722,241	\$ 8,818,388
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accrued underwriting expenses	\$ 108,285	\$ 89,817
Dividends payable	-	81,798
Unearned premiums	1,343,739	1,174,208
Accrued losses and loss adjustment expenses	22,000	22,000
Federal income taxes payable	60,000	-
Funds held as collateral	1,682,147	2,145,513
Total current liabilities	3,216,171	3,513,336
LONG-TERM LIABILITIES:		
Deferred tax liability	155,000	155,000
TOTAL LIABILITIES	3,371,171	3,668,336
STOCKHOLDERS' EQUITY:		
Common stock, \$75 par value – 20,000 shares authorized, 14,484 shares issued and outstanding at September 30, 2016 and December 31, 2015	1,086,300	1,086,300
Additional paid-in capital	1,459,445	1,459,445
Retained earnings	2,805,325	2,604,307
Total Stockholders' Equity	5,351,070	5,150,052
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 8,722,241	\$ 8,818,388

See accompanying notes to the unaudited financial statements.

UNITED CASUALTY AND SURETY INSURANCE COMPANY

STATEMENTS OF INCOME

(UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
OPERATING REVENUES:				
Premiums earned	\$ 559,254	\$ 663,521	\$ 1,690,180	\$ 1,949,418
Salvage and subrogation	26,422	10,024	55,593	14,404
Net investment income	24,863	22,401	73,868	70,280
Total Operating Revenues	610,539	695,946	1,819,641	2,034,102
OPERATING EXPENSES:				
Underwriting, acquisition and insurance expenses	466,978	494,294	1,358,578	1,407,610
Losses and loss adjustment expenses	26,422	8,031	54,993	12,411
Other (income) expense	-	(1,601)	(2,054)	(4,890)
Depreciation and amortization expense	3,535	3,535	10,606	10,606
Total Operating Expenses	496,935	504,259	1,422,123	1,425,737
INCOME BEFORE FEDERAL INCOME TAXES	113,604	191,687	397,518	608,365
FEDERAL INCOME TAXES	30,000	30,000	96,500	122,500
NET INCOME	\$ 83,604	\$ 161,687	\$ 301,018	\$ 485,865

See accompanying notes to the unaudited financial statements.

UNITED CASUALTY AND SURETY INSURANCE COMPANY

STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 301,018	\$ 485,865
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,606	10,606
Amortization of bond premiums	3,763	2,025
Change in carrying value of certificates of deposit	(32,889)	(30,094)
Changes in operating assets and liabilities:		
Increase in receivables	(414,893)	(224,864)
Increase in prepaid reinsurance premiums	(1,608)	(28,652)
Increase in other assets	(665)	-
Increase in deferred acquisition costs	(45,694)	(120,452)
Increase in accrued underwriting expenses	18,468	59,354
Increase in unearned premiums	169,531	372,043
Increase in federal income taxes payable	60,000	97,500
Net cash provided by operating activities	<u>67,637</u>	<u>623,331</u>
INVESTING ACTIVITIES:		
Proceeds from the sale of investments	1,008,106	497,130
Investment purchases	<u>(100,000)</u>	<u>(490,000)</u>
Net cash provided by investing activities	<u>908,106</u>	<u>7,130</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid to stockholders	<u>(181,798)</u>	<u>(207,539)</u>
Net cash used in financing activities	<u>(181,798)</u>	<u>(207,539)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	793,945	422,922
CASH AND CASH EQUIVALENTS:		
Beginning of period	<u>884,609</u>	<u>848,047</u>
End of period	<u>\$ 1,678,554</u>	<u>\$ 1,270,969</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 36,500</u>	<u>\$ 25,000</u>

See accompanying notes to the unaudited financial statements.

UNITED CASUALTY AND SURETY INSURANCE COMPANY

NOTES TO UNAUDITED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND YEAR ENDED DECEMBER 31, 2015

1. ORGANIZATION AND BACKGROUND

The accompanying unaudited interim financial statements have been prepared in connection with United Casualty and Surety Insurance Company's sale of all outstanding common stock to General Indemnity Group, LLC ("GIG"), a wholly-owned subsidiary of Boston Omaha Corporation, and to comply with the rules and regulations of the Securities and Exchange Commission ("SEC") for inclusion by Boston Omaha Corporation in its current report on Form 8-K/A.

United Casualty and Surety Insurance Company ("UCSIC" or the "Company"), originally a Georgia corporation, redomesticated to the Commonwealth of Massachusetts in June 1993. The Company is licensed and authorized to issue Fidelity and Surety bonds in Massachusetts, New York, Connecticut, New Hampshire, Rhode Island, Maine, Pennsylvania, New Jersey, and Florida. The Company also holds a certificate of authority from the United States Department of the Treasury to act as a Surety and Reinsurer on Federal Bonds .

The accompanying unaudited interim financial statements of United Casualty and Surety Insurance Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2015 included elsewhere in this Form 8-K/A. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the interim financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the year ended December 31, 2015 included elsewhere in this Form 8-K/A have been omitted.

2. INVESTMENTS

The carrying value and estimated fair value of investments are as follows:

	September 30, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Estimated Fair Value
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
U.S. Treasury securities	\$ 810,857	\$ 44	\$ -	\$ 810,901
Certificates of deposit, less than 12 months*	1,394,842	-	-	767,132
Certificates of deposit, greater than 12 months*	<u>2,028,868</u>	<u>-</u>	<u>-</u>	<u>971,491</u>
Total investments, held-to-maturity Amount reported as investments, short-term	4,234,567	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 2,549,524</u>
Investments, long-term	<u>\$ 2,839,725</u>			

* Certificates of deposit are stated at carrying value which estimates fair value.

2. INVESTMENTS (CONTINUED)

	December 31, 2015			Estimated Fair Value
	Amortized Cost/ Carrying Value	Gross Unrealized Gains	Gross Unrealized Loss	
U.S. Treasury securities	\$ 814,620	\$ 6,295	\$ -	\$ 820,915
Certificates of deposit, less than 12 months*	1,766,686	-	-	1,761,240
Certificates of deposit, greater than 12 months*	<u>2,532,241</u>	<u>-</u>	<u>-</u>	<u>2,532,241</u>
Total investments, held-to-maturity	5,113,547	<u>\$ 6,295</u>	<u>\$ -</u>	<u>\$ 5,114,396</u>
Amount reported as investments, short-term	<u>1,766,686</u>			
Investments, long-term	<u>\$ 3,346,861</u>			

* Certificates of deposit are stated at carrying value which estimates fair value.

3. DEFERRED POLICY ACQUISITION COSTS

The following table presents the amounts of policy acquisition costs deferred and amortized as of:

	September 30, 2016	December 31, 2015
Deferred policy acquisition costs, beginning of period	\$ 289,812	\$ 261,976
Policy acquisition costs deferred	467,701	665,884
Policy acquisition costs expensed	<u>(422,007)</u>	<u>(638,048)</u>
Deferred policy acquisition costs, end of period	<u>\$ 335,506</u>	<u>\$ 289,812</u>

The following table presents the components of underwriting, acquisition and insurance expenses:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Policy acquisition costs expensed	\$ 145,884	\$ 184,655	\$ 422,007	\$ 511,913
Payroll and payroll taxes	187,561	187,619	572,003	595,456
Other operating expenses	133,533	122,020	364,568	300,241
Underwriting, acquisition and insurance expenses	<u>\$ 466,978</u>	<u>\$ 494,294</u>	<u>\$ 1,358,578</u>	<u>\$ 1,407,610</u>

4. PROPERTY AND EQUIPMENT

The following table presents the components of property and equipment as of:

	September 30, 2016	December 31, 2015
Equipment	\$ 80,667	\$ 80,667
Furniture and fixtures	40,266	40,266
Leasehold improvements	24,265	24,265
	<u>145,198</u>	<u>145,198</u>
Accumulated depreciation and amortization	<u>(133,293)</u>	<u>(122,687)</u>
Property and equipment, net	<u>\$ 11,905</u>	<u>\$ 22,511</u>

5. STATUTORY FINANCIAL INFORMATION

Insurance companies are required to file financial statements with state insurance regulatory authorities prepared on an accounting basis prescribed or permitted by such authorities (statutory basis). Net earnings and capital and surplus on a statutory basis were as follows:

Statutory Net Earnings		Statutory Capital and Surplus	
September 30, 2016	September 30, 2015	September 30, 2016	December 31, 2015
\$ 265,935	\$ 376,019	\$ 5,064,193	\$ 4,901,365

For the nine months ended September 30, 2016 and 2015, statutory net earnings differ from net earnings on a GAAP basis primarily due to the treatment of deferred acquisition costs, the basis of difference in property and equipment, and changes in non-admitted assets.

6. SUBSEQUENT EVENTS

On December 5, 2016 the Massachusetts Department of Insurance approved the purchase of all outstanding common stock of United Casualty Surety Insurance Company by General Indemnity Group, LLC ("GIG"), a subsidiary of Boston Omaha Corporation (OTC: BOMN). Subsequently, on December 7, 2016, the acquisition was completed and under the terms of the stock purchase agreement, GIG paid the Company's shareholders \$13,000,000.

On December 27, 2016 the Company amended its articles whereby the par value of the common stock was increased to \$130 per common share from \$75 per common share. This amendment results in a reclassification of additional paid in capital to the common stock account, however does not impact the reported total of stockholders' equity.

BOSTON OMAHA CORPORATION
AND UNITED CASUALTY AND SURETY INSURANCE COMPANY
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
AND
UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS

**BOSTON OMAHA CORPORATION
AND UNITED CASUALTY AND SURETY INSURANCE COMPANY**

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

September 30, 2016

ASSETS

	<u>Boston Omaha</u>	<u>Pro Forma Adjustments</u>	<u>Elimination Adjustments</u>	<u>Notes</u>	<u>Pro Forma Consolidated</u>
Current Assets:					
Cash	\$ 42,375,758	\$ (11,321,446)	\$ -	(2)	\$ 31,054,312
Restricted cash	227,943	-	-		227,943
Accounts receivable, net	469,796	674,880	-	(2)	1,144,676
Investments, short-term	-	1,394,842	-	(2)	1,394,842
Prepaid expense	377,091	99,153	-	(2)	476,244
Deferred policy acquisition costs	-	335,506	-	(2)	335,506
Total Current Assets	43,450,588	(8,817,065)	-		34,633,523
Property and Equipment:					
Structures and displays	9,289,542	-	-		9,289,542
Vehicles, equipment, and furniture	112,063	145,198	-	(2)	257,261
Accumulated depreciation	(961,492)	(133,293)	-	(2)	(1,094,785)
Total Property and Equipment, net	8,440,113	11,905	-		8,452,018
Other Assets:					
Goodwill	7,917,853	7,198,930	-	(2)	15,116,783
Intangible assets, net	2,887,800	450,000	-	(2)	3,337,800
Investment in unconsolidated affiliate	866,221	-	-		866,221
Investment in subsidiary	-	5,351,070	(5,351,070)	(2)	-
Funds held as collateral assets	-	1,682,147	-	(2)	1,682,147
Investments, long-term	-	2,839,725	-	(2)	2,839,725
Convertible note receivable	100,000	-	-		100,000
Other assets	-	5,529	-	(2)	5,529
Total Other Assets	11,771,874	17,527,401	(5,351,070)		23,948,205
Total Assets	\$ 63,662,575	\$ 8,722,241	\$ (5,351,070)		\$ 67,033,746

See accompanying notes to unaudited pro forma consolidated financial statements.

**BOSTON OMAHA CORPORATION
AND UNITED CASUALTY AND SURETY INSURANCE COMPANY**

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

September 30, 2016

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>Boston Omaha</u>	<u>Pro Forma Adjustments</u>	<u>Elimination Adjustments</u>	<u>Notes</u>	<u>Pro Forma Consolidated</u>
Current Liabilities:					
Accounts payable and accrued expenses	\$ 342,505	\$ 130,285	\$ -	(2)	\$ 472,790
Unearned premiums	-	1,343,739	-	(2)	1,343,739
Federal income taxes payable	-	60,000	-	(2)	60,000
Funds held as collateral	-	1,682,147	-	(2)	1,682,147
Deferred revenue	101,536	-	-		101,536
Total Current Liabilities	444,041	3,216,171	-		3,660,212
Deferred tax liability, noncurrent		155,000		(2)	155,000
Long-term payable for acquisition	126,500	-	-		126,500
Total Liabilities	570,541	3,371,171	-		3,941,712
Stockholders' Equity:					
Preferred stock, \$.001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding	-	-	-		-
Common stock, \$.001 par value, 11,000,000 shares authorized, 5,841,815 shares issued and outstanding	5,842	-	-		5,842
Class A common stock, \$.001 par value, 1,161,161 shares authorized, 1,055,560 shares issued and outstanding	1,056	-	-		1,056
Common stock, \$75 par value, 20,000 shares authorized, 14,484 shares issued and outstanding	-	1,086,300	(1,086,300)	(2)	-
Additional paid-in capital	66,925,766	1,459,445	(1,459,445)	(2)	66,925,766
Accumulated deficit	(3,840,630)	2,805,325	(2,805,325)	(2)	(3,840,630)
Total Stockholders' Equity	63,092,034	5,351,070	(5,351,070)		63,092,034
Total Liabilities and Stockholders' Equity	\$ 63,662,575	\$ 8,722,241	\$ (5,351,070)		\$ 67,033,746

See accompanying notes to unaudited pro forma consolidated financial statements.

**BOSTON OMAHA CORPORATION
AND UNITED CASUALTY AND SURETY INSURANCE COMPANY**

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

	<u>Boston Omaha</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Pro Forma Consolidated</u>
Revenues:				
Billboard rentals	\$ 2,273,210	\$ -		\$ 2,273,210
Premiums earned	-	1,690,180	(2)	1,690,180
Insurance commissions	276,850	-		276,850
Salvage and subrogation	-	55,593	(2)	55,593
Net investment income	-	73,868	(2)	73,868
	<u>2,550,060</u>	<u>1,819,641</u>		<u>4,369,701</u>
Costs and Expenses:				
Cost of billboard revenues (exclusive of depreciation and amortization)	874,174	-		874,174
Underwriting, acquisition and insurance expenses	-	1,358,578	(2)	1,358,578
Leased employees	1,140,009	-		1,140,009
Professional fees	974,214	-		974,214
Depreciation	654,125	10,606	(2)	664,731
Amortization	596,601	13,500	(2)	610,101
General and administrative	517,885	-		517,885
Losses and loss adjustment expenses	-	54,993	(2)	54,993
Bad debt expense	28,682	-		28,682
	<u>4,785,690</u>	<u>1,437,677</u>		<u>6,223,367</u>
Net (Loss) Income from Operations	(2,235,630)	381,964		(1,853,666)
Other Income (Expense):				
Equity in income (loss) of unconsolidated affiliate	(32,958)	-		(32,958)
Other income	-	2,054	(2)	2,054
Interest expense	(2,240)	-		(2,240)
(Loss) Income Before Income Tax	(2,270,828)	384,018		(1,886,810)
Income Tax (Provision) Benefit	-	(96,500)	(3b)	(96,500)
Net (Loss) Income	<u>\$ (2,270,828)</u>	<u>\$ 287,518</u>		<u>\$ (1,983,310)</u>
Basic and Diluted Net (Loss) Income per share	<u>\$ (0.40)</u>		(3a)	<u>\$ (0.35)</u>
Basic and Diluted Weighted Average Shares Outstanding	<u>5,744,898</u>		(3a)	<u>5,744,898</u>

See accompanying notes to unaudited pro forma consolidated financial statements.

**BOSTON OMAHA CORPORATION
AND UNITED CASUALTY AND SURETY INSURANCE COMPANY**

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Boston Omaha</u>	<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Pro Forma Consolidated</u>
Revenues:				
Billboard rentals	\$ 713,212	\$ -		\$ 713,212
Premiums earned	-	2,585,127	(2)	2,585,127
Salvage and subrogation	-	19,276	(2)	19,276
Net investment income	-	96,741	(2)	96,741
Consulting fees, related party	9,700	-		9,700
	<u>722,912</u>	<u>2,701,144</u>		<u>3,424,056</u>
Total Revenues	722,912	2,701,144		3,424,056
Costs and Expenses:				
Cost of billboard revenues (exclusive of depreciation and amortization)	229,507	-		229,507
Underwriting, acquisition and insurance expenses	-	2,002,230	(2)	2,002,230
Professional fees	737,451	-		737,451
Depreciation	307,367	14,141	(2)	321,508
Leased employees	241,803	-		241,803
Losses and loss adjustment expenses	-	19,283	(2)	19,283
General and administrative	153,715	-		153,715
Amortization	150,436	18,000	(2)	168,436
Bad debt expense	9,511	-		9,511
	<u>1,829,790</u>	<u>2,053,654</u>		<u>3,883,444</u>
Total Costs and Expenses	1,829,790	2,053,654		3,883,444
Net (Loss) Income from Operations	(1,106,878)	647,490		(459,388)
Other Income (Expense):				
Equity in income (loss) of unconsolidated affiliate	3,813	-		3,813
Gain on sale of investment in unconsolidated affiliate	78,150	-		78,150
Other income	-	5,378	(2)	5,378
Interest expense	(22,508)	-		(22,508)
	<u>(1,047,423)</u>	<u>652,868</u>		<u>(394,555)</u>
(Loss) Income Before Income Tax	(1,047,423)	652,868		(394,555)
Income Tax (Provision) Benefit	-	(219,200)	(3b)	(219,200)
	<u>(1,047,423)</u>	<u>433,668</u>		<u>(613,755)</u>
Net (Loss) Income	\$ (1,047,423)	\$ 433,668		\$ (613,755)
Basic and Diluted Net (Loss) Income per share	<u>(0.71)</u>		(3a)	<u>(0.41)</u>
Basic and Diluted Weighted Average Shares Outstanding	<u>1,481,310</u>		(3a)	<u>1,481,310</u>

See accompanying notes to unaudited pro forma consolidated financial statements.

**BOSTON OMAHA CORPORATION
AND UNITED CASUALTY AND SURETY INSURANCE COMPANY**

NOTES TO UNAUDITED CONSOLIDATED PRO FORMA INFORMATION

NOTE 1. BASIS OF PRESENTATION

The unaudited pro forma consolidated balance sheet has been prepared by applying pro forma adjustments to Boston Omaha Corporation's ("Boston Omaha") ("the Company") unaudited consolidated balance sheet as of September 30, 2016.

The unaudited pro forma consolidated statement of operations for the nine months ended September 30, 2016 has been prepared from Boston Omaha's unaudited interim consolidated statement of operations for the nine months ended September 30, 2016 and from United Casualty and Surety Insurance Company's ("UC&S") unaudited interim statement of operations for the nine months ended September 30, 2016.

Boston Omaha's audited consolidated financial statements and UC&S's audited financial statements have been used in the preparation of the unaudited pro forma consolidated statements of operations for the year ended December 31, 2015.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements of Boston Omaha and UC&S as follows:

Boston Omaha's audited consolidated financial statements for the years ended December 31, 2015 and 2014 and the notes relating thereto, as found in its Form 10-K which was filed on March 30, 2016.

Boston Omaha's unaudited consolidated financial statements for the nine months ended September 30, 2016 and the notes relating thereto, as found in its Form 10-Q which was filed on November 14, 2016; and

UC&S's audited financial statements for the years ended December 31, 2015 and 2014 and the notes relating thereto included in this Form 8-K/A and

UC&S's unaudited financial statements for the nine months ended September 30, 2016 and the notes relating thereto included elsewhere in this Form 8-K/A.

NOTE 2. BUSINESS ACQUISITION

On December 7, 2016, General Indemnity Insurance Group ("GIG") a wholly-owned subsidiary of Boston Omaha purchased the stock of UC&S from the stockholders for a purchase price of \$13,000,000.

**BOSTON OMAHA CORPORATION
AND UNITED CASUALTY AND SURETY INSURANCE COMPANY**

NOTES TO UNAUDITED CONSOLIDATED PRO FORMA INFORMATION

NOTE 2. BUSINESS ACQUISITION (Continued)

Recognized Amount of Identifiable Assets Acquired and Liabilities Assumed

Identifiable Assets

Cash and cash equivalents	\$ 1,678,554
Accounts receivable	674,880
Investments, short-term	1,394,842
Prepaid reinsurance premiums	99,153
Deferred policy acquisition costs	335,506
Furniture and equipment, net	11,905
Funds held as collateral assets	1,682,147
Investments, long-term	2,839,725
Other assets	<u>5,529</u>
Subtotal	8,722,241

Intangible Assets:

State licenses	450,000
Goodwill	<u>7,198,930</u>

Total Intangible Assets	<u>7,648,930</u>
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Total Identifiable Assets Acquired	16,371,171
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Liabilities Assumed:

Accrued underwriting, losses, and loss adjustment expenses	130,285
Unearned premiums	1,343,739
Federal income taxes payable	60,000
Funds held as collateral	1,682,147
Deferred tax liability	<u>155,000</u>

Total Liabilities Assumed	<u>3,371,171</u>
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Total Identifiable Net Assets	<u><u>\$ 13,000,000</u></u>
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Amortization has been provided for the intangible asset having a finite life, expected to be twenty-five years.

All significant intercompany balances have been eliminated in consolidation.

**BOSTON OMAHA CORPORATION
AND UNITED CASUALTY AND SURETY INSURANCE COMPANY**

NOTES TO UNAUDITED CONSOLIDATED PRO FORMA INFORMATION

NOTE 3. PRO FORMA ADJUSTMENTS

Earnings per share

The basic net income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding.

Income Tax (Provision) Benefit

Federal and state income taxes have been provided at statutory rates.

