

BOSTON OMAHA CORP

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

Filed 10/16/18 for the Period Ending 08/22/18

Address	1411 HARNEY ST. SUITE 200 OMAHA, NE, 68102
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Industry	Advertising & Marketing
Sector	Consumer Cyclical
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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): October 16, 2018 (August 22, 2018)

BOSTON OMAHA CORPORATION (formerly known as REO PLUS, INC.)
(Exact name of registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
Incorporation)

001-38113
(Commission File Number)

27-0788438
(IRS Employer Identification Number)

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

1411 Harney St., Suite 200
Omaha, Nebraska 68102

(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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

EXPLANATORY NOTE

On August 23, 2018, Boston Omaha Corporation (the “Company”) filed with the Securities and Exchange Commission a Current Report on Form 8-K (the “Initial 8-K”) to disclose that it had completed the acquisition of assets from Key Outdoor, Inc. (“Key”), Angela K. Dahl and Robert A. Dahl. This Form 8-K/A amends the Initial 8-K to include the historical audited and unaudited financial statements of Key and the pro forma combined financial information required by Items 9.01(a) and 9.01(b) of Form 8-K that were excluded from the Initial 8-K in reliance on the instructions to such items.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Businesses Acquired.

The audited financial statements of Key for the year ended December 31, 2017 are filed herewith as Exhibit 99.1.

The unaudited financial statements of Key for the six months ended June 30, 2018 2017 are filed herewith as Exhibit 99.2.

(b) Pro Forma Financial Information.

The unaudited pro forma consolidated balance sheet of the Company as of June 30, 2018, the unaudited pro forma consolidated statements of operations of the Company for the six months ended June 30, 2018 and for the year ended December 31, 2017, and the notes to the unaudited pro forma consolidated financial statements, all giving effect to the acquisition by the Company of Key, are filed herewith as Exhibit 99.3.

(d) Exhibits.

The Exhibit Index set forth below is incorporated herein by reference.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Title</u>
23.1	<u>Consent of MaloneBailey, LLP, Independent Registered Public Accounting Firm of Key Outdoor, Inc.</u>
99.1	<u>Audited Financial Statements of Key Outdoor, Inc. for the Year Ended December 31, 2017.</u>
99.2	<u>Unaudited Financial Statements of Key Outdoor, Inc. for the Six Months Ended June 30, 2018 and 2017.</u>
99.3	<u>Unaudited Pro Forma Consolidated Balance Sheet of the Company as of June 30, 2018, Unaudited Pro Forma Consolidated Statements of Operations of the Company for the Six Months Ended June 30, 2018 and the Year Ended December 31, 2017, and Notes to the Unaudited Pro Forma Consolidated Financial Statements, all giving effect to the acquisition by the Company of Key.</u>

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
(Registrant)

By: /s/ Joshua P. Weisenburger
Joshua P. Weisenburger
Chief Financial Officer

Date: October 16, 2018



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-3 (File No. 333-222853) of our report dated October 16, 2018 with respect to the audited financial statements of Key Outdoor, Inc. for the year ended December 31, 2017 appearing in this Current Report on Form 8-K/A of Boston Omaha Corporation dated October 16, 2018.

We also consent to the references to us under the heading "Experts" in such Registration Statement.

/s/ *MaloneBailey, LLP*
www.malonebailey.com
Houston, Texas
October 16, 2018

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KEY OUTDOOR, INC.

Financial Statements

For the Year Ended December 31, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Key Outdoor, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheet of Key Outdoor, Inc. (the "Company") as of December 31, 2017, and the related statements of operations and retained earnings and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting 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.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ MaloneBailey, LLP

www.malonebailey.com

We have served as the Company's auditor since 2018.

Houston, Texas

October 16, 2018

KEY OUTDOOR, INC.

December 31, 2017

Balance Sheet

<u>ASSETS</u>	
Current Assets:	
Accounts receivable	\$ 577,677
Prepaid expenses	<u>109,556</u>
Total Current Assets	687,233
Property and Equipment, net	3,720,411
Other Assets:	
Goodwill	2,713,950
Intangible assets, net	<u>28,926</u>
Total Other Assets	<u>2,742,876</u>
Total Assets	<u>\$ 7,150,520</u>
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	
Current Liabilities:	
Bank overdraft	\$ 58,955
Accounts payable and accrued expenses	389,631
Unearned revenue	59,961
Related party loans	1,570,000
Current portion of long-term debt	<u>741,257</u>
Total Current Liabilities	2,819,804
Long-term Liabilities:	
Asset retirement obligations	40,481
Long-term debt, less current portion	<u>2,685,758</u>
Total Liabilities	5,546,043
Stockholders' Equity:	
Capital stock, no par value, 10,000 shares authorized, 300 shares issued and outstanding	6,000
Retained earnings	<u>1,598,477</u>
Total Stockholders' Equity	<u>1,604,477</u>
Total Liabilities and Stockholders' Equity	<u>\$ 7,150,520</u>

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

KEY OUTDOOR, INC.

Statement of Operations and Retained Earnings

For the Year Ended December 31, 2017

Revenues:	
Billboard revenues, net	\$ 6,050,073
Total Revenues	6,050,073
Costs and Expenses:	
Cost of billboard revenues (exclusive of depreciation and amortization)	2,240,237
Employee costs	1,724,812
Professional fees	55,772
General and administrative	970,543
Amortization	11,294
Depreciation	690,969
Bad debt expense	3,485
Loss on disposition of assets	12,213
Total Costs and Expenses	5,709,325
Net Income from Operations	340,748
Other Income (Expense):	
Interest income	110
Interest expense	(249,597)
Net Income	91,261
Retained Earnings at Beginning of Year	1,507,216
Retained Earnings at End of Year	\$ 1,598,477

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

KEY OUTDOOR, INC.

Statement of Cash Flows

For the Year Ended December 31, 2017

Cash Flows from Operating Activities:	
Net Income	\$ 91,261
Adjustments to reconcile net income to net cash provided by operating activities:	
Bad debt expense	3,485
Depreciation and amortization	702,263
Loss on disposition of assets	12,213
Changes in operating assets and liabilities:	
Accounts receivable	(170,614)
Prepaid expenses	53,875
Accounts payable and accrued expenses	203,812
Unearned revenue	(26,170)
Net Cash Provided by Operating Activities	870,125
Cash Flows from Investing Activities:	
Purchases of equipment and related assets	(183,974)
Proceeds from sale of assets	72,000
Net Cash Used in Investing Activities	(111,974)
Cash Flows from Financing Activities:	
Bank overdraft	(38,744)
Proceeds from long-term debt	34,456
Payments on long-term debt	(823,863)
Related party loans	70,000
Net Cash Used in Financing Activities	(758,151)
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	\$ -
Interest Paid in Cash	\$ 249,597
Income Taxes Paid in Cash	\$ -

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

KEY OUTDOOR, INC.

Notes to Financial Statements

For the Year Ended December 31, 2017

NOTE 1. ORGANIZATION AND BACKGROUND

Key Outdoor, Inc. (“the Company”) began operations in 1977 in Illinois. The Company owns and operates approximately 700 billboard structures located in Illinois, Iowa and Missouri.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivables

Accounts receivable are recorded at the invoiced amount, net of advertising agency commissions, sales discounts, and allowances for doubtful accounts. The Company evaluates the collectability of its accounts receivable based on its knowledge of its customers and historical experience of bad debts. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, it records a specific allowance to reduce the amounts recorded to what it believes will be collected. For all other customers, the Company recognizes reserves for bad debt based upon historical experience of bad debts as a percentage of revenue, adjusted for relative improvement or deterioration in its agings and changes in current economic conditions. As of December 31, 2017, the allowance for doubtful accounts was zero.

Prepaid Site Rental

Land leases related to the structures are typically paid in advance for periods ranging from one to twelve months. The lease contracts include those with fixed payments and those with escalating payments. Some of the lease contracts contain a base rent payment plus an additional amount up to a particular percentage of revenue. Prepaid land leases are recorded as assets and expensed ratably over the related term and rent payments in arrears are recorded as an accrued liability. At December 31, 2017 prepaid expenses include \$109,556 in prepaid land leases.

Property and Equipment

Property and equipment are carried at cost less depreciation. Depreciation and amortization are provided principally on the straight-line method over the estimated useful lives of the assets as follows (in years):

Structures and displays	15
Vehicles and equipment	3 to 5

Maintenance and repair costs are charged against income as incurred. Significant improvements or betterments are capitalized and depreciated over the estimated life of the asset.

Asset Retirement Obligations

The Company records the present value of obligations associated with the retirement of tangible long-lived assets in the period in which the obligation is incurred. The liability is capitalized as part of the long-lived asset's carrying amount. With the passage of time, accretion of the liability is recognized as an operating expense and the capitalized cost is depreciated over the expected useful life of the related asset. The Company's asset retirement obligations relate to the dismantlement, removal, site reclamation, and similar activities related to the decommissioning of the billboard structures.

KEY OUTDOOR, INC.

Notes to Financial Statements

For the Year Ended December 31, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-lived Assets

Property and equipment is reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount of property and equipment may not be fully recoverable. The period over which property and equipment is expected to contribute directly to future cash flows is evaluated against the Company's historical experience. Impairment losses are recognized only if the carrying amount exceeds its fair value.

Purchased intangible assets are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors considered in reviewing the asset values include consideration of the use of the asset, the expected life of the asset, and regulatory or contractual provisions related to such assets. Market participation assumptions are compared to the Company's experience and the results of the comparison are evaluated. For finite-lived intangible assets, the period over which the assets are expected to contribute directly to future cash flows is evaluated against historical experience. Impairment losses are recognized only if the carrying amount exceeds its fair value.

Goodwill

Goodwill represents future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is initially recorded at cost. Goodwill, by reporting unit, is reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Factors considered in the annual evaluation include deterioration in economic conditions (both macro and geographic), limitations on accessing capital, and market value. Industry and market conditions such as changes in competition, the general state of the industry, regulatory and political developments, and changes in market multiples are additional components of the valuation. Changes in key personnel, strategy, and customer retention are also reviewed. The Company performs a qualitative assessment in order to determine the necessity for the performance of a quantitative test. Impairment losses are recognized only if the carrying amount of the reporting unit exceeds its fair value. No impairment of goodwill was recorded during the year ended December 31, 2017.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Revenue Recognition

Outdoor advertising revenues are recognized on the accrual basis ratably over the term of the contracts as services are provided. Production revenue and the related expense for the advertising copy are recognized upon completion of the sale. Payments received in advance of being earned are recorded as unearned revenue. Advertising agency commissions are netted against billboard revenues.

Advertising Costs

Advertising costs related to marketing of the Company's services are charged to operations as incurred and are included in general and administrative expenses. Advertising costs for 2017 were \$38,049.

KEY OUTDOOR, INC.

Notes to Financial Statements

For the Year Ended December 31, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

401(k) Plan

The Company maintains a 401(k) plan available to all eligible employees. Expenses related to the plan were \$74,204 for 2017.

Income Taxes

The Company, with the consent of its stockholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Concentrations of Custodial and Credit Risk

Financial instruments that could potentially subject the Company to concentrations of custodial and credit risk include cash and accounts receivable, respectively. Deposits held with banks may exceed the amount of insurance on such deposits. Generally, these deposits may be redeemed upon demand and, therefore, bear minimal risk. The Company continuously evaluates the creditworthiness of its customers' financial conditions in determining credit to be extended.

Related Party Transactions

The Company loans money to or from stockholders in the normal course of business. These related party relationships and transactions influence the financial position, results of operations and cash flows of the Company in a manner which may be materially different than that which would result in the absence of these relationships and transactions.

Subsequent Events

The Company has evaluated subsequent events through October 16, 2018, the date the financial statements were available to be issued.

NOTE 3. PROPERTY AND EQUIPMENT

	<u>December 31,</u> <u>2017</u>
Structures and displays	\$ 15,050,162
Vehicles and equipment	1,448,724
Land	<u>255,145</u>
Property and equipment, gross	16,754,031
Less: accumulated depreciation	<u>(13,033,620)</u>
Property and equipment, net	<u>\$ 3,720,411</u>

Depreciation expense for the year ended December 31, 2017 was \$690,969. During the year ended December 31, 2017, the Company incurred losses on the disposition of assets in the amount of \$12,213.

KEY OUTDOOR, INC.

Notes to Financial Statements

For the Year Ended December 31, 2017

NOTE 4. INTANGIBLE ASSETS

Intangible assets as of December 31, 2017 consist of the following:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
Non-compete agreements	\$ 755,000	\$ (755,000)	\$ -
Customer relationships	502,000	(502,000)	-
Other	13,305	(13,305)	-
Permits	358,400	(329,474)	28,926
Total	<u>\$ 1,628,705</u>	<u>\$ (1,599,779)</u>	<u>\$ 28,926</u>

Amortization expense for the year ended December 31, 2017 was \$11,294. The weighted average amortization period for permits is 104 months.

The future amortization associated with the intangible assets is as follows:

For the Years Ended December 31,	<u>Permits</u>	<u>Total</u>
2018	\$ 4,240	\$ 4,240
2019	3,405	3,405
2020	3,240	3,240
2021	3,240	3,240
2022	3,240	3,240
Thereafter	11,561	11,561
Total	<u>\$ 28,926</u>	<u>\$ 28,926</u>

KEY OUTDOOR, INC.

Notes to Financial Statements

For the Year Ended December 31, 2017

NOTE 5. FUTURE MINIMUM LEASE PAYMENTS

The Company has entered into various non-cancelable operating leases having remaining terms ranging from month-to-month to 984 months. In many instances, these leases can be cancelled with little or no penalty. Ground rents for the year ended December 31, 2017 were \$1,401,184, of which \$149,334 was incurred, due to related parties and is included in accounts payable and accrued expenses in the accompanying balance sheet as of December 31, 2017.

The Company leases office space with related parties under operating leases expiring through April 2019. Rent expense included in general and administrative expense for the year ended December 31, 2017 was \$205,800.

Future minimum rents are as follows for the year ended December 31:

	Unaffiliated Lessors	Related Parties	Total
2018	\$ 769,208	\$ 234,757	\$ 1,003,965
2019	665,313	220,305	885,618
2020	589,811	180,305	770,116
2021	492,250	180,305	672,555
2022	438,800	180,305	619,105
Thereafter	1,032,065	2,747,388	3,779,453
Total	\$ 3,987,447	\$ 3,743,365	\$ 7,730,812

NOTE 6. LONG-TERM DEBT

Long-term debt as of December 31, 2017 consists of the following:

Note payable to a financial institution, bearing interest at 4.07% per annum, final maturity in 2022	\$ 2,254,765
Note payable to a financial institution, bearing interest at 4.25% per annum, final maturity in 2026	1,105,608
Note payable to a financial institution, bearing interest at 5% per annum, final maturity in 2020	29,543
Note payable to a financial institution, bearing interest at 3.8% per annum, final maturity in 2022	30,218
Two notes payable to a financial institution, final maturity in 2018	6,881
Long-term debt	3,427,015
Less: current maturities	(741,257)
Long-term debt, less current maturities	\$ 2,685,758

Long-term debt is secured by substantially all Company assets and capital stock.

KEY OUTDOOR, INC.

Notes to Financial Statements

For the Year Ended December 31, 2017

NOTE 6. LONG-TERM DEBT (Continued)

The following represents principal maturities on long-term debt:

2018	\$	741,257
2019		765,831
2020		794,958
2021		487,631
2022		133,284
Thereafter		504,054
Total	\$	<u>3,427,015</u>

Interest expense on the above notes approximated \$162,000 for 2017.

NOTE 7. RELATED PARTY LOANS

As of December 31, 2017, the Company owes the stockholders \$1,570,000, bearing interest at 5.5%, and due on demand. Interest expense on these loans approximated \$87,000 for 2017.

NOTE 8. NEW ACCOUNTING STANDARDS

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 (Codified as ASC 606), *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU No. 2015-14 deferring the effective date from January 1, 2017 to January 1, 2018, while allowing for early adoption as of January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method.

The Company has completed its review of contracts and determined the adoption of ASC 606 will not have a material impact on its financial statements. The substantial majority of the Company’s revenues are derived from billboard space contracts with customers which are currently accounted for as leases under ASC 840, *Leases*. The Company will continue to account for these revenues under ASC 840, *Leases*, through December 31, 2018. Through a contract review the Company has determined the majority of its space contracts with customers will not meet the criteria of a lease upon the adoption of ASU No. 2016-02, *Leases*, on January 1, 2019. Beginning January 1, 2019 the Company’s revenues from new and modified contracts for billboard space will be accounted for within ASC 606, *Revenue from Contracts with Customers*.

The Company will adopt the provisions of ASU No. 2014-09 on January 1, 2018, using the cumulative effect transition method. The Company will not have an adjustment to the opening balance of retained earnings for the adoption of this update. The Company does not expect the adoption of this ASU to have a material impact on its financial position or results of operations.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), specifying the accounting for leases, which supersedes the leases requirements in Topic 840, *Leases*. The objective of Topic 842 is to establish the principles that lessee and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. Lessors’ accounting is largely unchanged from the previous accounting standard. In addition, Topic 842 expands the disclosure requirements of lease arrangements. Lessees and lessors will use a modified retrospective transition approach, which includes a number of practical expedients. This guidance is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2018 with early adoption permitted. The Company is currently reviewing the provisions of the new standard and assessing the impact of its adoption.

Other recently issued ASU's were assessed and determined to be either not applicable or are expected to have a minimal impact on the Company's operating results and financial position.

KEY OUTDOOR, INC.

Notes to Financial Statements

For the Year Ended December 31, 2017

NOTE 9. SUBSEQUENT EVENTS

On August 22, 2018, Link Media Midwest, LLC (“Link Midwest”) entered into an Asset Purchase Agreement with the Company, Angela K. Dahl, and Robert A. Dahl, by which Link Midwest acquired over 700 billboard structures and related assets from the Company. The billboards and related assets are located in Illinois, Iowa and Missouri.

The purchase price for the acquired assets was \$38,000,000, subject to certain post-closing adjustments, which totaled \$233,894, and was paid in cash. A portion of the purchase price equal to \$1,900,000 will be held back by Link Midwest and disbursed, subject to any claims for indemnification, over an 18 month period. Another \$329,467 is being held back as required consent holdback. Each of Key Outdoor, Inc. and Angela K. Dahl and Robert A. Dahl, Key Outdoor Inc.’s principals, have also entered into five year non-competition and non-solicitation agreements in connection with the acquisition. Total cash distributed at closing was \$36,004,427, which included \$1,000,778 paid to satisfy in full the related party loans balance as of August 22, 2018 and \$2,899,865 paid to satisfy in full all debt to financial institutions as of August 22, 2018.

Distributions to stockholders totaled \$234,369 from January 1, 2018 through October 16, 2018.

KEY OUTDOOR, INC.

Unaudited Financial Statements

For the Six Months Ended June 30, 2018 and 2017

KEY OUTDOOR, INC.

Balance Sheets

Unaudited

	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<u>ASSETS</u>		
Current Assets:		
Accounts receivable	\$ 493,982	\$ 577,677
Prepaid expenses	125,748	109,556
Total Current Assets	619,730	687,233
Property and Equipment, net	3,431,818	3,720,411
Other Assets:		
Goodwill	2,713,950	2,713,950
Intangible assets, net	27,183	28,926
Total Other Assets	2,741,133	2,742,876
Total Assets	<u>\$ 6,792,681</u>	<u>\$ 7,150,520</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Bank overdraft	\$ 15,839	\$ 58,955
Accounts payable and accrued expenses	262,104	389,631
Unearned revenue	143,706	59,961
Related party loans	1,570,000	1,570,000
Current portion of long-term debt	749,887	741,257
Total Current Liabilities	2,741,536	2,819,804
Long-term Liabilities:		
Asset retirement obligations	40,481	40,481
Long-term debt, less current portion	2,317,700	2,685,758
Total Liabilities	5,099,717	5,546,043
Stockholders' Equity		
Capital stock, no par value, 10,000 shares authorized, 300 shares issued and outstanding	6,000	6,000
Retained earnings	1,686,964	1,598,477
Total Stockholders' Equity	1,692,964	1,604,477
Total Liabilities and Stockholders' Equity	<u>\$ 6,792,681</u>	<u>\$ 7,150,520</u>

See accompanying notes to the unaudited financial statements.

KEY OUTDOOR, INC.

Statements of Operations

Unaudited

	For the Six Months Ended June 30,	
	2018	2017
Revenues:		
Billboard revenues, net	\$ 2,981,577	\$ 2,942,748
Total Revenues	2,981,577	2,942,748
Costs and Expenses:		
Cost of billboard revenues (exclusive of depreciation and amortization)	1,106,679	1,182,753
Employee costs	773,524	889,473
Professional fees	35,601	31,182
General and administrative	448,196	489,030
Amortization	1,743	1,591
Depreciation	292,858	318,795
Gain on disposition of assets	(129,835)	-
Total Costs and Expenses	2,528,766	2,912,824
Net Income from Operations	452,811	29,924
Other Income (Expense):		
Interest expense	(129,955)	(135,052)
Net Income (Loss)	\$ 322,856	\$ (105,128)

See accompanying notes to the unaudited financial statements.

KEY OUTDOOR, INC.

Statements of Cash Flows

Unaudited

	For the Six Months Ended	
	June 30,	
	2018	2017
Cash Flows from Operating Activities:		
Net income (loss)	\$ 322,856	\$ (105,128)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	294,601	320,386
Gain on disposition of assets	(129,835)	-
Changes in operating assets and liabilities:		
Accounts receivable	83,695	(59,233)
Prepaid expenses	(16,192)	(12,355)
Accounts payable and accrued expenses	(127,527)	71,460
Unearned revenue	83,745	20,588
Net Cash Provided by Operating Activities	511,343	235,718
Cash Flows from Investing Activities:		
Proceeds from disposition of assets	131,400	-
Purchases of property and equipment	(5,830)	(44,076)
Net Cash Provided by (Used in) Investing Activities	125,570	(44,076)
Cash Flows from Financing Activities:		
Bank overdraft	(43,116)	48,800
Payments on long-term debt	(359,428)	(284,365)
Related party loans	-	50,000
Stockholders' distributions	(234,369)	(6,077)
Net Cash Used in Financing Activities	(636,913)	(191,642)
Net Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents, Beginning of Period	-	-
Cash and Cash Equivalents, End of Period	\$ -	\$ -
Interest Paid in Cash	\$ 129,955	\$ 135,052
Income Taxes Paid in Cash	\$ -	\$ -

See accompanying notes to the unaudited financial statements.

KEY OUTDOOR, INC.

Notes to Unaudited Financial Statements

For the Six Months Ended June 30, 2018 and 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in connection with Key Outdoor, Inc.'s business combination with Link Media Midwest, LLC ("Link Midwest"), 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.

Key Outdoor, Inc. ("the Company") was organized in 1977 and its operations include the ownership and leasing of approximately 700 billboard structures located in Illinois, Iowa and Missouri.

The accompanying unaudited interim financial statements of Key Outdoor, Inc. 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, 2017 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, 2017 included elsewhere in this Form 8-K/A have been omitted.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Structures and displays	\$ 15,050,361	\$ 15,050,162
Vehicles and equipment	1,210,223	1,448,724
Land	<u>255,145</u>	<u>255,145</u>
Property and equipment, gross	16,515,729	16,754,031
Less: accumulated depreciation	<u>(13,083,911)</u>	<u>(13,033,620)</u>
Property and equipment, net	<u>\$ 3,431,818</u>	<u>\$ 3,720,411</u>

Depreciation expense for the six months ended June 30, 2018 and 2017, was \$292,858 and \$318,795, respectively. During the six months ended June 30, 2018, the Company realized gains on the disposition of assets in the amount of \$129,835.

KEY OUTDOOR, INC.

Notes to Unaudited Financial Statements

For the Six Months Ended June 30, 2018 and 2017

NOTE 3. INTANGIBLE ASSETS

Intangible assets consist of the following:

	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Non-compete agreements	\$ 755,000	\$ 755,000
Customer relationships	502,000	502,000
Other	13,305	13,305
Permits	358,400	358,400
Intangible assets, gross	1,628,705	1,628,705
Less: accumulated amortization	(1,601,522)	(1,599,779)
Intangible assets, net	<u>\$ 27,183</u>	<u>\$ 28,926</u>

Amortization expense for the six months ended June 30, 2018 and 2017 was \$1,743 and \$1,591, respectively.

The future amortization associated with the intangible assets is as follows:

For the Twelve Months Ended June 30,	Permits	Total
2019	\$ 2,497	\$ 2,497
2020	3,405	3,405
2021	3,240	3,240
2022	3,240	3,240
2023	3,240	3,240
Thereafter	11,561	11,561
Total	<u>\$ 27,183</u>	<u>\$ 27,183</u>

The remaining amortization period of the permits is 98 months as of June 30, 2018 with no residual value.

KEY OUTDOOR, INC.

Notes to Unaudited Financial Statements

For the Six Months Ended June 30, 2018 and 2017

NOTE 4. FUTURE MINIMUM LEASE PAYMENTS

The Company has entered into various non-cancelable operating leases having remaining terms ranging from month-to-month to 984 months. In many instances, these leases can be cancelled with little or no penalty. Ground rents for the six months ended June 30, 2018 were \$674,894, of which \$112,000 was incurred, and due to related parties and is included in accounts payable and accrued expenses in the accompanying balance sheet as of June 30, 2018. Ground rents for the six months ended June 30, 2017 were \$634,772, of which \$37,334 was incurred due to related parties.

The Company leases office space with related parties under operating leases expiring through April 2019. Rent expense included in general and administrative expense for the six months ended June 30, 2018 and 2017, were \$102,900 and \$102,900, respectively.

Future minimum rents are as follows for the year ended June 30:

	<u>Unaffiliated Lessors</u>	<u>Related Parties</u>	<u>Total</u>
2019	\$ 717,260	\$ 247,531	\$ 964,791
2020	627,562	180,305	807,867
2021	541,031	180,305	721,336
2022	465,525	180,305	645,830
2023	403,158	180,305	583,463
Thereafter	848,307	2,657,236	3,505,543
Total	<u>\$ 3,602,843</u>	<u>\$ 3,625,987</u>	<u>\$ 7,228,830</u>

NOTE 5. RELATED PARTY LOANS

As of June 30, 2018, the Company owes the stockholders \$1,570,000, bearing interest at 5.5%, and due on demand. Interest expense on the loans approximated \$35,000 for the six months ended June 30, 2018.

NOTE 6. SUBSEQUENT EVENTS

On August 22, 2018, Link Media Midwest, LLC ("Link Midwest") entered into an Asset Purchase Agreement with the Company, Angela K. Dahl, and Robert A. Dahl, by which Link Midwest acquired over 700 billboard structures and related assets from the Company. The billboards and related assets are located in Illinois, Iowa and Missouri.

The purchase price for the acquired assets was \$38,000,000, subject to certain post-closing adjustments, which totaled \$233,894, and was paid in cash. A portion of the purchase price equal to \$1,900,000 will be held back by Link Midwest and disbursed, subject to any claims for indemnification, over an 18 month period. Another \$329,467 is being held back as required consent holdback. Each of Key Outdoor, Inc. and Angela K. Dahl and Robert A. Dahl, Key Outdoor Inc.'s principals, have also entered into five year non-competition and non-solicitation agreements in connection with the acquisition. Total cash distributed at closing was \$36,004,427, which included \$1,000,778 paid to satisfy in full the related party loans balance as of August 22, 2018 and \$2,899,865 paid to satisfy in full all debt to financial institutions as of August 22, 2018.

Distributions to stockholders totaled \$0 from July 1, 2018 through October 16, 2018.

BOSTON OMAHA CORPORATION AND KEY OUTDOOR, INC

**Unaudited Pro Forma Consolidated Balance Sheet
and
Unaudited Pro Forma Consolidated Statements of Operations**

BOSTON OMAHA CORPORATION AND KEY OUTDOOR, INC

Unaudited Pro Forma Consolidated Balance Sheet

June 30, 2018

ASSETS

	<u>Historical (unaudited)</u>		<u>Pro Forma Adjustments</u>	<u>Notes</u>	<u>Pro Forma Consolidated</u>
	<u>Boston Omaha</u>	<u>Key Outdoor</u>			
Current Assets:					
Cash and cash equivalents	\$ 88,166,783	\$ -	\$ (38,233,894)	(2a)	\$ 49,932,889
Restricted cash	506,046	-	-		506,046
Accounts receivable, net	1,290,966	493,982	(493,982)	(2a)	1,290,966
Interest receivable	692,109	-	-		692,109
Short-term investments	4,856,131	-	-		4,856,131
U.S. Treasury securities available for sale	150,346,440	-	-		150,346,440
Prepaid expenses	1,098,959	125,748	108,146	(2a)	1,332,853
Total Current Assets	246,957,434	619,730	(38,619,730)		208,957,434
Property and Equipment, net	10,280,773	3,431,818	6,133,663	(2a)	19,846,254
Other Assets:					
Goodwill	25,006,161	2,713,950	16,785,050	(2a)	44,505,161
Intangible assets, net	7,604,863	27,183	8,948,817	(2a)	16,580,863
Investments	32,177,419	-	-		32,177,419
Investments in unconsolidated affiliates	847,146	-	-		847,146
Funds held as collateral assets	862,046	-	-		862,046
Other	707,560	-	-		707,560
Total Other Assets	67,205,195	2,741,133	25,733,867		95,680,195
Total Assets	<u>\$ 324,443,402</u>	<u>\$ 6,792,681</u>	<u>\$ (6,752,200)</u>		<u>\$ 324,483,883</u>

See accompanying notes to unaudited pro forma consolidated financial statements.

BOSTON OMAHA CORPORATION AND KEY OUTDOOR, INC

Unaudited Pro Forma Consolidated Balance Sheet

June 30, 2018

LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND STOCKHOLDERS' EQUITY

	Historical (unaudited)		Pro Forma Adjustments	Notes	Pro Forma Consolidated
	Boston Omaha	Key Outdoor			
Current Liabilities:					
Bank overdraft	\$ -	\$ 15,839	\$ (15,839)	(2a)	\$ -
Accounts payable and accrued expenses	1,843,475	262,104	(262,104)	(2a)	1,843,475
Short-term payables for acquisitions	137,000	-	-		137,000
Funds held as collateral	862,046	-	-		862,046
Unearned premiums and deferred revenue	2,127,729	143,706	(143,706)	(2a)	2,127,729
Related party loans	-	1,570,000	(1,570,000)	(2a)	-
Current portion of long-term debt	-	749,887	(749,887)	(2a)	-
Total Current Liabilities	4,970,250	2,741,536	(2,741,536)		4,970,250
Long-term Liabilities:					
Asset retirement obligations	174,669	40,481	-		215,150
Long-term debt, less current portion	-	2,317,700	(2,317,700)	(2a)	-
Deferred tax liability	57,000	-	-		57,000
Total Liabilities	5,201,919	5,099,717	(5,059,236)		5,242,400
Redeemable Noncontrolling Interest:	1,190,187	-	-		1,190,187
Stockholders' Equity:					
Preferred stock, \$.001 par value, 1,000,000 authorized, 0 shares issued and outstanding	-	-	-		-
Class A common stock, \$.001 par value, 38,838,884 shares authorized, 20,894,774 shares issued and outstanding, respectively	20,895	-	-		20,895
Class B common stock, \$.001 par value, 1,161,116 shares authorized, 1,055,560 shares issued and outstanding	1,056	-	-		1,056
Capital stock, no par value, 10,000 shares authorized, 300 shares issued and outstanding	-	6,000	(6,000)	(2a)	-
Additional paid-in capital	332,907,911	-	-		332,907,911
(Accumulated deficit) retained earnings	(14,878,566)	1,686,964	(1,686,964)	(2a)	(14,878,566)
Total Stockholders' Equity	318,051,296	1,692,964	(1,692,964)		318,051,296
Total Liabilities, Redeemable Noncontrolling interest and Stockholders' Equity	\$ 324,443,402	\$ 6,792,681	\$ (6,752,200)		\$ 324,483,883

See accompanying notes to unaudited pro forma consolidated financial statements.

BOSTON OMAHA CORPORATION AND KEY OUTDOOR, INC

Unaudited Pro Forma Consolidated Statement of Operations

For the Six Months Ended June 30, 2018

	Historical (unaudited)		Pro Forma Adjustments	Notes	Pro Forma Consolidated
	Boston Omaha	Key Outdoor			
Revenues:					
Billboard rentals, net	\$ 3,249,459	\$ 2,981,577	\$ -		\$ 6,231,036
Premiums earned	984,349	-	-		984,349
Insurance commissions	1,516,868	-	-		1,516,868
Investment and other income	62,027	-	-		62,027
Total Revenues	5,812,703	2,981,577	-		8,794,280
Costs and Expenses:					
Cost of billboard revenues (exclusive of depreciation and amortization)	1,565,621	1,106,679	-		2,672,300
Cost of insurance revenues	477,536	-	-		477,536
Employee costs	3,706,024	773,524	-		4,479,548
Professional fees	1,420,375	35,601	-		1,455,976
General and administrative	1,700,215	448,196	-		2,148,411
Amortization	1,451,240	1,743	1,349,457	(2b)	2,802,440
Depreciation	635,407	292,858	38,625	(2b)	966,890
Loss (gain) on disposition of assets	81,857	(129,835)	-		(47,978)
Bad debt expense	14,515	-	-		14,515
Accretion	5,995	-	-		5,995
Total Costs and Expenses	11,058,785	2,528,766	1,388,082		14,975,633
Net Income (Loss) from Operations	(5,246,082)	452,811	(1,388,082)		(6,181,353)
Other Income (Expense):					
Interest income	1,091,946	-	-		1,091,946
Equity in income of unconsolidated affiliates	385,091	-	-		385,091
Loss on disposition of assets	(54,733)	-	-		(54,733)
Interest expense	(1,804)	(129,955)	-		(131,759)
Net Income (Loss) Before Income Tax	(3,712,279)	322,856	(1,388,082)		(4,777,505)
Income Tax (Provision) Benefit	-	-	-	(3b)	-
Net Income (Loss)	(3,712,279)	322,856	(1,388,082)		(4,777,505)
Noncontrolling Interest in Subsidiary Loss	44,800	-	-		44,800
Net Income (Loss) Attributable to Common Stockholders	\$ (3,667,479)	\$ 322,856	\$ (1,388,082)		\$ (4,732,705)
Basic and Diluted Net Loss per Share	\$ (0.21)			(3a)	\$ (0.27)
Basic and Diluted Weighted Average Class A and Class B Common Shares Outstanding	17,780,454			(3a)	17,780,454

See accompanying notes to unaudited pro forma consolidated financial statements.

BOSTON OMAHA CORPORATION AND KEY OUTDOOR, INC

Unaudited Pro Forma Consolidated Statement of Operations

For the Year Ended December 31 , 2017

	Historical		Pro Forma Adjustments	Notes	Pro Forma Consolidated
	Boston Omaha	Key Outdoor			
Revenues:					
Billboard rentals, net	\$ 5,265,746	\$ 6,050,073	\$ -		\$ 11,315,819
Premiums earned	2,031,597	-	-		2,031,597
Insurance commissions	1,586,200	-	-		1,586,200
Investment and other income	130,802	-	-		130,802
Total Revenues	9,014,345	6,050,073	-		15,064,418
Costs and Expenses:					
Cost of billboard revenues (exclusive of depreciation and amortization)	2,690,538	2,240,237	-		4,930,775
Cost of insurance revenues	739,657	-	-		739,657
Employee costs	4,420,231	1,724,812	-		6,145,043
Professional fees	2,183,647	55,772	-		2,239,419
General and administrative	1,889,531	970,543	-		2,860,074
Amortization	2,410,081	11,294	2,691,106	(2b)	5,112,481
Depreciation	943,845	690,969	(28,002)	(2b)	1,606,812
Loss on disposition of assets	362,575	12,213	-		374,788
Bad debt expense	147,172	3,485	-		150,657
Total Costs and Expenses	15,787,277	5,709,325	2,663,104		24,159,706
Net Income (Loss) from Operations	(6,772,932)	340,748	(2,663,104)		(9,095,288)
Other Income (Expense):					
Interest income	95,779	110	-		95,889
Equity in income of unconsolidated affiliates	73,760	-	-		73,760
Unrealized gains (loss) on securities	132,191	-	-		132,191
Interest expense	(8,255)	(249,597)	-		(257,852)
Net Income (Loss) Before Income Tax	(6,479,457)	91,261	(2,663,104)		(9,051,300)
Income Tax (Provision) Benefit	-	-	-	(3b)	-
Net Income (Loss)	(6,479,457)	91,261	(2,663,104)		(9,051,300)
Noncontrolling Interest in Subsidiary Loss	11,547	-	-		11,547
Net Income (Loss) Attributable to Common Stockholders	\$ (6,467,910)	\$ 91,261	\$ (2,663,104)		\$ (9,039,753)
Basic and Diluted Net Loss per Share	\$ (0.60)			(3a)	\$ (0.84)
Basic and Diluted Weighted Average Class A and Class B Common Shares Outstanding	10,817,198			(3a)	10,817,198

See accompanying notes to unaudited pro forma consolidated financial statements.

BOSTON OMAHA CORPORATION AND KEY OUTDOOR, INC

Notes to Unaudited Pro Forma Consolidated Financial Statements

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 June 30, 2018 and Key Outdoor, Inc.'s ("Key") unaudited balance sheet as of June 30, 2018.

The unaudited pro forma consolidated statement of operations for the six months ended June 30, 2018 has been prepared from Boston Omaha's unaudited interim consolidated statement of operations for the six months ended June 30, 2018 and from Key's unaudited interim statement of operations for the six months ended June 30, 2018.

Boston Omaha's audited consolidated financial statements and Key's audited financial statements have been used in the preparation of the unaudited pro forma consolidated statement of operations for the year ended December 31, 2017.

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

Boston Omaha's audited consolidated financial statements for the years ended December 31, 2017 and 2016 and the notes relating thereto, as found in its Form 10-K which was filed with the Securities and Exchange Commission on March 30, 2018;

Boston Omaha's unaudited consolidated financial statements for the six months ended June 30, 2018 and the notes relating thereto, as found in its Form 10-Q which was filed with the Securities and Exchange Commission on August 13, 2018;

Key's audited financial statements for the year ended December 31, 2017 and the notes relating thereto included in this Form 8-K/A and;

Key's unaudited financial statements for the six months ended June 30, 2018 and the notes relating thereto included elsewhere in this Form 8-K/A.

NOTE 2. BUSINESS ACQUISITION

On August 22, 2018, Link Media Midwest, LLC ("Link Midwest") entered into an Asset Purchase Agreement with Key Outdoor, Inc., Angela K. Dahl, and Robert A. Dahl by which Link Midwest acquired over 700 billboard structures and related assets from Key Outdoor, Inc.. The billboards and related assets are located in Illinois, Iowa, and Missouri.

Link Midwest is a wholly-owned subsidiary of Link Media Holdings, LLC, a wholly-owned subsidiary of Boston Omaha Corporation, (the "Company").

The purchase price for the acquired assets was \$38,000,000, subject to certain post-closing adjustments, which totaled \$233,894, and was paid in cash. A portion of the purchase price equal to \$1,900,000 will be held back by Link Midwest and disbursed, subject to any claims for indemnification, over an 18 month period. Another \$329,467 is being held back as required consent holdback. Each of Key Outdoor, Inc. and Angela K. Dahl and Robert A. Dahl, Key Outdoor Inc.'s principals, have also entered into five year non-competition and non-solicitation agreements in connection with the acquisition. Total cash distributed at closing was \$36,004,427, which included \$1,000,778 paid to satisfy in full the related party loans balance as of August 22, 2018.

BOSTON OMAHA CORPORATION AND KEY OUTDOOR, INC

Notes to Unaudited Pro Forma Consolidated Financial Statements

NOTE 2. **BUSINESS ACQUISITION** (Continued)

Recognized Amount of Identifiable Assets Acquired and Liabilities Assumed

The Company has performed a preliminary valuation analysis of the fair market value of Key's assets to be acquired and liabilities to be assumed. Using the total consideration for the acquisition, the Company has estimated the allocations to such assets and liabilities. The following table summarizes the allocation of the preliminary purchase price as of the transaction's closing date, August 22, 2018:

Identifiable Assets:	
Prepaid expenses	\$ 233,894
Property and equipment	<u>9,565,481</u>
Subtotal	9,799,375
Intangible Assets:	
Goodwill	19,499,000
Intangible assets	<u>8,976,000</u>
Total Identifiable Assets Acquired	38,274,375
Liabilities Assumed:	
Total Liabilities Assumed	<u>40,481</u>
Total Identifiable Net Assets	<u>\$ 38,233,894</u>

This preliminary purchase price allocation has been used to prepare pro forma adjustments, (2a), in the pro forma balance sheet and statement of operations. The final purchase price allocation will be determined when the Company has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments. The final allocation may include (1) changes in fair values of property and equipment, (2) changes in allocations to intangible assets such as permits, noncompetition agreements, and customer relationships as well as goodwill and (3) other changes to assets and liabilities.

Depreciation and amortization, (2b), have been provided for property and equipment and finite intangible assets based on the preliminary purchase price allocation. Property and equipment have been depreciated on a straight-line basis over their estimated useful lives of five, ten or fifteen years. Intangible assets having a finite life have been amortized on a straight-line basis over their estimated useful lives of three, five or ten years.

All significant intercompany balances have been eliminated in consolidation.

BOSTON OMAHA CORPORATION AND KEY OUTDOOR, INC

Notes to Unaudited Pro Forma Consolidated Financial Statements

NOTE 3. PRO FORMA ADJUSTMENTS

Earnings per share

(3a) The basic net income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of Class A and Class B common shares outstanding.

Income Tax (Provision) Benefit

(3b) Federal and state income taxes have not been provided as the Company has experienced net operating losses for federal tax purposes and state income taxes have not been significant.