

# BOSTON OMAHA CORP

## FORM 10-K (Annual Report)

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Address	1411 HARNEY ST. SUITE 200 OMAHA, NE, 68102
Telephone	857-256-0079
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

(MARK ONE)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-38113

**BOSTON OMAHA CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**27-0788438**

(I.R.S. Employer Identification No.)

**1411 Harney Street, Suite 200, Omaha, Nebraska**

(Address of principal executive offices)

**68102**

(Zip Code)

Registrant's telephone number: (857) 256-0079

**Securities registered under Section 12(b) of the Exchange Act:**

Title of Class	Trading Symbol(s)	Name of Exchange on Which Registered
Class A common stock, \$0.001 par value per share	BOMN	The NASDAQ Stock Market, LLC (NASDAQ Capital Market)

**Securities registered under Section 12(g) of the Exchange Act: None**

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

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

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): Yes  No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and ask price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$237,374,822.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 22,455,100 shares of Class A common stock as of March 12, 2020 and 1,055,560 shares of Class B common stock as of March 12, 2020.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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**BOSTON OMAHA CORPORATION**

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**CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS**

THIS ANNUAL REPORT ON FORM 10-K CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND OTHER FEDERAL SECURITIES LAWS. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON OUR PRESENT INTENT, BELIEFS OR EXPECTATIONS, AND ARE NOT GUARANTEED TO OCCUR AND MAY NOT OCCUR. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTAINED IN OR IMPLIED BY OUR FORWARD-LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS.

WE GENERALLY IDENTIFY FORWARD-LOOKING STATEMENTS BY TERMINOLOGY SUCH AS “MAY,” “WILL,” “SHOULD,” “EXPECTS,” “PLANS,” “ANTICIPATES,” “COULD,” “INTENDS,” “TARGET,” “PROJECTS,” “CONTEMPLATES,” “BELIEVES,” “ESTIMATES,” “PREDICTS,” “POTENTIAL” OR “CONTINUE” OR THE NEGATIVE OF THESE TERMS OR OTHER SIMILAR WORDS. THESE STATEMENTS ARE ONLY PREDICTIONS. THE OUTCOME OF THE EVENTS DESCRIBED IN THESE FORWARD-LOOKING STATEMENTS IS SUBJECT TO KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE OUR, OUR CUSTOMERS’ OR OUR INDUSTRY’S ACTUAL RESULTS, LEVELS OF ACTIVITY, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS, TO DIFFER.

THIS REPORT ALSO CONTAINS STATISTICAL AND OTHER INDUSTRY AND MARKET DATA RELATED TO OUR BUSINESS AND INDUSTRY THAT WE OBTAINED FROM INDUSTRY PUBLICATIONS AND RESEARCH, SURVEYS AND STUDIES CONDUCTED BY US AND THIRD PARTIES AS WELL AS OUR ESTIMATES OF POTENTIAL MARKET OPPORTUNITIES. INDUSTRY PUBLICATIONS, THIRD-PARTY AND OUR OWN RESEARCH, SURVEYS AND STUDIES GENERALLY INDICATE THAT THEIR INFORMATION HAS BEEN OBTAINED FROM SOURCES BELIEVED TO BE RELIABLE, ALTHOUGH THEY DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. THIS MARKET DATA INCLUDES PROJECTIONS THAT ARE BASED ON A NUMBER OF ASSUMPTIONS. IF THESE ASSUMPTIONS TURN OUT TO BE INCORRECT, ACTUAL RESULTS MAY DIFFER FROM THE PROJECTIONS BASED ON THESE ASSUMPTIONS. AS A RESULT, OUR MARKETS MAY NOT GROW AT THE RATES PROJECTED BY THIS DATA, OR AT ALL. THE FAILURE OF THESE MARKETS TO GROW AT THESE PROJECTED RATES MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, RESULTS OF OPERATIONS, FINANCIAL CONDITION AND THE MARKET PRICE OF OUR COMMON STOCK.

SEE “ITEM 1A. RISK FACTORS,” “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS” AND “BUSINESS,” AS WELL AS OTHER SECTIONS IN THIS REPORT, THAT DISCUSS SOME OF THE FACTORS THAT COULD CONTRIBUTE TO THESE DIFFERENCES. THE FORWARD-LOOKING STATEMENTS MADE IN THIS ANNUAL REPORT ON FORM 10-K RELATE ONLY TO EVENTS AS OF THE DATE OF WHICH THE STATEMENTS ARE MADE. EXCEPT AS REQUIRED BY LAW, WE UNDERTAKE NO OBLIGATION TO UPDATE OR RELEASE ANY FORWARD-LOOKING STATEMENTS AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

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## PART I

### Item 1. Business.

#### Our Company

Boston Omaha Corporation, which we refer to as “the Company,” “our Company,” “we,” “us” or “our,” commenced its current business operations in June 2015 and currently operates three separate lines of business: outdoor billboard advertising, surety insurance and related brokerage activities and broadband services. In addition, we hold minority investments in commercial real estate management and brokerage services, a bank focused on servicing the automotive loan market, and a homebuilding company with operations located primarily in the Southeast United States.

#### Outdoor Billboards

In June 2015, we commenced our billboard business operations through acquisitions by our wholly-owned subsidiary Link Media Holdings, LLC, which we refer to as “Link,” of smaller billboard companies located in the Southeast United States and Wisconsin. During July and August 2018, we acquired the membership interest or assets of three larger billboard companies which increased our overall billboard count to approximately 2,900 billboards. These transactions include our acquisition on July 31, 2018 of Tammy Lynn Outdoor, LLC, which we refer to as “Tammy Lynn,” for cash and stock consideration of approximately \$16 million, our acquisition on August 22, 2018 of substantially all of the assets of Key Outdoor, Inc., which we refer to as “Key,” for approximately \$38 million, and our acquisition on August 31, 2018 of Waitt Outdoor, LLC, which we refer to as “Waitt,” for approximately \$84 million. We believe that the acquisitions of Waitt and Key, with over 1,600 and 700 billboard structures, respectively, make us a leading outdoor billboard advertising company in the markets we serve in the Midwest. As of March 12, 2020, we operate approximately 3,000 billboards with approximately 5,600 advertising faces. One of our principal business objectives is to continue to acquire additional billboard assets through acquisitions of existing billboard businesses in the United States when they can be made at what we believe to be attractive prices relative to other opportunities generally available to us.

We are attracted to the outdoor display market due to a number of factors, including high regulatory barriers to building new billboards in some states, growing demand, low maintenance capital expenditures for static billboards, low cost per impression for customers, and the potential opportunity to employ more capital in existing assets at reasonable returns in the form of perpetual easements and digital conversions. In addition, unlike other advertising industries, the internet has not had a material adverse impact on outdoor advertising revenues. Revenues for out-of-home advertising have continued to rise over the past several years, in contrast to print and other non-internet based advertising. The billboard industry’s three largest companies are estimated to account for more than 50% of the industry’s total revenues, and several industry sources and our experience suggest that there are a large number of other companies serving the remainder of the market, providing a potentially significant source of billboards which may be acquired in the future.

#### Surety Insurance

In September 2015, we established an insurance subsidiary, General Indemnity Group, LLC, which we refer to as “GIG,” designed to own and operate insurance businesses generally handling high volume, lower policy limit commercial lines of property and casualty insurance. In April 2016, our surety insurance business commenced with the acquisition of a surety insurance brokerage business with a national internet-based presence. In December 2016, we completed the acquisition of United Casualty and Surety Insurance Company, which we refer to as “UCS,” a surety insurance company, which at that time was licensed to issue surety bonds in only nine states. Since that time, we have expanded the licensing of the UCS business to all 50 states and the District of Columbia. In addition, over the last three years, we have also acquired additional surety insurance brokerage businesses located in various regions of the United States. We may in the future expand the reach of our insurance activities to other forms of insurance which may have similar characteristics to surety, such as high volume and low average policy premium insurance businesses which historically have similar economics.

#### Broadband Services

On March 10, 2020, our subsidiary FIF AireBeam LLC, which we refer to as “AireBeam,” acquired substantially all the business assets of FibAire Communications, LLC, which we refer to as “FibAire,” a rural broadband internet provider. AireBeam provides over 7,000 subscribers in communities in southern Arizona with a high-speed fixed wireless internet service and is building an all fiber-to-the-home network in select Arizona markets. AireBeam operates in underserved communities in Arizona that need higher speed and greater internet capacity.

#### Minority Investments

Since 2015, we have made minority investments in several different industries.

- Since September 2015, we have made a series of investments in commercial real estate, a commercial real estate management, brokerage and related services business as well as an asset management business. We currently own 30% of Logic Real Estate Companies LLC, which we refer to as “Logic,” and approximately 49.9% of 24th Street Holding Company, LLC, both directly and indirectly through our ownership in Logic.
- In December 2017, we invested \$10 million in common stock of Dream Finders Holdings LLC, which we refer to as “DFH,” the parent company of Dream Finders Homes, LLC, a national home builder with operations in Colorado, Florida, Georgia, Maryland, South Carolina, Texas and northern Virginia. In addition to its homebuilding operations, DFH’s subsidiaries provide mortgage loan origination and title insurance services to homebuyers. In May 2019, we invested, through one of our subsidiaries, an additional \$12 million in DFH through the purchase of preferred units. DFH is required to pay us a mandatory preferred return of at least 14% per annum on such preferred units and 25% of our preferred units are convertible, at our option, into non-voting common units until May 30, 2020 and the remaining preferred units are convertible, at our option, into non-voting common units after May 29, 2021, if not redeemed. The mandatory 14% preferred return increases if the preferred units purchased are not redeemed or converted within one year of purchase. Also, we obtain additional beneficial conversion terms if the preferred units are not redeemed by May 29, 2021. On January 13, 2020, DFH redeemed \$6 million of the preferred units.

- In May 2018, we invested, through one of our subsidiaries, approximately \$19 million through the purchase of common stock of CB&T Holding Corporation, which we refer to as "CB&T," the privately-held parent company of Crescent Bank & Trust, Inc., which we refer to as "Crescent." Crescent is located in New Orleans and generates the majority of its revenues from indirect subprime automobile lending across the United States.

## **Additional Opportunities for Growth**

In addition to our activities in outdoor billboards, surety insurance, broadband services and the various industries in which we have made minority investments, we will also consider other industries which offer the potential for predictable and attractive returns on invested capital. We expect to continue to be opportunistic in exploring other opportunities which meet our investment criteria.

Our objective is to grow intrinsic value per share at an attractive rate by retaining capital to reinvest in the productive capabilities of our current subsidiaries, make opportunistic investments, and/or invest in new, anticipated durable earnings streams. Each of these options for capital will be compared to one another on a regular basis, and capital will be deployed according to our management's judgment as to where it believes allocated capital has the potential to achieve the best long-term return.

## **Our History**

Boston Omaha Corporation was originally incorporated as REO Plus, Inc., which we refer to as "REO," on August 10, 2009 under the laws of the State of Texas. On March 16, 2015, we reincorporated as a Delaware corporation, adopted new bylaws and changed our name to Boston Omaha Corporation. Our principal business address is 1411 Harney Street, Suite 200, Omaha, Nebraska 68102, and our telephone number is 857-256-0079. We became a publicly held corporation in November 2012 when Akashic Ventures, Inc., our prior principal stockholder, distributed to certain of its stockholders a total of 132,992 shares of the Company's common stock held by it. We registered as a reporting company under the Securities Exchange Act of 1934, as amended, which we refer to as the "Exchange Act," on November 9, 2016. In 2016, we were listed for trading on the OTCQX under the trading symbol "BOMN," and in June 2017, in connection with our 2017 public offering, we transferred and uplisted to the NASDAQ Capital Market under the trading symbol "BOMN."

On February 13, 2015, Magnolia Capital Fund, L.P., which we refer to as "MCF," and Boulderado Partners, LLC, which we refer to as "BP," acquired shares of the Company's common stock representing approximately 95% of the Company's issued and outstanding shares at the time. MCF is managed by The Magnolia Group, LLC, which we refer to as "Magnolia," and BP is managed by Boulderado Capital, LLC and Boulderado Group, LLC, which we collectively refer to as "Boulderado." Magnolia is managed by Adam K. Peterson, one of our Co-Chairmen and Co-Chief Executive Officers. Boulderado is managed by Alex B. Rozek, one of our Co-Chairmen and Co-Chief Executive Officers.

On June 18, 2015, we amended and restated our certificate of incorporation. As part of this amendment and restatement, we effected a 7:1 reverse stock split of our Class A common stock. We also created an additional series of our stock now named Class B common stock, par value \$0.001 per share (the renaming of our classes of stock was accomplished through a charter amendment on May 25, 2017). Each share of Class B common stock is identical to the Class A common stock in liquidation, dividend and similar rights. The only differences between our Class B common stock and our Class A common stock is that each share of Class B common stock has 10 votes for each share held, while the Class A common stock has a single vote per share, and certain actions cannot be taken without the approval of the holders of the Class B common stock. There are currently 1,055,560 shares of our Class B common stock outstanding, which shares are owned in equal amounts by each of MCF and BP.

Between February 2015 and May 2017, we raised \$66,872,500 in equity financing, of which \$43,305,577 and \$11,305,595 were invested by MCF and BP, respectively. We raised these funds primarily in three separate rounds of financing, each of which coincided with pending or anticipated acquisitions.



In June 2017, pursuant to a Registration Statement on Form S-1 (File No. 333-216040) declared effective on June 15, 2017, we commenced a public offering for 6,538,462 shares of our Class A common stock at \$13.00 per share, which we refer to as the “2017 public offering,” that raised gross proceeds of \$97,049,446. Cowen and Company, LLC, which we refer to as “Cowen,” acted as the sole underwriter. In the 2017 public offering, MCF and BP invested \$44,999,994 and \$2,500,004, respectively. We received aggregate net proceeds from the offering of approximately \$91,432,110 after deducting underwriting discounts and commissions and offering expenses payable by us.

On February 22, 2018, the Company entered into a Class A Common Stock Purchase Agreement, which we refer to as the “2018 private placement,” pursuant to which the Company agreed to issue and sell to Magnolia BOC I, LP, which we refer to as “MBOC I,” Magnolia BOC II, LP, which we refer to as “MBOC II,” and Boulderado BOC, LP, which we refer to as “BBOC,” \$150,000,000 in unregistered shares of Class A common stock at a price of \$23.30, a slight premium to the closing price of shares of Class A common stock of \$23.29 on the NASDAQ Capital Market, as reported by NASDAQ on the date of the Class A Common Stock Purchase Agreement. MBOC I and MBOC II are entities managed by Magnolia, and BBOC, which has distributed all of its shares of Class A common stock, was an entity managed by Boulderado Group, LLC. The Class A Common Stock Purchase Agreement was approved by an independent special committee of our Board of Directors with the advice of independent legal counsel and an independent investment banking firm which provided a fairness opinion to the special committee. The closing of the first tranche of shares sold under the agreement occurred on March 6, 2018, consisting of a total of 3,300,000 shares resulting in total gross proceeds of \$76,890,000. The closing of the second tranche of shares sold under the agreement occurred on May 15, 2018, consisting of a total of 3,137,768 shares resulting in total gross proceeds of approximately \$73,110,000.

In February 2018, we filed a shelf Registration Statement on Form S-3 (File No. 333-222853) that was declared effective on February 9, 2018, relating to the offering of Class A common stock, preferred stock, par value \$0.001 per share, which we refer to as “preferred stock,” debt securities and warrants of the Company for up to \$200,000,000. On March 2, 2018, the Company entered into a Sales Agreement with Cowen, pursuant to which the Company sold from time to time in an “at the market” offering, a total of \$49,999,625 of shares of Class A common stock through Cowen as sales agent. Sales under the “at the market” offering were made pursuant to a prospectus supplement, filed with the Securities and Exchange Commission, which we refer to as the “SEC” or the “Commission,” on March 2, 2018, to our shelf Registration Statement on Form S-3. Cowen received a commission equal to 3.0% of the gross sales proceeds of the shares sold through Cowen under the Sales Agreement, and we provided Cowen with customary indemnification and contribution rights.

On August 13, 2019, we entered into a second Sales Agreement with Cowen, relating to the sale of additional shares of our Class A common stock to be offered. In accordance with the terms of the second Sales Agreement, we may offer and sell from time to time up to \$75,000,000 of shares of our Class A common stock through Cowen acting as our agent. Cowen is not required to sell any specific amount of securities, but will act as our sales agent using commercially reasonable efforts consistent with its normal trading and sales practices, on mutually agreed terms between Cowen and us. The compensation to Cowen for sales of Class A common stock sold pursuant to the Sales Agreement will be an amount equal to 3% of the gross proceeds of any shares of Class A common stock sold under the Sales Agreement. From August 21, 2019 through December 31, 2019, we sold through Cowen 448,880 shares of our Class A common stock under the second “at the market” offering, resulting in gross proceeds to us of \$9,450,789 and net proceeds of \$9,122,227, after offering costs of \$328,562. As of the date of this report, we have not sold any shares of our Class A common stock under this “at the market” offering in 2020.

In connection with sales of Class A common stock on our behalf, Cowen will be deemed to be an “underwriter” within the meaning of the Securities Act of 1933, as amended, which we refer to as the “Securities Act,” and the compensation payable to Cowen will be deemed to be underwriting commissions or discounts. We are not obligated to make any sales of Class A common stock under the Sales Agreement. The offering of the shares pursuant to the Sales Agreement will terminate upon the earlier of (i) the sale of all shares subject to the Sales Agreement, or (ii) termination of the Sales Agreement in accordance with its terms.

### **Our Relationship with Magnolia and Boulderado**

In their roles as general partners of MCF, MBOC I, MBOC II, and BP, Magnolia and Boulderado, through their ownership of Class A common stock and all of our Class B common stock, control a majority vote on all matters and will for the foreseeable future continue to be able to control the election of our directors, determine our corporate and management policies and determine, without the consent of our other stockholders, the outcome of any corporate transaction or other matters submitted to our stockholders for approval, including potential mergers or acquisitions, asset sales and other significant corporate transactions. Adam K. Peterson, our Co-Chief Executive Officer and one of our directors, is a principal in Magnolia and Alex B. Rozek, our other Co-Chief Executive Officer and a director of the Company, is a principal in Boulderado.

The interests of these funds managed by Magnolia and Boulderado may not coincide with the interests of other holders of our Class A common stock. Mr. Peterson and Mr. Rozek also receive compensation from Magnolia and Boulderado for their roles as managers of Magnolia and Boulderado, respectively. Additionally, these funds are in the business of making investments in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us.

MCF is a private investment partnership in Omaha, Nebraska, which commenced operations in August 2014. MBOC I and MBOC II are private investment partnerships in Omaha, Nebraska, which commenced operations in February 2018. Adam K. Peterson is the sole manager of Magnolia, an investment adviser registered with the SEC. Magnolia is the general partner and the manager of MCF, MBOC I and MBOC II. BP is a private investment partnership in Boston, Massachusetts, formed in June 2007. BBOC is a private investment partnership in Boston, Massachusetts, which commenced operations in February 2018. Alex B. Rozek is the Managing Member of Boulderado Group, LLC, the management company of Boulderado Partners, LLC and BBOC. On February 6, 2019, Alex B. Rozek and entities managed by Boulderado filed a Schedule 13D/A stating that BP has returned all outside capital and is continuing operations to manage family investments only. As a result of these distributions, BBOC distributed all of its shares of Class A common stock and was subsequently dissolved.

### **Our Acquisitions and Equity Investments**

Since June 2015, we have expended over \$250 million in the acquisition of businesses in outdoor billboard advertising, surety insurance and brokerage operations, broadband services, and in the purchase of minority equity interests in various businesses. We anticipate seeking further acquisitions in these business areas and possibly expanding into other businesses that we believe have the potential for durable profitability in a very competitive world.

**Link Media Holdings.** Since June 2015, through 17 acquisitions, several asset purchases, and one exchange, we have acquired numerous billboard structures, many with multiple faces, related easements, and rights in some instances to construct additional billboards. These billboards are located in Alabama, Florida, Georgia, Illinois, Iowa, Kansas, Missouri, Nebraska, Virginia, West Virginia and Wisconsin. We paid a combined purchase price of over \$182 million for these billboards and related assets. As of March 12, 2020, we operated approximately 3,000 billboard structures containing approximately 5,600 advertising faces, of which 63 are digital displays.

**General Indemnity.** Since September 2015, through five acquisitions, we have acquired one insurance company, UCS, three insurance brokerage firms, and a majority stake in a fourth insurance brokerage firm. We paid a combined purchase price of approximately \$18 million. Additionally, we have contributed approximately \$16.25 million in statutory capital to UCS. UCS is authorized to issue surety insurance in all 50 states and the District of Columbia, approved by the United States Department of Treasury, and rated "A-" (Excellent) by A.M. Best Company.

**AireBeam.** On March 10, 2020, AireBeam acquired substantially all the business assets of FibAire, a rural broadband internet provider. AireBeam provides over 7,000 subscribers in communities in southern Arizona with a high speed fixed wireless internet service and is building an all fiber-to-the-home network in select Arizona markets. AireBeam currently operates in certain underserved Arizona communities that need higher speed and greater internet capacity. We acquired AireBeam for cash and issued to Gregory Friedman, FibAire's co-founder and chief executive, 10% of the equity in the newly formed entity. Mr. Friedman will continue to serve as President of AireBeam.

**Minority Investments.** Since 2015, we have made minority investments in several different industries.

- Since September 2015, we have made a series of investments in commercial real estate, a commercial real estate management, brokerage and related services business as well as an asset management business. We currently own 30% of Logic and approximately 49.9% of 24<sup>th</sup> Street Holding Company, LLC, both directly and indirectly through our ownership in Logic.
- In late December 2017, we invested \$10 million in common stock of Dream Finders Holdings LLC, the parent company of Dream Finders Homes, LLC, a national home builder with operations in Colorado, Florida, Georgia, Maryland, South Carolina, Texas and northern Virginia. In addition to its homebuilding operations, DFH's subsidiaries provide mortgage loan origination and title insurance services to homebuyers. In May 2019, we invested, through one of our subsidiaries, an additional \$12 million in DFH through the purchase of preferred units. DFH is required to pay us a mandatory preferred return of at least 14% per annum on such preferred units and 25% of our preferred units are convertible, at our option, into non-voting common units until May 30, 2020 and the remaining preferred units are convertible, at our option, into non-voting common units after May 29, 2021, if not redeemed. The mandatory 14% preferred return increases if the preferred units purchased are not redeemed or converted within one year of purchase. Also, we obtain additional beneficial conversion terms if the preferred units are not redeemed by May 29, 2021. On January 13, 2020, DFH redeemed \$6 million of the preferred units.
- In May 2018, we invested, through one of our subsidiaries, approximately \$19 million through the purchase of common stock of CB&T Holding Corporation, the privately-held parent company of Crescent Bank & Trust, Inc. Crescent is located in New Orleans and generates the majority of its revenues from indirect subprime automobile lending across the United States.

## Industry Background

We currently operate outdoor billboard advertising services and sell surety insurance products and have made minority investments in several commercial real estate management and brokerage companies, a homebuilding company and a bank holding company focused on servicing the automotive loan market.

**Outdoor Billboard Advertising.** We currently own and operate approximately 3,000 billboard structures in the Southeast and Midwest United States containing approximately 5,600 advertising faces, of which 63 are digital displays. In addition, we hold options to build additional billboards in a few of these states. Over 95% of our billboards reside on leased parcels of property. The site lease terms generally range from one to 20 years and often come with renewal options. Many of our leases contain options to extend the lease so as to allow continuous operation for many years or exist in areas where we believe that regulations make it probable a new lease will be signed prior to expiration on similar economic terms to existing leases. Bulletins are large, advertising structures consisting of panels on which advertising copy is displayed. On traditional billboards, the customer's advertising copy is printed with computer-generated graphics on a single sheet of vinyl and wrapped around the billboard structure. Bulletins are usually located on major highways and target vehicular traffic. Advertising contracts are typically short-term to medium-term (e.g., one month to three years). We generally lease individually-selected bulletin space to advertisers for the duration of the contract. In addition to the traditional displays described above, we also have digital ad displays which generally come with shorter term ad contracts (one to twelve months). Outdoor billboards were estimated as a \$5.1 billion market in the U.S. in 2019 based on industry trade journals. Other outdoor advertising solutions, including street furniture (for example, bus shelters and benches), transit and other new alternative advertising signs at sports stadiums, malls, airports and other locations account for approximately an additional estimated \$3.4 billion in revenues in 2019 according to industry sources. There is no concentration of industries to which we lease billboard space.

**Insurance Services.** Suretyship insurance occurs when one party guarantees payment or performance by another party for an obligation or undertaking. Many obligations are guaranteed through surety bonds. Common types of surety bonds include commercial surety bonds and contract surety bonds. Suretyship is an integral part of the functioning of government and commerce. In many complex endeavors involving risk, a need exists to have a third party assure the performance or obligations of one party to another party. Surety companies are the "third parties" that provide such assurances in return for premium payments. Surety bonds are provided in government bidding and contracting processes as well as for individuals obtaining various government licenses and for individuals and businesses entering into apartment and office lease rentals. Various types of bonds are designed to insure that when a contractor bids on a project, and is awarded the project, that the project is completed for the amount of the bid, and that the contractors pay their subcontractors and suppliers.

Surety bonds are regulated by state insurance departments. Surety insurance companies operate on a different business model than traditional casualty insurance. Surety is designed to prevent a loss. Though some losses do occur, surety premiums do not contain large provisions for loss payment. The surety takes only those risks which its underwriting experience indicates are reasonable to assume based on its underlying experience. This service is for qualified individuals or businesses whose affairs require a guarantor. The surety views its underwriting as a form of credit, much like a lending arrangement, and places its emphasis on the qualifications of the prime contractor or subcontractor to fulfill its obligations successfully, examining the contractor's credit history, financial strength, experience, work in progress and management capability. After the surety assesses such factors, it makes a determination as to the appropriateness and the amount, if any, of surety credit.

Surety insurers are highly regulated and scrutinized, through legal requirements for regular financial, market conduct and operational audits, and other means, in order to conduct business in the estimated \$6 billion surety market, based on 2018 industry reports. Most surety companies, in turn, distribute surety bonds through licensed surety bond producers, licensed business professionals who have specialized knowledge of surety products, the surety market, and the business strategies and underwriting differences among sureties. A bond producer can serve as an objective, external resource for evaluating a construction firm's capabilities and, where necessary, can suggest improvements to help the construction firm meet a surety company's underwriting requirements. Bond producers compete based on their experience, reputation, and ability to issue bonds on behalf of sureties. In addition to acquiring UCS, we have acquired four surety brokerage firms, The Warnock Agency, Inc., which we refer to as "Warnock," Surety Support Services, Inc., which we refer to as "SSS," Freestate Bonds, Inc., which we refer to as "Freestate," and South Coast Surety Insurance Services, LLC, which we refer to as "SCS." UCS and these brokerage firms provide us with both premium and commission revenue streams.

**Broadband Services.** Our AireBeam business provides fiber connectivity to homes, business and community organizations. Driven by the rising demand for higher bandwidth and faster speed connections for a variety of industrial and residential purposes, fiber optic transmission is becoming more and more common in modern society. Fiber optic cables have a much greater bandwidth than metal cables. The amount of information that can be transmitted per unit time of fiber over other transmission media is its most significant advantage. Also, an optical fiber offers low power loss, which allows for longer transmission distances. Fiber optic is generally less susceptible to electromagnetic interference, has greater capacity and weighs less than traditional metal wire connections. Also, fiber optic is made of glass, which can provide certain cost advantages over traditional copper wire. Optical fiber is more difficult and expensive to install than copper wire and special equipment is required to test optical fiber. Fiber optic is also highly susceptible to becoming cut or damaged during installation or construction activities.

## Business Overview and Strategy

Since present management took over in February 2015, we have engaged in acquisitions and minority investments in outdoor billboard advertising, surety insurance, a broadband service provider, commercial real estate services, homebuilding and a bank holding company as well as a limited amount of purchases of publicly traded securities. Our strategy focuses on investing in companies and lines of business that have consistently demonstrated earnings power over time, with attractive pre-tax historical returns on tangible equity capital, and that we believe are available at a reasonable price. Since present management took over in 2015 and as of December 31, 2019, our acquisitions and operations have been funded by equity investments, including our 2017 public offering, our two “at the market” offerings pursuant to our shelf registration statement, private placements, and debt conversions totaling \$366,992,764. In addition, in August 2019, our Link subsidiary entered into a bank term loan and revolving credit agreement under which Link and its subsidiaries borrowed \$18,060,000 secured by the assets of Link and its subsidiaries and may borrow additional sums under the agreement. We have used a portion of these proceeds from these financings to acquire outdoor billboard assets in Alabama, Florida, Georgia, Illinois, Iowa, Kansas, Missouri, Nebraska, Virginia, West Virginia and Wisconsin. We expect to continue to seek additional acquisitions in out-of-home advertising when they can be made at what we believe to be attractive prices relative to other opportunities generally available to us. We believe the billboard business offers the potential to provide a durable and growing cash flow stream over time. In addition, we believe multiple opportunities could exist in time for the industry at large including but not limited to: supply limitations, demand growth, opportunity to convert static billboard faces to digital applications when the economics are favorable, opportunity to purchase perpetual easements or land underneath our structures, and the low relative cost per impression of the advertising medium. We have also used the proceeds of these financings to organize GIG and to complete the acquisitions of Warnock, SSS, Freestate, and SCS, all surety insurance brokerage firms, and to complete the acquisition of UCS, a surety insurance company. In March 2020, we acquired substantially all of the assets of a broadband service provider located in Arizona. To date, we have invested \$19 million in the parent company of Crescent, a bank providing retail and business banking services in the subprime automobile lending market, and \$22 million in equity financing in DFH, a national homebuilder that also provides related services, and we have also made an investment in a commercial real estate management services company headquartered in Las Vegas, Nevada, a related real estate asset management company, and shorter-term investments in a Nevada company that invests in commercial retail centers and two residential real estate development projects in Colorado. In addition, from time to time, we invest a portion of our available cash in public equity securities and shorter term debt securities. In addition to our existing business lines, we are actively reviewing opportunities to acquire businesses in new fields which have the potential to provide durable revenues, broad customer bases and where ideally the target’s business benefits from some business, legal or financial barriers to entry from future competitors.

We source acquisitions both internally via phone calls, research or mailings, business relationships developed over time and also by receipt of target acquisition opportunities from a number of brokers and other professionals. We believe each of these proposed acquisitions is consistent with our growth strategy, but there can be no assurance that we will consummate acquisitions pursuant to our letters of intent or acquire any additional billboard assets, surety brokerage firms or minority investments in any other businesses. Furthermore, our acquisitions are subject to a number of risks and uncertainties, including as to when, whether and to what extent the anticipated benefits and cost savings of a particular acquisition will be realized. We are also seeking opportunities to acquire other businesses or a significant interest in existing businesses. We look to acquire businesses in their entirety that have consistently demonstrated earnings power over time, with attractive pretax historical returns on tangible equity capital, and that are available at a reasonable price. However, we may consider minority positions and stock issuances when the economics are favorable. In certain circumstances, we may enter lines of business directly when the opportunities and economics of doing so are favorable in comparison to acquisitions.

**Outdoor Billboard Advertising.** We seek to capitalize on our growing network and diversified geographical and product mix to grow revenues. We currently own approximately 3,000 billboard structures containing approximately 5,600 advertising faces in Alabama, Florida, Georgia, Illinois, Iowa, Kansas, Missouri, Nebraska, Virginia, West Virginia and Wisconsin. Each of our billboard structures may have one to four faces. We believe the outdoor advertising business offers attractive industry fundamentals which we hope to utilize and leverage as we plan to continue to grow our presence in the United States. We hope that our growing presence will be an attractive tool in identifying and attracting both local and national advertisers. We work with our customers to enable them to better understand how our billboards can successfully reach their target audiences and promote their advertising campaigns. Our long-term strategy for our outdoor advertising businesses includes pursuing digital display opportunities where appropriate, while simultaneously utilizing traditional methods of displaying outdoor advertisements, and with a goal of consolidating fragmented markets where applicable.

Digital displays offer the opportunity to link electronic displays through centralized computer systems to instantaneously and simultaneously change advertising copy on a large number of displays. The ability to change copy by time of day and quickly change messaging based on advertisers' needs creates additional flexibility for our customers. However, digital displays require more capital to construct compared to traditional bulletins and increase the supply of advertising faces in a market. We currently deploy 63 digital billboards.

Our local production staffs provide many of our customers a range of services required to create and install advertising copy. Production work includes creating the advertising copy design and layout, coordinating its printing with outside printing firms and installing the copy on the billboard face. We provide creative services to smaller advertisers and to advertisers not represented by advertising agencies. National advertisers often use preprinted designs that require only installation. Our creative and production personnel typically develop new designs or adapt copy from other media for use on our inventory. Our creative staff also can assist in the development of marketing presentations, demonstrations, and strategies to attract new clients.

We typically own the physical structures on which our clients' advertising copy is displayed. We acquire new structures from third parties on sites we either lease or own or for which we have acquired permanent easements. We generally have limited or no responsibilities to maintain the land on which the billboard is sited. The site lease terms generally range from one to 20 years and often come with renewal options or exist in areas where we believe that regulations make it probable a new lease will be signed prior to expiration on similar economic terms to existing leases. In addition to the site lease, we must obtain a permit to build and operate the sign. Permits are typically issued in perpetuity by the state or local government and typically are transferable or renewable for a minimal, or no, fee. Traditional bulletin and poster advertising copy is either printed with computer generated graphics on a single sheet of vinyl or placed on lithographed or silk-screened paper sheets supplied by the advertiser. These advertisements are then transported to the site and in the case of vinyl, wrapped around the face of the structure, and in the case of paper, pasted and applied like wallpaper to the site. Our billboard lease costs in 2019 and 2018 were \$6,238,827 and \$2,999,971, respectively.

**Insurance Operations.** UCS has specialized in providing surety bonds since 1989. UCS is an authorized insurance carrier rated A- ("Excellent") by A.M. Best and is approved by the United States Department of the Treasury (570 Circular). UCS is currently licensed to conduct business in all 50 states and the District of Columbia. In addition to issuing traditional construction bonds for contractors and subcontractors, UCS offers a wide array of miscellaneous, license and permit bonds that protect consumers from the business activities of our customers or provide assurance to counterparties that our insureds will fulfill licensure requirements or faithfully remit monies owed. We also operate SCS and Warnock, brokers with clients nationwide, and SSS, another surety insurance brokerage with clients concentrated in several Midwestern states.

We seek to reduce our risk by limiting policy amounts, following extensive underwriting processes, reviewing dashboards of critical metrics, and purchasing reinsurance coverage. Our underwriting process considers a number of factors, including the financial health of the customer, the customer's operating history, the type of obligation, the geographic territory where the contract is being issued, the language of the bond and the subject contract, and, if appropriate, a customer's pledge of collateral to reduce the risk in the event of a default. Historically, claims on surety bonds are limited by the extensive underwriting analysis undertaken before a risk is agreed to, forms of security provided upon the bond's issuance, and by the legal ability to pursue the customer obtaining the surety bond for recovery of amounts paid due to a claim. A surety's right of indemnification contrasts with property and casualty, or life insurance coverages, where no such recovery right exists. Unlike other insurance, surety insurance losses are commonly limited by the indemnity obligations of the insured, collateral provided by the insured at the time of issuance, or the insurance company's contractual right to uncollected funds from construction projects on which it has issued a bond and steps in for the insured.

**Broadband Services.** AireBeam operates in several underserved communities in Arizona that need higher speed and greater internet capacity. Our strategy is to enter the rural broadband business as we expect many more communities to demand increasingly more bandwidth to their homes and businesses than their current service offering can reliably provide. Within certain markets, we believe that fiber-to-the-home has the potential to be a long-lived asset that fits into our objective to invest in what we believe are durable businesses that have the potential to achieve favorable after-tax returns on invested capital. Recent studies suggest that approximately 75 million homes in the United States lack all-fiber connectivity. We believe that the combination of FibAire's rural broadband business model we acquired together with our stronger balance sheet provides a competitive platform to bring fiber-to-the-home to additional communities in Arizona and other similarly situated communities in other states. We believe that the fiber-to-the-home market shares similar qualities with our billboard and surety insurance markets in providing a diversified customer base in markets which impose some obstacles to competitors. We also believe that many broadband systems are owned by a significant number of small operators which may be interested in being acquired, providing us the potential for future growth in the broadband internet provider market.

## Competition

**Outdoor Billboard Advertising.** The outdoor advertising industry in the United States consists of several large companies, and three companies, Clear Channel Outdoor Holdings, Inc., Outfront Media, Inc. and Lamar Advertising Company, own a majority of all outdoor billboards. These companies are estimated to generate more than 50% of the industry's total revenues and several industry sources estimate that there are many other smaller companies serving the remainder of the market, providing a potentially significant source of billboards which may be acquired in the future. Part of our strategy is to acquire certain of the smaller and medium sized competitors in markets we deem desirable to advertisers. We also compete with other advertising media in our respective markets, including broadcast and cable television, radio, print media, direct mail, online and other forms of advertisement. Outdoor advertising companies compete primarily based on their ability to reach consumers, which is driven by location of the display.

**Insurance Operations.** Our insurance business operates in an environment that is highly competitive and very fragmented. We compete with other global insurance and reinsurance providers, including but not limited to Travelers, Liberty Mutual, Zurich Insurance Group, Lloyds, and CNA Insurance Group, as well as numerous specialist, regional and local firms in almost every area of our business. These companies may market and service their insurance products through intermediaries, or directly without the assistance of brokers or agents. We also compete with other businesses that do not fall into the categories above that provide risk-related services and products.

**Broadband Services.** Our broadband services business provides high speed internet connectivity and is aimed at rural and other underserved communities that need higher speed and greater internet capacity. In the future, leading cable operators, such as Comcast, Charter Communications and Altice USA, and other competitors may seek to enter the markets we serve. In addition, we may face competition from 5G in the home and other services incorporating new technologies. Technological changes are further intensifying and may challenge existing business models. Our internet services are expected to compete with wireless phone companies, satellite and other broadband providers as well as wireline phone companies and other providers of wireline internet service and others seeking to build fiber-based network infrastructure.

## Employees

As of March 1, 2020, we had 138 employees, of which 91 were in billboard operations, 43 were in insurance services, and 4 were in administrative or corporate related activities. Of the 138 employees, 2 employees in billboard operations are part time and 4 employees in insurance services are part time; the rest of our employees are full time. None of our employees are subject to collective bargaining agreements. We believe that our relationship with our employees is good.

## Information Systems

We rely on our information systems to manage our daily business activities, interact with customers and vendors, manage our digital billboard displays, and market our services. We have outsourced certain technology and business process functions to third parties and may increasingly do so in the future. We have also hired individuals responsible for maintaining and improving our information systems and for developing systems to protect both our information and that of our customers. In order to reduce the risk of unintended disclosure of customer information, our separate business groups operate different information systems for their customer interactions. Our outsourcing of certain technology and business process functions to third parties and our reliance on our use of our information systems may expose us to increased risk related to data security, service disruptions or the effectiveness of our control system. We also maintain certain levels of insurance designed to provide some coverage in the event of any damages arising from a breach of our computer security systems.

## Regulation of Our Advertising Business

The outdoor advertising industry in the United States is subject to governmental regulation at the federal, state and local levels. These regulations may include, among others, restrictions on the construction, repair, maintenance, lighting, upgrading, height, size, spacing and location and permitting of and, in some instances, content of advertising copy being displayed on outdoor advertising structures. We generally do not incur material costs related to compliance with environmental laws in our advertising business.

From time to time, legislation has been introduced attempting to impose taxes on revenue from outdoor advertising or for the right to use outdoor advertising assets. Several jurisdictions have imposed such taxes as a percentage of our outdoor advertising revenue generated in that jurisdiction. In addition, some jurisdictions have taxed our personal property and leasehold interests in advertising locations using various valuation methodologies. In certain circumstances, such as our current Tampa operations, when we lease space from a governmental authority, we may enter into revenue sharing agreements with the authority, and in other circumstances we will manage third party billboards in connection with revenue sharing agreements. We expect jurisdictions to continue to try to impose such taxes and other fees as a way of increasing revenue. In recent years, outdoor advertising also has become the subject of targeted taxes and fees. These laws may affect prevailing competitive conditions in our markets in a variety of ways. Such laws may reduce our expansion opportunities or may increase or reduce competitive pressure from other members of the outdoor advertising industry. No assurance can be given that existing or future laws or regulations, and the enforcement thereof, will not materially and adversely affect the outdoor advertising industry.

In the United States, federal law, principally the Highway Beautification Act, which we refer to as the “HBA,” regulates outdoor advertising on Federal-Aid Primary, Interstate and National Highway Systems roads within the United States, which we refer to as “controlled roads.” The HBA regulates the size and placement of billboards, requires the development of state standards, mandates a state’s compliance program, promotes the expeditious removal of illegal signs and requires just compensation for takings.

To satisfy the HBA’s requirements, all states have passed billboard control statutes and regulations that regulate, among other things, construction, repair, maintenance, lighting, height, size, spacing and the placement and permitting of outdoor advertising structures. We are not aware of any state that has passed control statutes and regulations less restrictive than the prevailing federal requirements on the federal highway system, including the requirement that an owner remove any non-grandfathered, non-compliant signs along the controlled roads, at the owner’s expense and without compensation. Local governments generally also include billboard control as part of their zoning laws and building codes regulating those items described above and include similar provisions regarding the removal of non-grandfathered structures that do not comply with certain of the local requirements.

As part of their billboard control laws, state and local governments regulate the construction of new signs. Some jurisdictions prohibit new construction, some jurisdictions allow new construction only to replace or relocate existing structures and some jurisdictions allow new construction subject to the various restrictions discussed above. In certain jurisdictions, restrictive regulations also limit our ability to relocate, rebuild, repair, maintain, upgrade, modify or replace existing legal non-conforming billboards.

U.S. federal law neither requires nor prohibits the removal of existing lawful billboards, but it does mandate the payment of compensation if a state or political subdivision compels the removal of a lawful billboard along the controlled roads. In the past, state governments have purchased and removed existing lawful billboards for beautification purposes using federal funding for transportation enhancement programs, and these jurisdictions may continue to do so in the future. From time to time, state and local government authorities use the power of eminent domain and amortization to remove billboards. Amortization is the required removal of legal non-conforming billboards (billboards which conformed with applicable laws and regulations when built, but which do not conform to current laws and regulations) or the commercial advertising placed on such billboards after a period of years. Pursuant to this concept, the governmental body asserts that just compensation is earned by continued operation of the billboard over that period of time. Although amortization is prohibited along all controlled roads, amortization has been upheld along non-controlled roads in limited instances where permitted by state and local law. Since we commenced operations, we have not been asked or forced to remove or relocate a billboard, although there is no assurance that this will continue to be the case in the future.

We may expand the deployment of digital billboards in markets and in specific locations we deem appropriate and where the placement of these digital displays is permitted by government agencies regulating their locations. We are aware of some existing regulations in the U.S. that restrict or prohibit these types of digital displays. However, since digital technology for changing static copy has only recently been developed and introduced into the market on a large scale, and is in the process of being introduced more broadly, existing regulations that currently do not apply to digital technology by their terms could be revised to impose greater restrictions. These regulations, or actions by third parties, may impose greater restrictions on digital billboards due to alleged concerns over aesthetics or driver safety.

### **Regulation of Our Insurance Business**

GIG and its subsidiaries intend to transact their insurance business in all 50 U.S. states and the District of Columbia and will be subject to regulation in the various states and jurisdictions in which they operate. The extent of regulation varies, but generally derives from statutes that delegate regulatory, supervisory and administrative authority to a department of insurance in each state and jurisdiction. The regulation, supervision and administration relate, among other things, to standards of solvency that must be met and maintained, the licensing of insurers and their agents, the nature of and limitations on investments, premium rates, restrictions on the size of risks that may be insured under a single policy, reserves and provisions for unearned premiums, losses and other obligations, deposits of securities for the benefit of policyholders, approval of policy forms and the regulation of market conduct, including the use of credit information in underwriting as well as other underwriting and claims practices. State insurance departments also conduct periodic examinations of the financial condition and market conduct of insurance companies and require the filing of financial and other reports on a quarterly and annual basis. Nebraska, the state of domicile for UCS, may also limit the payment of dividends from UCS to GIG and us and, as a result, to our stockholders if and when we declare a dividend from the operations of UCS and/or GIG and its other operating subsidiaries. Currently, we do not anticipate issuing dividends for the foreseeable future. In 2019, UCS redomiciled as a Nebraska insurance company licensed by the Nebraska Department of Insurance, and currently has certificates of authority to conduct business in all 50 states and the District of Columbia.

GIG and its subsidiaries and/or certain of our designated employees must be licensed to act as agents, brokers and intermediaries by state regulatory authorities in the locations in which we conduct business. Regulations and licensing laws vary by individual state location and are often complex. The applicable licensing laws and regulations in all states are subject to amendment or reinterpretation by regulatory authorities, and such authorities are vested in most cases with relatively broad discretion as to the granting, revocation, suspension and renewal of licenses. We endeavor to monitor the licensing of GIG, its subsidiaries and our employees, but the possibility exists that GIG and its subsidiaries and/or certain of our designated employees could be excluded or temporarily suspended from carrying on some or all of our activities in, or could otherwise be subjected to penalties by a particular jurisdiction.

**Rate and Rule Approvals.** GIG's domestic insurance subsidiaries will be subject to each state's laws and regulations regarding rate, form, and rule approvals. The applicable laws and regulations generally establish standards to ensure that rates are not excessive, inadequate, unfairly discriminatory or used to engage in unfair price competition. An insurer's ability to adjust rates and the relative timing of the process are dependent upon each state's requirements. Many states have enacted variations of competitive ratemaking laws, which allow insurers to set certain premium rates for certain classes of insurance without having to obtain the prior approval of the state insurance department.

**Requirements for Exiting Geographic Markets and/or Canceling or Nonrenewing Policies.** Several states have laws and regulations which may impact the timing and/or the ability of an insurer to either discontinue or substantially reduce its writings in that state. These laws and regulations typically require prior notice, and in some instances insurance department approval, prior to discontinuing a line of business or withdrawing from that state, and they allow insurers to cancel or non-renew certain policies only for certain specified reasons.



**Insurance Regulatory Information System.** The National Association of Insurance Commissioners, which we refer to as “NAIC,” developed the Insurance Regulatory Information System, which we refer to as “IRIS,” to help state regulators identify companies that may require regulatory attention. Financial examiners review annual financial statements and the results of key financial ratios based on year-end data with the goal of identifying insurers that appear to require immediate regulatory attention. Each ratio has an established “usual range” of results. A ratio result falling outside the usual range, however, is not necessarily considered adverse; rather, unusual values are used as part of the regulatory early monitoring system. Furthermore, in some years, it may not be unusual for financially sound companies to have several ratios with results outside the usual ranges. Generally, an insurance company may become subject to regulatory scrutiny or, depending on the company’s financial condition, regulatory action if certain of its key IRIS ratios fall outside the usual ranges and the insurer’s financial condition is trending downward.

**Risk-Based Capital Requirements.** The NAIC has a risk-based capital, which we refer to as “RBC,” requirement for most property and casualty insurance companies, which determines minimum capital requirements and is intended to raise the level of protection for policyholder obligations. Our future U.S. insurance subsidiaries may be subject to these NAIC RBC requirements based on laws that have been adopted by individual states. These requirements subject insurers having policyholders’ surplus less than that required by the RBC calculation to varying degrees of regulatory action, depending on the level of capital inadequacy.

**Investment Regulation.** Insurance company investments must comply with applicable laws and regulations which prescribe the kind, quality and concentration of investments. In general, these laws and regulations permit investments in federal, state and municipal obligations, corporate bonds, certain preferred and common equity securities, mortgage loans, real estate and certain other investments, subject to specified limits and certain other qualifications. If certain investments fail to meet these criteria, these investments may be excluded or limited in calculating our compliance in meeting these and other testing criteria.

### **Regulation of Our Broadband Business**

Many but not all of our services and networks are regulated by the Federal Communications Commission, which we refer to as the “FCC”, and by state and local governments. Whether our networks or our services are regulated or unregulated depends on numerous factors, including but not limited to whether we offer telecommunications service, as defined in state and federal laws, or cable service. The construction and maintenance of our fiber optic networks may face local regulation that can adversely impact the timing or our deployment. Certain of our services that are provided via wireless transmission require FCC licenses and our local video and other services often require local government franchises, which we refer to as “franchises.” The local franchises often impose certain obligations to build out the network and require payment of fees to the local government, which fees are often based on a percentage of gross revenues. In private communities and mobile home parks, we may be required to obtain the consent of the homeowners association or other property owners to provide services, and we often have to pay a fee to obtain access to the property and provide our services. Finally, to deploy our networks, we frequently must obtain agreements from local power utilities to use their poles and in some cases easements from landowners.

### **Acquisition and Financing Strategy**

**Acquisition Selection.** Our management will have broad discretion in identifying and selecting prospective target acquisitions. In evaluating a prospective target acquisition, our management will consider, among other factors, the following:

- Management’s understanding of the business and its competitive environment;
- Management’s view of the business durability, capital intensity, and prospective returns on the capital employed over time;
- Management’s assessment of the financial attractiveness of a particular target relative to other available targets; and
- Capital requirements and management’s assessment of the ability to finance a particular target.

**Issuance of senior and additional securities.** To the extent that our Board of Directors determines to obtain additional capital, it may issue debt or equity securities. Existing stockholders have no preemptive rights to common or preferred stock issued in any securities offering by us, and any such offering might cause a dilution of a stockholder’s investment in our Company.

In June 2017, pursuant to a Registration Statement on Form S-1 (File No. 333-216040) declared effective on June 15, 2017, we commenced the 2017 public offering for 6,538,462 shares of our Class A common stock at \$13.00 per share that raised gross proceeds of \$97,049,446. Cowen acted as the sole underwriter and received a discount of 4.4853% per share. We also granted Cowen a 30-day option to purchase up to an additional 980,769 shares of Class A common stock, pursuant to which an additional 926,880 shares were sold. We received aggregate net proceeds from the offering of approximately \$91,432,110 after deducting underwriting discounts and commissions and offering expenses payable by us. None of the underwriting discounts and commissions or offering expenses were incurred or paid to any director or officer of ours, to any of their associates, to persons owning 10% or more of our common stock or to any affiliates of ours.

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On February 22, 2018, the Company entered into a Class A Common Stock Purchase Agreement, pursuant to which the Company sold to MBOC I, MBOC II, and BBOC \$150,000,000 in unregistered shares of Class A common stock at a price of \$23.30, a slight premium to the closing price of shares of Class A common stock of \$23.29 on the NASDAQ Capital Market, as reported by NASDAQ on the date of the Class A Common Stock Purchase Agreement. The Class A Common Stock Purchase Agreement was approved by an independent special committee of our Board of Directors with the advice of independent legal counsel and an independent investment banking firm which provided a fairness opinion to the special committee. The closing of the first tranche of shares sold under the agreement occurred on March 6, 2018, consisting of a total of 3,300,000 shares resulting in total gross proceeds of \$76,890,000. The closing of the second tranche of shares sold under the agreement occurred on May 15, 2018, consisting of a total of 3,137,768 shares resulting in total gross proceeds of approximately \$73,110,000.

Additionally, in February 2018, we filed a shelf Registration Statement on Form S-3 (File No. 333-222853) that was declared effective on February 9, 2018, relating to the offering of Class A common stock, preferred stock, debt securities and warrants of the Company for up to \$200,000,000. On March 2, 2018, the Company entered into a Sales Agreement with Cowen, pursuant to which the Company sold from time to time in an “at the market” offering a total of \$49,999,625 of shares of Class A common stock through Cowen as sales agent. Sales under the “at the market” offering were made pursuant to a prospectus supplement, filed with the SEC on March 2, 2018, to the Company’s shelf Registration Statement on Form S-3, declared effective by the SEC on February 9, 2018.

From March 2018 through August 20, 2019, we sold through Cowen an aggregate of 2,141,452 shares of our Class A common stock under this “at the market” offering, resulting in gross proceeds to us of \$49,999,625. For the period from January 1, through August 20, 2019, we sold through Cowen 942,223 shares of our Class A common stock under this at-the-market offering, resulting in gross proceeds to us of \$22,753,943 and net proceeds of \$22,059,015 after offering costs of \$694,928.

On August 13, 2019, we entered into a second Sales Agreement with Cowen, relating to the sale of additional shares of our Class A common stock to be offered. In accordance with the terms of the second Sales Agreement, we may offer and sell from time to time up to \$75,000,000 of shares of our Class A common stock through Cowen acting as our agent. Cowen is not required to sell any specific amount of securities, but will act as our sales agent using commercially reasonable efforts consistent with its normal trading and sales practices, on mutually agreed terms between Cowen and us. The compensation to Cowen for sales of Class A common stock sold pursuant to the Sales Agreement will be an amount equal to 3% of the gross proceeds of any shares of Class A common stock sold under the Sales Agreement. From August 21, 2019 through December 31, 2019, we sold through Cowen 448,880 shares of our Class A common stock under the second “at the market” offering, resulting in gross proceeds to us of \$9,450,789 and net proceeds of \$9,122,227, after offering costs of \$328,562. We have provided Cowen with customary indemnification and contribution rights under each Sales Agreement. In connection with sales of Class A common stock on our behalf, Cowen will be deemed to be an “underwriter” within the meaning of the Securities Act and the compensation payable to Cowen will be deemed to be underwriting commissions or discounts. We are not obligated to make any sales of Class A common stock under the second Sales Agreement. The offering of the shares pursuant to the Sales Agreement will terminate upon the earlier of (i) the sale of all shares subject to the Sales Agreement, or (ii) termination of the Sales Agreement in accordance with its terms.

**Borrowing of money.** On August 12, 2019, Link, which owns and operates BOC’s billboard businesses, entered into a Credit Agreement (the “Credit Agreement”) with First National Bank of Omaha (the “Lender”) under which Link may borrow up to \$40,000,000 (the “Credit Facility”). The Credit Agreement provides for an initial term loan (“Term Loan 1”), an incremental term loan (“Term Loan 2”) and a revolving line of credit. These loans are secured by all assets of Link and its operating subsidiaries, including a pledge of equity interests of each of Link’s subsidiaries. In addition, each of Link’s subsidiaries has joined as a guarantor to the obligations under the Credit Agreement. These loans are not guaranteed by BOC or any of BOC’s non-billboard businesses.

Principal amounts under each of Term Loan 1 and Term Loan 2 are payable in monthly installments according to either a 15-year or 25-year amortization schedule at Link’s option. For Term Loan 1, these payments are due commencing on the earlier of July 1, 2020 or the first day of the first calendar month following any draw down under Term Loan 2. For Term Loan 2, these principal payments are due commencing on the last day of the month following the closing of Term Loan 2. Both term loans are payable in full on August 12, 2026. Term Loan 1 has a fixed interest rate of 4.25% per annum with interest only payments due through July 1, 2020. Term Loan 2 has a loan availability in an amount not to exceed three times 2019 reported EBITDA reduced by the loan principal under Term Loan 1 and must be drawn before June 30, 2020. If utilized, Term Loan 2 will have a fixed rate of interest determined using the seven-year Treasury rate plus 195 basis points subject to a floor of 4.20% per annum. The revolving line of credit loan facility has a \$5,000,000 maximum availability, provided that the outstanding principal balance of Term Loan 1, Term Loan 2 and this revolving line of credit may not exceed \$40,000,000. Interest payments are based on the 30 day LIBOR rate plus an applicable margin ranging between 2.00 and 2.50% dependent on Link’s consolidated leverage ratio. The revolving line of credit is due and payable on August 11, 2021. Long-term debt included within our consolidated balance sheet as of December 31, 2019 consists of Term Loan 1 borrowings of \$18,060,000, of which \$504,170 is classified as current. There were no amounts outstanding related to the revolving line of credit and Term Loan 2 as of December 31, 2019.

During the term of the Credit Facility, Link is required to comply with the following financial covenants: A consolidated leverage ratio for any test period ending on the last day of any fiscal quarter of Link (a) beginning with the fiscal quarter ending December 31, 2019 of greater than 3.50 to 1.00, (b) beginning with the fiscal quarter ending December 31, 2020 of greater than 3.25 to 1.00, and (c) beginning with the fiscal quarter ending December 31, 2021 and thereafter, of greater than 3.00 to 1.0; minimum consolidated fixed charge coverage ratio of not less than 1.15 to 1.00 measured quarterly, based on rolling four quarters, with testing to commence as of December 31, 2019 based on the December 31, 2019 audited financial statements. Link is currently in compliance with all covenants under the Credit Facility.

The Credit Agreement includes representations and warranties, reporting covenants, affirmative covenants, negative covenants, financial covenants and events of default customary for financings of this type. Upon the occurrence of an event of default the Lender may accelerate the loans. Upon the occurrence of certain insolvency and bankruptcy events of default the loans will automatically accelerate.

As of December 31, 2019, we had approximately \$91 million in unrestricted cash and short-term treasury securities. We also expect to continue to sell additional shares of our Class A common stock in the “at the market” offering if we deem the pricing attractive relative to our potential uses of capital. We currently expect that our current cash will be sufficient to fund operations for at least the next 12 months. Depending on the amount of significant acquisitions and investments we make, we may need to raise additional financing to make additional acquisitions and/or investments. Although we have no current plans to do so other than the “at the market” program, we may sell additional securities pursuant to the shelf Registration Statement on Form S-3 (File No. 333-222853) or in other private placements based on our capital needs.

We may in the future use a number of different sources to finance our acquisitions and operations, including cash flows from operations, seller financing, private financings (such as bank credit facilities, which may or may not be secured by our assets), additional common or preferred equity issuances or any combination of these sources, to the extent available to us, or other sources that may become available from time to time, which could include asset sales and issuance of debt securities. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. We also may take advantage of joint venture or other partnering opportunities as such opportunities arise in order to acquire properties that would otherwise be unavailable to us.

We may use the proceeds of any future borrowings to acquire assets or for general corporate purposes. We expect to use leverage on terms we find attractive, assessing the appropriateness of new equity or debt capital based on market conditions, including assumptions regarding future cash flow, the creditworthiness of customers and future rental rates. Our certificate of incorporation, which, as amended from time to time, we refer to as our “certificate of incorporation” and bylaws, which, as amended from time to time, we refer to as our “bylaws,” do not limit the amount of debt that we may incur. Our Board of Directors has not adopted a policy limiting the total amount of debt that we may incur. Our Board of Directors will consider a number of factors in evaluating the amount of debt that we may incur. If we adopt a debt policy, our Board of Directors may from time to time modify such policy in light of then-current economic conditions, relative costs of debt and equity capital, market values of our properties, general conditions in the market for debt and equity securities, fluctuations in the market price of our common stock if then trading on any exchange, growth and acquisition opportunities and other factors. Our decision to use leverage in the future to finance our assets will be at our discretion and will not be subject to the approval of our stockholders, and we are not restricted by our governing documents or otherwise in the amount of leverage that we may use.

***Purchase and sale (or turnover) of acquired businesses.*** We do not currently intend to dispose of any of our properties in the near future as our strategy is to acquire assets which have the potential to generate significant cash flow over an extended period of time. However, we reserve the right to do so if, based upon management’s periodic review of our portfolio, our Board of Directors determines that such action would be in our best interest.

***Offering of securities in exchange for property.*** We may in the future issue shares of common stock in connection with acquisitions of other businesses. For issuances of shares in connection with acquisitions, our Board of Directors will determine the timing and size of the issuances. Our Board of Directors intends to use its reasonable business judgment to fulfill its fiduciary obligations to our then existing stockholders in connection with any such issuance, including its determination of whether the issuance is accretive to intrinsic value. Nonetheless, future issuances of additional shares could cause immediate and substantial dilution to the net tangible book value of shares of our Class A common stock issued and outstanding immediately before such transaction. In addition, we may have sellers rollover a portion of their equity holdings into an equity holding in the newly acquired business. In those situations, we may provide the seller with an option to put its holding to us and similarly, we may have an option to purchase the rollover equity stake. Any future decrease in the net tangible book value of such issued and outstanding shares could materially and adversely affect the market value of shares of our Class A common stock

#### **Available Information**

You can find more information about us at our Internet website located at [www.bostonomaha.com](http://www.bostonomaha.com). Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those reports are available free of charge through our website as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. The contents of our website are not deemed to be part of this Annual Report on Form 10-K or any of our other filings with the SEC.

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other information with the SEC. The SEC also maintains a website that contains these reports, proxy and information statements and other information regarding issuers, including us, that file electronically with the SEC. The address of that site is <http://www.sec.gov>.

**Item 1A. Risk Factors.**

An investment in shares of our common stock is highly speculative and involves a high degree of risk. You should carefully consider all of the risks discussed below, as well as the other information contained in this Annual Report. If any of the following risks or uncertainties actually occur, our business, financial condition, results of operations, cash flow and prospects could be materially adversely affected. Additional risks or uncertainties not currently known to us, or that we deem immaterial, may also have a material adverse effect on our business financial condition, results of operations or prospects. We cannot assure you that any of the events discussed in the risk factors below will not occur. In that case, the market price of our Class A common stock could decline and you may lose all or a part of your investment.

**Risks Related to the Company and Our Business**

*We have incurred losses since inception and we anticipate that we will continue to incur losses for the foreseeable future.*

We have incurred losses in each year since our formation in 2009. Our net loss attributable to common stockholders for the fiscal years ended December 31, 2019 and 2018 was \$1.5 million and \$9.1 million, respectively. We have funded our operations to date principally from the sale of securities. In addition, as we acquire other businesses, we incur ongoing depreciation and amortization charges, which are typically spread over a number of years, as well as the costs of completing such acquisitions, which are expensed as incurred. In the fiscal year ended December 31, 2018, we spent over \$138 million on acquisitions of billboard assets, and these billboard acquisitions will generate significant depreciation and amortization charges. During 2019, we completed two smaller acquisitions of billboard assets which will also generate depreciation and amortization charges. For these reasons, we may continue to incur significant losses. These losses, among other things, have had and will continue to have an adverse effect on our stockholders' equity and working capital and we cannot assure you that we will be able to be successful in implementing our business strategy.

*Our failure to successfully identify and complete future acquisitions of assets or businesses could reduce future potential earnings, reduce available cash and slow our anticipated growth.*

The acquisition of assets or businesses that we believe to be valuable to our business is an important component to our business strategy. Our experience in acquiring companies has been relatively limited to date. We believe that a wide variety of acquisition opportunities may arise from time to time, and that any such acquisition could be significant. At any given time, discussions with one or more potential sellers may be at different stages, including negotiations following the execution of nonbinding letters of intent. However, any such discussions, including the execution of nonbinding letters of intent, may not result in the consummation of an acquisition transaction, and we may not be able to identify or complete any acquisitions. The costs and benefits of future acquisitions are uncertain. In addition, the market and industry reception to our acquisitions, or lack thereof, may not be positive, and is out of our control. We cannot predict the effect, if any, that any announcement or consummation of an acquisition would have on the trading price of our Class A common stock. If we identify appropriate acquisition targets, we may be unable to acquire businesses on terms that we consider acceptable due to a variety of factors, including competition from other strategic buyers or financial buyers, some of which may have more experience or more access to capital than we do.

Our business is capital intensive and any such transactions could involve the payment by us of a substantial amount of cash. We may need to raise additional capital through public or private debt or equity financings to execute our growth strategy and to fund acquisitions. Adequate sources of capital may not be available when needed on acceptable terms, or at all. If we raise additional capital by issuing additional equity securities, existing stockholders may be diluted. Acquisitions could also result in us incurring additional debt and contingent liabilities and fluctuations in quarterly results and expenses. If our capital resources are insufficient at any time in the future, we may be unable to fund acquisitions, take advantage of business opportunities or respond to competitive pressures, any of which could harm our business.

Any future acquisitions could present a number of risks, including but not limited to the risk of using management time and resources to pursue acquisitions that are not successfully completed, the risk of incorrect assumptions regarding future results of acquired operations, and the risk of diversion of management's attention from existing operations or other priorities. Future acquisitions can also be expected to generate additional depreciation and amortization charges which may contribute to losses. Acquisitions may never meet our expectations.

If we are unsuccessful in identifying and completing acquisitions of other operations or assets, our financial condition could be adversely affected and we may be unable to implement an important component of our business strategy successfully.

***We may have difficulty integrating the operations of companies or businesses that we may acquire and may incur substantial costs in connection therewith.***

A significant component of our growth strategy is the acquisition of other operations. The process of integrating the operations of an acquired company may create unforeseen operating difficulties and expenditures. The key areas where we may face risks and uncertainties include:

- disruption of ongoing business, diversion of resources and of management time and focus from operating our business to acquisitions and integration challenges;
- our ability to achieve anticipated benefits of acquisitions by successfully marketing the service offerings of acquired businesses to our existing partners and customers, or by successfully marketing our existing service offerings to customers and partners of acquired businesses;
- the negative impact of acquisitions on our results of operations as a result of large one-time charges, substantial debt or liabilities acquired or incurred, litigation, amortization or write down of amounts related to deferred compensation, goodwill and other intangible assets, or adverse tax consequences, substantial depreciation or deferred compensation charges;
- the inability to generate sufficient revenue to offset acquisition costs;
- the need to ensure that we comply with all regulatory requirements in connection with and following the completion of acquisitions;
- the possibility of acquiring unknown or unanticipated contingencies or liabilities;
- retaining employees and clients and otherwise preserving the value of the assets of the businesses we acquire;
- the need to integrate each acquired business's accounting, information technology, human resource and other administrative systems to permit effective management; and
- the need to implement or remediate appropriate controls, procedures and policies at companies that, prior to the acquisition, lacked these controls, procedures and policies.

In order to achieve the growth we seek, we may acquire numerous smaller market participants, which could require significant attention from management and increase risks, costs and uncertainties associated with integration. The businesses and other assets we acquire in the future may not achieve sufficient revenue or profitability to justify our investment, and any difficulties we may encounter in the integration process could interfere with our operations and reduce operating margins. We may need to make substantial capital and operating expenditures which may negatively impact our results in the near term, and the acquisitions may never meet our expectations.

***Some members of our senior management team have limited experience in the day-to-day operations of the industries in which our businesses operate.***

Some members of our senior management team have been involved in the day-to-day operation of companies in the outdoor billboard and insurance industries for only four to five years and may have limited or no operational experience in other industries and markets which we may choose to enter. Our management team relies on the knowledge and talent of the employees in our operating subsidiaries to successfully operate these businesses on a day-to-day basis. We may not be able to retain, hire or train personnel as quickly or efficiently as we need or on terms that are acceptable to us. An inability to efficiently operate our businesses would have a material adverse effect on our business, financial conditions, results of operations, and prospects.

***Increased operating expenses associated with the expansion of our business may negatively impact our operating income.***

Increased operating expenses associated with any expansion of our business may negatively impact our income as we, among other things:

- seek to acquire related businesses or expand the products being offered;
- expand geographically;
- make significant capital expenditures to support our ability to provide services in our existing businesses;
- incur significant depreciation and amortization charges in connection with acquired businesses; and
- incur increased general and administrative expenses as we grow.

As a result of these factors, we may not achieve, sustain or increase our profitability on an ongoing basis.

***We could suffer losses due to asset impairment charges for goodwill and other intangible assets.***

We annually test goodwill for impairment, and did so as of October 1, 2019. Based on our review at October 1, 2019, no impairment charge was required. We continue to assess whether factors or indicators become apparent that would require an interim impairment test between our annual impairment test dates. For example, if our market capitalization is below our equity book value for a period of time without recovery, we believe there is a strong presumption that would indicate a triggering event has occurred and it is more likely than not that the fair value of one or more of our reporting units are below their carrying amount. This would require us to test the reporting units for impairment of goodwill. If this presumption cannot be overcome a reporting unit could be impaired under ASC 350, *Goodwill and Other Intangible Assets* and a non-cash charge would be required. Any such charge could have a material adverse effect on the Company's financial condition and results of operations.

***We may raise additional equity capital through the "at the market" offering, and may raise additional capital pursuant to our shelf registration statement or additional public or private placements, any of which could substantially dilute your investment.***

We may need significant additional capital in the future to continue our planned acquisitions. No assurance can be given that we will be able to obtain such funds upon favorable terms and conditions, if at all. Failure to do so could have a material adverse effect on our business. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. We may sell Class A common stock, convertible securities or other equity or convertible securities in one or more transactions that may include voting rights (including the right to vote as a series on particular matters), preferences as to dividends and liquidation, antidilution, and conversion and redemption rights, subject to applicable law, and at prices and in a manner we determine from time to time.

Such issuances and the exercise of any convertible securities will dilute the percentage ownership of our stockholders, and may affect the value of our capital stock and could adversely affect the rights of the holders of such stock, thereby reducing the value of such stock. Moreover, any exercise of convertible securities may adversely affect the terms upon which we will be able to obtain additional equity capital, since the holders of such convertible securities can be expected to exercise them at a time when we would, in all likelihood, not be able to obtain any needed capital on terms more favorable to us than those provided in such convertible securities.

We currently have remaining approximately \$65.5 million in additional shares of Class A common stock issuable pursuant to the second "at the market" offering under which Cowen is acting as our sales agent. There is no guarantee that we will sell any additional shares in the "at the market" offering. We may also raise additional capital pursuant to our current shelf Registration Statement on Form S-3 (File No. 333-222853) or additional public or private placements based on our capital needs. If we sell shares or other equity securities in one or more other transactions, or issue stock or stock options pursuant to any future employee equity incentive plan, investors may be materially diluted by such subsequent issuances.

***Our investments in publicly traded securities involve a substantial degree of risk.***

In addition to our investments in privately-held companies, we may purchase publicly traded common stock and other equity securities, including warrants and corporate bonds. Although equity securities have historically generated higher average total returns than fixed-income securities over the long term, equity securities have also generally experienced significantly more volatility in those returns. The publicly traded securities we acquire may fail to appreciate and may decline in value or become worthless. Investments in equity securities involve a number of significant risks, including the risk of further dilution as a result of additional issuances, inability to access additional capital and failure to pay current distributions. Investments in preferred securities and corporate bonds involve special risks, such as the risk of deferred distributions, credit risk, illiquidity, changes in value based upon interest rates changes and other macroeconomic factors and limited voting rights. At December 31, 2019, we held approximately \$56 million in investments in publicly traded securities.

***The existing and future indebtedness incurred by our billboard business may adversely affect our ability to obtain additional funds and may increase our vulnerability to economic or business downturns. Failure to comply with the terms of this indebtedness could result in a default by our billboard business that could have material adverse consequences for us.***

Link, which operates our billboard businesses, entered into a credit agreement in August 2019 with a commercial bank which provides Link and its subsidiaries the opportunity to borrow up to \$40 million in principal through a combination of long-term debt and a line of credit. Link's current borrowings under the bank credit facility as of March 12, 2020 totaled \$18,060,000, all of which represents a term loan. In addition, Link may incur additional indebtedness in the future. Accordingly, Link is subject to the risks associated with significant indebtedness, including:

- Link must dedicate a portion of its cash flows from operations to pay principal and interest and, as a result, it may have less funds available for operations and other purposes;
- Link may find it more difficult and expensive to obtain additional funds through financings, if available at all;
- Link is more vulnerable to economic downturns, less able to withstand competitive pressures and less flexible in reacting to changes in the billboard industry and general economic conditions;
- if Link defaults under the credit facility, including failing to pay the outstanding principal when due, and if the lender demands payment of a portion or all of the indebtedness, it may not have sufficient funds to make such payments;
- if Link is unable to refinance indebtedness on its properties at maturity due to business and market factors, including: disruptions in the capital and credit markets; the estimated cash flows of Link's properties and other assets; the value of Link's properties and other assets; and financial, competitive, business and other factors, including factors beyond Link's control;
- if refinanced, the terms of a refinancing may not be as favorable as the original terms of the related indebtedness; and
- if Link borrows any sums under the line of credit, the interest rate it pays on such debt will be subject to changes in interest rates.

The occurrence of any of these events could materially adversely affect Link, which would adversely affect our results of operations and financial condition and adversely affect our stock price.

Furthermore, a failure to comply with the obligations contained in the loan agreements governing Link's indebtedness could result in an event of default under such agreements which could result in an acceleration of debt under other instruments evidencing indebtedness that contains cross-acceleration or cross-default provisions. If Link's indebtedness were to be accelerated, there can be no assurance that its future cash flow or assets would be sufficient to repay in full such indebtedness.

We may in the future rely in part on Link to provide us with the funds necessary to make distributions to us to meet our financial obligations. The leverage on Link's assets may affect the funds available to us if the terms of the debt impose restrictions on the ability of Link to make distributions to us. In addition, Link will generally have to service its debt obligations before making distributions to us or any of our other subsidiaries and any such distributions may require the consent of the lender. Leverage may also result in a requirement for liquidity, which may force the sale of assets at times of low demand and/or prices for such assets.

We may also incur indebtedness under future credit facilities.

If we are unable to refinance our indebtedness on acceptable terms, or at all, we may need to dispose of one or more of our properties or other assets upon disadvantageous terms. In addition, prevailing interest rates or other factors at the time of refinancing could increase our interest expense, and if we grant a security interest in any of our properties, or the properties of our subsidiaries to secure payment of indebtedness and are unable to make loan payments, the lender could foreclose upon such property.

***Restrictive covenants in Link's indebtedness may limit management's discretion with respect to certain business matters.***

Instruments governing Link's indebtedness contain restrictive covenants limiting Link's discretion with respect to certain business matters. These covenants could place significant restrictions on, among other things, Link's ability to create liens or other encumbrances, to make distributions to us or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. Covenants also require Link to meet certain financial ratios and financial condition tests. A failure to comply with any such covenants could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness.

***If we are unable to manage our interest rate risk effectively, our cash flows and operating results may suffer.***

Advances under Link's \$5 million revolving line of credit bear interest at a variable rate. Although we have not currently borrowed any sums under this line of credit, we may incur indebtedness under this line of credit in the future. Also, we may be required to refinance our debt at higher rates. Accordingly, increases in interest rates above that which we anticipate based upon historical trends would adversely affect our cash flows and we may not be able to hedge such exposure effectively, if at all.



***We may raise additional capital pursuant to debt financing, and such debt financing arrangements may contain covenants, which, if not complied with, could have a material adverse effect on our financial condition.***

Other than the bank borrowings to Link, to date we have not had a significant debt financing. However, as our operations grow and we achieve certain levels of revenue and cash flows, we may consider utilizing debt to finance additional acquisitions and our operations. Subject to market conditions and availability, we, or our subsidiaries, may incur significant debt through credit facilities (including term loans and/or revolving facilities), structured financing arrangements, public and private debt issuances or otherwise. Future debt financing arrangements may contain various covenants, including restrictive covenants, which, if not complied with, could have a material adverse effect on our ability to meet our debt obligations and our overall financial condition. Additionally, debt financing arrangements may be at the subsidiary level, but could include a guaranty by us, and could require a pledge of all or substantially all of our, and/or our subsidiaries', assets.

The amount of leverage we use will vary depending on our available acquisition investment opportunities, our available capital, our ability to obtain and access financing arrangements with lenders, and the lenders' and our estimates of the stability of our operating cash flows. Our governing documents contain no limit on the amount of debt we may incur, and we may significantly increase the amount of leverage we utilize at any time without approval of our shareholders. The amount of leverage on individual assets may vary, with leverage on some assets substantially higher than others, including at the subsidiary level. Leverage can enhance our potential returns but can also exacerbate our losses.

Incurring additional substantial debt could subject us to many risks that, if realized, would materially and adversely affect us, including the risk that:

- our cash flow from operations may be insufficient to make required payments of principal and interest on the debt or we may fail to comply with covenants contained in our debt instruments, which would likely result in (a) acceleration of such debt (and any other debt arrangements containing a cross default or cross acceleration provision) that we may be unable to repay from internal funds, unable to refinance on favorable terms, or unable to repay at all, (b) our inability to borrow additional amounts under other facilities, even if we are current in payments on borrowings under those arrangements and/or (c) the loss of some or all of our assets to foreclosures or forced sales;
- our debt may increase our vulnerability to adverse economic, market and industry conditions;
- we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, future business opportunities, distributions to our shareholders or other purposes; and
- we may not be able to refinance maturing debts.

We cannot be sure that our leverage strategies will be successful.

***We may be unable to access capital.***

Our access to capital depends on a number of factors, some of which we have little or no control over, including:

- general economic, market or industry conditions;
- the market's view of the quality of our assets;
- the market's perception of our growth potential;
- our current and potential future earnings and distributions to our shareholders; and
- the value of our securities.

We may have to rely on additional equity issuances, which may be dilutive to our shareholders, or on costly debt financings that require a large portion of our cash flow from operations, thereby reducing funds available for our operations, future business opportunities, distributions to our shareholders or other purposes. We cannot be sure that we will have access to such equity or debt capital on favorable terms at the desired times, or at all, which could negatively affect our financial condition and results of operations.

*We face intense competition, including competition from companies with significantly greater resources than us, and if we are unable to compete effectively with these companies, our market share may decline and our business could be harmed.*

**Outdoor Billboard Advertising.** The outdoor billboard industry is highly competitive. There is a concentration in the ownership of billboards in the geographic markets in which we compete and significantly larger companies, such as Clear Channel Outdoor Holdings, Inc., Outfront Media, Inc. and Lamar Advertising Company, own the majority of the out-of-home advertising billboards. Such competition may make it difficult to maintain or increase our current advertising revenues. In addition to competing for advertising revenue with other outdoor advertising businesses, the outdoor advertising market faces competition from other media, including radio, internet based services, print media, television, direct mail, satellite services and other mobile devices. Our competitors may develop technology, services or advertising media that are equal or superior to those we provide or that achieve greater market acceptance and brand recognition than we achieve. Also, new competitors may emerge and rapidly acquire significant market share in any of our business segments. Also, increased competition for advertising dollars may lead to lower advertising rates if we are to retain customers or may cause us to lose customers to our competitors who offer lower rates that we are unable or unwilling to match.

**Insurance Operations.** Our insurance business operates in an environment that is highly competitive and very fragmented. We will likely compete with other global insurance and reinsurance providers, including but not limited to Travelers, Liberty Mutual, Zurich Insurance Group, Lloyds and CNA Insurance Group, as well as numerous specialist, regional and local firms in almost every area of our surety business. Further, new competitors may regularly enter the market. We derive a substantial portion of our surety insurance revenues from the sale of apartment and commercial lease rental guarantee bonds and other companies may seek to enter that market. In addition to UCS, we also operate several surety insurance brokerage firms, and the surety insurance brokerage industry has relatively low barriers to entry. We may experience significant competition and our competitors may have greater financial, marketing and human resources than us.

**Broadband Services.** Our broadband services compete with other technologies, including traditional cable services as well as satellite services. These markets are highly competitive, and many traditional providers of cable and wireless services have greater financial, marketing and human resources than us and may be able to offer additional products and services to our customers. In addition, new technologies may be developed which would provide an alternative to our fiber to the home services we currently provide. As we seek to expand our broadband services, we may face incumbent service providers which would be able to retain a significant customer base in the communities in which we may seek to enter, making it difficult to achieve a share of the market needed to provide our services profitably.

Any additional industries or markets that we may enter through future acquisitions will also likely be occupied by established competitors. Many of our competitors have substantially greater financial, marketing, product development and human resources than we. Accordingly, even if there is a large market for our products and services in the industries in which we compete, there can be no assurance that our products and services will be purchased by consumers at a rate sufficient for us to achieve our growth objectives.

Our management recognizes that we will, therefore, be forced to compete primarily on the basis of price, location, performance, service, and other factors. Our management believes that our ability to achieve sustained profitability will depend primarily on our ability to consummate acquisitions of assets and businesses in competitive markets, skillfully allocate capital, and establish competitive advantages in each of our businesses. This approach requires that our management perform at a high level and is fraught with risks, many of which are beyond our control or ability to foresee.

*Adverse economic conditions could negatively affect our results of operations and financial condition.*

Our results of operations are sensitive to changes in overall economic conditions that impact consumer and commercial spending, including discretionary spending. Future economic conditions such as employment levels, business conditions, interest rates and tax rates could reduce our revenues. A general reduction in the level of business activity could adversely affect our financial condition and/or results of operations. For example, in particular, adverse economic conditions, either regionally or nationally, may result in reduced advertising expenditures that could adversely affect our billboard segment of operations. Adverse economic conditions may result in fewer surety transactions and adversely affect our insurance segment of operations. Adverse economic conditions may also affect our investments in homebuilding, auto lending, and commercial real estate management and services.

*Pandemics and epidemics, climate change, severe weather, natural disasters, and other external events could significantly impact our business.*

Public health or similar issues, such as epidemics or pandemics, including the current outbreak of COVID-19, which the World Health Organization declared a global emergency on January 30, 2020 and a pandemic on March 11, 2020, may result in health or other government authorities requiring the closure of our offices and the offices or other businesses of our customers and could significantly disrupt our operations and the operations of our customers. The extent of the adverse impact that any expansion of the current COVID-19 outbreak could have on the economy and on us cannot be predicted at this time. In addition, severe weather events cannot be predicted and may be exacerbated by global climate change, natural disasters, including hurricanes, flooding and earthquakes, acts of terrorism and other adverse external events. There is continuing uncertainty over what impact these events could have on our surety insurance bond business if claims are made against these bonds due to our customers inability to meet their contractual obligations due to delays caused by any serious health or other natural disaster. Significant storm damage may impact our transmission capabilities for our broadband services and significant damage could result in a loss of service for an extended period of time. The occurrence of any such event could have a material adverse effect on our business, financial condition and results of operations. The insurance we maintain against disasters may not be adequate to cover our losses in any particular case, which could require us to expend significant resources to replace any destroyed assets and materially and adversely affect our financial condition, results of operations and business prospects.

*We may be unable to employ a sufficient number of key employees and other experienced or qualified workers.*

The delivery of our services and products requires sales professionals and other personnel with substantial work experience in our lines of business. Workers may choose to pursue employment with our competitors or in fields that offer a more desirable work environment. Our ability to be productive and profitable will depend upon our ability to employ and retain workers with certain backgrounds and experience, such as experienced sales professionals and workers with substantial experience with insurance underwriting and risk and financial analysis. In addition, our ability to further expand our operations according to

geographic demand for our services depends in part on our ability to relocate or increase the size of our qualified and experienced labor force. The demand for experienced workers in our areas of operations can be high, the supply may be limited and we may be unable to relocate our employees from areas of lower utilization to areas of higher demand. A significant increase in the wages paid by competing employers could result in a reduction of our workers with required experience, increases in the wage rates that we must pay, or both. Further, a significant decrease in the wages paid by us or our competitors as a result of reduced industry demand could result in a reduction of the available pool of qualified and experienced individuals, and there is no assurance that the availability of such qualified and experienced labor will improve following a subsequent increase in demand for our services or an increase in wage rates. If any of these events were to occur, our capacity and profitability could be diminished and our growth potential could be impaired.

***We are heavily reliant upon our executive management team.***

We depend heavily on the efforts and services of our executive officers and other members of our management team to manage our operations, including our Co-Chief Executive Officers and our Chief Financial Officer. The unexpected loss or unavailability of key members of management may have a material adverse effect on our business, financial condition, results of operations, or prospects. Although our Co-Chief Executive Officers devote most of their business time to us and are highly active in our management, they expend part of their time on other business ventures. Among other commitments, our Co-Chief Executive Officers are each managing members of separate investment management entities and are not obligated to devote any specific number of hours to our affairs. These two key employees may not be able to dedicate adequate time to our businesses and operations, and we could experience an adverse effect on our operations due to the demands placed on our management team by their other professional obligations. In addition, these key employees' other responsibilities could cause conflicts of interest with us.

***Our executive officers and directors may experience a conflict of interest between their duties to us and to affiliated parties.***

Our Co-Chief Executive Officers, Adam K. Peterson and Alex B. Rozek, are each managing members of separate investment management entities that collectively own 47.3% of our Class A common stock and all of our Class B common stock. While we have deemed that the outside business endeavors of our management team do not currently constitute a conflict of interest, it is possible that a conflict of interest could arise between the performance of our executive management team and their roles as managing members of entities which together own a majority of our outstanding capital stock. These conflicts may not be resolved in our favor. Such conflicts of interest could have a material adverse effect on our business and operations. Further, the appearance of conflicts of interest created by related party transactions could impair the confidence of our investors. We have the authority to engage various contracting parties, which may be affiliates of ours or of our directors. As such, our directors may have a conflict of interest between their fiduciary duties to manage the business for our benefit and our stockholders and their direct and indirect affiliates' interests in establishing and maintaining relationships with us and in obtaining compensation for services rendered to us. With respect to such affiliates, there may be an absence of arms' length negotiations with respect to the terms, conditions and consideration with respect to goods and services provided to or by us. In addition, we have minority investments totaling \$583,830 in Logic and \$168,805 in 24<sup>th</sup> Street Holding Company, LLC, a related asset management company. Brendan J. Keating, who is one of our directors, is the Manager of both Logic and 24<sup>th</sup> Street Holding Company, LLC.

***A significant disruption in, or breach in security of, our information technology systems could adversely affect our business.***

We rely on the efficient and uninterrupted operation of complex information technology systems, some of which are managed by third parties. All information technology systems are vulnerable to damage or interruption from a variety of sources. As our business has grown in size and complexity, the growth has placed, and will continue to place, significant demands on our information technology systems.

As part of our ongoing effort to upgrade our current information systems, we periodically implement new software and software applications to manage certain of our business operations. As we implement and add functionality, problems could arise that we have not foreseen. Such problems could disrupt our ability to run our business in a timely and efficient manner. When we upgrade or change systems, we may suffer interruptions in service, loss of data or reduced functionality. In addition, if our new systems fail to provide accurate data our results of operations and cash flows could be adversely affected.

We also rely on our technology infrastructure, some of which is managed by third parties, among other functions, to sell our products and services, bill, collect and make payments, provide services and support to customers, fulfill contractual obligations and otherwise conduct business. This infrastructure processes information, including confidential information belonging to us, our customers and our business partners as well as personally-identifiable information of individuals. Our systems may be vulnerable to damage or interruption from employee errors, natural disasters, power loss, telecommunication failures, terrorist attacks, computer viruses, computer denial-of-service attacks, unauthorized access to customer or employee data or company trade secrets, and other attempts to harm our systems. Certain of our systems are not redundant, and our disaster recovery planning is not sufficient for every eventuality. Despite any precautions we may take, such problems could result in, among other consequences, interruptions in our services, which could harm our reputation and financial results. Any of the cyber-attacks, breaches or other disruptions or damage described above, if significant, could materially interrupt our operations, delay services, result in theft of our and our customers' information and trade secrets, damage customer, business partner and employee relationships and our reputation or result in defective products or services, legal claims and proceedings, liability and penalties under privacy laws and increased cost for security and remediation, each of which could adversely affect our business and financial results.

***Changes in laws and regulations governing data privacy and data protection could have a material adverse impact on our business.***

We are subject to data privacy laws and regulations that apply to the collection, transmission, storage and use of personally identifiable information, as well as numerous other countries', federal and state privacy and breach notification laws. While we continue to assess and address the implications of existing and new regulations relating to data privacy, the evolving regulatory landscape presents a number of legal and operational challenges, and our efforts to comply may be unsuccessful. We may also face audits or investigations by one or more government agencies relating to our compliance with these regulations that could result in the imposition of penalties or fines, significant expenses in facilitating and responding to the investigations, and overall reputational harm or negative publicity. The costs of compliance with, and other burdens imposed by, such laws, regulations and policies that are applicable to us could have a material adverse effect on our business, financial condition and results of operations.

***Governmental regulations could adversely affect our business, financial condition, results of operations and prospects, and we may not be successful in maintaining authority to issue surety insurance through UCS.***

**Outdoor Billboard Advertising.** Our billboard businesses are regulated by governmental authorities in the jurisdictions in which we operate. These regulations could limit our growth by putting constraints on the number, location and timing of billboards we wish to erect. New regulations and changes to existing regulations may also curtail our ability to expand our billboard business and adversely affect us by reducing our revenues or increasing our operating expenses. For example, settlements between major tobacco companies and all U.S. states and certain U.S. territories include a ban on the outdoor advertising of tobacco products. Alcohol products and other products may be future targets of advertising bans, and legislation, litigation or out-of-court settlements may result in the implementation of additional advertising restrictions that impact our business. Any significant reduction in alcohol-related advertising or the advertising of other products due to content-related restrictions could negatively impact our revenues generated from such businesses and cause an increase in the existing inventory of available outdoor billboard space throughout the industry.

**Insurance Operations.** We are subject to maintaining compliance within the highly regulated insurance industry as we continue our pursuit of opportunities in that market, including the maintenance of certain levels of operating capital and reserves. Generally, the extensive regulations are designed to benefit or protect policyholders, rather than our investors, or to reduce systemic financial risk. Failure to comply with these regulations could lead to disciplinary action, the imposition of penalties and the revocation of our authorization to operate in the insurance industry. Changes to the regulatory environment in the insurance industry may cause us to adjust our views or practices regarding regulatory risk management, and necessitate changes to our operations that may limit our growth or have an adverse impact on our business.

**Broadband Services.** The building and delivery of our broadband services is subject to regulation by both the FCC and county and local governments. Failure to comply with these regulations could lead to the imposition of fines and ultimately the revocation of our authorization to provide these services. As technology changes continue in this market, new regulations may impose additional regulatory burdens and costs that could have an adverse impact on our business.

In addition, certain of the other new markets and industries that we may choose to enter may be regulated by a variety of federal, state and local agencies. Similarly, our investments in other companies, including the home building and consumer auto lending markets, are highly regulated by federal and other governmental agencies.

***We are subject to extensive insurance regulation, which may adversely affect our ability to achieve our business objectives. In addition, if we fail to comply with these regulations, we may be subject to penalties, including fines and suspensions, which may adversely affect our financial condition and results of operations.***

Our insurance subsidiary, UCS, is subject to extensive regulation in Nebraska, its state of domicile, and to a lesser degree, the other states in which it operates. Most insurance regulations are designed to protect the interests of insurance policyholders, as opposed to the interests of investors or stockholders. These regulations generally are administered by a department of insurance in each state and relate to, among other things, authorizations to write excess and surplus lines of business, capital and surplus requirements, investment and underwriting limitations, affiliate transactions, dividend limitations, changes in control, solvency and a variety of other financial and non-financial aspects of our business. Significant changes in these laws and regulations could further limit our discretion or make it more expensive to conduct our business. State insurance regulators also conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to financial condition, holding company issues and other matters. These regulatory requirements may impose timing and expense constraints that could adversely affect our ability to achieve some or all of our business objectives.

In addition, state insurance regulators have broad discretion to deny or revoke licenses for various reasons, including the violation of regulations. In some instances, where there is uncertainty as to applicability, we follow practices based on our interpretations of regulations or practices that we believe generally to be followed by the industry. These practices may turn out to be different from the interpretations of regulatory authorities. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, state insurance regulators could preclude or temporarily suspend us from carrying on some or all of our activities or could otherwise penalize us. This could adversely affect our ability to operate our business. Further, changes in the level of regulation of the insurance industry or changes in laws or regulations themselves or interpretations by regulatory authorities could interfere with our operations and require us to bear additional costs of compliance, which could adversely affect our ability to operate our business.

The NAIC has adopted a system to test the adequacy of capital of insurance companies, known as “risk-based capital.” The risk-based capital formula establishes the minimum amount of capital necessary for a company to support its overall business operations. It identifies property and casualty insurers that may be inadequately capitalized by looking at three major areas: 1) Asset Risk; 2) Underwriting Risk; and 3) Other Risk. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action, including supervision, rehabilitation or liquidation. Failure to maintain our risk-based capital at the required levels could adversely affect the ability of our insurance subsidiary to maintain regulatory authority to conduct our business. Also, failure to maintain our U.S. Treasury Department listing or our A.M. Best A– (“Excellent”) rating would significantly impact our ability to operate effectively in the surety markets.

***Because we are a holding company and a significant portion of our operations are conducted by our UCS insurance subsidiary, our ability to pay dividends may depend on our ability to obtain cash dividends or other permitted payments from our insurance subsidiary.***

Because we are a holding company with no business operations of our own, our ability to pay dividends to stockholders will likely depend in significant part on dividends and other distributions from our subsidiaries, including our insurance subsidiary, UCS. State insurance laws, including the laws of Nebraska, restrict the ability of UCS to declare stockholder dividends. State insurance regulators require insurance companies to maintain specified levels of statutory capital and surplus. Consequently, dividend distribution is limited by Nebraska law. State insurance regulators have broad powers to prevent the reduction of statutory surplus to inadequate levels, and there is no assurance that dividends up to the maximum amounts calculated under any applicable formula would be permitted. Moreover, state insurance regulators that have jurisdiction over the payment of dividends by our insurance subsidiary may in the future adopt statutory provisions more restrictive than those currently in effect. UCS may only declare and pay dividends to us after all of UCS’s obligations and regulatory requirements with the Nebraska Department of Insurance have been satisfied.

The declaration and payment of future dividends to holders of our Class A common stock will be at the discretion of our Board of Directors and will depend on many factors.

***We may be unable to obtain reinsurance coverage at reasonable prices or on terms that adequately protect us.***

We use reinsurance to help manage our exposure to insurance risks. Reinsurance is a practice whereby one insurer, called the reinsurer, agrees to indemnify another insurer, called the ceding insurer, for all or part of the potential liability arising from one or more insurance policies issued by the ceding insurer. The availability and cost of reinsurance are subject to prevailing market conditions, both in terms of price and available capacity, which can affect our business volume and profitability. In addition, reinsurance programs are generally subject to renewal on an annual basis. We may not be able to obtain reinsurance on acceptable terms or from entities with satisfactory creditworthiness. If we are unable to obtain new reinsurance facilities or to renew expiring facilities, our net exposures would increase. In such event, if we are unwilling to bear an increase in our net exposure, we would have to reduce the level of our underwriting commitments, which would reduce our revenues.

Many reinsurance companies have begun to exclude certain coverages from, or alter terms in, the reinsurance contracts. For example, many reinsurance policies now exclude coverage of terrorism. As a result, we, like other direct insurance companies, write insurance policies which to some extent do not have the benefit of reinsurance protection. These gaps in reinsurance protection expose us to greater risk and greater potential losses.

***The expansion of our UCS insurance business to a nationwide insurance company may create both short-term and long-term constraints on our UCS operations.***

We have expanded our insurance operations nationwide and hope to continue to expand these operations, which may create additional burdens on our UCS personnel as we manage potentially significantly larger operations. As a result, we anticipate we will likely need to hire additional personnel to assist the current management team in our expanded surety insurance operations, and we may not be successful in identifying and hiring qualified personnel on a timely basis, if at all.

***Our insurance employees could take excessive risks, which could negatively affect our financial condition and business.***

As a business which anticipates it will derive a significant portion of its business from the sale of surety and other insurance products, we are in the business of binding certain risks. The employees who conduct our business, including executive officers and other members of management, underwriters, product managers and other employees, do so in part by making decisions and choices that involve exposing us to risk. These include decisions such as setting underwriting guidelines and standards, product design and pricing, determining which business opportunities to pursue and other decisions. We endeavor, in the design and implementation of our compensation programs and practices, to avoid giving our employees incentives to take excessive risks. However, employees may take such risks regardless of the structure of our compensation programs and practices. Similarly, although we employ controls and procedures designed to monitor employees' business decisions and prevent them from taking excessive risks, these controls and procedures may not be effective. If our employees take excessive risks, the impact of those risks could have a material adverse effect on our financial condition and business operations.

***If actual insurance claims exceed our claims and claim adjustment expense reserves, or if changes in the estimated level of claims and claim adjustment expense reserves are necessary, our financial results could be materially and adversely affected.***

As we grow our insurance operations, we will continue to establish claims and claims adjustment expense reserves. These reserves will not represent an exact calculation of liability, but instead will represent management estimates of what the ultimate settlement and administration of claims will cost, generally utilizing actuarial expertise and projection techniques, at a given accounting date. In particular, prior to 2017, UCS was writing business primarily in Massachusetts and has only been writing business outside of Massachusetts for a limited period of time. We do not currently have a long history of national underwriting experience and, as a result, rely on generally available industry data in establishing claims and claims adjustment expense reserves, and our estimates may be materially different from actual losses and adjustments incurred.

The process of estimating claims and claim adjustment expense reserves involves a high degree of judgment and is subject to a number of variables. These variables can be affected by both internal and external events, such as:

- changes in claims handling procedures
- adverse changes in loss cost trends
- economic conditions including general inflation
- legal trends and legislative changes
- limited claims experience in newer insurance products, and
- varying judgments and viewpoints of the individuals involved in the estimation process, among others.

The impact of many of these items on ultimate costs for claims and claim adjustment expenses will be difficult to estimate. We also expect that claims and claim adjustment expense reserve estimation difficulties will also differ significantly by product line due to differences in claim complexity, the volume of claims, the potential severity of individual claims, the determination of occurrence date for a claim and reporting lags (the time between the occurrence of the policyholder event and when it is actually reported to the insurer).

The estimation of claims and claim adjustment expense reserves may also be more difficult during times of adverse or uncertain economic conditions due to unexpected changes in behavior of claimants and policyholders, including an increase in fraudulent reporting of exposures and/or losses, reduced maintenance of insured properties, increased frequency of small claims or delays in the reporting of claims.

We will attempt to consider all significant facts and circumstances known at the time claims and claim adjustment expense reserves are established or reviewed. Due to the inherent uncertainty underlying claims and claim adjustment expense reserve estimates, the final resolution of the estimated liability for claims and claim adjustment expenses will likely be higher or lower than the related claims and claim adjustment expense reserves at the reporting date. Therefore, actual paid losses in the future may yield a materially different amount than will be currently reserved.

Because of the uncertainties set forth above, additional liabilities resulting from an accumulation of insured events, may exceed the current related reserves. In addition, our estimate of claims and claim adjustment expenses may change. These additional liabilities or increases in estimates, or a range of either, cannot now be reasonably estimated and could materially and adversely affect our results of operations and/or our financial position.

***Our efforts to develop new insurance products or expand in targeted markets may not be successful and may create enhanced risks.***

A number of our planned business initiatives in the insurance markets we intend to serve will involve developing new products or expanding existing products in targeted markets. This includes the following efforts, from time to time, to protect or grow market share:

- We may develop products that insure risks we have not previously insured, contain new coverage or coverage terms or contain different commission terms.
- We may refine our underwriting processes.
- We may seek to expand distribution channels.
- We may focus on geographic markets within or outside of the United States where we have had relatively little or no market share.

We may not be successful in introducing new products or expanding in targeted markets and, even if we are successful, these efforts may create enhanced risks. Among other risks:

- Demand for new products or in new markets may not meet our expectations.
- To the extent we are able to market new products or expand in new markets, our risk exposures may change, and the data and models we use to manage such exposures may not be as sophisticated or effective as those we use in existing markets or with existing products. This, in turn, could lead to losses in excess of our expectations.
- Models underlying underwriting and pricing decisions may not be effective.
- Efforts to develop new products or markets have the potential to create or increase distribution channel conflict.
- To develop new products or markets, we may need to make substantial capital and operating expenditures, which may also negatively impact results in the near term.

If our efforts to develop new products or expand in targeted markets are not successful, our results of operations could be materially and adversely affected.



*Adverse economic factors, including recession, inflation, periods of high unemployment or lower economic activity could result in the sale of fewer surety policies than expected or an increase in frequency or severity of claims and premium defaults or both, which, in turn, could affect the growth and profitability of our surety insurance business.*

Factors, such as business revenue, economic conditions, the volatility and strength of the capital markets and inflation can affect the business and economic environment. These same factors affect our ability to generate revenue and profits. In an economic downturn that is characterized by higher unemployment, declining spending and reduced corporate revenues, the demand for insurance products is generally adversely affected, which directly affects our premium levels and profitability. Negative economic factors may also affect our ability to receive the appropriate rate for the risk we insure with our policyholders and may adversely affect the number of policies we can write, including with respect to our opportunities to underwrite profitable business. In an economic downturn, our customers may have less need for insurance coverage. A decline in our financial strength rating may adversely affect the amount of business we write.

Participants in the insurance industry use ratings from independent ratings agencies, such as A.M. Best, as an important means of assessing the financial strength and quality of insurers. In setting its ratings, A.M. Best uses a quantitative and qualitative analysis of a company's balance sheet strength, operating performance and business profile. This analysis includes comparisons to peers and industry standards as well as assessments of operating plans, philosophy and management. A.M. Best financial strength ratings range from "A++" (Superior) to "F" for insurance companies that have been publicly placed in liquidation. As of the date of this Annual Report on Form 10-K, A.M. Best has assigned a financial strength rating of "A-" (Excellent) to our operating subsidiary, UCS. A.M. Best assigns ratings that are intended to provide an independent opinion of an insurance company's ability to meet its obligations to policyholders and such ratings are not evaluations directed to investors and are not a recommendation to buy, sell or hold our common stock or any other securities we may issue. A.M. Best periodically reviews our financial strength rating and may revise it downward or revoke it at its sole discretion based primarily on its analysis of our balance sheet strength (including capital adequacy and loss adjustment expense reserve adequacy), operating performance and business profile. Factors that could affect such analysis include but are not limited to:

- if we change our business practices from our organizational business plan in a manner that no longer supports A.M. Best's rating;
- if unfavorable financial, regulatory or market trends affect us, including excess market capacity;
- if our losses exceed our loss reserves;
- if we have unresolved issues with government regulators;
- if we are unable to retain our senior management or other key personnel;
- if our investment portfolio incurs significant losses; or
- if A.M. Best alters its capital adequacy assessment methodology in a manner that would adversely affect our rating.

These and other factors could result in a downgrade of our financial strength rating. A downgrade or withdrawal of our rating could result in any of the following consequences, among others:

- causing our current and future brokers and insureds to choose other, more highly-rated competitors;
- increasing the cost or reducing the availability of reinsurance to us;
- severely limiting or preventing us from writing new insurance contracts; or
- giving any future potential lenders the right to accelerate or call on any future debt we may incur.

In addition, in view of the earnings and capital pressures recently experienced by many financial institutions, including insurance companies, it is possible that rating organizations will heighten the level of scrutiny that they apply to such institutions, will increase the frequency and scope of their credit reviews, will request additional information from the companies that they rate or will increase the capital and other requirements employed in the rating organizations' models for maintenance of certain ratings levels. We can offer no assurance that our rating will remain at its current level. It is possible that such reviews of us may result in adverse ratings consequences, which could have a material adverse effect on our financial condition and results of operations.

***We may lack operational control over certain companies in which we invest.***

We have made, and may continue to make, certain strategic investments in various businesses without acquiring all or a majority ownership stake in those businesses. To the extent that such investments represent a minority or passive stake in any business, we may have little to no participation, input or control over the management, policies, and operations of such business. Further, we may lack sufficient ownership of voting securities to impact, without the vote of additional equity holders, any matters submitted to stockholders or members of such business for a vote.

There is inherent risk in making minority equity investments in companies over which we have little to no control. Without control of the management and decision-making of these businesses, we cannot control their direction, strategy, policies and business plans, and we may be powerless to improve any declines in their performance, operating results and financial condition. If any company in which we are a minority investor suffers adverse effects, it may not be able to continue as a going business concern, and we may lose our entire investment.

***We are subject to extensive financial reporting and related requirements for which our accounting and other management systems and resources may not be adequately prepared.***

We are subject to reporting and other obligations under the Exchange Act, including the requirements of Section 404 of the Sarbanes-Oxley Act. Section 404 requires us to conduct an annual management assessment of the effectiveness of our internal controls over financial reporting, and Section 404(b) requires our independent registered accounting firm to attest to and report on our management's assessment of our internal controls. These reporting and other obligations place significant demands on our management, administrative, operational and accounting resources. In order to comply with these requirements, we may need to (i) upgrade our systems, (ii) implement additional financial and management controls, reporting systems and procedures, (iii) implement an internal audit function, and (iv) hire additional accounting, internal audit and finance staff. If we are unable to accomplish these objectives in a timely and effective manner, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to maintain effective internal controls could have a negative impact on our ability to manage our business and on our stock price.

***We may fail to maintain effective internal controls over external financial reporting or such controls may fail or be circumvented.***

Federal securities laws require us to report on our internal controls over financial reporting, and our business and financial results could be adversely affected if we, or our independent registered public accounting firm, determine that these controls are not effective. If we do not maintain adequate financial and management personnel, processes, and controls, we may not be able to accurately report our financial performance on a timely basis, we may be otherwise unable to comply with the periodic reporting requirements of the SEC and the listing of our Class A common stock on NASDAQ could be suspended or terminated, each of which could have a material adverse effect on the confidence in our financial reporting, our credibility in the marketplace, and the trading price of our Class A common stock. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our committees and as executive officers.

## Risks Related to Ownership of our Common Stock

*Investors should not rely on the accuracy of forward-looking statements made by us.*

To the extent that we or any of our officers were to provide any forward-looking statements, investors must recognize that any such forward-looking statements are based upon assumptions and estimates. We cannot make any representations as to the accuracy and reasonableness of such assumptions or the forward-looking statements based thereon. The validity and accuracy of those forward-looking statements will depend in large part on future events that we cannot foresee, and may or may not prove to be correct. Consequently, there can be no assurance that our actual operating results will correspond to any of the forward-looking statements. Accordingly, an investment in our common stock should not be made in reliance on forward-looking statements prepared or provided by us.

*The price of our Class A common stock is likely to be volatile and fluctuate substantially, which could result in substantial losses for purchasers of our Class A common stock.*

Our Class A common stock price is likely to be volatile. The stock market in general has experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, you may not be able to sell your Class A common stock at or above your original purchase price. The market price for our Class A common stock may be influenced by many factors, many of which are out of our control, including those discussed in this “*Risk Factors*” section and elsewhere in this Annual Report and the following:

- our operating and financial performance and prospects;
- success of our competitors' products or services;
- regulatory or legal developments in the United States, especially changes in laws or regulations applicable to our products and services;
- additions or departures of key management personnel;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- introductions or announcements of new products offered by us or significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors and the timing of such introductions or announcements;
- our ability to effectively manage our growth;

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- our quarterly or annual earnings or those of other companies in the industries in which we participate;
- actual or anticipated changes in estimates to or projections of financial results, development timelines or recommendations by securities analysts;
- publication of research reports about us or our industry or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- the public's potential adverse reaction to our intention not to publish any guidance with respect to future earnings;
- the public's reaction to our press releases, other public announcements or our competitors' businesses;
- market conditions in the billboard, insurance, real estate and other sectors in which we may operate as well as general economic conditions;
- our ability or inability to raise additional capital through the issuance of equity or debt or other arrangements and the terms on which we raise it;
- trading volume of our Class A common stock;
- changes in accounting standards, policies, guidance or principles;
- significant lawsuits, including stockholder litigation;
- general economic, industry and market conditions, including those resulting from natural disasters, severe weather events, terrorist attacks, epidemics and pandemics (such as coronavirus, which we refer to as COVID-19) and responses to such events; and
- accounting charges associated with reductions in the values of our publicly traded securities and losses in our investments in private companies/in our investments

If our quarterly operating results fall below the expectations of investors or securities analysts, the price of our Class A common stock could decline substantially. Furthermore, any quarterly fluctuations in our operating results may, in turn, cause the price of our stock to fluctuate substantially. We believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of our future performance.

The stock market in general, and market prices for the securities of companies like ours in particular, have from time to time experienced volatility that often has been unrelated to the operating performance of the underlying companies. These broad market and industry fluctuations may adversely affect the market price of our Class A common stock, regardless of our operating performance.

In several recent situations when the market price of a stock has been volatile, holders of that stock have instituted securities class action litigation against the company that issued the stock. If any of our stockholders were to bring a lawsuit against us, the defense and disposition of the lawsuit could be costly and divert the time and attention of our management and harm our operating results.

***We are a smaller reporting company, and we cannot be certain if the reduced disclosure requirements applicable to smaller reporting companies will make our Class A common stock less attractive to investors.***

We are currently a “smaller reporting company” as defined in Rule 12b-2 of the Exchange Act. “Smaller reporting companies” are able to provide simplified executive compensation disclosures in their filings and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports and in certain registration statements filed with the SEC. Decreased disclosures in our SEC filings due to our status as a “smaller reporting company” may make it harder for investors to analyze our results of operations and financial prospects.

***An active trading market for our Class A common stock may not be maintained.***

Our Class A common stock began trading on the NASDAQ Capital Market on June 16, 2017. There is a risk that an active trading market for our shares may not be maintained. If an active market for our Class A common stock is not maintained, it may be difficult for you to sell your shares without depressing the market price for the shares or at all. The lack of an active market may also impair your ability to sell your shares at a time you wish to sell them or at a price that you consider reasonable and it may reduce the market value of your shares. An inactive trading market may also impair our ability to raise capital, to continue to fund operations by selling shares, and may impair our ability to acquire other companies or technologies by using our shares as consideration.

***We will continue to incur increased costs as a result of operating as a public company in the United States.***

As a public company in the United States, we have incurred and will continue to incur significant legal, accounting, insurance and other expenses, including costs associated with U.S. public company reporting requirements. We will also incur costs associated with NASDAQ listing requirements, the Sarbanes-Oxley Act and related rules implemented by the SEC. The expenses incurred by U.S. public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations would increase our legal and financial compliance costs and make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. In estimating these costs, we took into account expenses related to insurance, legal, accounting, and compliance activities, as well as other expenses not currently incurred. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our Board of Directors, our Board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Class A common stock, fines, sanctions and other regulatory action and potentially civil litigation.

***If a substantial number of shares of our Class A common stock become available for sale and are sold in a short period of time, the market price of our Class A common stock could decline.***

If our current stockholders sell substantial amounts of our Class A common stock in the public market in a short period of time, the market price of our Class A common stock could decrease. The perception in the public market that our current stockholders might sell shares of Class A common stock could also create a perceived overhang and depress our market price. As of March 12, 2020, we have 22,455,100 shares of Class A common stock outstanding of which 10,616,875 shares are held by funds managed by Magnolia and Boulderado.

Additionally, entities controlled by Magnolia and Boulderado have partners and members that may seek to have their interests redeemed and/or entities controlled by Boulderado and Magnolia may make a distribution to their partners and members or may dissolve such entities. In any such event, entities controlled by Boulderado or Magnolia would report a transfer of shares on a Form 4 filed with the SEC, which may affect the market price of our Class A common stock.

Moreover, certain holders of our Class A common stock have rights to require us to register their shares under the Securities Act, and to participate in future registrations of securities by us, subject to certain conditions.

***Sales of our Class A common Stock under Rule 144 could reduce the price of our Class A common stock.***

As of March 12, 2020, 12,016,902 shares of our Class A common stock are “restricted securities” within the meaning of Rule 144 under the Securities Act. As restricted securities, these shares may be resold only pursuant to an effective registration statement or under the requirements of Rule 144 or other applicable exemptions from registration under the Securities Act and as required under applicable state securities laws. A sale under Rule 144 or under any exemption from the Securities Act, if available, or pursuant to subsequent registration of shares of common stock of present stockholders, may have a depressive effect upon the price of our Class A common stock.

***If equity research analysts do not publish research or reports about our business or if they issue unfavorable commentary or downgrade our Class A common stock, the market price of our Class A common stock could decline.***

The trading market for our Class A common stock likely will be influenced by the research and reports that equity and debt research analysts publish about the industry, us and our business. The market price of our Class A common stock could decline if one or more securities analysts downgrade our shares or if those analysts issue a sell recommendation or other unfavorable commentary or cease publishing reports about us or our business. If one or more of the analysts who elect to cover us downgrade our shares, the market price of our Class A common stock would likely decline.

***Entities managed by Magnolia and Boulderado currently control all voting matters brought before our stockholders.***

Currently, MCF and BP collectively own all of our Class B common stock and entities managed by Magnolia and Boulderado own a majority of our Class A common stock. As a result, Mr. Peterson and entities managed by Magnolia together control 47.0% of the aggregate voting power, and Mr. Rozek and entities managed by Boulderado together control 19.3% of the aggregate voting power. Moreover, it is possible that entities managed by Boulderado and Magnolia may increase their ownership in us if we sell additional shares of stock to them in connection with any future capital raise we may conduct. Also, each share of Class B common stock is entitled to cast 10 votes for all matters on which our stockholders vote, while each share of Class A common stock is entitled to cast only one vote. For the foreseeable future, entities managed by Magnolia and Boulderado will likely continue to control virtually all matters submitted to stockholders for a vote; may elect all of our directors; and, as a result, may control our management, policies, and operations. Our other stockholders will not have voting control over our actions, including the determination of other industries and markets that we may enter.

The interests of the entities managed by Magnolia and Boulderado may not coincide with the interests of other holders of our Class A common stock. The entities managed by Magnolia and Boulderado are in the business of making investments in companies and may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us. The entities managed by Magnolia and Boulderado may also pursue, for their own managers’ or members’ accounts, acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as each of MCF and BP continue to own our Class B common stock or entities managed by Magnolia and Boulderado own a majority of our outstanding Class A common stock, they will continue to be able to strongly influence or effectively control our decisions, including potential mergers or acquisitions, asset sales and other significant corporate transactions.

***Certain actions cannot be taken without the approval of MCF and BP due to their ownership of Class B common stock.***

MCF and BP, the holders of record of the shares of Class B common stock, exclusively and as a separate class, are entitled to elect two directors to our Board of Directors, which we refer to as the "Class B Directors," which number of Class B Directors may be reduced pursuant to the terms and conditions of the Amended and Restated Voting and First Refusal Agreement between MCF and BP entered into on June 19, 2015, which we refer to as the "Amended and Restated Voting and First Refusal Agreement." Any Class B Director may be removed without cause by, and only by, the affirmative vote of the holders of eighty percent (80%) of the shares of Class B common stock exclusively and as a separate class, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of such stockholders.

At any time when shares of Class B common stock are outstanding, we may not, without the affirmative vote of both of the Class B Directors:

- Amend, alter or otherwise change the rights, preferences or privileges of the Class B common stock, or amend, alter or repeal any provision of our certificate of incorporation or bylaws in a manner that adversely affects the powers, preferences or rights of the Class B common stock.
- Liquidate, dissolve or wind-up our business, effect any merger or consolidation or any other deemed liquidation event or consent to any of the foregoing.
- Create, or authorize the creation of, or issue or issue additional shares of Class B common stock, or increase the authorized number of shares of any additional class or series of capital stock.
- Increase or decrease the authorized number of directors constituting the Board of Directors.
- Hire, terminate, change the compensation of, or amend the employment agreements of, our executive officers.
- Purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of our capital stock.
- Create, or authorize the creation of, or issue, or authorize the issuance of any debt security, if our aggregate indebtedness for borrowed money following such action would exceed \$10,000, or guarantee, any indebtedness except for our own trade accounts arising in the ordinary course of business.
- Make, or permit any subsidiary to make, any loan or advance outside of the ordinary course of business to any employee or director.
- Create, or hold capital stock in, any subsidiary that is not wholly owned (either directly or through one or more other subsidiaries) by us or permit any direct or indirect subsidiary to sell, lease, or otherwise dispose of all or substantially all of the assets of any subsidiary.
- Change our principal business, enter new lines of business, or exit the current line of business.
- Enter into any agreement involving the payment, contribution, or assignment by us or to us of money or assets greater than \$10,000.
- Enter into or be a party to any transaction outside of the ordinary course of business with any our directors, officers, or employees or any "associate" (as defined in Rule 12b-2 promulgated under the Exchange Act) of any such person or entity.
- Acquire, by merger, stock purchase, asset purchase or otherwise, any material assets or securities of any other corporation, partnership or other entity.



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***Provisions in our charter documents and Delaware law could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our current management, even if beneficial to our stockholders.***

Provisions in our certificate of incorporation and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control that some stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, possibly depressing the market price of our common stock.

In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace members of our Board of Directors. Because our Board of Directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace members of our management team.

Our Board of Directors is authorized to issue preferred stock without stockholder approval, which could be used to institute a “poison pill” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our Board of Directors. Our certificate of incorporation authorizes our Board of Directors to issue up to 1,000,000 shares of preferred stock. The preferred stock may be issued in one or more series, the terms of which may be determined by our Board of Directors at the time of issuance or fixed by resolution without further action by the stockholders. These terms may include voting rights, preferences as to dividends and liquidation, conversion rights, redemption rights and sinking fund provisions. The issuance of preferred stock could diminish the rights of holders of our common stock, and, therefore, could reduce the value of our common stock. In addition, specific rights granted to holders of preferred stock could be used to restrict our ability to merge with, or sell assets to, a third party. The ability of our Board of Directors to issue preferred stock could delay, discourage, prevent or make it more difficult or costly to acquire or effect a change in control, thereby preserving the current stockholders’ control.

***Delaware law and certain provisions in our certificate of incorporation and bylaws may prevent efforts by our stockholders to change the direction or management of the Company.***

We are a Delaware corporation, and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. In addition, our certificate of incorporation, as amended, and bylaws contain provisions that may make the acquisition of the Company more difficult, including, but not limited to, the following:

- setting forth specific procedures regarding how our stockholders may nominate directors for election at stockholder meetings;
- permitting our Board of Directors to issue preferred stock without stockholder approval; and
- limiting the rights of stockholders to amend our bylaws.

These provisions could discourage, delay or prevent a transaction involving a change in control of our Company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and cause us to take other corporate actions. In addition, because our Board of Directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team.

***Because we do not intend to pay dividends for the foreseeable future, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.***

We do not intend to pay dividends for the foreseeable future, and our stockholders will not be guaranteed, or have contractual or other rights, to receive dividends. Our Board of Directors may, in its discretion, modify or repeal our dividend policy or discontinue entirely the payment of dividends. The declaration and payment of dividends depends on various factors, including: our net income, financial condition, cash requirements, future prospects and other factors deemed relevant by our Board of Directors. In addition, state insurance regulators will limit the amount of dividends, if any, we can draw from our UCS insurance operations.

In addition, under the Delaware General Corporation Law, which we refer to as the “DGCL,” our Board of Directors may not authorize payment of a dividend unless it is either paid out of our surplus, as calculated in accordance with the DGCL, or if we do not have a surplus, it is paid out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

***If we are, or were, a U.S. real property holding corporation, non-U.S. holders of our Class A common stock could be subject to U.S. federal income tax on the gain from its sale, exchange or other disposition.***

If we are or ever have been a U.S. real property holding corporation, which we refer to as “USRPHC,” under the Foreign Investment in Real Property Tax Act of 1980 and applicable United States Treasury regulations, which we refer to collectively as the “FIRPTA Rules,” unless an exception applies, certain non-U.S. investors in our Class A common stock would be subject to U.S. federal income tax on the gain from the sale, exchange or other disposition of shares of our Class A common stock, and such non-U.S. investor would be required to file a United States federal income tax return. In addition, the purchaser of such Class A common stock would be required to withhold a portion of the purchase price and remit such amount to the U.S. Internal Revenue Service.

In general, under the FIRPTA Rules, a company is a USRPHC if its interests in U.S. real property comprise at least 50% of the fair market value of its assets. If we are or were a USRPHC, so long as our Class A common stock is “regularly traded on an established securities market” (as defined under the FIRPTA Rules), a non-U.S. holder who, actually or constructively, holds or held no more than 5% of our Class A common stock is not subject to U.S. federal income tax on the gain from the sale, exchange or other disposition of our common stock under FIRPTA Rules. In addition, other interests in equity of a USRPHC may qualify for this exception if, on the date such interest was acquired, such interests had a fair market value no greater than the fair market value on that date of 5% of our

Class A common stock. Any of our Class A common stockholders that are non-U.S. persons should consult their tax advisors to determine the consequences of investing in our Class A common stock.

***You may be diluted by the future issuance of additional Class A common stock in connection with acquisitions, sales of our securities or otherwise.***

As of March 12, 2020, we had 16,383,784 shares of Class A common stock authorized but unissued under our certificate of incorporation. We will be authorized to issue these shares of Class A common stock and options, rights, warrants and appreciation rights relating to Class A common stock for consideration and on terms and conditions established by our Board of Directors in its sole discretion, subject to applicable laws and NASDAQ rules, whether in connection with acquisitions, financings or otherwise. Any Class A common stock that we issue would dilute the percentage ownership held by current investors.

In February 2018, we filed a shelf Registration Statement on Form S-3 (File No. 333-222853) that was declared effective on February 9, 2018, relating to the offering of Class A common stock, preferred stock, par value \$0.001 per share, which we refer to as “preferred stock,” debt securities and warrants of the Company for up to \$200,000,000. On March 2, 2018, the Company entered into a Sales Agreement with Cowen, pursuant to which the Company sold from time to time in an “at the market” offering, a total of \$49,999,625 shares of Class A common stock through Cowen as sales agent. Sales under the “at the market” offering were made pursuant to a prospectus supplement, filed with the Securities and Exchange Commission, which we refer to as the “SEC” or the “Commission,” on March 2, 2018, to our shelf Registration Statement on Form S-3. Cowen received a commission equal to 3.0% of the gross sales proceeds of the shares sold through Cowen under the Sales Agreement, and we provided Cowen with customary indemnification and contribution rights.

On August 13, 2019, we entered into a second Sales Agreement with Cowen, relating to the sale of additional shares of our Class A common stock to be offered. In accordance with the terms of the second Sales Agreement, we may offer and sell from time to time up to \$75,000,000 of shares of our Class A common stock through Cowen acting as our agent. Cowen is not required to sell any specific amount of securities, but will act as our sales agent using commercially reasonable efforts consistent with its normal trading and sales practices, on mutually agreed terms between Cowen and us. The compensation to Cowen for sales of Class A common stock sold pursuant to the Sales Agreement will be an amount equal to 3% of the gross proceeds of any shares of Class A common stock sold under the Sales Agreement. From August 21, 2019 through December 31, 2019, we sold through Cowen 448,880 shares of our Class A common stock under the second “at the market” offering, resulting in gross proceeds to us of \$9,450,789 and net proceeds of \$9,122,227, after offering costs of \$328,562. The offering of the shares pursuant to the Sales Agreement will terminate upon the earlier of (i) the sale of all shares subject to the Sales Agreement, or (ii) termination of the Sales Agreement in accordance with its terms.

In the future, we may also issue our securities, including shares of our common stock, in connection with financings, investments or acquisitions. We regularly evaluate potential acquisition opportunities, including ones that would be significant to us. We cannot predict the timing of any contemplated transactions, and none are currently probable, but any pending transaction could be entered into shortly after the filing of this Annual Report on Form 10-K. The amount of shares of our Class A common stock issued in connection with a financing, investment or acquisition could constitute a material portion of our then-outstanding shares of Class A common stock. Any issuance of additional securities in connection with financings, investments or acquisitions may result in additional dilution to you.

***Our authorized preferred stock exposes holders of our common stock to certain risks.***

Our certificate of incorporation authorizes the issuance of up to 1,000,000 shares of preferred stock. The authorized but unissued preferred stock constitutes what is commonly referred to as “blank check” preferred stock. This type of preferred stock may be issued by the Board of Directors from time to time on any number of occasions, without stockholder approval, as one or more separate series of shares comprised of any number of the authorized but unissued shares of preferred stock, designated by resolution of the Board of Directors stating the name and number of shares of each series and setting forth separately for such series the relative rights, privileges and preferences thereof, including, if any, the: (i) rate of dividends payable thereon; (ii) price, terms and conditions of redemption; (iii) voluntary and involuntary liquidation preferences; (iv) provisions of a sinking fund for redemption or repurchase; (v) terms of conversion to common stock, including conversion price and antidilution protection, and (vi) voting rights. Such preferred stock may provide our Board of Directors the ability to hinder or discourage any attempt to gain control of us by a merger, tender offer at a control premium price, proxy contest or otherwise. Consequently, the preferred stock could entrench our management. The market price of our Class A common stock could be depressed to some extent by the existence of the preferred stock. As of March 11, 2019, no shares of preferred stock have been issued.

***Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.***

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our certificate of incorporation or our bylaws, (iv) any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or our bylaws or (v) any action asserting a claim against us that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our certificate of incorporation described in the preceding sentence. This choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

***Our directors have limited liability under Delaware law.***

Pursuant to our certificate of incorporation, and Delaware law, our directors are not liable to us or our stockholders for monetary damages for breach of fiduciary duty, except for: liability in connection with a breach of the duty of loyalty; acts or omissions not in good faith; acts or omissions that involve intentional misconduct or a knowing violation of law; dividend payments or stock repurchases that are illegal under Delaware law; or any transaction in which a director has derived an improper personal benefit. Accordingly, except in those circumstances, our directors will not be liable to us or our stockholders for breach of their duty.

***Our ability to use our net operating loss carry forwards may be subject to limitation and may result in increased future tax liability.***

Sections 382 and 383 of the Internal Revenue Code contain rules that limit the ability of a company that undergoes an “ownership change” to utilize its net operating loss and tax credit carry forwards and certain built-in losses recognized in years after the ownership change. An “ownership change” is generally defined in Section 382 of the Internal Revenue Code as any change in ownership of more than 50% of a corporation’s stock over a rolling three-year period by stockholders that own (directly or indirectly) 5% or more of the stock of a corporation, or arising from a new issuance of stock by a corporation. If an ownership change occurs, Section 382 generally imposes an annual limitation on the use of pre-ownership change net operating losses, which we refer to as “NOLs,” credits and certain other tax attributes to offset taxable income earned after the ownership change. The annual limitation is equal to the product of the applicable long-term tax exempt rate and the value of the company’s stock immediately before the ownership change. This annual limitation may be adjusted to reflect any unused annual limitation for prior years and certain recognized built-in gains and losses for the year. In addition, Section 383 generally limits the amount of tax liability in any post-ownership change year that can be reduced by pre-ownership change tax credit carryforwards. This could result in increased U.S. federal income tax liability for us if we generate taxable income in a future period. Limitations on the use of NOLs and other tax attributes could also increase our state tax liability. The use of our tax attributes will also be limited to the extent that we do not generate positive taxable income in future tax periods. As a result of these limitations, we may be unable to offset future taxable income (if any) with losses, or our tax liability with credits, before such losses and credits expire. Accordingly, these limitations may increase our federal income tax liability. NOLs generated during 2018 and thereafter do not expire.

As of December 31, 2019, we had NOLs of approximately \$26.4 million. This amount takes into consideration the reduction of \$1,300,000 that was the result of an IRS audit. We continue to assess the impact of the 2018 private placement, our “at the market” offerings and other transactions to determine whether an “ownership change,” as defined in Section 382 of the Internal Revenue Code, has occurred and, if so, the limitations on our ability to utilize NOLs. Additionally, it is possible that future transactions may cause us to undergo one or more ownership changes. Certain of these NOLs may be also at risk of limitation in the event of a future ownership change.

We have U.S. federal and state NOLs. In general, NOLs in one state cannot be used to offset income in any other state. Accordingly, we may be subject to tax in certain jurisdictions even if we have unused NOLs in other jurisdictions. Also, each jurisdiction in which we operate may have its own limitations on our ability to utilize NOLs or tax credit carryovers generated in that jurisdiction. These limitations may increase our federal, state, and/or foreign income tax liability.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Our corporate headquarters is located in Omaha, Nebraska. As of December 31, 2019, we maintained offices in various locations in the United States with leases expiring between 2020 and 2028. In connection with the acquisition of various billboard sites, we own a small percentage of these sites and in most instances lease the sites from third parties. 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. In the opinion of our management, our properties are adequate and suitable for our business as presently conducted and are adequately maintained. We also own several parcels in Arizona used by our broadband business for storage of equipment.

**Item 3. Legal Proceedings.**

Due to the nature of our business, we are, from time to time and in the ordinary course of business, involved in routine litigation or subject to disputes or claims related to our business activities, including, without limitation, workers' compensation claims and employment-related disputes. In the opinion of our management, none of the pending litigation, disputes or claims against us, if decided adversely, will have a material adverse effect individually or in the aggregate on our financial condition, cash flows or results of operations.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**PART II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

**Certain Information Regarding the Trading of Our Common Stock**

Since June 16, 2017, our Class A common stock publicly trades under the symbol "BOMN" on the NASDAQ Capital Market. Prior to this time, our Class A common stock was traded on the OTCQX with limited trading volume. Currently, there is no public trading market for our Class B common stock.

As of March 10, 2020, the closing price per share of our common stock was \$17.27, as reported by NASDAQ.

**Holders of Our Common Stock**

As of March 12, 2020, there were approximately 92 holders of record of shares of our Class A common stock. This number does not include stockholders for whom shares are held in "nominee" or "street" name. As of March 12, 2020, there were 22,455,100 shares of Class A common stock outstanding. As of March 12, 2020, we also had 1,055,560 shares of Class B common stock held entirely by MCF and BP, as well as warrants held by MCF to purchase up to an additional 52,778 shares of our Class B common stock, warrants held by BP to purchase up to 51,994 shares of our Class B common stock, and warrants held by an unaffiliated investor to purchase up to 784 shares of our Class A common stock, each at exercise prices ranging from \$8.00 to \$10.00 per share.

### **Dividend Policy**

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. We do not intend to pay any cash dividends to the holders of our common stock in the foreseeable future. We are not required to pay dividends, and our stockholders will not be guaranteed, or have contractual or other rights to receive, dividends. The declaration and payment of any future dividends will be at the sole discretion of our Board of Directors and will depend upon, among other things, our earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to the payment of dividends, opportunity set for retained capital, and other considerations that our Board of Directors deems relevant. In addition, state insurance regulators will limit the amount of dividends, if any, we can draw from our UCS insurance operations. In addition, Link's loan credit facility limits its ability to issue cash dividends to us during any period in which it is in default of any loan covenant. Our Board of Directors may decide, in its discretion, at any time, to modify or repeal the dividend policy or discontinue entirely the payment of dividends.

The ability of our Board of Directors to declare a dividend is also subject to limits imposed by Delaware corporate law. Under Delaware law, our Board of Directors and the boards of directors of our corporate subsidiaries incorporated in Delaware may declare dividends only to the extent of our "surplus," which is defined as total assets at fair market value minus total liabilities, minus statutory capital, or if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

### **Recent Sales of Unregistered Securities**

None.

### **Equity Compensation Plans**

We currently do not have any equity compensation plans under which our equity securities are authorized for issuance.

## Issuer Purchases of Equity Securities

Not applicable.

### Item 6. Selected Financial Data.

Not applicable as we are a “smaller reporting company.”

### Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

*You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those discussed below and as set forth under “Item 1A. Risk Factors.” Please also refer to the section under the heading “Cautionary Note Concerning Forward-Looking Statements.”*

#### Overview

We are currently engaged in outdoor billboard advertising and surety insurance and related brokerage businesses and commenced a broadband business in March 2020. In addition, we hold minority investments in commercial real estate management and brokerage services, a bank focused on servicing the automotive loan market, and a homebuilding company with operations located primarily in the Southeast United States.

**Billboards:** In June 2015, we commenced our billboard business operations through acquisitions by Link, our wholly-owned subsidiary, of smaller billboard companies located in the Southeast United States and Wisconsin. During July and August 2018, we acquired the membership interest or assets of three larger billboard companies. These transactions include our acquisition on July 31, 2018 of Tammy Lynn for approximately \$16 million, our acquisition on August 22, 2018 of substantially all of the assets of Key for approximately \$38 million, and our acquisition on August 31, 2018 of Waitt for approximately \$84 million. We believe that the acquisitions of Waitt and Key, with over 1,600 and 700 billboard structures, respectively, make us a leading outdoor billboard advertising company in the markets we serve in the Midwest. As of March 12, 2020, we operate approximately 3,000 billboards with approximately 5,600 advertising faces. One of our principal business objectives is to continue to acquire additional billboard assets through acquisitions of existing billboard businesses in the United States when they can be made at what we believe to be attractive prices relative to other opportunities generally available to us.

**Surety Insurance:** In April 2016, our surety insurance business commenced with the acquisition of a surety insurance brokerage business with a national internet-based presence. In December 2016, we completed the acquisition of UCS a surety insurance company, which at that time was licensed to issue surety bonds in only nine states. UCS now has licenses to operate in all 50 states and the District of Columbia. In addition, over the last three years, we have also acquired additional surety insurance brokerage businesses located in various regions of the United States.

**Broadband Services.** In March 2020, we commenced our broadband services business with the acquisition of substantially all of the assets of FibAire. We provide these services to over 7,000 customers located in Arizona and hope to continue to expand this business in Arizona and other locales.

#### **Investments:**

- Since September 2015, we have made a series of investments in commercial real estate, a commercial real estate management, brokerage and related services business as well as an asset management business. We currently own 30% of Logic and approximately 49.9% of 24<sup>th</sup> Street Holding Company, LLC, both directly and indirectly through our ownership in Logic.
- In December 2017, we invested \$10 million in common stock of Dream Finders Holdings LLC, the parent company of Dream Finders Homes, LLC, a national home builder with operations in Colorado, Florida, Georgia, Maryland, South Carolina, Texas and northern Virginia. In addition to its homebuilding operations, DFH’s subsidiaries provide mortgage loan origination and title insurance services to homebuyers. In May 2019, we invested, through one of our subsidiaries, an additional \$12 million in DFH through the purchase of preferred units. DFH is required to pay us a mandatory preferred return of at least 14% per annum on such preferred units and 25% of our preferred units are convertible, at our option, into non-voting common units until May 30, 2020 and the remaining preferred units are convertible, at our option, into non-voting common units after May 29, 2021. The mandatory 14% preferred return increases if the preferred units purchased are not redeemed or converted within one year of purchase. Also, we obtain additional beneficial conversion terms if the preferred units are not redeemed by May 29, 2021. On January 13, 2020, DFH redeemed \$6 million of the preferred units.
- In May 2018, we invested, through one of our subsidiaries, approximately \$19 million through the purchase of common stock of CB&T Holding Corporation, the privately-held parent company of Crescent Bank & Trust, Inc. Crescent is located in New Orleans and generates the majority of its revenues from indirect subprime automobile lending across the United States.

In each of our businesses, we hope to expand our geographic reach and market share and seek to develop a competitive advantage and/or brand name for our services, which we hope will be a differentiating factor for customers. Our insurance market primarily services small contractors, small and medium-sized businesses and individuals required to provide surety bonds (i) in connection with their work for government agencies and others, (ii) in connection with contractual obligations, or (iii) to meet regulatory requirements and other needs. We have expanded the licensing of the UCS business to all 50 states and the District of Columbia. In outdoor advertising, our plan is to continue to grow this business through acquisitions of billboard assets. We also expect to expand our broadband services in Arizona and in the future in other locations. We also expect to continue to make additional investments in real estate management service businesses, as well as in other businesses. In the future, we expect to expand the range of services we provide in the insurance sector, seek to continue to expand our billboard operations and broadband services and to possibly consider acquisitions of other businesses, as well as investments, in other sectors. Our decision to expand outside of these current business sectors we serve or in which we have made investments will be based on the opportunity to acquire businesses which we believe provide the potential for sustainable earnings at an attractive level relative to capital employed and, with regard to investment, we believe have the potential to provide attractive returns.

We seek to enter markets where we believe demand for our services will grow in the coming years due to certain barriers to entry and/or to anticipated long-term demand for these services. In the outdoor billboard business, government restrictions often limit the number of additional billboards that may be constructed. At the same time, advances in billboard technology provide the opportunity to improve revenues through the use of digital display technologies and other new technologies. In the surety insurance business, new insurance companies must be licensed by state agencies that impose capital, management and other strict requirements on these insurers. These hurdles are at the individual state level, with statutes often providing wide latitude to regulators to impose judgmental requirements upon new entrants. In addition, new distribution channels in certain areas of surety may provide a new opportunity. In the real estate management services market, we believe the continued growth of commercial real estate in many sections of the United States will provide opportunities for management services for the foreseeable future. We also believe our investment in both CB&T and DFH provides the opportunity for each company to significantly grow its business. We invest our available capital and the surplus capital from UCS in a wide range of securities, including equity securities of large cap public companies, various corporate and government bonds and U.S. treasuries. In broadband services, we believe that our FTTH services can compete with traditional cable operators as broadband provides higher rates of transmission and improved speed to consumers and that, once built, other competitors may be less willing to compete in communities which we serve.

### **How We Generate Our Revenues and Evaluate Our Business**

We currently generate revenues primarily through billboard advertising and related services and from the sale of surety insurance and related brokerage activities. Revenue for outdoor advertising space rental is recognized on a straight-line basis over the term of the contract and advertising revenue is reported net of agency commissions. Payments received in advance of being earned are recorded as deferred revenue. In our surety insurance business, premiums written are recognized as revenues based on a pro rata daily calculation over the respective terms of the policies in-force. Unearned premiums represent the portion of premiums written applicable to the unexpired term of the policies in-force. In connection with our surety agency business, insurance commissions are recognized at a point in time, on a bond-by-bond basis as of the policy effective date and are generally nonrefundable.

Segment gross profit is a key metric that we use to evaluate segment operating performance and to determine resource allocation between segments. We define segment gross profit as segment revenues less segment direct cost of services. In our billboard business, direct cost of services includes land leases, utilities, repairs and maintenance of equipment, sales commissions, contract services, and other billboard level expenses. In our surety business, direct cost of services includes commissions, premium taxes, fees and assessments, and losses and loss adjustment expenses.



**Results of Operations****Year Ended December 31, 2019 Compared to Year Ended December 31, 2018**

The following is a comparison of our results of operations for the year ended December 31, 2019, which we refer to as “fiscal 2019,” compared to the year ended December 31, 2018 which we refer to as “fiscal 2018.” Our results for fiscal 2019 include the operating results of certain billboard operations which were acquired during the third quarter of fiscal 2018. For fiscal 2018, operating results include the acquisitions of certain billboard operations from the date each acquisition was completed during the third quarter of fiscal 2018 through December 31, 2018. Therefore, comparisons of our results for fiscal 2019 to fiscal 2018 may not be meaningful. Our results of operations do not include results from our broadband operations, which we acquired in March 2020.

*Revenues.* For fiscal 2019 and fiscal 2018, our revenues in dollars and as a percentage of total revenues were as follows:

	For the Years Ended December 31,				
	2019		2018		2019 vs 2018
	Amount	As a % of Total Revenues	Amount	As a % of Total Revenues	\$ Variance
<b>Revenues:</b>					
Billboard rentals, net	\$ 28,429,167	68.7%	\$ 14,065,132	70.3%	\$ 14,364,035
Premiums earned	10,944,313	26.4%	3,184,312	15.9%	7,760,001
Insurance commissions	1,567,331	3.8%	2,606,031	13.0%	(1,038,700)
Investment and other income	448,327	1.1%	165,918	0.8%	282,409
Total Revenues	\$ 41,389,138	100.0%	\$ 20,021,393	100.0%	\$ 21,367,745

We realized total revenues of \$41,389,138 during fiscal 2019, an increase of 106.7% over revenues of \$20,021,393 during fiscal 2018. Total revenues were largely driven by increases in our net billboard rentals, which reflects the billboard acquisitions completed in the third quarter of fiscal 2018. The increase in revenues was also due to increased written premiums reflecting our approval to issue surety bonds in all 50 states and the District of Columbia, growth within our rental guarantee bond program, and improved marketing efforts. We recognize revenues for written premium over the life of the surety bond and, as a result, increased sales activities are not fully reflected in the quarter in which the surety bond is issued.

- Net billboard rentals during fiscal 2019 increased by \$14,364,035, or 102.1%, when compared to fiscal 2018. The increase was mainly driven by the Waitt, Key and Tammy Lynn acquisitions in July and August of 2018 as well as continued improvement in rental and occupancy rates on our existing billboards.
- Premiums earned from UCS during fiscal 2019 increased by \$7,760,001, or 243.7%, when compared to fiscal 2018. The increase in premiums earned is primarily due to an increase in gross written premium now that UCS is licensed in all 50 states and the District of Columbia, growth within our rental guarantee bond program, and our brokerage businesses being able to place more surety bonds through UCS.
- Revenue from insurance commissions generated by our surety brokerage operations during fiscal 2019 decreased by \$1,038,700, or 39.9%, when compared to fiscal 2018. The decrease in commission revenue is primarily due to our agents placing more surety bond business through UCS rather than through other carriers now that UCS is licensed in all 50 states and the District of Columbia.
- Investment and other income during fiscal 2019 increased \$282,409, or 170.2%, when compared to fiscal 2018.

*Expenses.* For fiscal 2019 and fiscal 2018, our expenses, in dollars, and as a percentage of total revenues, were as follows:

	For the Years Ended December 31,				
	2019		2018		2019 vs 2018
	Amount	As a % of Total Revenues	Amount	As a % of Total Revenues	\$ Variance
<b>Costs and Expenses:</b>					
Cost of billboard revenues	\$ 11,321,149	27.4%	\$ 5,639,030	28.1%	\$ 5,682,119
Cost of insurance revenues	6,290,218	15.2%	1,949,621	9.7%	4,340,597
Employee costs	11,945,895	28.9%	8,601,950	43.0%	3,343,945
Professional fees	3,664,370	8.9%	3,460,690	17.3%	203,680
General and administrative	6,346,698	15.3%	4,222,015	21.1%	2,124,683
Amortization	10,471,973	25.3%	6,036,657	30.1%	4,435,316
Depreciation	3,102,168	7.5%	2,039,408	10.2%	1,062,760
Loss on disposition of assets	223,890	0.5%	150,649	0.8%	73,241
Bad debt expense	299,881	0.7%	126,275	0.6%	173,606
Accretion	134,992	0.3%	52,639	0.3%	82,353
<b>Total Costs and Expenses</b>	<b>\$ 53,801,234</b>	<b>130.0%</b>	<b>\$ 32,278,934</b>	<b>161.2%</b>	<b>\$ 21,522,300</b>

During fiscal 2019, we had total costs and expenses of \$53,801,234, as compared to total costs and expenses of \$32,278,934 in fiscal 2018. Total costs and expenses as a percentage of revenues decreased to 130.0% in fiscal 2019 from 161.2% in fiscal 2018. This improvement reflects our increase in total revenues, primarily attributable to the Waitt, Key and Tammy Lynn transactions in the third quarter of fiscal 2018 and increased revenues from our insurance operations. Many of our most significant increases in costs arise from acquisitions completed in the third quarter of fiscal 2018, including amortization of intangibles and cost of billboard revenues associated with these acquisitions, as well as costs to meet future anticipated demand in our operations. In fiscal 2019, cost of billboard revenues, employee costs, professional fees, depreciation, amortization, and general and administrative expenses decreased as a percentage of total revenues as compared to fiscal 2018. Cost of insurance revenues increased as a percentage of total revenues in fiscal 2019 as compared to fiscal 2018 due primarily to increased gross written premium by UCS. Loss on disposition of assets, accretion, and bad debt expense, primarily associated with our billboard business, remained relatively constant as a percentage of revenues.

- Cost of billboard revenues in fiscal 2019 increased \$5,682,119, or 100.8%, when compared to fiscal 2018. The increase in expenses is primarily due to the Waitt, Key and Tammy Lynn transactions, which significantly increased our number of billboards and accordingly increased the costs associated with operating this increased inventory, including increased land expense and commissions paid reflecting the greater sales volume. As a percentage of billboard revenues, cost of billboard revenues decreased to 39.8% in fiscal 2019 from 40.1% in fiscal 2018.
- Cost of insurance revenues includes commissions paid, premium taxes, fees and assessments, and losses and loss adjustment expense. Due to increased gross written premium at UCS, the cost of insurance revenues increased from \$1,949,621 in fiscal 2018 to \$6,290,218 in fiscal 2019, an increase of 222.6%.
- Total employee costs in fiscal 2019 increased \$3,343,945, or 38.9%, when compared to fiscal 2018. However, employee costs as a percentage of revenues decreased to 28.9% in fiscal 2019 from 43.0% in fiscal 2018. This decrease in employee costs as a percentage of revenues was primarily due to significantly higher revenues, partially offset by increased staffing levels in our billboard and insurance operations. Most of the increase in staffing costs reflects increased headcount as a result of acquisitions and increased staffing to meet future anticipated demand for our products and services.
- Professional fees in fiscal 2019 were \$3,664,370, or 8.9% of total revenues, as compared to \$3,460,690, or 17.3% of total revenues in fiscal 2018. Professional fees increased in fiscal 2019, primarily due to professional fees associated with our fiscal 2018 and 2019 audit processes and internal controls attestation by our outside independent auditor.
- Non-cash expenses in fiscal 2019 included \$10,471,973 in amortization expense, \$3,102,168 in depreciation expense, and \$134,992 in accretion expense. Amortization expense increased by 73.5% and depreciation expense increased by 52.1% from fiscal 2018 to fiscal 2019. These increases are primarily associated with the Waitt, Key and Tammy Lynn transactions in the third quarter of fiscal 2018 as well as the finalization of the Key and Waitt purchase price allocations in the third quarter of fiscal 2019. In addition, as of October 1, 2019, we updated our analysis of economic lives of customer relationships and extended the amortization period from 3 years to 10 years to better reflect the estimated economic lives of our billboard customers. Lastly, accretion expense in connection with asset retirement obligations for certain billboard assets increased to \$134,992 in fiscal 2019 primarily due to the Waitt, Key and Tammy Lynn transactions.
- General and administrative expenses increased from \$4,222,015 in fiscal 2018 to \$6,346,698 in fiscal 2019, an increase of 50.3%. The increase was due primarily to increased staffing and system implementations from recent acquisitions as well as increased staffing to meet future anticipated demand for our products and services. As a percentage of total revenues, general and administrative expenses decreased to 15.3% in fiscal 2019 from 21.1% in fiscal 2018.

*Net Loss from Operations.* Net loss from operations in fiscal 2019 was \$12,412,096, or 30.0% of total revenues, as compared to a net loss from operations of \$12,257,541, or 61.2% of total revenues, in fiscal 2018. The increase in net loss from operations in dollars was primarily due to increased amortization expense associated with the billboard acquisitions completed in the third quarter of fiscal 2018 as well as increased cost of billboard revenues and cost of insurance revenues. However, net loss from operations decreased as a percentage of total revenues in fiscal 2019 primarily due to the decrease in employee costs, general and administrative expenses, amortization expense, and professional fees as a percentage of total revenues as revenues from the Waitt, Key and

Tammy Lynn businesses acquired in the third quarter of 2018 and from our UCS surety bond business grew at a faster rate than these expenses. Our net loss from operations of \$12,412,096 in fiscal 2019 included \$13,709,133 from non-cash amortization, depreciation and accretion expenses.

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*Other Income (Expense).* In fiscal 2019, we had net other income of \$10,930,831. Net other income included \$6,273,337 from unrealized gains on large publicly traded equity securities mainly held by Boston Omaha, \$710,169 in dividend income from equity securities held by Boston Omaha, \$479,366 in equity in income from unconsolidated affiliates, \$572,181 in realized gains mainly from the sale of marketable equity securities held by UCS, and interest income of \$3,198,527, primarily derived from our investments in short-term treasury securities as well as our DFH preferred units, which was partially offset by interest expense of \$302,749 incurred under Link's term loan which commenced in August 2019. During fiscal 2018, we had net other income of \$3,098,710, which included \$500,017 in equity in income of unconsolidated affiliates, \$662,666 in realized gains on disposition of investments, and interest income of \$1,953,226, which was partially offset by unrealized losses on securities of \$15,395 and interest expense of \$1,804.

*Net Loss Attributable to Common Stockholders.* We had a net loss attributable to common stockholders in the amount of \$1,486,923 in fiscal 2019, or a loss per share of \$0.07, based on 22,778,405 weighted average shares outstanding. This is compared to a net loss attributable to common stockholders in the amount of \$9,113,937 in fiscal 2018, or a loss per share of \$0.46, based on 19,933,467 weighted average shares outstanding.

The following tables report results for the two segments in which we operate, billboards and insurance, for fiscal 2019 and fiscal 2018:

**Results of Billboard Operations**

	For the Years Ended December 31,			
	2019		2018	
	Amount	As a % of Segment Operating Revenues	Amount	As a % of Segment Operating Revenues
<b>Operating Revenues</b>				
Billboard rentals, net	\$ 28,429,167	100.0%	\$ 14,065,132	100.0%
<b>Cost of Revenues</b>				
Ground rents	6,238,827	22.0%	2,999,971	21.3%
Utilities	1,166,644	4.1%	604,484	4.3%
Commissions paid	2,708,485	9.5%	1,296,429	9.2%
Other costs of revenues	1,207,193	4.2%	738,146	5.3%
Total cost of revenues	11,321,149	39.8%	5,639,030	40.1%
Gross margin	17,108,018	60.2%	8,426,102	59.9%
<b>Other Operating Expenses</b>				
Employee costs	6,027,205	21.2%	3,299,893	23.5%
Professional fees	700,626	2.5%	585,145	4.2%
General and administrative	3,094,573	10.9%	1,482,971	10.4%
Amortization	9,313,916	32.8%	4,782,144	34.0%
Depreciation	3,080,775	10.8%	2,022,787	14.4%
Accretion	134,992	0.5%	52,639	0.4%
Loss on disposition of assets	223,890	0.8%	150,649	1.1%
Bad debt expense	297,146	1.0%	125,351	0.9%
Total expenses	22,873,123	80.5%	12,501,579	88.9%
<b>Segment Loss from Operations</b>	(5,765,105)	(20.3%)	(4,075,477)	(29.0%)
Interest income (expense)	(251,657)	(0.9%)	130	0.0%
<b>Net Loss Attributable to Common Stockholders</b>	\$ (6,016,762)	(21.2%)	\$ (4,075,347)	(29.0%)

*Comparison of Fiscal 2019 to Fiscal 2018.* In fiscal 2019, there was a 102.1% increase in net billboard revenues from fiscal 2018, reflecting the acquisition of billboards from Waitt, Key and Tammy Lynn in the third quarter of fiscal 2018 and improving rental and occupancy rates of our billboards. Other than ground rents, commissions paid, and general and administrative expenses, all other significant costs decreased as a percentage of segment operating revenues. Net loss from operations increased in total dollars but decreased as a percentage of segment revenues. The key factors affecting our billboard operations results during fiscal 2019 were as follows:

- Amortization expense in fiscal 2019 increased \$4,531,772, or 94.8%, when compared to fiscal 2018. The increase mainly reflects the Waitt, Key and Tammy Lynn transactions completed in the third quarter of fiscal 2018 as well as the finalization of the Key and Waitt purchase price allocations in the third quarter of fiscal 2019. In addition, as of October 1, 2019, we updated our analysis of economic lives of customer relationships and extended the amortization period from 3 years to 10 years to better reflect the estimated economic lives of our billboard customers.
- Depreciation expense in fiscal 2019 increased \$1,057,988, or 52.3%, when compared to fiscal 2018. The increase was primarily due to the acquisitions of billboard assets under the Waitt, Key and Tammy Lynn transactions in the third quarter of fiscal 2018.
- Ground rent expense in fiscal 2019 increased \$3,238,856, or 108.0%, when compared to fiscal 2018. The increase was primarily due to the acquisition of billboards from Waitt, Key and Tammy Lynn as well as the new lease accounting standard (ASC 842), which went into effect on January 1, 2019, where lease expense is now recognized on a straight-line basis over the lease term. Ground rents increased as a percentage of total segment operating revenues from 21.3% in fiscal 2018 to 22.0% in fiscal 2019.
- Increases in commissions paid are associated with an increase in net billboard revenues driven mainly by the Waitt, Key and Tammy Lynn transactions as well as improved rental and occupancy rates. As a percentage of total segment operating revenues, commissions paid increased from 9.2% in fiscal 2018 to 9.5% in fiscal 2019.

- Other increases in operating expenses, including increased employee costs and general and administrative expenses, mainly reflect the Waitt, Key and Tammy Lynn transactions in the third quarter of fiscal 2018.

### Results of Insurance Operations

	For the Years Ended December 31,			
	2019		2018	
	Amount	As a % of Segment Operating Revenues	Amount	As a % of Segment Operating Revenues
<b>Operating Revenues</b>				
Premiums earned	\$ 10,944,313	84.4%	\$ 3,184,312	53.5%
Insurance commissions	1,567,331	12.1%	2,606,031	43.7%
Investment and other income	448,327	3.5%	165,918	2.8%
<b>Total operating revenues</b>	<b>12,959,971</b>	<b>100.0%</b>	<b>5,956,261</b>	<b>100.0%</b>
<b>Cost of Revenues</b>				
Commissions paid	4,114,251	31.7%	1,442,374	24.2%
Premium taxes, fees, and assessments	386,617	3.0%	132,740	2.2%
Losses and loss adjustment expense	1,789,350	13.8%	374,507	6.3%
<b>Total cost of revenues</b>	<b>6,290,218</b>	<b>48.5%</b>	<b>1,949,621</b>	<b>32.7%</b>
<b>Gross margin</b>	<b>6,669,753</b>	<b>51.5%</b>	<b>4,006,640</b>	<b>67.3%</b>
<b>Other Operating Expenses</b>				
Employee costs	5,094,581	39.3%	4,808,522	80.7%
Professional fees	250,992	1.9%	513,266	8.6%
General and administrative	2,358,416	18.2%	2,113,067	35.5%
Amortization	1,158,057	9.0%	1,254,514	21.1%
Depreciation	21,393	0.2%	16,620	0.3%
Bad debt expense	2,735	0.0%	923	0.0%
<b>Total expenses</b>	<b>8,886,174</b>	<b>68.6%</b>	<b>8,706,912</b>	<b>146.2%</b>
<b>Segment Loss from Operations</b>	<b>(2,216,421)</b>	<b>(17.1%)</b>	<b>(4,700,272)</b>	<b>(78.9%)</b>
Interest income (expense)	151	0.0%	(1,469)	(0.0%)
Unrealized gain on securities	1,193,042	9.2%	-	0.0%
Gain on sale of investments	557,279	4.3%	24,301	0.4%
Noncontrolling interest in subsidiary (income) loss	(5,658)	(0.0%)	44,894	0.7%
<b>Net Loss Attributable to Common Stockholders</b>	<b>\$ (471,607)</b>	<b>(3.6%)</b>	<b>\$ (4,632,546)</b>	<b>(77.8%)</b>

*Comparison of Fiscal 2019 to Fiscal 2018.* In fiscal 2019, total operating revenues increased by 117.6% when compared to fiscal 2018, primarily due to a 243.7% increase in premiums earned at UCS. In addition, during fiscal 2019, expenses grew at a slower rate than revenues, resulting in a reduced loss from insurance operations. The key factors affecting our insurance operations results during fiscal 2019 were as follows:

- Increased premiums earned from our UCS subsidiary in fiscal 2019, reflecting our ability to now sell surety insurance in all 50 states and the District of Columbia as well as growth within our rental guarantee bond program. During fiscal 2018, we were just beginning operations in a number of states and did not receive approval from California until August 2018.
- Our brokerage operations realized a decrease in insurance commissions from other insurance carriers as more premium was written internally through UCS.
- The favorable impact of these additional revenues to UCS were partially offset by increased commissions paid, primarily due to increased revenues within UCS from third-party agents and the sale of certain rental guarantee bonds which generally provide a higher commission structure.
- Our losses and loss adjustment expense as a percentage of insurance revenues increased in connection with our loss reserve estimates based on increased revenue within UCS as well as entering new geographic markets.
- We continue our efforts to improve operating results by expanding marketing efforts and the technology infrastructure that is utilized by UCS and our brokerage operations.
- Employee costs and general and administrative expenses decreased as a percentage of insurance revenue to 39.3% and 18.2%, respectively, during fiscal 2019. This is compared to 80.7% and 35.5% of insurance revenues, respectively, during fiscal 2018.
- During fiscal 2019, our loss from insurance operations was reduced by unrealized gains on our investments in publicly held securities and gains on the sale of publicly held equity investments. We expect to continue to invest a portion of our excess capital in accordance with insurance regulatory limitations in both publicly traded equity securities and bonds. While these investments have produced realized and unrealized gains in fiscal 2019, these investments are subject to the risk of loss in value depending upon market conditions and factors outside of our control.

## Cash Flows

**Cash Flows for Fiscal 2019 compared to Fiscal 2018.** The table below summarizes our cash flows, in dollars, for fiscal 2019 and fiscal 2018:

	2019	2018
Net cash provided by operating activities	\$ 9,613,549	\$ 38,325
Net cash used in investing activities	(60,626,598)	(164,756,183)
Net cash provided by financing activities	49,241,242	175,631,127
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>\$ (1,771,807)</b>	<b>\$ 10,913,269</b>

*Net Cash Provided by Operating Activities.* Net cash provided by operating activities in fiscal 2019 was \$9,613,548 as compared with \$38,325 in fiscal 2018. The increase was primarily attributable to the acquisitions of Waitt, Key and Tammy Lynn as well as continued growth in our operations and unearned premiums from our insurance operations.

*Net Cash Used in Investing Activities.* Net cash used in investing activities was \$60,626,598 in fiscal 2019 as compared with \$164,756,183 during fiscal 2018. This decrease in net cash used in investing activities is primarily the result of decreased business acquisition activity during 2019 when compared to our 2018 acquisitions of Waitt, Key and Tammy Lynn, which totaled \$134,798,950 from a cash standpoint. Partially offsetting the decrease in acquisition activity is our current year investment in preferred units of DFH as well as increased net cash outflows related to our purchases and proceeds from the sale of investments.

*Net Cash Provided by Financing Activities.* Net cash provided by financing activities was \$49,241,242 in fiscal 2019 and consists of gross proceeds of \$32,204,732 raised through our “at the market” offerings, offset by offering costs of \$1,023,490, as well as gross proceeds of \$18,060,000 received related to our term loan with First National Bank of Omaha. This is a decrease from fiscal 2018 in which we had \$175,631,127 provided by financing activities consisting of gross proceeds of approximately \$150,000,000 raised through the sale of our Class A common stock in our 2018 private placement and gross proceeds of \$27,245,682 raised through our “at the market” offering during fiscal 2018, offset by offering costs of \$1,614,555 collectively.

## Liquidity and Capital Resources

Currently, we own billboards in Alabama, Florida, Georgia, Illinois, Iowa, Kansas, Missouri, Nebraska, Virginia, West Virginia and Wisconsin, surety insurance brokerage firms we acquired in 2016 and 2017, a surety insurance company we acquired in December 2016, a broadband service provider whose assets we acquired in March 2020 and minority investments in several real estate management entities, a builder of residential homes, and a bank holding entity whose primary source of revenue is in subprime automobile lending. At December 31, 2019, we had approximately \$16 million in unrestricted cash and approximately \$75 million in U.S. Treasury securities available for sale. Our strategy is to continue to acquire other billboard locations and insurance businesses as well as acquire other businesses which we believe have the potential to generate positive cash flows and when made at what we believe to be attractive prices relative to other opportunities generally available to us. We currently expect to finance any future acquisitions and investments with cash, debt and seller or third-party financing. Similar to our previous issuance in connection with the acquisitions of Tammy Lynn and Image, in the future, we may satisfy all or a portion of the purchase price for an acquisition with our equity securities. In addition, we have made investments in several companies and expect to continue to make investments in the securities of both publicly traded and privately held companies.

There can be no assurance that we will consummate any subsequent acquisitions. Furthermore, our acquisitions are subject to a number of risks and uncertainties, including as to when, whether and to what extent the anticipated benefits and cost savings of a particular acquisition will be realized. Our failure to successfully identify and complete future acquisitions of assets or businesses could reduce future potential earnings, available cash and slow our anticipated growth.

In February 2018, we announced the entry into a stock purchase agreement relating to the issuance and sale of up to \$150,000,000 of our unregistered Class A common stock, which we refer to as the “2018 private placement.” 3,300,000 shares were issued in the initial closing, which occurred on March 6, 2018, resulting in gross proceeds to us of \$76,890,000. The remaining 3,137,768 shares were issued during the third quarter of fiscal 2018 in a subsequent closing on May 15, 2018, resulting in gross proceeds to us of approximately \$73,110,000. Under the 2018 private placement, all shares were sold at \$23.30, a slight premium to the \$23.29 closing price of the Class A common stock on the NASDAQ Capital Market, as reported by NASDAQ on the date of the Class A Common Stock Purchase Agreement.

Since March 2018, we have utilized our “at the market” offering that is part of our shelf Registration Statement on Form S-3 (File No. 333-222853) that was filed with the Securities and Exchange Commission, which we refer to as the “SEC,” and declared effective in February 2018, which authorizes us to sell up to \$200,000,000 through the sales of securities to the public. The original “at the market” offering was pursuant to a Sales Agreement entered into on March 2, 2018 with Cowen and Company, LLC, which we refer to as “Cowen,” and related to the sale of shares of our Class A common stock. In accordance with the terms of that Sales Agreement, we had the option to sell from time to time up to \$50,000,000 of shares of our Class A common stock through Cowen acting as our agent. Cowen was not required to sell any specific amount of securities, but acted as our sales agent using commercially reasonable efforts consistent with its normal trading and sales practices on mutually agreed terms between Cowen and us. The compensation to Cowen for sales of Class A common stock sold pursuant to the Sales Agreement was an amount equal to 3% of the gross proceeds of any shares of Class A common stock sold under the Sales Agreement. From March 2018 through August 20, 2019, we sold through Cowen an aggregate of 2,141,452 shares of our Class A common stock under this “at the market” offering, resulting in gross proceeds to us of \$49,999,625, of which 942,223 shares were sold during fiscal 2019 for gross proceeds of \$22,753,943. We subsequently entered into a new Sales Agreement with Cowen which allows us to sell up to an additional \$75,000,000 of our Class A common stock under the same compensation arrangement to Cowen. This new “at the market” offering provides us with the flexibility to seek to raise additional capital in amounts we deem appropriate and at price levels approved by us, with lower costs than a traditional underwritten public offering. We have no specific plans for the use of any proceeds from this new “at the market” offering of our Class A common stock. During fiscal 2019, we sold 448,880 shares of our Class A common stock under this new “at the market” offering for gross proceeds of \$9,450,789. As of the date of this report, we have not sold any shares of our Class A common stock during 2020.





On August 12, 2019, Link, our wholly owned subsidiary which owns and operates our billboard businesses, entered into a Credit Agreement, which we refer to as the "Credit Agreement," with First National Bank of Omaha, which we refer to as the "Lender," under which Link may borrow up to \$40,000,000, which we refer to as the "Credit Facility." The Credit Agreement provides for an initial term loan, which we refer to as "Term Loan 1," of up to \$24,900,000, an incremental term loan, which we refer to as "Term Loan 2," and a revolving line of credit. These loans are secured by all assets of Link and its operating subsidiaries, including a pledge of equity interests of each of Link's subsidiaries. In addition, each of Link's subsidiaries has joined as a guarantor to the obligations under the Credit Agreement. These loans are not guaranteed by Boston Omaha Corporation or any of our non-billboard businesses. Link has initially borrowed \$18,060,000 under the Credit Facility. Term Loan 1 has a fixed interest rate of 4.25% per annum with interest only payments due through July 1, 2020. Term Loan 2 has a loan availability in an amount not to exceed three times 2019 reported EBITDA reduced by the loan principal under Term Loan 1 and must be drawn before June 30, 2020. If utilized, Term Loan 2 will have a fixed rate of interest determined using the seven-year Treasury rate plus 195 basis points but in any event an interest rate no less than 4.20% per annum. Principal amounts under each of Term Loan 1 and Term Loan 2 are payable in monthly installments according to either a 15-year or 25-year amortization schedule. For Term Loan 1, these payments are due commencing on the earlier of July 1, 2020 or the first day of the first calendar month following any draw down under Term Loan 2. For Term Loan 2, these principal payments are due commencing on the last day of the month following the closing of Term Loan 2. Both term loans are payable in full on August 12, 2026. Commencing July 1, 2020, principal payments for these term loans are amortized over a 15-year period. Link retains the option to amortize loan principal payments on both term loans on a 25-year amortization schedule provided Link meets a 2:00 to 1:00 consolidated leverage ratio test as described in the Credit Agreement and meets certain other customary terms and conditions set forth in the Credit Agreement. During the first three years of the term loans, Link may prepay up to 10% of the loan principal in each year without paying any prepayment penalty. Otherwise, there is a prepayment penalty ranging between 2.0% and 0.5%. After three years, there is no prepayment penalty. In addition to the term loans, the Credit Agreement allows Link to borrow up to \$5,000,000 through August 12, 2021 under a revolving line of credit, subject to the limitation that Link's total borrowings under both term loans and the line of credit may not exceed \$40,000,000 in the aggregate. Interest payments on the revolving line of credit are based on the 30 day LIBOR rate plus an applicable margin ranging between 2.00% and 2.50% dependent on Link's consolidated leverage ratio.

The Credit Agreement includes representations and warranties, reporting covenants, affirmative covenants, negative covenants, financial covenants and events of default customary for financings of this type. Upon the occurrence of an event of default the Lender may accelerate the loans. Upon the occurrence of certain insolvency and bankruptcy events of default the loans will automatically accelerate. The foregoing summary of the Credit Agreement and the transactions contemplated thereby does not purport to be a complete description and is qualified in its entirety by reference to the terms and conditions of the Credit Agreement and Security Agreement, copies of which are attached as Exhibit 10.1 and Exhibit 10.2, respectively to our Form 8-K as filed with the SEC on August 13, 2019 and a First Amendment to Credit Agreement, a copy of which is attached as Exhibit 10.1 to our Form 8-K as filed with the SEC on October 29, 2019.

We believe that our existing cash and short-term investments, generated by the proceeds from the 2018 private placement, the proceeds from the "at the market" offering to date, additional funds that we may receive in the current "at the market" offering, funds received and in the future available through the credit agreement Link entered into on August 12, 2019, and any funds that we may receive from cash flows from operations will be sufficient to meet working capital requirements, and anticipated capital expenditures for the next 12 months. At December 31, 2019, we had approximately \$91 million available in unrestricted cash and U.S. Treasury securities. If future additional significant acquisition opportunities become available in excess of our currently available cash and U.S. Treasury securities, we may need to seek additional capital through long term debt borrowings, the sale of our securities, and/or other financing options and we may not be able to obtain such debt or equity financing on terms favorable to us or at all.

In the future, we may use a number of different sources to finance our acquisitions and operations, including current cash on hand, potential future cash flows from operations, seller financing, debt financings including but not limited to long-term debt and line of credit facilities, including additional credit facilities which may or may not be secured by our assets or those of our operating subsidiaries, additional common or preferred equity issuances or any combination of these sources, to the extent available to us, or other sources that may become available from time to time, which could include asset sales and issuance of debt securities. In addition to our current credit facility, any other future debt that we incur may be recourse or non-recourse and may be secured or unsecured. Link's existing credit facility imposes restrictions on Link that could increase our vulnerability to general adverse economic and industry conditions by limiting our flexibility in planning for and reacting to changes in our billboard and insurance industries. Specifically, these restrictions place limits on Link and its subsidiaries' ability to, among other things, incur additional indebtedness, make additional acquisitions and investments, pay dividends, repurchase stock, create liens, enter into transactions with affiliates, merge or consolidate or transfer or sell our billboard assets. Our credit facility requires us to meet a fixed charge coverage ratio and other financial covenants. Our ability to comply with these loan covenants may be affected by factors beyond our control and a breach of any loan covenants would likely result in an event of default under the credit facility, which would permit the lender to declare all amounts incurred thereunder to be immediately due and payable and to terminate their commitment to make future extensions of credit. We also may take advantage of joint venture or other partnering opportunities as such opportunities arise in order to acquire properties that would otherwise be unavailable to us. Any future credit facilities which we or any of our subsidiaries may enter into would likely impose similar restrictions and risks. We may use the proceeds of any future borrowings to acquire assets or for general corporate purposes. In determining when to use leverage, we will assess the appropriateness of new equity or debt capital based on market conditions, including assumptions regarding future cash flow, the creditworthiness of customers and future rental rates.

Our certificate of incorporation and bylaws do not limit the amount of debt that we may incur. Our Board of Directors has not adopted a policy limiting the total amount of debt that we may incur. Our Board of Directors will consider a number of factors in evaluating the amount of debt that we may incur. If we adopt a debt policy, our Board of Directors may from time to time modify such policy in light of then-current economic conditions, relative costs of debt and equity capital, market values of our properties, general conditions in the markets for debt and equity securities, fluctuations in the market price of our Class A common stock if then trading on any exchange, growth and acquisition opportunities and other factors. Our decision to use leverage in the future to finance our assets will be at our discretion and will not be subject to the approval of our stockholders, and we are not restricted by our governing documents or otherwise in the amount of leverage that we may use.

## Off-Balance Sheet Arrangements

Except for our normal operating leases, we do not have any off-balance sheet financing arrangements, transactions or special purpose entities.

## Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements and related notes to the consolidated financial statements requires us to make estimates that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. We base these estimates on historical results and various other assumptions believed to be reasonable, all of which form the basis for making estimates concerning the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

In the notes accompanying the consolidated financial statements, we describe the significant accounting policies used in the preparation of our consolidated financial statements. We believe that the following represent the most significant estimates and management judgments used in preparing the consolidated financial statements.

### Revenue Recognition

**Billboard Rentals.** We generate revenue from outdoor advertising through the leasing of advertising space on billboards. The terms of the operating leases generally range from less than one month to three years and are generally billed monthly. Revenue for advertising space rental is recognized on a straight-line basis over the term of the contract. Advertising revenue is reported net of agency commissions. Agency commissions are calculated based on a stated percentage applied to gross billing revenue for operations. Payments received in advance of being earned are recorded as deferred revenue.

**Insurance Premiums and Commissions.** Premiums written are recognized as revenues based on a pro-rata daily calculation over the respective terms 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.

We generate revenue from commissions on surety bond sales. Insurance commissions are earned from various insurance companies based upon our agency agreements with them. We arrange with various insurance companies for the provision of a surety bond for entities that require a surety bond. The insurance company sets the price of the bond. The contract with the insurance company is fulfilled when the bond is issued by the insurance agency on behalf of the insurance company. The insurance commissions are calculated based upon a stated percentage applied to the gross premiums on bonds. Commissions are recognized at a point in time, on a bond-by-bond basis as of the policy effective date and are generally nonrefundable.

### Right of Use Assets and Lease Liabilities

ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The present value of lease payments is determined primarily using the incremental borrowing rate based on the information available at the lease commencement date. We have elected not to recognize ROU assets and lease liabilities for short-term leases for all classes of underlying assets. Short-term leases are leases with terms greater than 1 month, but less than 12 months.

### Accounts Receivable

**Billboard Rentals.** Accounts receivable are recorded at the invoiced amount, net of advertising agency commissions, sales discounts, and allowances for doubtful accounts. We evaluate the collectability of our accounts receivable based on our knowledge of our customers and historical experience of bad debts. In circumstances where we are aware of a specific customer's inability to meet its financial obligations, we record a specific allowance to reduce the amounts recorded to what we believe will be collected. For all other customers, we recognize 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.

**Insurance.** Accounts receivable consists of premiums and anticipated salvage. All of the receivables have payment terms of less than twelve months.

### Deferred Policy Acquisition Costs

Insurance policy acquisition costs consist primarily of commissions to agents and brokers and premium taxes, fees, and assessments. Such costs that are directly related to the successful acquisition of new or renewal insurance contracts are deferred and amortized over the related policy period, generally one to three years. The recoverability of these costs is analyzed by management quarterly, and if determined to be impaired, is charged to expense. We do not consider anticipated investment income in determining whether a premium deficiency exists. All other acquisition expenses are charged to operations as incurred.

### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation and amortization are provided principally on the straight-line method over the estimated useful lives of the assets, which range from two years to fifteen years as follows:

	<u>Years</u>
Structures	15
Digital displays and electrical	3 to 10
Static and tri-vision displays	7 to 15
Vehicles, equipment, and furniture	2 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.

Periodic internal reviews are performed to evaluate the reasonableness of the depreciable lives for property and equipment. Actual usage, physical wear and tear, replacement history, and assumptions about technology evolution are reviewed and evaluated to determine the remaining useful lives of the assets. Remaining useful life assessments are made to anticipate the loss in service value that may precede physical retirement, as well as the level of maintenance required for the remaining useful life of the asset.

Property and equipment is reviewed periodically 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 our historical experience. Impairment losses are recognized only if the carrying amount exceeds its fair value.

### Purchased Intangibles and Other Long-Lived Assets

We amortize intangible assets with finite lives over their estimated useful lives, which range between two years and 50 years as follows:

	<u>Years</u>
Customer relationships	3 to 10
Permits, licenses, and lease acquisition costs	10 to 50
Noncompetition and nonsolicitation agreements	2 to 5
Technology, trade names, and trademarks	2 to 3
Site location	15

Purchased intangible assets, including long-lived assets are reviewed for impairment 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 our 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 our historical experience. Impairment losses are recognized only if the carrying amount exceeds its fair value.

We have acquired goodwill related to our various business acquisitions. Goodwill represents future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. 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. For our annual review, we employ a third party valuation expert. Factors considered in the annual evaluation include deterioration in economic conditions (both macro and geographic), limitations on accessing capital, and market value of our company. 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. If industry and economic conditions deteriorate, we may be required to assess goodwill impairment before the next annual test, which could result in impairment charges.

During the fourth quarter of 2019, we updated our analysis of economic lives of customer relationships. As of October 1, 2019, we extended the amortization period to 10 years to better reflect the estimated economic lives of our billboard customers. This change in accounting estimate decreased amortization expense and decreased the net loss by \$2,124,125, or \$0.09 per basic and diluted share, in the fourth quarter of 2019.

## **Investments**

Investments include certificates of deposit, marketable equity securities, investments in corporate bonds, and U.S. Treasury securities. U.S Treasury securities and corporate bonds held by our insurance entities are classified as held-to-maturity and are accounted for at amortized cost. We have both the intent and ability to hold the securities to maturity. U.S treasury securities and corporate bonds held by non-insurance entities are classified as available for sale and are accounted for at fair value. Because we have elected the fair value option for these securities, unrealized holding gains and losses during the period are included in earnings. Interest income is recognized at the coupon rate. Marketable equity securities are publicly traded stocks measured at fair value using quoted prices for identical assets in active markets. Certificates of deposit are accounted for at carrying value 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 and losses are included in earnings.

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update, which we refer to as “ASU,” No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires entities to carry all investments in equity securities at fair value and recognize any changes in fair value in net income. Under the standard, equity investments that do not have readily determinable fair values and do not qualify for the net asset value practical expedient are eligible for the measurement alternative. For our equity investments of less than 5% in private companies, we have elected to adopt the measurement alternative, defined as cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. We adopted the provisions of ASU No. 2016-01 on January 1, 2018.

## **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 us, as well as all other contractual obligations of the principals to the surety. For 2018, we held long-term certificates of deposit as collateral.

## **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 expenses. Estimates for losses and loss adjustment expenses are based on past experience of investigating and adjusting claims and consideration of the level of premiums written during the current and prior year. Since the reserves are based on estimates, the ultimate liability may differ from the estimated reserve. The effects of changes in estimated reserves are included in the results of operations in the period in which the estimates are updated.

## **Tax Contingencies**

We are subject to income taxes and other state and local taxes. Our tax returns, like those of most companies, are subject to periodic audit by federal, state and local tax authorities. Future audits may include questions regarding our tax filing positions, including the timing and amount of deductions and the reporting of various taxable transactions. At any one time, multiple tax years are subject to audit by the various tax authorities. In evaluating the exposures associated with our various tax filing positions, we may record a liability for such exposures. A number of years may elapse before a particular matter, for which we have established a liability, is audited and fully resolved or clarified. We adjust our liability for these tax exposures in the period in which a tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position, or when more information becomes available.

## **Quantitative and Qualitative Disclosures about Market Risk**

At December 31, 2019, we held no significant derivative instruments that materially increased our exposure to market risks for interest rates, foreign currency rates, commodity prices or other market price risks. Our operations are currently conducted entirely within the U.S.; therefore, we had no significant exposure to foreign currency exchange rate risk.

### **Recently Issued Accounting Pronouncements**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or other standard setting bodies, which are adopted by us as of the specified effective date. Unless otherwise discussed, the Company's management believes the impact of recently issued standards not yet effective will not have a material impact on the Company's consolidated financial statements upon adoption. See Note 2 to these consolidated financial statements for a detailed discussion of recently issued accounting pronouncements.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable as we are a "smaller reporting company."

### **Item 8. Financial Statements and Supplementary Data.**

Our Consolidated Financial Statements and the related notes, together with the Report of Independent Registered Public Accounting Firm thereon, are set forth below beginning on page F-1 and are incorporated herein by reference.

### **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Not applicable.

**Item 9A. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officers and principal financial and accounting officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our principal executive officers and principal financial and accounting officer each concluded that, as of December 31, 2019, our disclosure controls and procedures are effective and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the requisite time periods.

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2019, using the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, which we refer to as "COSO 2013." Based on its evaluation under the framework in Internal Control - Integrated Framework (2013), management concluded that our internal control over financial reporting was effective as of December 31, 2019.

**Changes in Internal Control over Financial Reporting**

There have not been any changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the fiscal quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Limitations on Effectiveness of Controls and Procedures**

Our management, including our principal executive officers and principal financial and accounting officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

**Attestation Report of the Registered Public Accounting Firm**

The attestation report of MaloneBailey, LLP, the Company's independent registered public accounting firm, on the Company's internal control over financial reporting is set forth in this Annual Report on Form 10-K on page F-2 and is incorporated herein.

**Item 9B. Other Information.**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance.**

**Management**

**Executive Officers and Directors.** The following table lists the current members of our Board of Directors and our executive officers as of March 12, 2020. The address for our directors and officers is c/o Boston Omaha Corporation, 1411 Harney Street, Suite 200, Omaha, Nebraska 68102.

<b>Name</b>	<b>Age</b>	<b>Position(s)</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
Alex B. Rozek	41	Co-Chairperson of the Board, Co-President and Co-Chief Executive Officer			
Adam K. Peterson	38	Co-Chairperson of the Board, Co-President and Co-Chief Executive Officer			
Joshua P. Weisenburger	36	Chief Financial Officer, Secretary, and Treasurer			
Bradford B. Briner	43	Director	X	X	
Brendan J. Keating	38	Director			
Frank H. Kenan II	38	Director		X	X
Jeffrey C. Royal	43	Director	X	X	X
Vishnu Srinivasan	41	Director	X		X

(1) Member of Audit and Risk Committee

(2) Member of Compensation Committee

(3) Member of Nominating and Corporate Governance Committee

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Each executive officer is elected or appointed by, and serves at the discretion of, our Board of Directors. The elected officers of the Company will hold office until their successors are duly elected and qualified, or until their earlier resignation or removal.

Alex B. Rozek, age 41, has been Co-Chairperson of our Board of Directors, Co-Chief Executive Officer and President since February 2015, when he became a member of our Board of Directors. He also serves as the Managing Member of Boulderado Partners, LLC, a private investment partnership founded in July 2007. From 2004 to 2007, Mr. Rozek served as an analyst for Water Street Capital and Friedman Billings Ramsey Group. Prior to 2004, he worked for Hunton & Williams and FedEx. Mr. Rozek is also one of three appointees from the town of Woodstock to ECFiber, a fiber telecommunications cooperative in east-central Vermont. Mr. Rozek graduated with a B.S. in Biology and a Minor in Chemistry from the University of North Carolina at Chapel Hill. Our Board of Directors has determined that Mr. Rozek's 16 years' experience in investments and financial analysis qualifies him to be a member of the Board of Directors in light of the Company's business and structure.

Adam K. Peterson, age 38, has been Co-Chairperson of our Board of Directors since February 2015, when he became a member of our Board of Directors, and has been President since December 2017. Since June 2014, Mr. Peterson has served as the Manager of The Magnolia Group, LLC, an SEC registered investment advisor and the general partner of Magnolia Capital Fund, LP, Magnolia BOC I, LP, and Magnolia BOC II, LP. Since June 2017, Mr. Peterson has served as a Director for Nicholas Financial, Inc., a publicly traded company on the NASDAQ Global Select Market. Since May 2016, Mr. Peterson has served as a Director for Brampton Brick Ltd., a publicly traded Canadian company traded on the Toronto Stock Exchange. From November 2005 through August 2014, Mr. Peterson served as the Chief Investment Officer of Magnolia Capital Partners, LP and related entities. From May 2004 through June 2006, Mr. Peterson was a financial analyst for Kiewit Corporation. Mr. Peterson graduated with a B.S. in Finance from Creighton University. Our Board of Directors has determined that Mr. Peterson's 15 years' experience in investments and financial analysis qualifies him to be a member of the Board of Directors in light of the Company's business and structure.

Joshua P. Weisenburger, age 36, has served as our Chief Financial Officer, Secretary and Treasurer since June 2017. Mr. Weisenburger, who joined us in 2016, has also served as our Chief Accounting Officer and our Controller. From July 2011 through June 2016, Mr. Weisenburger was employed by Ecolab, Inc., a global leader in water, hygiene and energy technologies and services. At Ecolab, Mr. Weisenburger served first as a finance manager and then as a finance controller throughout various divisions within the company. Prior to his time at Ecolab, Mr. Weisenburger was employed from June 2005 through August 2009 by Kiewit Corporation, a construction, engineering and mining services company, and held several different treasury roles. Mr. Weisenburger graduated with a B.S. in Finance from Creighton University and an MBA from the University of Minnesota - Carlson School of Management.



Bradford B. Briner, age 43, has served as a member of our Board of Directors since April 2016. Mr. Briner is also currently a member of our Audit and Risk Committee and Compensation Committee. Mr. Briner joined Willett Advisors in 2012 and is the Co-Chief Investment Officer. Willett Advisors is the investment management arm of the Bloomberg Family and for Bloomberg Philanthropies. Previously, Mr. Briner was the Managing Director of Private Investments for Morgan Creek Capital, a \$10 billion fund of funds that he co-founded in 2004. Mr. Briner graduated from the University of North Carolina at Chapel Hill as a Morehead Scholar with a degree in economics with distinction. Mr. Briner also received an MBA with distinction from Harvard Business School. Our Board of Directors has determined that Mr. Briner's 21 years' experience in real estate, investment and management services qualifies him to be a member of the Board of Directors in light of the Company's business and structure.

Brendan J. Keating, age 38, has served as a member of our Board of Directors since February 2016. Since August 2015, Mr. Keating has been Manager and CEO of Logic Real Estate Companies, LLC, a company based in Las Vegas, Nevada and formed in 2015 which provides commercial property brokerage and property management services. A trust controlled by members of Mr. Keating's family owns a majority of the membership interest in Logic Real Estate Companies, LLC. From 2005 to 2015, Mr. Keating was employed at The Equity Group, a company providing services to the commercial real estate market in brokerage, investment, management, development, consulting, tax appeal and facility maintenance services. Mr. Keating served as a principal of The Equity Group from 2007 to 2015. Mr. Keating has a B.S. in Finance and Entrepreneurship from Creighton University. Our Board of Directors has determined that Mr. Keating's 15 years' experience in commercial real estate brokerage, investment and management services qualifies him to be a member of the Board of Directors in light of the Company's business and structure.

Frank H. Kenan II, age 38, has served as a member of our Board of Directors since June 2017. Mr. Kenan is also currently a member of our Compensation Committee and Nominating and Corporate Governance Committee. Since August 2014, Mr. Kenan has served as the Co-Founder and Principal of KD Capital Management, LLC. From September 2011 to December 2014, Mr. Kenan served as an Investment Analyst at Boulderado Group, LLC. From January 2006 to January 2008, Mr. Kenan served as a Development Associate at Edens & Avant. From May 2005 to January 2006, Mr. Kenan served as an Analyst at Vivum Group. Mr. Kenan currently serves as a member of the Board of Directors of the Cougar Club of the College of Charleston, a 501(c)(3) non-profit organization that serves as the fundraising arm for the College of Charleston Athletic Department. Mr. Kenan holds a B.S. from the College of Charleston and an M.B.A. from the University of North Carolina at Chapel Hill – Kenan-Flagler Business School. Our Board of Directors has determined that Mr. Kenan's 15 years' experience in investments and financial analysis qualifies him to be a member of the Board of Directors in light of the Company's business and structure.

Jeffrey C. Royal, age 43, has served as a member of our Board of Directors since January 2019. Mr. Royal is also currently a member of our Audit and Risk Committee, Compensation Committee, and Nominating and Corporate Governance Committee. Mr. Royal has also served as a Director for Nicholas Financial, Inc., a publicly traded company on the NASDAQ Global Select Market, since October 2017. Since January 2006, Mr. Royal has been the President of Dundee Bank located in Omaha, Nebraska. Prior to joining Dundee Bank, he was Second Vice President of First National Bank of Omaha. Mr. Royal received both his Bachelor's and Master's degree in Business Administration from Creighton University and completed the Stonier Graduate School of Banking at Georgetown University and the University of Pennsylvania. Our Board of Directors has determined that Mr. Royal's 14 years' experience in banking qualifies him to be a member of the Board of Directors in light of the Company's business and structure.

Vishnu Srinivasan, age 41, has served as a member of our Board of Directors since June 2017. Mr. Srinivasan is also currently a member of our Audit and Risk Committee and Nominating and Corporate Governance Committee. Mr. Srinivasan joined Ganesh Investments, L.L.C. in 2012, focused on public and private equity investments as a Vice President; he currently is a Managing Director at Ganesh Investments, L.L.C. Ganesh Investments provides investment advisory services to members of the Pritzker family and their charitable foundations. From November 2009 to October 2012, Mr. Srinivasan was an Analyst at Alyeska Investment Group, a long/short hedge fund. From August 2002 until October 2009, Mr. Srinivasan was a Principal and held various other roles at Berkshire Partners, a private equity fund. Mr. Srinivasan graduated summa cum laude from the Wharton School at the University of Pennsylvania with a degree in economics. Mr. Srinivasan also received an MBA from Harvard Business School. Our Board has determined that Mr. Srinivasan's 18 years' experience in public and private equity, investment and management services qualifies him to be a member of the Board of Directors in light of the Company's business and structure.

### **Significant Employees**

In addition to our Executive Officers, we also employ the following significant employees:

W. Scott LaFoy, age 58, joined Link in May 2018 to manage Link's merger and acquisition activities and was named as interim Chief Executive Officer in December 2019. From 2015 to 2018, Mr. LaFoy served as general manager for the Chattanooga division of Fairway Outdoor Advertising. From 1999 until its acquisition by Fairway Outdoor Advertising in 2015, Mr. LaFoy owned and operated LaFoy Outdoor Advertising. From 1996 until 1999, he served as Regional President for Clear Channel Outdoor/Eller Media and Regional Director for its predecessor Universal Outdoor. Mr. LaFoy has more than 34 years' experience in management of outdoor advertising businesses. Mr. LaFoy holds a B.A. in Interdisciplinary Studies and a Minor in History from the University of Central Florida.

Dave Herman, age 35, has served as President of GIG since August 2019 and previously served as GIG's Chief Operating Officer since January 2019. Prior to joining GIG, Mr. Herman owned Anthros Consulting, Inc., a company that combined business strategy with software systems, data visualization, and analytics expertise from May 2015 through December 2018. From February 2013 through May 2015, Mr. Herman was employed by McKinsey and Company, specializing in operations, supply chain, and strategic turnarounds. Mr. Herman holds a Ph.D. in Materials Science and Engineering from Northwestern University, a certificate of Management for Scientists and Engineers from the Kellogg School of Management at Northwestern University, and a B.S. in Materials Science and Engineering and Minor in Engineering Management from Cornell University.

Robert Thomas, age 56, was appointed as President of UCS in August 2019 and previously served as UCS' Chief Operating Officer from October 2017 to August 2019. From April 2011 through March 2017, Mr. Thomas served as President of Hanover Surety and previously served as President of Argo Surety from March 2008 through March 2011. Mr. Thomas has been employed in the surety insurance industry since 2001 and the reinsurance industry from 1987 through 2001. Mr. Thomas holds a B.A. in Business Administration and Management from the University of Saint Thomas.

## Board of Directors

**Family Relationships.** None of our officers or directors has any family relationship with any other director or officer. “Family relationship” for this purpose means any relationship by blood, marriage or adoption, not more remote than first cousin.

**Board Composition.** The number of directors of the Company is established by the Board in accordance with the Company’s bylaws. Other than directors elected by our Class B common stock, the directors are elected at the annual meeting of stockholders, and shall hold office until each director’s successor is elected and qualified, unless sooner displaced.

The Company’s certificate of incorporation and bylaws provide that the authorized number of directors may be determined by resolution of the Board of Directors or by the stockholders at the annual meeting, at any special meeting of stockholders, or by written consent in lieu of an annual or special meeting of the stockholders. The Company’s certificate of incorporation and bylaws also provide that vacancies and newly created directorships may be filled by a majority of the directors then in office and that directors may be removed, with or without cause, by the holders of capital stock representing a majority in voting power of the shares then entitled to vote at an election of directors, unless otherwise specified by law or the certificate of incorporation. The certificate of incorporation provides that two of the directors are elected solely by the holders of Class B common stock.

Members of the Board discussed various business matters informally on numerous occasions throughout the year. There were twelve telephonic Board meetings and seven unanimous written consents of directors in lieu of meetings. All current directors attended at least 75% of the aggregate of the meetings of our Board of Directors and the meetings held by committees of the Board on which they served. Independent directors endeavor to meet on a regular basis as often as necessary to fulfill their responsibilities.

Our Board of Directors currently has seven members, including four independent directors. Messrs. Peterson and Rozek are designated by MCF and BP, and Mr. Keating is affiliated with Logic, in which the Company owns a 30% interest, and 24<sup>th</sup> Street Holding Company, LLC, in which we own a 49.9% interest, both directly and indirectly through our ownership in Logic, and therefore none of Messrs. Peterson, Rozek, or Keating are considered independent. Other than members elected by the holders of our Class B common stock, members of the Board of Directors are elected at our annual meeting of stockholders to serve for a term of one year or until their successors have been elected and qualified, subject to prior death, resignation, retirement or removal from office. Under the terms of our certificate of incorporation, the holders of our Class B common stock elect two members to our Board of Directors, which members currently are Mr. Rozek and Mr. Peterson.

**Director Independence.** The Company’s Class A common stock is listed on the NASDAQ Capital Market stock exchange. The Board considers the status of its members pursuant to the independence requirements set forth in the applicable NASDAQ rules and applicable federal securities laws. Our Board of Directors has affirmatively determined that each of Bradford B. Briner, Frank H. Kenan II, Jeffrey C. Royal and Vishnu Srinivasan is an independent director under the applicable rules of NASDAQ and as such term is defined in Rule 10A-3(b)(1) under the Exchange Act. As of December 31, 2019, the members of the Audit and Risk Committee, Compensation Committee and Nominating and Corporate Governance Committee are also “independent” for purposes of Section 10A-3 of the Exchange Act and applicable NASDAQ listing requirements.

**Cessation of Controlled Company Status.** Under NASDAQ rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a “Controlled Company” and may elect not to comply with certain NASDAQ corporate governance requirements.

On July 3, 2018, we announced that MCF no longer holds a majority of the voting power necessary to elect our outside directors. As a result, we now comply with all general NASDAQ corporate governance guidelines as we no longer qualify for the “Controlled Company” exemption as defined by NASDAQ rules. On January 10, 2019 we increased the size of our Board of Directors from six to seven directors, and approved the election of Jeffrey Royal as a director to fill the vacancy created by the increase to the size of the Board of Directors. In accordance with NASDAQ corporate governance guidelines, a majority of our Board is now comprised of independent directors.

**Board Leadership Structure.** Our Board of Directors does not have a formal policy on whether the roles of Co-Chief Executive Officers and Co-Chairmen of the Board of Directors should be separate. However, Messrs. Rozek and Peterson currently serve as both Co-Chief Executive Officers and Co-Chairman. Our Board of Directors has considered its leadership structure and believes at this time that the Company and its stockholders are best served by having both persons serve in both positions. Combining the roles fosters accountability, effective decision-making and alignment between interests of our Board of Directors and management. Our Board currently has no lead independent director.

Our Board of Directors expects to periodically review its leadership structure to ensure that it continues to meet the Company’s needs.

**Role of Board in Risk Oversight.** While the full Board of Directors has the ultimate oversight responsibility for the risk management process, its committees oversee risk in certain specified areas. In particular, our Audit and Risk Committee oversees management of enterprise risks as well as financial risks. Our Compensation Committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements and the incentives created by the compensation awards it administers. Our Nominating and Corporate Governance Committee works together with our Audit and Risk Committee and they are responsible for overseeing the management of compliance and regulatory risks facing the Company and risks associated with business conduct and ethics. Our Nominating and Corporate Governance Committee also oversees risks associated with corporate governance. Pursuant to our Board of Directors’ instruction, management regularly reports on applicable risks to the relevant committee or the full Board of Directors, as appropriate, with additional review or reporting on risks conducted as needed or as requested by our Board of Directors and its committees.

**Committees and Director Selection.** Our Board of Directors has assigned certain of its responsibilities to permanent committees consisting of Board members appointed by it.

Our Audit and Risk Committee currently consists of Bradford B. Briner, Jeffrey C. Royal, and Vishnu Srinivasan, with Mr. Briner serving as chair of the committee. The Audit and Risk Committee assists the Board of Directors in its oversight responsibilities relating to the integrity of our financial statements, our compliance with legal and regulatory requirements, our independent auditor’s qualifications and independence, and the establishment and performance of our internal audit function and the performance of the independent auditor. The Audit and Risk Committee was formed in June 2017, and held four meetings and acted by unanimous written consent one time during fiscal 2019. The Board has determined that each of the members of the Audit and Risk Committee meets the criteria for independence under the applicable listing standards of NASDAQ, and that, due to his experience as described in the section entitled “*Executive Officers and Directors*,” Mr. Briner also qualifies as an “audit committee financial expert” and “independent” as defined by the applicable rules adopted by the SEC and NASDAQ. Our Board of Directors has adopted a written charter under which the Audit and Risk Committee operates, and which was amended and restated on February 21, 2020. A copy of the Audit and Risk Committee charter is available on our website at <http://www.bostonomaha.com/documents/81/1bc381bf3541d2da6b7c080b1ee114ec.pdf>.

Our Compensation Committee currently consists of Bradford B. Briner, Frank H. Kenan II, and Jeffrey C. Royal, with Mr. Kenan serving as chair of the committee. The Compensation Committee of the Board of Directors is authorized to review our compensation and benefits plans to ensure they meet our corporate objectives, approve the compensation structure of our executive officers and evaluate our executive officers’ performance and advise on salary, bonus and other incentive and equity compensation. The Compensation Committee has authority under its charter to engage the services of outside advisors, experts and others to assist the Compensation Committee. In 2019, no compensation consultant was engaged for employee or executive compensation. The Compensation Committee was created in June 2017 and held three meetings and acted by unanimous written consent three times during fiscal 2019. The Board has determined that each of the members of the Compensation Committee meets the criteria for independence under the applicable NASDAQ listing standards. Our Board of Directors has adopted a written charter under which the Compensation Committee operates, and which was amended and restated on May 30, 2019. A copy of the Compensation Committee charter is available on our website at <http://www.bostonomaha.com/documents/81/d636071762fda9fcadb82bc7cca4b92.pdf>.

Our Nominating and Corporate Governance Committee currently consists of Frank H. Kenan II, Jeffrey C. Royal and Vishnu Srinivasan, with Mr. Srinivasan serving as chair of the committee. The Nominating and Corporate Governance Committee is primarily concerned with identifying individuals qualified to become members of our Board of Directors, selecting the director nominees for the next annual meeting of the stockholders, selection of the director candidates to fill any vacancies on our Board of Directors and the development of our corporate governance guidelines and principles. The Nominating and Corporate Governance Committee was created in June 2017 and held three meetings and acted by unanimous written consent three times in fiscal 2019. Our Board of Directors has adopted a written charter under which the Nominating and Corporate Governance Committee operates, and which was amended and restated on May 30, 2019. A copy of the Nominating and Corporate Governance Committee charter is available on our website at <http://www.bostonomaha.com/documents/81/0f0db6ab6083bb4fc913fcbbb592f366.pdf>.

The Company's Nominating and Corporate Governance Committee identifies individuals qualified to become members of our Board of Directors through recommendations from members of the Committee and other Board members and executive officers of the Company and will consider candidates who are recommended by stockholders, as described below. These factors focus on skills, expertise or background and may include decision-making ability, judgment, personal integrity and reputation, experience with businesses and other organizations of comparable size, and the extent to which the candidate would be a desirable addition to the Board of Directors and any committees of the Board of Directors.

We are committed to diversity in all aspects of our business and activities and at all levels of our business, including our Board of Directors. Our Board of Directors highly values diversity and supports the election and appointment of diverse candidates to the Board. The Board believes that having directors of diverse perspectives, opinions, backgrounds, skills and experiences contributes to a balanced and effective Board. The Board is committed to administering a director election process that encourages and promotes consideration of diverse candidates in the nomination and election of directors to the Board. The Board encourages our stockholders to consider diversity when nominating individuals for member director positions. In selecting nominees for independent director positions, we have in the past and will continue to consider many factors, with an emphasis on diversity of perspectives, opinions, backgrounds, skills and experiences.

On June 5, 2017, we amended and restated our bylaws, which we refer to as the "Amended and Restated Bylaws," providing for advance notice requirements for stockholder proposals at meetings and ownership thresholds for certain control group nominations and actions. Prior to June 5, 2017, we did not have a policy that permitted stockholders to recommend candidates for election as directors or a process for stockholders to send communications to the Board of Directors.

Pursuant to the Amended and Restated Bylaws, a stockholder who, in accordance with Rule 14a-8, under the Exchange Act, wants to present a proposal for inclusion in the Company's proxy statement and proxy card relating to either the Company's annual stockholders' meeting or a special stockholders' meeting must submit the proposal to the Company and, pursuant to Article I, Sections 2 and 3 of our Amended and Restated Bylaws, the notice of the proposal must be delivered to or mailed and received at the principal executive offices of the Company (i) not later than the close of business on the 90<sup>th</sup> day, nor earlier than the close of business on the 120<sup>th</sup> day in advance of the anniversary of the previous year's annual meeting if such meeting is to be held on a day which is not more than 30 days in advance of the anniversary of the previous year's annual meeting or not later than 70 days after the anniversary of the previous year's annual meeting; and (ii) with respect to any other annual meeting of stockholders, no later than the close of business on the tenth day following the date of a press release reported by the Dow Jones News Services, The Associated Press or a comparable national news service or in a document filed by the Company with the SEC pursuant to Section 13, 14, or 15(d) of the Exchange Act containing the date of such meeting. However, if the date of our 2020 Annual Meeting of Stockholders occurs more than 30 days before or 70 days after the anniversary of the 2019 Annual Meeting of Stockholders, a stockholder notice will be timely if it is received at our principal executive office no later than the close of business on the tenth day following the date of a press release reported by the Dow Jones News Services, The Associated Press or a comparable national news service or in a document filed by the Company with the SEC pursuant to Section 13, 14, or 15(d) of the Exchange Act containing the date of such meeting. The Company announced on February 6, 2020 that the 2020 Annual Meeting of Stockholders will be held on May 30, 2020, which is not more than 30 days before the anniversary of the 2019 Annual Meeting of Stockholders; therefore, any notice intended to be given by a stockholder with respect to the Company's 2020 Annual Meeting of Stockholders pursuant to our Amended and Restated Bylaws must have been received at our principal executive office no later than the close of business on March 10, 2020. To be in proper form, a stockholder's notice must include the specified information concerning the stockholder and the business proposal or nominee, as described in Article I, Sections 2 and 3 of our Amended and Restated Bylaws.

All proposals must be mailed to the Company's principal executive office, at the address stated herein, and should be directed to the attention of the Secretary of the Company.

The Nominating and Corporate Governance Committee will evaluate new director candidates in view of the criteria described above, as well as other factors the Committee deems to be relevant, through reviews of biographical and other information, input from others, including members of the Board of Directors and executive officers of the Company, and personal discussions with the candidate when warranted by the results of these other assessments. The Nominating and Corporate Governance Committee will evaluate any director candidates recommended by stockholders under the same process. In determining whether to recommend to the Board of Directors the nomination of a director who is a member of the Board of Directors, the Nominating and Corporate Governance Committee will review the Board of Directors performance of such director and solicit feedback about the director from other members of the Board of Directors.

**Compensation of Directors.** In July 2018, our Board of Directors adopted a policy whereby Directors that are not directly employed by us or any of our wholly-owned subsidiaries, which we refer to as "Outside Directors" shall each receive compensation at the rate of \$10,000 per year, payable quarterly in advance on the first day of each calendar quarter. The Board of Directors also provided that these guidelines may be modified by the Compensation Committee of the Board of Directors.

Additionally, in July 2018, the Board of Directors adopted a policy whereby Outside Directors are required to hold \$50,000 of the Company's Class A common stock (either directly or indirectly), which amount is converted to a fixed share amount using the average closing price of our Class A common stock during the immediately preceding three months for the period ending June 30, 2018 for any Outside Directors in July 2018 and three months from the last day of the calendar month preceding the date of appointment of any director appointed thereafter. Outside Directors are required to achieve fully their respective ownership level within three years and 50% of the requirement within 18 months from adoption or election, as applicable. The Board of Directors also provided that these guidelines may be modified by the Compensation Committee of the Board of Directors. All of our Outside Directors are currently in compliance with all of these ownership guidelines.

Each of Messrs. Rozek and Peterson receive compensation as officers of our Company, and we reimburse all of our directors for reasonable travel and other expenses incurred in attending Board and committee meetings.

#### **Code of Business Conduct and Ethics**

We have adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The code of business conduct and ethics is available on our website, [www.bostonomaha.com](http://www.bostonomaha.com). We will furnish to any person without charge, upon written request, a copy of our code of business conduct and ethics and requests may be directed to Co-Chief Executive Officer of Boston Omaha Corporation, 1411 Harney Street, Suite 200, Omaha, Nebraska 68102. We expect that any amendments to the code, or any waivers of its requirements, will be disclosed on our website as referenced above.

#### **Corporate Governance Guidelines**

We have adopted corporate governance guidelines in accordance with the corporate governance rules of NASDAQ, as applicable, that serve as a flexible framework within which our Board of Directors and its committees will operate. These guidelines cover a number of areas, including the size and composition of the Board, Board membership criteria and director qualifications, director responsibilities, Board agendas, roles of the Co-Chairman and Co-Chief Executive Officers, executive sessions, standing Board committees, Board member access to management and independent advisors, director communications with third parties, director compensation, director orientation and continuing education, evaluation of senior management and management succession planning. A copy of our corporate governance guidelines is available on our website, [www.bostonomaha.com](http://www.bostonomaha.com).

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's executive officers and directors, and persons who own more than ten percent of any publicly traded class of the Company's equity securities, to file reports of ownership and changes in ownership of equity securities of the Company with the SEC. Officers, directors, and greater-than-ten percent stockholders are required by the SEC's regulations to furnish the Company with copies of all Section 16(a) forms that they file.

Based upon a review of Forms 3 and Forms 4 and amendments thereto furnished to the Company during the most recent fiscal year and Forms 5 and amendments thereto furnished to the Company with respect to its most recent fiscal year, we believe that our executive officers and directors, and ten percent stockholders complied with all Section 16(a) filing requirements during the fiscal year ended December 31, 2019.

**Item 11. Executive Compensation.**

The following table sets forth information with respect to the compensation of our principal executive officers and the three most highly compensated individuals other than our principal executive officers for the Company's last two completed fiscal years:

<b>Name and principal position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>All other compensation (\$) (1)</b>	<b>Total (\$)</b>
Alex B. Rozek	2019	\$ 275,000	-	-	\$ 275,000
Co-Chief Executive Officer and Co-President (Principal Executive Officer)	2018	\$ 23,660	-	-	\$ 23,660
Adam K. Peterson	2019	\$ 23,660	-	-	\$ 23,660
Co-Chief Executive Officer and Co-President (Principal Executive Officer)	2018	\$ 23,660	-	-	\$ 23,660
Joshua P. Weisenburger	2019	\$ 220,000	\$ 125,000	\$ 8,763	\$ 353,763
Chief Financial Officer, Chief Accounting Officer, Secretary, and Treasurer	2018	\$ 198,000	\$ 110,000	\$ 7,890	\$ 315,890
James A. McLaughlin (2)	2019	\$ 300,000	-	\$ 6,510	\$ 306,510
President of Link Media Holdings, LLC	2018	\$ 258,333	-	\$ 10,180	\$ 268,513

(1) Employer contribution to 401(k) plan.

(2) Mr. McLaughlin retired as President of Link Media Holdings, LLC, effective as of December 31, 2019.

## Director and Officer Outstanding Equity Awards at Fiscal Year-End

We had no outstanding equity awards to directors or officers at December 31, 2019. We do not currently have any equity incentive plans established and, as a result, none of our officers or directors is a party to any equity incentive plan with the Company.

### Director Compensation

In July 2018, our Board of Directors adopted a policy whereby directors that are not directly employed by us or any of our wholly-owned subsidiaries shall each receive compensation at the rate of \$10,000 per year, payable quarterly in advance on the first day of each calendar quarter. Directors that are directly employed by us or by any of our wholly-owned subsidiaries shall not receive such compensation. All of our directors are also reimbursed for their reasonable travel and other expenses incurred in attending Board and committee meetings. The following table sets forth information with respect to the compensation of our directors, excluding Messrs. Peterson and Rozek who are included in the officer's table above, for the Company's last completed fiscal year:

Name	Year	Fees earned or paid in cash (\$)	All other compensation (\$)	Total (\$)
Bradford B. Briner	2019	\$ 10,000	-	\$ 10,000
Brendan J. Keating	2019	\$ 10,000	-	\$ 10,000
Frank H. Kenan II	2019	\$ 10,000	-	\$ 10,000
Vishnu Srinivasan	2019	\$ 10,000	-	\$ 10,000
Jeffrey C. Royal	2019	\$ 10,000	-	\$ 10,000

The Board of Directors also provided that these guidelines may be modified by the Compensation Committee of the Board of Directors.

Each of Messrs. Rozek and Peterson receive compensation as officers of our Company, and we reimburse all of our directors for reasonable travel and other expenses incurred in attending Board and committee meetings.

### Compensation Committee Interlocks and Insider Participation

Our Compensation Committee members currently are Frank H. Kenan II, Jeffrey C. Royal and Vishnu Srinivasan, and none of the Compensation Committee members was, during the fiscal year, an officer or employee of the Company, or was formerly an officer of the Company. Except as described below, none of our executive officers serve as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of our Board or Compensation Committee. Entities controlled by Mr. Keating serve as the Manager of Logic and 24<sup>th</sup> Street Holding Company, LLC. None of the current members of the Compensation Committee of our Board has ever been an employee of the Company.

## Employment Contracts, Termination of Employment and Change in Control Arrangements

**Rozek and Peterson Employment Agreements.** On August 1, 2015, we entered into employment agreements with each of Alex B. Rozek and Adam K. Peterson. Mr. Rozek and Mr. Peterson each serve as a Co-Chief Executive Officer and as a Co-President. Each of the employment agreements has a one-year term, with automatic successive one-year renewal terms unless we or the executive decline to renew the agreement. Each of the employment agreements provides for a base salary at federal minimum wage per year through December 31, 2015, and an annualized base salary of \$275,000 thereafter. However, each of these agreements was amended to delay an increase in the base salary from federal minimum wage until such time as approved by the Compensation Committee. On January 2, 2019, the Compensation Committee approved compensating Mr. Rozek at the base salary of \$275,000 per year. On December 27, 2019, the Compensation Committee approved compensating Mr. Peterson at the base salary of \$275,000 per year, effective January 1, 2020. On February 3, 2020, the Compensation Committee approved increases to the base salaries of Mr. Rozek and Mr. Peterson from \$275,000 to \$286,000, effective retroactively to January 1, 2020. Each of the employment agreements also provides for certain severance payments to the executives in the event their employment is terminated by us without “cause” or if the executive terminates his employment for “good reason.”

Each of Messrs. Rozek and Peterson participate in a management incentive bonus plan, which we refer to as the “MIBP,” effective as of August 1, 2015, under which participants of such plan are eligible to receive cash bonus awards based on achievement by the Company of certain net growth target objectives. Each of Alex B. Rozek and Adam K. Peterson are eligible to participate in the management incentive bonus plan pursuant to their respective employment agreements. The management incentive bonus plan provides for a bonus pool, determined on an annual basis by the Compensation Committee of the Board of Directors, equal to up to 20% of the amount by which our stockholders’ equity for the applicable fiscal year (excluding increases in stockholders’ equity per share resulting from issuances by the Company of its securities or securities of any subsidiary for cash consideration) exceeds 106% of our stockholders’ equity for the preceding fiscal year. On February 27, 2018, the Compensation Committee of the Board of Directors approved changes to the MIBP, effected through an amendment and restatement of the MIBP, including placing certain caps on the total payments under the MIBP through December 2032 and additional annual caps thereafter, as well as establishing a high water mark under the MIBP so that any decrease in adjusted stockholders’ equity per share in any prior year must be first recouped before the 6% hurdle test is applied. Previously, there were no caps on the amounts payable under the MIBP.

In the event that either Mr. Rozek or Mr. Peterson’s employment is terminated without cause or if either elects to terminate his employment for “Good Reason,” he is entitled to receive severance payments equal to the amounts which would have been payable to him under the MIBP if he had remained with us through the remainder of the fiscal year in which his employment terminated multiplied by a fraction equal to the number of days during the fiscal year that the executive remained employed by us divided by 365. Severance payments also will include an amount equal to four months’ base salary for each full 12 month period the executive is employed by us commencing August 1, 2015, except that in no event shall severance payments exceed the then current base salary on a monthly basis multiplied by 12. For purposes of these employment agreements, “Good Reason” means any of the following: (i) a substantial diminution in the duties and responsibilities of the named executive; (ii) a substantial diminution in the named Executive’s compensation or benefits; or (iii) relocation of the Company’s place of business in which Executive is employed to a location outside of a thirty (30) mile radius of his then current place of employment.

**Herman Employment Agreement.** On January 1, 2019, we hired David Herman to serve as the Chief Operating Officer of our wholly-owned subsidiary General Indemnity Group, LLC. On August 9, 2019, Mr. Herman became President of General Indemnity Group, LLC. In connection with the employment of Mr. Herman, General Indemnity Group, LLC and Mr. Herman entered into an employment letter agreement, pursuant to which Mr. Herman currently receives an annual base salary of \$295,000 per year. In addition, Mr. Herman is eligible to receive an annual cash bonus, based on achievement of certain performance metrics determined within 30 days of the commencement of each fiscal year, that are tied to personal performance goals, overall company performance measured by growth of gross written premium, and a discretionary amount determined by the Company’s senior management. In the event Mr. Herman’s employment is terminated by General Indemnity Group, LLC without “Cause” or by Mr. Herman for “Good Reason,” Mr. Herman will be eligible to receive severance pay equal to twelve months’ base salary.

**Thomas Employment Agreement.** On August 30, 2019, we hired Robert Thomas to serve as the President of United Casualty and Surety Insurance Company, a wholly-owned subsidiary of our wholly-owned subsidiary General Indemnity Group, LLC. In connection with the employment of Mr. Thomas, United Casualty and Surety Insurance Company and Mr. Thomas entered into an employment letter agreement, pursuant to which Mr. Thomas will receive an annual base salary of \$275,000 per year, which may be increased in increments up to \$320,000 as determined by the growth of annual in-force written premium. In addition, Mr. Thomas is eligible to receive an annual bonus, based on “Adjusted Pre-Tax Underwriting Income” performance, subject to a three-year vesting schedule whereby 60% of a positive bonus is payable 60 days following the end of each calendar year, 30% of the earned bonus is paid one year thereafter, and the remaining 10% is paid two years thereafter. Negative bonus amounts for a given year will be applied against any unvested positive bonus amounts from prior years that have not yet been paid. In the event that, after five years of employment, Mr. Thomas’s employment is terminated by United Casualty and Surety Insurance Company without “Cause” or by Mr. Thomas for “Good Reason,” Mr. Thomas will be entitled to be paid upon termination for any unvested portions of previously earned bonuses.



**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The following table sets forth as of March 12, 2020 certain information with respect to the beneficial ownership of our common stock by (i) each person known by us to own beneficially more than 5% of our outstanding shares of capital stock, (ii) each of our directors, (iii) each of our named executive officers and (iv) all directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares. Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared under applicable law. MCF has warrants to purchase 52,778 shares of our Class B common stock and BP has warrants to purchase 51,994 shares of our Class B common stock, and all Class B common stock is convertible to Class A common stock at the option of the holder. Unless otherwise indicated, the address of each person named in the table is c/o Boston Omaha Corporation, 1411 Harney Street, Suite 200, Omaha, Nebraska 68102.

Name of Beneficial Owner	Class A common stock		Class B common stock		Percentage of Aggregate Voting Power of Class A common stock and Class B common stock (1)	Percentage of Aggregate Economic Interest of Class A common stock and Class B common stock (2)
	Shares	Percentage of Outstanding Class of Stock	Shares	Percentage of Outstanding Class of Stock		
Magnolia Capital Fund, L.P. (3)	-	0%	580,558	50.03%	17.05%	2.46%
Magnolia BOC I, LP	7,960,095	35.45%			23.37%	33.71%
Magnolia BOC II, LP (4)	2,070,328	9.22%			6.08%	8.77%
The Magnolia Group, LLC	93,176	*			*	*
Boulderado Partners, LLC (5)	493,276	2.20%	579,774	49.97%	18.47%	4.54%
Adam K. Peterson (3)(6)	10,211,561	45.48%	580,558	50.03%	47.03%	45.70%
Alex B. Rozek (5)(7)	774,554	3.45%	579,774	49.97%	19.30%	5.73%
Bradford B. Briner (8)	11,000	*			*	*
Brendan J. Keating (9)	95,000	*			*	*
Frank H. Kenan II (10)	181,666	*			*	*
Vishnu Srinivasan	7,000	*			*	*
Jeffrey C. Royal	-	*			*	*
James A. McLaughlin	84,600	*			*	*
David J. Herman	197	*			*	*
Joshua P. Weisenburger	2,418	*			*	*
All directors and officers as a group (10 persons)	11,367,996	50.63%	1,160,332	100.00%	67.45%	53.05%

\* Less than 1%

- (1) The percent of Percentage of Aggregate Voting Power of Class A common stock and Class B common stock reflects that each share of Class B common stock has 10 votes for each share of Class A common stock and assumes all outstanding Class B common stock warrants are exercised.
- (2) The percent of aggregate economic interest is based on both our Class A common stock and Class B common stock combined. The Class B common stock converts to Class A common stock on a 1:1 basis.
- (3) Includes warrants to purchase 52,778 shares of our Class B common stock.
- (4) Based on information provided in that certain Schedule 13G filed with the SEC on May 25, 2018 and that certain Schedule 13G filed with the SEC on February 14, 2019, shares held by Magnolia BOC II, LP are voted by The Magnolia Group, LLC at the direction of 238 Plan Associates LLC, and 238 Plan Associates LLC may be deemed to have voting and dispositive power over such shares.
- (5) Includes warrants to purchase 51,994 shares of our Class B common stock.
- (6) Represents amount of shares and warrants owned by Adam K. Peterson, Magnolia Capital Fund, LP, Magnolia BOC I, LP, Magnolia BOC II, LP and The Magnolia Group, LLC. Mr. Peterson serves as the manager of The Magnolia Group, LLC, the general partner of each of Magnolia Capital Fund, LP, Magnolia BOC I, LP and Magnolia BOC II, LP.
- (7) Represents shares and warrants owned by Boulderado Partners, LLC and 281,278 shares of Class A common stock held by trusts of which Mr. Rozek is the trustee and over which he has voting power, but as to which he disclaims beneficial ownership. Mr. Rozek serves as the manager of Boulderado Capital, LLC, the manager of Boulderado Partners, LLC. On January 15, 2019, BP distributed to certain of its limited partner investors 485,169 shares of Class A common stock.
- (8) Represents 10,000 shares of Class A common stock held by a limited liability company of which Mr. Briner is the Managing Member and 1,000 shares of Class A common stock held by Mr. Briner.
- (9) Represents 47,400 shares of Class A common stock held by a trust established for the benefit of Mr. Keating and members of his family, 6,800 shares of Class A common stock held by Mr. Keating, and 40,800 shares of Class A common stock held in retirement and 401(k) accounts for the benefit of Mr. Keating.
- (10) Represents 58,276 shares of Class A common stock held by KD Capital, L.P., of which Mr. Kenan serves as a manager and owns 100% of KD Capital Management, LLC, which is the general partner of KD Capital, L.P. and 123,390 shares of Class A common stock held by a trust under which Mr. Kenan is both the trustee and beneficiary.

## Changes in Control

There are no arrangements known to the Company, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company.

### Outstanding Equity Awards at Fiscal Year-End

We had no outstanding equity awards at December 31, 2019. We do not currently have any compensation plans (including individual compensation arrangements) under which equity securities are authorized for issuance, and, as a result, none of our officers and directors is a party to any equity compensation or incentive plan with the Company.

### Item 13. Certain Relationships and Related Transactions, and Director Independence.

*The following discussion is a brief summary of certain material arrangements, agreements and transactions we have with related parties. It does not include all of the provisions of our material arrangements, agreements and transactions with related parties, does not purport to be complete and is qualified in its entirety by reference to the arrangements, agreements and transactions described. We enter into transactions with our stockholders and other entities owned by, or affiliated with, our direct and indirect stockholders in the ordinary course of business. These transactions include, among others, professional advisory, consulting and other corporate services.*

The holders of record of the shares of Class B common stock, exclusively and as a separate class, are entitled to elect two directors to our Board of Directors, which number of Class B Directors may be reduced pursuant to the terms and conditions of the Amended and Restated Voting and First Refusal Agreement. Any Class B Director may be removed without cause by, and only by, the affirmative vote of the holders of eighty percent (80%) of the shares of Class B common stock exclusively and as a separate class, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of such stockholders. Matters requiring the unanimous approval of the Class B Directors are described in the risk factor entitled “*Certain actions cannot be taken without the approval of MCF and BP due to their ownership of Class B common stock.*”

Each of BP and MCF agreed as part of the Amended and Restated Voting and First Refusal Agreement also originally entered into on June 19, 2015 to elect as the Class B Directors each of Alex B. Rozek, as a nominee of BP, and Adam Peterson, as a nominee of MCF. In the event of (a) the death of a Class B Director, (b) the incapacitation of a Class B Director as a result of illness or accident, which makes it reasonably unlikely that the Class B Director will be able to perform his normal duties for the Company for a period of ninety (90) days, or (c) a change of control of BP or MCF, then the Class B stockholder which nominated such dead or incapacitated Class B Director, or the Class B stockholder undergoing such change of control, shall convert all of such Class B common stock into shares of our Class A common stock, in accordance with the procedures set forth in the certificate of incorporation. The Amended and Restated Voting and First Refusal Agreement also provides each of us and the other parties to the Amended and Restated Voting and First Refusal Agreement with the right of first refusal to purchase the Class B common stock proposed to be sold by the other holder of Class B common stock.

On February 22, 2018, the Company entered into a Class A Common Stock Purchase Agreement for the 2018 private placement, pursuant to which the Company sold to MBOC I, MBOC II, and BBOC \$150,000,000 in unregistered shares of Class A common stock at a price of \$23.30, a slight premium to the closing price of shares of Class A common stock of \$23.29 on the NASDAQ Capital Market, as reported by NASDAQ on the date of the Class A Common Stock Purchase Agreement. MBOC I and MBOC II are entities managed by Magnolia, and BBOC, which has distributed all of its shares of Class A common stock, was an entity managed by Boulderado Group, LLC. The Class A Common Stock Purchase Agreement was approved by an independent special committee of our Board of Directors with the advice of independent legal counsel and an independent investment banking firm which provided a fairness opinion to the special committee. The closing of the first tranche of shares to be sold under the agreement occurred on March 6, 2018, consisting of a total of 3,300,000 shares resulting in total gross proceeds of \$76,890,000. The closing of the second tranche of shares sold under the agreement occurred on May 15, 2018, consisting of a total of 3,137,768 shares resulting in total gross proceeds of approximately \$73,110,000.

Mr. Peterson and Mr. Rozek also receive compensation from Magnolia and Boulderado for their roles as managers of Magnolia and Boulderado, respectively.

Two of our investments in affiliates, Logic and 24<sup>th</sup> Street Holding Company, LLC, are managed by Brendan Keating, a member of our board of directors. In 2019, we provided capital of approximately \$170,000 to an entity controlled by 24<sup>th</sup> Street Holding Company, LLC for the purpose of making additional investments in unrelated third parties.

## **Policy and Procedures for the Review, Approval or Ratification of Transactions with Related Persons**

Our Board of Directors has adopted a written policy and procedures, which we refer to as the “Related Party Policy,” for the review, approval or ratification of “Related Party Transactions” by the independent members of the Audit and Risk Committee of our Board of Directors. For purposes of the Related Party Policy, a “Related Party Transaction” is any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including the incurrence or issuance of any indebtedness or the guarantee of indebtedness) in which (1) the aggregate amount involved will or may be reasonably expected to exceed \$120,000 in any fiscal year, (2) the Company or any of its subsidiaries is a participant, and (3) any Related Party (as defined therein) has or will have a direct or indirect material interest.

The Related Party Policy defines “Related Party” as any person who is, or, at any time since the beginning of the Company’s last fiscal year, was (1) an executive officer, director or nominee for election as a director of the Company or any of its subsidiaries, (2) a person with greater than five percent (5%) beneficial interest in the Company, (3) an immediate family member of any of the individuals or entities identified in (1) or (2) of this paragraph, and (4) any firm, corporation or other entity in which any of the foregoing individuals or entities is employed or is a general partner or principal or in a similar position or in which such person or entity has a five percent (5%) or greater beneficial interest. Immediate family members, each of which we refer to as a “Family Member,” includes a person’s spouse, parents, stepparents, children, stepchildren, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone residing in such person’s home, other than a tenant or employee.

Prior to the Company entering into any Related Party Transaction, such Related Party Transaction will be reported to our outside corporate counsel who will report the same to the Audit and Risk Committee. Management, with assistance from our outside corporate counsel, will conduct an investigation and evaluation of the Related Party Transaction and will report its findings to the Audit and Risk Committee, including a summary of material facts. The Audit and Risk Committee will review the material facts of all Related Party Transactions which require the Audit and Risk Committee’s approval and either approve or disapprove of the Related Party Transaction, subject to the exceptions described below. If advance notice of a Related Party Transaction has been given to the Audit and Risk Committee and it is not possible to convene a meeting of the Audit and Risk Committee, then the chairman of the Audit and Risk Committee will consider whether the Related Party Transaction is appropriate and, if it is, will approve the Related Party Transaction, with the Audit and Risk Committee being asked to ratify the Related Party Transaction at the next regularly scheduled meeting of the Audit and Risk Committee. In the event the Audit and Risk Committee does not ratify any such Related Party Transaction, management shall make all reasonable efforts to cancel or annul such Related Party Transaction. In determining whether to approve or ratify a Related Party Transaction, the Audit and Risk Committee will consider all factors it deems appropriate, including the factors listed below in “*Review Criteria*.”

Entering into a Related Party Transaction without the approval or ratification required by the terms of the Related Party Policy is prohibited and a violation of such policy. In the event the Company’s directors, executive officers or Chief Accounting Officer become aware of a Related Party Transaction that was not previously approved or ratified under the Related Party Policy, such person will promptly notify the Audit and Risk Committee (or, if it is not practicable for the Company to wait for the Audit and Risk Committee to consider the matter, the chairman of the Audit and Risk Committee), which will consider whether the Related Party Transaction should be ratified or rescinded or whether other action should be taken, with such review considering all of the relevant facts and circumstances regarding the Related Party Transaction, including the factors listed below in “*Review Criteria*.” The chairman of the Audit and Risk Committee will report to the Committee at its next regularly scheduled meeting any actions taken under the Related Party Policy pursuant to the authority delegated in this paragraph. The Audit and Risk Committee will also review all of the facts and circumstances pertaining to the failure to report the Related Party Transaction to the Audit and Risk Committee and will take, or recommend to our Board of Directors, any action the Audit and Risk Committee deems appropriate.

No member of the Audit and Risk Committee or director of our Board will participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the Audit and Risk Committee member or Board member will provide all material information concerning the Related Party Transaction to the Audit and Risk Committee.

If a Related Party Transaction will be ongoing, the Audit and Risk Committee may establish guidelines for the Company’s management to follow in its ongoing dealings with the Related Party. Thereafter, the Audit and Risk Committee, on at least an annual basis, will review and assess ongoing relationships with the Related Party to ensure that they are in compliance with the Audit and Risk Committee’s guidelines and that the Related Party Transaction remains appropriate.

**Review Criteria.** All Related Party Transactions will be reviewed in accordance with the standards set forth in the Related Party Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit and Risk Committee will review and consider:

- the Related Party's interest in the Related Party Transaction;
- the terms of the Related Party Transaction, including the approximate dollar value of the amount involved in the Related Party Transaction and the approximate dollar value of the amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction is being undertaken in the ordinary course of business of the Company;
- whether the transaction with the Related Party is proposed to be, or was, entered into on terms no less favorable to the Company than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to the Company of, the Related Party Transaction;
- a description of any provisions or limitations imposed as a result of entering into the Related Party Transaction;
- whether the proposed transaction includes any potential reputational risk issues for the Company which may arise as a result of or in connection with the Related Party Transaction;
- whether the proposed transaction would violate any requirements of the Company's financing or other material agreements; and
- any other relevant information regarding the Related Party Transaction or the Related Party.

The Audit and Risk Committee, or its chairman, as applicable, may approve or ratify the Related Party Transaction only if the Audit and Risk Committee determines in good faith that, under all of the circumstances, the transaction is fair to the Company. The Audit and Risk Committee, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

**Pre-Approved Related Party Transactions.** The Audit and Risk Committee has determined that the following transactions will be deemed pre-approved or ratified and will not require review or approval of the Audit and Risk Committee, even if the aggregate amount involved will exceed \$120,000, unless otherwise specifically determined by the Audit and Risk Committee:

- Any employment or compensation by the Company of an executive officer of the Company or any of its subsidiaries if the related compensation conforms with our Company's compensation policies, if the executive officer is not a Family Member of another executive officer or of a director of our Board; and
- Any compensation paid to a director of our Board if the compensation is consistent with the Company's bylaws and any compensation policies.

Notwithstanding anything to the contrary in the Related Party Policy, in the event the bylaws of the Company require review by our Board of Directors and/or approval of a Related Party Transaction, the Audit and Risk Committee, and its chairman, will not have the authority to review or approve a Related Party Transaction but will provide a recommendation to our Board of Directors for the Board's use in its consideration of a given Related Party Transaction.

## Director Independence

Our Board currently consists of Messrs. Rozek, Peterson, Keating, Briner, Kenan, Royal and Srinivasan. Currently, we consider only Messrs. Briner, Kenan, Royal and Srinivasan to be “independent”, as Messrs. Rozek and Peterson have a direct employment relationship with us and Mr. Keating serves as the chief executive officer of two companies in which we currently own a 30% and 49.9% equity stake respectively, both directly and indirectly. The majority of our Board of Directors is “independent” in accordance with NASDAQ rules including, in the judgment of the Board, the requirement that such directors have no material relationship with us (either directly or as a partner, stockholder or officer of an organization that has a relationship with us). The Board has adopted the following standards to assist it in determining whether a director has a material relationship with us. Under these standards, a director will not be considered to have a material relationship with us if he or she is not:

- (a) a director who is, or during the past three years was, employed by us, other than prior employment as an interim executive officer (provided the interim employment did not last longer than one year);
- (b) a director who accepted or has an immediate family member who accepted any compensation from us in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:
  - (i) compensation for Board or Board committee service;
  - (ii) compensation paid to an immediate family member who is our employee (other than an executive officer);
  - (iii) compensation received for former service as an interim executive officer (provided the interim employment did not last longer than one year); or
  - (iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation;
- (c) a director who is an immediate family member of an individual who is, or at any time during the past three years was, employed by us as an executive officer;
- (d) a director who is, or has an immediate family member who is, a partner in, or a controlling stockholder or an executive officer of, any organization to which we made, or from which we received, payments (other than those arising solely from investments in our securities or payments under non-discretionary charitable contribution matching programs) that exceed 5% of the organization’s consolidated gross revenues for that year, or \$200,000, whichever is more, in any of the most recent three fiscal years;
- (e) a director who is, or has an immediate family member who is, employed as an executive officer of another entity where at any time during the most recent three fiscal years any of our executive officers served on the compensation committee of such other entity; or
- (f) a director who is, or has an immediate family member who is, a current partner of our outside auditor, or was a partner or employee of our outside auditor who worked on our audit at any time during any of the past three years.

Ownership of a significant amount of our stock, by itself, does not constitute a material relationship. For relationships not covered by these standards, the determination of whether a material relationship exists shall be made by the other members of the Board who are independent (as defined above).

**Item 14. Principal Accountant Fees and Services.**

Our independent auditor during fiscal 2019 and fiscal 2018 was MaloneBailey, LLP. During fiscal 2019 and fiscal 2018, the aggregate fees that we paid to our independent auditors for professional services were as follows:

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Audit Fees (1)	\$ 641,000	\$ 595,000
Audit-Related Fees (2)	\$ -0-	\$ 132,000
Tax Fees	\$ -0-	\$ -0-
All Other Fees	\$ -0-	\$ -0-

(1) Fees for audit services include fees associated with the annual audit and the review of our quarterly reports on Form 10-Q, as well as associated consents and comfort letters.

(2) Fees for audit-related services include fees associated with audits for our various acquisitions.

**Audit and Risk Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm**

Our Audit and Risk Committee pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services and tax services, as well as specifically designated non-audit services that, in the opinion of the Audit and Risk Committee, will not impair the independence of the independent registered public accounting firm. Our Audit and Risk Committee annually reviews the audit and permissible non-audit services performed by our independent registered public accounting firm, and reviews and approves the fees charged by it. Our Audit and Risk Committee has considered the role of our independent registered public accounting firm in providing tax and audit services and other permissible non-audit services to us and has concluded that the provision of such services was compatible with the maintenance of the independence of our independent registered public accounting firm in the conduct of its auditing functions.

**Changes in Independent Registered Accounting Firm**

None.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

(a) The following consolidated financial statements and the related notes thereto of the Company and the Accounting Firm thereon are filed as part of this report:

1. Financial Statements:

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-1
<a href="#">Consolidated Balance Sheets – December 31, 2019 and December 31, 2018</a>	F-3
<a href="#">Consolidated Statements of Operations – Years ended December 31, 2019 and December 31, 2018</a>	F-5
<a href="#">Consolidated Statements of Changes in Stockholders' Equity – Years ended December 31, 2019 and December 31, 2018</a>	F-6
<a href="#">Consolidated Statements of Cash Flows – Years ended December 31, 2019 and December 31, 2018</a>	F-7
<a href="#">Notes to Consolidated Financial Statements</a>	F-10

2. Exhibits: See Item 15(b) below.

(b) Exhibits

The exhibits listed in the Exhibit Index attached hereto are incorporated herein by reference.

**Item 16. Form 10-K Summary.**

The Company has determined not to include a summary of information required by this Item 16 of the Annual Report on Form 10-K.

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Exhibit Description</u>
2.1 (*)	<a href="#"><u>Asset Purchase Agreement by and between Link Media Midwest, LLC, Key Outdoor, Inc., and Angela K. Dahl and Robert A. Dahl, dated as of August 22, 2018, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on August 23, 2018.</u></a>
2.2 (*)	<a href="#"><u>Asset Purchase Agreement by and between Link Media Omaha, LLC and Waitt Outdoor, LLC, dated as of August 31, 2018, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on September 4, 2018.</u></a>
3.1 (*)	<a href="#"><u>Certificate of Incorporation of the Company, filed as Exhibit 3.3 to the Company's Current Report on Form 8-K filed with the Commission on March 19, 2015.</u></a>
3.2 (*)	<a href="#"><u>Bylaws of the Company, filed as Exhibit 3.4 to the Company's Current Report on Form 8-K filed with the Commission on March 19, 2015.</u></a>
3.3 (*)	<a href="#"><u>Amended and Restated Certificate of Incorporation of the Company, filed as Exhibit 4.7 to the Company's Current Report on Form 8-K filed with the Commission on June 24, 2015.</u></a>
3.4 (*)	<a href="#"><u>Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on October 22, 2015.</u></a>
3.5 (*)	<a href="#"><u>Second Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on March 14, 2016.</u></a>
3.6 (*)	<a href="#"><u>Second Amended and Restated Certificate of Incorporation of the Company, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 26, 2017.</u></a>
3.7 (*)	<a href="#"><u>First Amendment to the Second Amended and Restated Certificate of Incorporation of the Company, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on May 7, 2018.</u></a>
3.8 (*)	<a href="#"><u>Amended and Restated Bylaws of the Company, filed as Exhibit 3.7 to the Company's Registration Statement on Form S-1, as amended, (File No. 333-216040) originally filed with the Commission on February 13, 2017.</u></a>
4.1 (*)	<a href="#"><u>Specimen Stock Certificate evidencing shares of Class A common stock (previously known as "Common Stock"), filed as Exhibit 4.01 to the Company's Registration Statement on Form S-1, as amended, (File No. 333-170054) originally filed with the Commission on October 20, 2010.</u></a>

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- 4.2 (\*) [Form of Class B Common Stock \(previously known as “Class A Common Stock”\) Purchase Warrant, filed as Exhibit 4.6 to the Company’s Current Report on Form 8-K filed with the Commission on June 24, 2015.](#)
- 4.3 (\*) [Amended and Restated Voting and First Refusal Agreement dated May 26, 2017 by and among the Company, Magnolia Capital Fund, L.P. and Boulderado Partners, LLC, filed as Exhibit 4.1 to the Company’s Current Report on Form 8-K filed with the Commission on May 26, 2017.](#)
- 4.4 (\*) [Form of Indenture, between the Company and U.S. Bank National Association, filed as Exhibit 4.5 to the Company’s Registration Statement on Form S-3 \(File No. 333-222853\) filed with the Commission on February 2, 2018.](#)
- 4.5 (\*) [Class A Common Stock Purchase Agreement dated February 22, 2018, among Boston Omaha Corporation and the Purchasers named therein, filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the Commission on February 26, 2018.](#)
- 4.6 (\*) [Registration Rights Agreement dated March 6, 2018, among Boston Omaha Corporation and the Purchasers named therein, in the form attached as Annex I to the Class A Common Stock Purchase Agreement dated February 22, 2018, among Boston Omaha Corporation and the Purchasers named therein, filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the Commission on February 26, 2018.](#)
- 4.7 (\*) [Board Observer Letter dated March 6, 2018, among Boston Omaha Corporation and the Purchasers named therein, in the form attached as Annex II to the Class A Common Stock Purchase Agreement dated February 22, 2018, among Boston Omaha Corporation and the Purchasers named therein, filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the Commission on February 26, 2018.](#)
- 4.8 (\*) [Stockholders Agreement dated as of May 15, 2018 by and among Boston Omaha Corporation, Magnolia BOC I LP and Boulderado BOC, LP, filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the Commission on May 15, 2018.](#)
- 10.1 (\*) (+) [Employment Agreement dated August 1, 2015 by and between the Company and Alex B. Rozek, filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the Commission on August 5, 2015.](#)
- 10.2 (\*) (+) [Employment Agreement dated August 1, 2015 by and between the Company and Adam K. Peterson, filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K filed with the Commission on August 5, 2015.](#)

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10.3 (*)	<a href="#">Form of Indemnification Agreement, by and among the Company and each of its current directors, filed as Exhibit 10.6 to the Company's Registration Statement on Form S-1, as amended, (File No. 333-216040) originally filed with the Commission on February 13, 2017.</a>
10.4 (*) (+)	<a href="#">Amendment No. 1 to Employment Agreement dated June 5, 2017 by and between the Company and Alex B. Rozek, filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1, as amended, (File No. 333-216040) originally filed with the Commission on February 13, 2017.</a>
10.5 (*) (+)	<a href="#">Amendment No. 1 to Employment Agreement dated June 5, 2017 by and between the Company and Adam K. Peterson, filed as Exhibit 10.9 to the Company's Registration Statement on Form S-1, as amended, (File No. 333-216040) originally filed with the Commission on February 13, 2017.</a>
10.6 (*) (+)	<a href="#">Amended and Restated Management Incentive Bonus Plan, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 28, 2018.</a>
10.7 (*) (+)	<a href="#">Amendment No. 2 to Employment Agreement dated February 27, 2018 by and between the Company and Alex B. Rozek, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 28, 2018.</a>
10.8 (*) (+)	<a href="#">Amendment No. 2 to Employment Agreement dated February 27, 2018 by and between the Company and Adam K. Peterson, filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on February 28, 2018.</a>
10.9 (*)	<a href="#">Credit Agreement, dated August 12, 2019 by and between Link Media Holdings, LLC, and First National Bank of Omaha filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on August 13, 2019.</a>
10.10 (*)	<a href="#">Security Agreement, dated August 12, 2019, by and among Link Media Holdings, LLC and the Subsidiary Guarantors in Favor of First National Bank of Omaha filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on August 13, 2019.</a>
10.11 (*)	<a href="#">Subsidiaries Guaranty dated August 12, 2019 by and among the Subsidiary Guarantors in Favor of First National Bank of Omaha filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on August 13, 2019.</a>
10.12 (*)	<a href="#">\$5,000,000 Revolving Note dated August 12, 2019 issued by Link Media Holdings, LLC in favor of First National Bank of Omaha filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on August 13, 2019.</a>
10.13 (*)	<a href="#">\$24,900,000 Term Loan Note 1 dated August 12, 2019 issued by Link Media Holdings, LLC to First National Bank of Omaha filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on August 13, 2019.</a>
10.14 (*)	<a href="#">Form of Term Loan Note 2 to be issued by Link Media Holdings, LLC to First National Bank of Omaha filed as Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on August 13, 2019.</a>
10.15 (*)	<a href="#">First Amendment to Credit Agreement dated October 25, 2019 filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 25, 2019.</a>
13.1 (*)	<a href="#">2017 Annual Report, furnished with the Commission as originally filed with the Commission on April 2, 2018.</a>
14.1 (*)	<a href="#">Code of Business Conduct and Ethics, filed as Exhibit 14.1 to the Company's Annual Report on Form 10-K filed with the Commission on March 30, 2016.</a>
21.1 (#)	<a href="#">Schedule of Subsidiaries of the Company.</a>
23.1 (#)	<a href="#">Consent of MaloneBailey LLP, Independent Registered Public Accounting Firm.</a>
31.1 (#)	<a href="#">Certification of Co-Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).</a>
31.2 (#)	<a href="#">Certification of Co-Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).</a>
31.3 (#)	<a href="#">Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).</a>
32.1 (#)(##)	<a href="#">Certification of the Co-Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.</a>
32.2 (#)(##)	<a href="#">Certification of the Co-Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.</a>
32.3 (#)(##)	<a href="#">Certification of the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.</a>
101.INS (#)	XBRL Instance Document.
101.SCH (#)	XBRL Taxonomy Extension Schema Document.
101.CAL (#)	XBRL Taxonomy Extension Calculation Linkbase Document.

- 101.DEF (#) XBRL Taxonomy Extension Definition.
- 101.LAB (#) XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE (#) XBRL Taxonomy Presentation Linkbase Document.

(\*) Incorporated by reference to the filing indicated.

(+) Management contract or compensatory plan or arrangement.

(#) Filed herewith.

(##) The certifications attached as Exhibits 32.1, 32.2 and 32.3 that accompany this Report, are not deemed filed with the SEC and are not to be incorporated by reference into any filing of Boston Omaha Corporation under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report irrespective of any general incorporation language contained in such filing.

**SIGNATURES**

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

BOSTON OMAHA CORPORATION  
(Registrant)

By: /s/ Alex B. Rozek  
Alex B. Rozek,  
Co-President (Principal Executive Officer)

March 13, 2020

By: /s/ Adam K. Peterson  
Adam K. Peterson,  
Co-President (Principal Executive Officer)

March 13, 2020

By: /s/ Joshua P. Weisenburger  
Joshua P. Weisenburger  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

March 13, 2020

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

Name	Title	Date
<u>/s/ Alex B. Rozek</u> Alex B. Rozek	President, and Co-Chief Executive Officer, Co-Chairman of the Board of Directors (Principal Executive Officer)	March 13, 2020
<u>/s/ Adam K. Peterson</u> Adam K. Peterson	President, and Co-Chief Executive Officer, Co-Chairman of the Board of Directors (Principal Executive Officer)	March 13, 2020
<u>/s/ Bradford B. Briner</u> Bradford B. Briner	Director	March 13, 2020
<u>/s/ Brendan J. Keating</u> Brendan J. Keating	Director	March 13, 2020
<u>/s/ Frank H. Kenan II</u> Frank H. Kenan II	Director	March 13, 2020
<u>/s/ Jeffrey C. Royal</u> Jeffrey C. Royal	Director	March 13, 2020
<u>/s/ Vishnu Srinivasan</u> Vishnu Srinivasan	Director	March 13, 2020
<u>/s/ Joshua P. Weisenburger</u> Joshua P. Weisenburger	Chief Financial Officer (Principal Financial and Accounting Officer)	March 13, 2020

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of  
Boston Omaha Corporation

### ***Opinions on the Financial Statements and Internal Control Over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Boston Omaha Corporation and its subsidiaries (collectively, the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. 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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that responds to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control Over Financial Reporting***

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ MaloneBailey, LLP  
www.malonebailey.com

We have served as the Company's auditor since 2012.  
Houston, Texas  
March 13, 2020

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Consolidated Balance Sheets**

**ASSETS**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 16,028,514	\$ 17,105,072
Restricted cash	343,518	1,038,767
Accounts receivable, net	4,190,543	4,464,444
Interest receivable	456,827	33,552
Short-term investments	6,547,171	6,251,064
Marketable equity securities	55,907,927	-
U. S. Treasury securities available for sale	75,409,199	86,845,386
Funds held as collateral assets	1,858,161	-
Prepaid expenses	1,422,637	2,823,654
	<hr/>	<hr/>
Total Current Assets	162,164,497	118,561,939
<b>Property and Equipment, net</b>	<b>36,825,019</b>	<b>41,702,155</b>
<b>Other Assets:</b>		
Goodwill	106,272,501	98,685,795
Intangible assets, net	32,271,581	37,032,534
Investments	42,638,240	32,381,686
Investments in unconsolidated affiliates	771,805	568,713
Funds held as collateral assets	-	973,674
Deferred policy acquisition costs	2,349,699	1,412,248
Right of use assets	53,249,985	-
Other	364,883	875,777
	<hr/>	<hr/>
Total Other Assets	237,918,694	171,930,427
	<hr/>	<hr/>
Total Assets	<u>\$ 436,908,210</u>	<u>\$ 332,194,521</u>

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

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Consolidated Balance Sheets (Continued)**

**LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST, AND STOCKHOLDERS' EQUITY**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 5,675,096	\$ 3,550,856
Short-term payables for business acquisitions	416,166	2,000,610
Lease liabilities	3,801,727	-
Funds held as collateral	1,858,161	973,674
Unearned premiums	8,035,756	4,935,310
Current maturities of long-term debt	504,170	-
Deferred revenue	1,390,154	975,690
	21,681,230	12,436,140
<b>Long-term Liabilities:</b>		
Asset retirement obligations	2,044,705	1,824,419
Lease liabilities	48,199,652	-
Long-term debt, less current maturities	17,555,830	-
Other long-term liabilities	398,750	1,316,000
Deferred tax liability	57,000	57,000
	89,937,167	15,633,559
<b>Redeemable Noncontrolling interest</b>	1,730,058	1,345,578
<b>Stockholders' Equity:</b>		
Preferred stock, \$.001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding	-	-
Class A common stock, \$.001 par value, 38,838,884 shares authorized, 22,455,100 and 21,029,324 shares issued and outstanding, respectively	22,455	21,029
Class B common stock, \$.001 par value, 1,161,116 shares authorized, 1,055,560 shares issued and outstanding	1,056	1,056
Additional paid-in capital	367,029,421	335,518,323
Accumulated deficit	(21,811,947)	(20,325,024)
	345,240,985	315,215,384
<b>Total Liabilities, Redeemable Noncontrolling Interest, and Stockholders' Equity</b>	\$ 436,908,210	\$ 332,194,521

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



**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Consolidated Statements of Operations**

	For the Years Ended December 31,	
	2019	2018
<b>Revenues:</b>		
Billboard rentals, net	\$ 28,429,167	\$ 14,065,132
Premiums earned	10,944,313	3,184,312
Insurance commissions	1,567,331	2,606,031
Investment and other income	448,327	165,918
<b>Total Revenues</b>	<b>41,389,138</b>	<b>20,021,393</b>
<b>Costs and Expenses:</b>		
Cost of billboard revenues (exclusive of depreciation and amortization)	11,321,149	5,639,030
Cost of insurance revenues	6,290,218	1,949,621
Employee costs	11,945,895	8,601,950
Professional fees	3,664,370	3,460,690
General and administrative	6,346,698	4,222,015
Amortization	10,471,973	6,036,657
Depreciation	3,102,168	2,039,408
Loss on disposition of assets	223,890	150,649
Bad debt expense	299,881	126,275
Accretion	134,992	52,639
<b>Total Costs and Expenses</b>	<b>53,801,234</b>	<b>32,278,934</b>
<b>Net Loss from Operations</b>	<b>(12,412,096)</b>	<b>(12,257,541)</b>
<b>Other Income (Expense):</b>		
Interest income	3,198,527	1,953,226
Dividend income	710,169	-
Equity in income of unconsolidated affiliates	479,366	500,017
Unrealized gain (loss) on securities	6,273,337	(15,395)
Gain on disposition of investments	572,181	662,666
Interest expense	(302,749)	(1,804)
<b>Net Loss Before Income Taxes</b>	<b>(1,481,265)</b>	<b>(9,158,831)</b>
Income Tax (Provision) Benefit	-	-
<b>Net Loss</b>	<b>(1,481,265)</b>	<b>(9,158,831)</b>
Noncontrolling interest in subsidiary (income) loss	(5,658)	44,894
<b>Net Loss Attributable to Common Stockholders</b>	<b>\$ (1,486,923)</b>	<b>\$ (9,113,937)</b>
<b>Basic and Diluted Net Loss per Share</b>	<b>\$ (0.07)</b>	<b>\$ (0.46)</b>
<b>Basic and Diluted Weighted Average Class A and Class B Common Shares Outstanding</b>	<b>22,778,405</b>	<b>19,933,467</b>

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

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Consolidated Statements of Changes in Stockholders' Equity**

	No. of shares		Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
	Class A Common Stock	Class B Common Stock					
Stockholders' equity January 1, 2018	13,307,157	1,055,560	\$ 13,307	\$ 1,056	\$ 158,350,410	\$ (11,211,087)	\$ 147,153,686
Stock issued for cash	1,199,229	-	1,199	-	27,244,483	-	27,245,682
Stock issued for business acquisition	85,170	-	85	-	1,699,908	-	1,699,993
Stock issued to related parties for cash	6,437,768	-	6,438	-	149,993,562	-	150,000,000
Increase in redeemable noncontrolling interest	-	-	-	-	(155,485)	-	(155,485)
Offering costs	-	-	-	-	(1,614,555)	-	(1,614,555)
Net loss attributable to common stockholders, December 31, 2018	-	-	-	-	-	(9,113,937)	(9,113,937)
Stockholders' equity December 31, 2018	21,029,324	1,055,560	\$ 21,029	\$ 1,056	\$ 335,518,323	\$ (20,325,024)	\$ 315,215,384
Stock issued for cash	1,391,103	-	1,391	-	32,203,341	-	32,204,732
Stock issued for business acquisition	34,673	-	35	-	710,068	-	710,103
Increase in redeemable noncontrolling interest	-	-	-	-	(378,821)	-	(378,821)
Offering costs	-	-	-	-	(1,023,490)	-	(1,023,490)
Net loss attributable to common stockholders, December 31, 2019	-	-	-	-	-	(1,486,923)	(1,486,923)
Stockholders' equity December 31, 2019	22,455,100	1,055,560	\$ 22,455	\$ 1,056	\$ 367,029,421	\$ (21,811,947)	\$ 345,240,985

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

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

	For the Years Ended December 31,	
	2019	2018
<b>Cash Flows from Operating Activities:</b>		
Net Loss	\$ (1,481,265)	\$ (9,158,831)
Adjustments to reconcile net loss to cash provided by operating activities:		
Amortization of right of use assets	3,621,195	-
Depreciation, amortization, and accretion	13,709,133	8,128,704
Loss on disposition of assets	223,890	150,649
Bad debt expense	299,881	126,275
Equity in earnings of unconsolidated affiliates	(479,366)	(500,017)
Unrealized (gains) losses on securities	(6,273,337)	15,395
Gain on disposition of investments	(572,181)	(662,666)
Changes in operating assets and liabilities:		
Accounts receivable	(25,980)	(2,067,224)
Interest receivable	(423,275)	(33,552)
Prepaid expenses	(593,537)	(283,555)
Distributions from unconsolidated affiliates	541,108	816,201
Deferred policy acquisition costs	(937,451)	(1,085,217)
Other assets	(89,651)	(629,832)
Accounts payable and accrued expenses	1,988,287	711,441
Lease liabilities	(3,408,812)	-
Unearned premiums	3,100,446	3,789,735
Deferred revenue	414,464	720,819
Net Cash Provided by Operating Activities	9,613,549	38,325
<b>Cash Flows from Investing Activities:</b>		
Payments on short-term payables for business acquisitions	(1,964,990)	(725,857)
Proceeds from disposition of assets	44,275	41,940
Business acquisitions, net of cash acquired	(7,473,891)	(134,798,950)
Purchase of preferred units	(12,000,000)	-
Investment in unconsolidated affiliates	(264,834)	(40,399)
Purchases of equipment and related assets	(2,812,228)	(3,120,951)
Proceeds from sales of investments	1,153,720,175	817,100,670
Purchase of investments	(1,189,875,105)	(843,212,636)
Net Cash Used in Investing Activities	(60,626,598)	(164,756,183)

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

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Consolidated Statements of Cash Flows (Continued)**

	<b>For the Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issuance of stock	32,204,732	27,245,682
Proceeds from issuance of stock to related parties	-	150,000,000
Proceeds from long-term debt	18,060,000	-
Offering costs	(1,023,490)	(1,614,555)
Net Cash Provided by Financing Activities	49,241,242	175,631,127
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(1,771,807)	10,913,269
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	18,143,839	7,230,570
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 16,372,032	\$ 18,143,839
Interest Paid in Cash	\$ 236,654	\$ 1,804
Income Taxes Paid in Cash	\$ -	\$ -

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

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Consolidated Statement of Cash Flows (Continued)  
Supplemental Schedules of Non-cash Investing and Financing Activities**

	<b>For the Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Payable as consideration for business acquisition	779,296	2,229,467
Asset retirement obligations	85,294	165,893
Note receivable exchanged for preferred stock	-	104,019
Class A common stock issued for business acquisition	710,103	1,699,993
Increase in redeemable noncontrolling interest	378,821	155,485

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

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 1. ORGANIZATION AND BACKGROUND**

Boston Omaha was organized on August 11, 2009 with present management taking over operations in February 2015. Our operations include (i) our outdoor advertising business with multiple billboards across Alabama, Florida, Georgia, Illinois, Iowa, Kansas, Missouri, Nebraska, Virginia, West Virginia, and Wisconsin; (ii) our insurance business that specializes in surety bond underwriting and brokerage, and (iii) minority investments primarily in real estate services, homebuilding, and banking. Our billboard operations are conducted through our subsidiary, Link Media Holdings, LLC, and our insurance operations are conducted through our subsidiary, General Indemnity Group, LLC.

We completed an acquisition of an outdoor advertising business and entered the outdoor advertising industry on June 19, 2015. During 2015, 2016, 2017, 2018 and 2019 we completed sixteen additional acquisitions of outdoor advertising businesses.

On April 20, 2016, we completed an acquisition of a surety bond brokerage business. On December 7, 2016, we acquired a fidelity and surety bond business; and, from July through November 2017 we completed the acquisition of two surety brokerage businesses, and we acquired a majority stake in a third surety brokerage business, thus expanding our operations in insurance.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Consolidation Policy**

The financial statements of Boston Omaha Corporation include the accounts of the Company and its wholly-owned and majority-owned subsidiaries, as follows:

Link Media Holdings, LLC which we refer to as "LMH"  
Link Media Alabama, LLC which we refer to as "LMA"  
Link Media Florida, LLC which we refer to as "LMF"  
Link Media Wisconsin, LLC which we refer to as "LMW"  
Link Media Georgia, LLC which we refer to as "LMG"  
Link Media Midwest, LLC which we refer to as "LMM"  
Link Media Omaha, LLC which we refer to as "LMO"  
Link Media Southeast, LLC which we refer to as "LMSE"  
Link Media Services, LLC which we refer to as "LMS"  
General Indemnity Group, LLC which we refer to as "GIG"  
The Warnock Agency, Inc. which we refer to as "Warnock"  
United Casualty and Surety Insurance Company which we refer to as "UCS"  
Surety Support Services, Inc. which we refer to as "SSS"  
South Coast Surety Insurance Services, LLC which we refer to as "SCS"  
Boston Omaha Investments, LLC which we refer to as "BOIC"  
Boston Omaha Asset Management, LLC which we refer to as "BOAM"  
BOC DFH, LLC which we refer to as "BOC DFH"  
Fiber is Fast, LLC which we refer to as "BOC FIF"  
FIF AireBeam LLC which we refer to as "AireBeam"

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Consolidation Policy (Continued)**

All significant intercompany profits, losses, transactions and balances have been eliminated in consolidation.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, we consider all highly liquid investments, with the exception of U.S. Treasury securities, purchased with an original maturity of three months or less to be cash equivalents.

**Restricted Cash**

We have cash that is restricted for the payment of insurance premiums.

**Accounts Receivable**

**Billboard Rentals**

Accounts receivable are recorded at the invoiced amount, net of advertising agency commissions, sales discounts, and allowances for doubtful accounts. We evaluate the collectability of accounts receivable based on our knowledge of our customers and historical experience of bad debts. In circumstances where we are aware of a specific customer's inability to meet its financial obligations, we record a specific allowance to reduce the amounts recorded to what we believe will be collected. For all other customers, we recognize 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, 2019 and 2018, the allowance for doubtful accounts was \$127,635 and \$50,565, respectively.

**Insurance**

Accounts receivable consists of premiums and anticipated salvage. All of the receivables have payment terms of less than twelve months.

Anticipated salvage is the amount we expect to receive from principals pursuant to indemnification agreements.

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Policy Acquisition Costs**

Policy acquisition costs consist primarily of commissions to agents and brokers and premium taxes, fees, and assessments. Such costs that are directly related to the successful acquisition of new or renewal insurance contracts are deferred and amortized over the related policy period, generally one to three years. The recoverability of these costs is analyzed by management quarterly, and if determined to be impaired, is charged to expense. We do not consider anticipated investment income in determining whether a premium deficiency exists. All other acquisition expenses are charged to operations as incurred.

**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, which range from two years to fifteen years as follows:

	<u>Years</u>
Structures	15
Digital displays and electrical	3 to 10
Static and tri-vision displays	7 to 15
Vehicles, equipment, and furniture	2 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.

Periodic internal reviews are performed to evaluate the reasonableness of the depreciable lives for property and equipment. Actual usage, physical wear and tear, replacement history, and assumptions about technology evolution are reviewed and evaluated to determine the remaining useful lives of the assets. Remaining useful life assessments are made to anticipate the loss in service value that may precede physical retirement, as well as the level of maintenance required for the remaining useful life of the asset.

Property and equipment is reviewed periodically 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 our 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 subject to an annual impairment test. We designated October 1 as the date of our annual goodwill impairment test. We are required to identify our reporting units and determine the carrying value of each reporting unit. We analyze financial information of our operations to identify discrete segments that constitute a reporting unit. We assign assets acquired and liabilities assumed in business combinations to those reporting units. We have identified three reporting units: billboard operations, insurance brokerage operations, and insurance carrier operations. We are required to determine the fair value of each reporting unit and compare it to the carrying amount of the reporting unit. To the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit, we would be required to book an impairment loss. For our annual review of reporting units, we employ a third party valuation expert.



**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Goodwill (Continued)**

Factors considered in the annual evaluation include deterioration in economic conditions (both macro and geographic), limitations on accessing capital, and our 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. If industry and economic conditions deteriorate, we may be required to assess goodwill impairment before the next annual test, which could result in impairment charges.

We performed our annual measurement for impairment of the goodwill of our reporting units and concluded the fair value of each reporting unit exceeded its carrying amount at its annual impairment test date on October 1, 2019 and 2018; therefore, we were not required to recognize an impairment loss.

During 2019 and 2018, goodwill of more than \$3,500,000 and \$73,000,000, respectively, was recorded in connection with our billboard acquisitions.

**Purchased Intangibles and Other Long-Lived Assets**

We amortize intangible assets with finite lives over their estimated useful lives, which range between two and fifty years as follows:

	<u>Years</u>
Customer relationships	3 to 10
Permits, licenses, and lease acquisition costs	10 to 50
Noncompetition and nonsolicitation agreements	2 to 5
Technology, trade names, and trademarks	2 to 3
Site location	15

Purchased intangible assets, including long-lived assets, are reviewed for impairment 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 our 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 our historical experience. Impairment losses are recognized only if the carrying amount exceeds its fair value.

**Asset Retirement Obligations**

We are required to record 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. Our asset retirement obligations relate to the dismantlement, removal, site reclamation, and similar activities related to the decommissioning of our billboard structures.

**BOSTON OMAHA CORPORATION  
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**For the Years Ended December 31, 2019 and 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments, Short-term and Long-term**

Investments include certificates of deposits, U.S Treasury securities, marketable equity securities, investments in corporate bonds, and equity investments as discussed below. U.S. Treasury securities held by our insurance entities are classified as held-to-maturity and are accounted for at amortized cost. We have both the intent and ability to hold the bonds to maturity. U.S. Treasury securities held by non-insurance entities are classified as available for sale and are accounted for at fair value. Because we have elected the fair value option for these securities, unrealized holding gains and losses during the period are included in earnings. Marketable equity securities are stated at fair value. Certificates of deposit are accounted for at carrying value 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 and losses are included in earnings.

**Equity Investments**

Our equity investments consist of investment in two private companies in which we do not have the ability to exercise significant influence over their operating and financial activities. These investments are carried at cost as there is no market for the common stock and LLC units, accordingly, no quoted market price is available. The investments are tested for impairment, at least annually, and more frequently upon the occurrences of certain events. We have adopted the provisions of ASU 2016-01 and use the measurement alternative, defined as cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

**Investments in Unconsolidated Entities**

We account for investments in less than 50% owned and more than 20% owned entities using the equity method of accounting. In accordance with ASC 323-30, we account for investments in limited partnerships and limited liability companies using the equity method of accounting when its investment is more than minimal. Our share of income (loss) of such entities is recorded as a single amount as equity in income (loss) of unconsolidated affiliates. Dividends, if any, are recorded as a reduction of the investment.

**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 us, as well as all other contractual obligations of the principals to the surety. For 2018, we held long-term certificates of deposit as collateral.

**Land Leases**

Most of the advertising structures are located on leased land. 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, 2018, prepaid expenses include \$2,056,195 in prepaid land leases which are included within ROU assets at December 31, 2019.

**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.

The more significant areas requiring the use of management estimates relate to allocation of asset acquisition price between tangible and intangible assets, useful lives for depreciation, amortization and accretion, impairment of goodwill, valuation of insurance loss reserves, and the valuation of deferred tax assets and liabilities. Accordingly, actual results could differ from those estimates. During the fourth quarter of 2019, management extended the useful lives of certain intangible assets (see further discussion within Note 7).

**BOSTON OMAHA CORPORATION  
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**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenues**

On January 1, 2018, we adopted Financial Accounting Standards Board, which we refer to as “FASB,” Accounting Standards Update, which we refer to as “ASU,” No. 2014-09 (Codified as Accounting Standards Codification, which we refer to as “ASC,” 606), *Revenue from Contracts with Customers* using the cumulative effect transition method applied to those contracts which were not completed as of January 1, 2018 and are not accounted for under ASC 840 *Leases*. A majority of our billboard contracts have historically been accounted for under ASC 840. Contracts which began prior to January 1, 2019 and are accounted for under ASC 840 will continue to be accounted for as a lease until the contract ends or is modified. Contracts beginning or modified on or after January 1, 2019 which do not meet the criteria of a lease under FASB ASU No. 2016-02 (Codified as ASC 842), *Leases* are accounted for under ASC 606, *Revenue from Contracts with Customers*. The majority of our advertising space contracts do not meet the definition of a lease under ASC 842.

Premium revenues derived from our insurance operations are not subject to this guidance, since they are subject to ASC 944, *Financial Services – Insurance*.

**Revenue Recognition**

Billboard Rentals

We generate revenue from outdoor advertising through the leasing of advertising space on billboards. The terms of the operating leases generally range from less than one month to three years and are generally billed monthly. Revenue for advertising space rental is recognized on a straight-line basis over the term of the contract. Advertising revenue is reported net of agency commissions. Agency commissions are calculated based on a stated percentage applied to gross billing revenue for operations. Payments received in advance of being earned are recorded as deferred revenue. Another component of billboard rentals consists of production services which include creating and printing advertising copy. Contract revenues for production services are accounted for under ASC 606. Revenues are recognized at a point in time upon satisfaction of the contract, which is typically less than one week. Production services revenue recognized in 2019 was \$1,341,995 and in 2018 was \$561,779.

Deferred Revenues

We record deferred revenues when cash payments are received in advance of being earned or when we have an unconditional right to consideration before satisfying our performance obligation. The term between invoicing and when a payment is due is not significant. For certain services we require payment before the product or services are delivered to the customer. The balance of deferred revenue is considered short-term and will be recognized in revenue within twelve months.

**BOSTON OMAHA CORPORATION  
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**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

Premiums and Unearned Premium Reserves

Premiums written are recognized as revenues based on a pro-rata daily calculation over the respective terms 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.

Commissions

We generate revenue from commissions on surety bond sales and account for commissions under ASC 606. Insurance commissions are earned from various insurance companies based upon our agency agreements with them. We arrange with various insurance companies for the provision of a surety bond for entities that require a surety bond. The insurance company sets the price of the bond. The contract with the insurance company is fulfilled when the bond is issued by the insurance agency on behalf of the insurance company. The insurance commissions are calculated based upon a stated percentage applied to the gross premiums on bonds. Commissions are recognized at a point in time, on a bond-by-bond basis as of the policy effective date and are generally nonrefundable.

Practical Expedients and Exemptions

Upon our transition to ASC 606 from ASC 840, we utilized the following practical expedients and exemptions from ASC 606. We expense sales commissions when incurred because the amortization period is one year or less. These costs are reported within cost of billboard revenues (exclusive of depreciation and amortization) in the consolidated statements of operations. We do not disclose the value of unsatisfied performance obligations as the majority of our contracts with customers have an original expected length of less than one year. We have used the practical expedient and not adjusted the amount of consideration for the effects of a significant financing component for deferred revenues where the period between our performance and our customers' payments is less than one year. For contracts with customers which exceed one year the future amount to be invoiced to the customer corresponds directly with the value to be received by the customer.

**Right of Use Assets and Lease Liabilities**

Right of use, which we refer to as "ROU", assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The present value of lease payments is determined primarily using the incremental borrowing rate based on the information available at the lease commencement date. We have elected not to recognize ROU assets and lease liabilities for short-term leases for all classes of underlying assets. Short-term leases are leases with terms greater than 1 month, but less than 12 months.

**Redeemable Noncontrolling Interest**

Redeemable noncontrolling interests are interests in subsidiaries that are redeemable outside of our control either for cash or other assets. These interests are classified as mezzanine equity and measured at the greater of estimated redemption value at the end of each reporting period or the historical cost basis of the noncontrolling interest adjusted for cumulative earnings allocations. The resulting increases or decreases in the estimated redemption amount are affected by corresponding charges against retained earnings, or in the absence of retained earnings, additional paid-in capital.

**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 expenses. Estimates for losses and loss adjustment expenses are based on past experience of investigating and adjusting claims and consideration of the level of premiums written during the current and prior year. Since the reserves are based on estimates, the ultimate liability may differ from the estimated reserve. The effects of changes in estimated reserves are included within cost of insurance revenues in our results of operations in the period in which the estimates are updated. The reserves are included within accounts payable and accrued expenses in our consolidated balance sheets.

**Segment Information**

Operating segments are defined as the components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Our chief operating decision makers direct the allocation of resources to operating segments based on the profitability, cash flows, and growth opportunities of each respective segment.

Our current operations for the years ended December 31, 2019 and 2018 include the outdoor advertising industry and the insurance industry.

**BOSTON OMAHA CORPORATION  
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**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Earnings Per Share**

Basic loss per common share is computed by dividing the net loss available to Class A common stockholders and Class B common stockholders by the weighted average number of Class A common and Class B common shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, dilutive common equivalent shares are excluded from the loss per share calculation as the effect would be anti-dilutive. For the years ended December 31, 2019 and 2018, we had potentially dilutive securities in the form of stock warrants. However, such securities were excluded due to their anti-dilutive effect.

**Income Taxes**

We account for income taxes in accordance with ASC Topic 740 which requires us to provide a net deferred tax asset or liability equal to the expected future tax benefit or expense of temporary reporting differences between book and tax accounting, any available operating loss or tax credit carry forwards. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and income tax reporting. Deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future federal income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to amounts expected to be realized.

We recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 2019 and 2018, we recognized no interest and penalties. As of December 31, 2019 and 2018, we had no accruals for interest and penalties.

**Recent Accounting Pronouncements**

In May 2014, the FASB issued 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 replaced most existing revenue recognition guidance in U.S. GAAP when it became 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. We adopted the provisions of ASU No. 2014-09 on January 1, 2018 using the cumulative effect transition method. We did not have an adjustment to our opening balance of accumulated deficit for the adoption of this update.

In February 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires entities to carry all investments in equity securities at fair value and recognize any changes in fair value in net income. Under the standard, equity investments that do not have readily determinable fair values and do not qualify for the net asset value practical expedient are eligible for the measurement alternative. We adopted the provisions of ASU No. 2016-01 on January 1, 2018, for our equity investments in private companies not accounted for under the equity method, using the measurement alternative, defined as cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer.

**BOSTON OMAHA CORPORATION  
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**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recent Accounting Pronouncements (Continued)**

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We adopted ASU No. 2016-18 on January 1, 2018. In accordance with the guidance of ASU No. 2016-18, changes in restricted cash have been included with cash and cash equivalents in the consolidated statements of cash flows. We retrospectively adopted the standard.

The adoption increased the ending cash balance within our consolidated statements of cash flows by the aggregate amount of our restricted cash balances and required a new disclosure to reconcile the cash balances within our consolidated statements of cash flows to the consolidated balance sheets.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The update simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. It affects public entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill. A public entity that is a U.S. Securities and Exchange Commission ("SEC") filer should adopt the amendments in this update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. We adopted this update beginning with our October 1, 2017 goodwill impairment test.

On January 1, 2018, we adopted ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Payments*. The ASU is required to be reflected on a retrospective basis and provides guidance on the classification of certain cash receipts and cash payments, including distributions received from an equity method investee. We adopted the cumulative earnings approach, whereby distributions received are considered to be returns on investment and, thus, should be classified as cash inflows from operating activities on our consolidated statement of cash flows, unless the cumulative distributions received less distributions received in prior periods that were determined to be returns of investment exceed cumulative equity in earnings recognized. When such an excess occurs, the current period distribution up to this excess is considered a return of investment and classified as cash inflows from investing activities. The adoption of ASU No. 2016-15 did not have a material impact on our consolidated financial statements.

In December 2019, the FASB issued guidance which simplifies the accounting for income taxes by removing certain exceptions to the general principles and improves consistent application of GAAP for other areas by clarifying and amending existing guidance. This guidance is effective January 1, 2021. We are evaluating the effect of adopting this new accounting guidance but do not expect adoption will have a material impact on our disclosures.

In January 2020, the FASB issued ASU No. 2020-01, *Clarifying the Interactions between Topic 321, Investments—Equity Securities, Topic 323, Investments—Equity Method and Joint Ventures, and Topic 815, Derivatives and Hedging*. This ASU clarifies that when accounting for certain equity securities, a Company should consider observable transactions before applying or upon discontinuing the equity method of accounting for the purposes of applying the measurement alternative. This guidance is effective January 1, 2021, with early adoption permitted. We are evaluating the effect of adopting this new accounting guidance but do not expect adoption will have a material impact on our financial statements.

**BOSTON OMAHA CORPORATION  
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**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recent Accounting Pronouncements (Continued)**

In February 2016, the FASB established Topic 842, *Leases*, by issuing ASU No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU No. 2018-11, *Targeted Improvements*. The new standard establishes a right-of-use model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

We adopted Topic 842 effective January 1, 2019, using the modified retrospective transition approach. Additionally, we adopted the package of practical expedients, which permitted us not to reassess under the new standard our prior conclusions about lease identification, lease classification, and initial direct costs. We also adopted the use of hindsight and the practical expedient pertaining to land easements. The most significant effects of Topic 842 were the recognition of \$49,066,289 of operating lease assets and liabilities and the de-recognition of \$811,709 of favorable lease assets, \$1,945,820 of prepaid land lease assets and \$1,316,000 of accrued rent liabilities. We applied Topic 842 to all leases as of January 1, 2019 with comparative periods continuing to be reported under Topic 840. In the adoption of Topic 842, we carried forward the assessment from Topic 840 of whether our contracts contain or are leases, the classification of our leases, and remaining lease terms. We do not have any finance leases. The adoption of the standard did not have a significant effect on our consolidated results of operations or cash flows. Note 14 contains further details.

**NOTE 3. RESTRICTED CASH**

Restricted cash consists of the following:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Insurance premium escrow	\$ 343,518	\$ 1,038,767

The following table sets forth a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated statements of cash flows that agrees to the total of those amounts as presented in the consolidated statements of cash flows.

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 16,028,514	\$ 17,105,072
Restricted cash	343,518	1,038,767
Total Cash, Cash Equivalents, and Restricted Cash as Presented in the Consolidated Statements of Cash Flows	\$ 16,372,032	\$ 18,143,839

**BOSTON OMAHA CORPORATION  
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**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 4. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following:

	December 31,	
	2019	2018
Trade accounts	\$ 3,346,215	\$ 3,621,695
Premiums	971,963	890,974
Anticipated salvage and subrogation	-	2,340
Allowance for doubtful accounts	(127,635)	(50,565)
Total Accounts Receivable, net	<u>\$ 4,190,543</u>	<u>\$ 4,464,444</u>

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	December 31,	
	2019	2018
Structures and displays	\$ 41,320,458	\$ 44,025,894
Vehicles and equipment	1,245,210	642,081
Office furniture and equipment	990,810	973,431
Accumulated depreciation	(6,731,459)	(3,939,251)
Total Property and Equipment, net	<u>\$ 36,825,019</u>	<u>\$ 41,702,155</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$3,102,168, and \$2,039,408 respectively. During the years ended December 31, 2019 and 2018, we incurred losses on the disposition of assets in the amount of \$223,890 and \$150,649, respectively.



**BOSTON OMAHA CORPORATION  
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**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 6. BUSINESS ACQUISITIONS**

**2019 Acquisitions**

During the year ended December 31, 2019, we completed two acquisitions of billboards and related assets. These acquisitions were accounted for as business combinations under the provisions of ASC 805. A summary of the acquisitions is provided below.

On August 30, 2019, our subsidiary, LMSE, acquired from Image Outdoor Advertising, LLC, which we refer to as “Image”, 60 billboard structures and related assets located in West Virginia. The acquisition was completed for the purpose of expanding our presence in the outdoor advertising market in the Southeastern United States. The purchase price consisted of \$6,915,501 in cash, net of adjustments, and 34,673 shares of our Class A common stock for a total purchase price of \$7,625,604 and includes \$398,750 that was held back by LMSE and will be disbursed, subject to any claims for indemnification, over an 18 month period. Due to the timing of the transaction, the initial accounting for the business combination is incomplete. The provisional purchase price allocation is based on internal information derived from our previous acquisitions in the Southeastern United States. We are still in the process of obtaining and assessing documentation of the contracts for customer relationships and detailed reports for structures and permits. Our preliminary purchase price allocation related to Image includes property, plant and equipment, intangibles and goodwill of \$1,544,970, \$3,152,000 and \$3,058,633, respectively, as well as other net liabilities of \$129,999.

On October 1, 2019, our subsidiary, LMO, acquired certain billboard assets in Missouri from Alpha Displays, Inc. The purchase price for the acquired assets was \$1,337,685 and includes \$380,546 that was held back by LMO and will be disbursed, subject to any claims for indemnification, over an 18 month period. The assets were acquired for the purpose of expanding our presence in the outdoor advertising market in the Midwestern United States.

**2018 Acquisitions**

During the year ended December 31, 2018, we completed three acquisitions of billboards and related assets. These acquisitions were accounted for as business combinations under the provisions of ASC 805. A summary of the acquisitions is provided below.

**Billboard Acquisitions**

**Tammy Lynn Outdoor, LLC**

On July 31, 2018, our subsidiary, LMSE, acquired from Tammy Lynn Outdoor, LLC, which we refer to as “Tammy Lynn,” billboard structures and related assets primarily located in West Virginia with additional acquired assets located in Virginia. The acquisition was completed for the purpose of expanding our presence in the outdoor advertising market in the Southeastern United States. The purchase price consisted of \$14,763,261 in cash, net of adjustments, and 85,170 shares of our Class A common stock for a total purchase price of \$16,463,254. There were no adjustments made to the purchase price allocation recorded as of December 31, 2018. Finite-lived intangible assets consist of customer relationships, permits, favorable leases, and a five year noncompetition agreement. We amortize the noncompetition agreement according to the terms of the asset purchase agreement. For other finite-lived assets, amortization is computed over the average period of expected benefit determined from internal information.

For the year ended December 31, 2018, revenues and earnings recognized from the date of acquisition in our consolidated statement of operations were \$853,018 and (\$210,647), respectively. Acquisition costs of \$170,856 were expensed in professional fees during the same period.

**BOSTON OMAHA CORPORATION  
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**Notes to Unaudited Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 6. BUSINESS ACQUISITIONS (Continued)**

**2018 Acquisitions (Continued)**

**Billboard Acquisitions (Continued)**

**Key Outdoor, Inc.**

On August 22, 2018, our subsidiary, LMM acquired from Key Outdoor, Inc., which we refer to as “Key,” over 700 billboard structures and related assets. 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. A portion of the purchase price equal to \$1,900,000 was held back by LMM to be disbursed, subject to any claims for indemnification, over a 12 month period. Another \$329,467 was held back as required consent holdback. Both holdbacks, net of 2018 payments, are included in the caption “Short-term payables for business acquisitions” on our consolidated balance sheet as of December 31, 2018. Each of Key and Angela K. Dahl and Robert A. Dahl, Key’s principals, entered into five year noncompetition and nonsolicitation agreements in connection with the acquisition. Total cash paid at closing was \$36,004,427. During the year ended December 31, 2019, we made payments of \$1,964,990 on the short-term payable for business acquisitions.

During the third quarter of 2019, we completed our review of customer relationships, structures, permits, and lease contracts which allowed us to finalize the preliminary purchase price allocation. Finite-lived intangible assets consist of customer relationships, permits, and five year noncompetition and nonsolicitation agreements. We amortize the noncompetition and nonsolicitation agreements according to the terms of the asset purchase agreement. For other finite-lived assets, amortization is computed over the average period of expected benefit determined from internal information.

The final purchase price allocation, including current measurement-period adjustments, was recorded as follows:

	Key		
	December 31, 2019	Adjustments	December 31, 2018
<b>Assets Acquired</b>			
Property and Equipment:			
Structures and displays	\$ 6,927,808	\$ (2,676,030)	\$ 9,603,838
Intangible Assets:			
Customer relationships	8,627,000	935,000	7,692,000
Permits, licenses, and lease acquisition costs	1,167,000	(17,000)	1,184,000
Easements	-	-	-
Favorable leases	-	-	-
Noncompetition and non-solicitation agreements	100,000	-	100,000
Goodwill	21,257,030	1,758,030	19,499,000
<b>Total Intangible Assets</b>	<b>31,151,030</b>	<b>2,676,030</b>	<b>28,475,000</b>
Other Assets:			
Accounts receivable	-	-	-
Prepaid expenses	233,894	-	233,894
<b>Total Other Assets</b>	<b>233,894</b>	<b>-</b>	<b>233,894</b>
<b>Total Assets Acquired</b>	<b>38,312,732</b>	<b>-</b>	<b>38,312,732</b>
<b>Liabilities Assumed</b>			
Accounts payable and accrued expenses	-	-	-
Asset retirement obligations	(78,838)	-	(78,838)
Other long-term liabilities	-	-	-
<b>Total Liabilities Assumed</b>	<b>(78,838)</b>	<b>-</b>	<b>(78,838)</b>
<b>Total</b>	<b>\$ 38,233,894</b>	<b>\$ -</b>	<b>\$ 38,233,894</b>

Amortization expense for the year ended December 31, 2019, is increased by \$335,797 to reflect the effect on earnings as a result of the above adjustments to the

provisional amounts recognized. Depreciation expense for the same period is decreased by \$193,269 as a result of the adjustments.

For the year ended December 31, 2018, revenues and earnings recognized from the date of acquisition in our consolidated statement of operations were \$1,947,895 and (\$418,705), respectively. Acquisition costs of \$177,658 were expensed in professional fees during the same period.

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**Notes to Unaudited Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 6. BUSINESS ACQUISITIONS (Continued)**

**2018 Acquisitions (Continued)**

**Billboard Acquisitions (Continued)**

**Waitt Outdoor, LLC**

On August 31, 2018, our subsidiary, LMO acquired from Waitt Outdoor, LLC, which we refer to as "Waitt," over 1,600 billboard structures and related assets. The billboards and related assets are located in Kansas, Illinois, Iowa, Missouri and Nebraska.

The purchase price for the acquired assets was \$82,000,000, subject to certain post-closing adjustments, which totaled \$2,031,262, resulting in a total purchase price of \$84,031,262. Cash paid at closing was \$84,031,262 of which \$4,102,500 was initially held in escrow, subject to any claims for indemnification, and subsequently released to Waitt during the third quarter of 2019. Waitt, WaittCorp Investments, LLC, and Mr. Michael J. Delich, the principal of Waitt, have also entered into five year noncompetition and nonsolicitation agreements in connection with the acquisition.

During the third quarter of 2019, we completed our review of customer relationships, structures, permits, easements and lease contracts which allowed us to finalize the preliminary purchase price allocation. Finite-lived intangible assets consist of customer relationships, permits, and noncompetition and nonsolicitation agreements. We amortize the noncompetition and nonsolicitation agreements according to the terms of the asset purchase agreement. For other finite-lived assets, amortization is computed over the average period of expected benefit determined from internal information. We also acquired several easements. The easements are permanent easements which grant us the right to use real property not owned by us. Since the easements are perpetual, they are not amortized.

The final purchase price allocation, including current measurement-period adjustments, was recorded as follows:

	Waitt		
	December 31, 2019	Adjustments	December 31, 2018
<b>Assets Acquired</b>			
Property and Equipment:			
Structures and displays	\$ 16,220,375	\$ (3,503,529)	\$ 19,723,904
Intangible Assets:			
Customer relationships	13,984,000	1,288,000	12,696,000
Permits, licenses, and lease acquisition costs	5,288,000	(53,000)	5,341,000
Easements	454,563	-	454,563
Favorable leases	-	-	-
Noncompetition and non-solicitation agreements	219,000	-	219,000
Goodwill	48,650,475	2,268,529	46,381,946
<b>Total Intangible Assets</b>	<b>68,596,038</b>	<b>3,503,529</b>	<b>65,092,509</b>
Other Assets:			
Accounts receivable	1,239,457	-	1,239,457
Prepaid expenses	1,551,084	-	1,551,084
<b>Total Other Assets</b>	<b>2,790,541</b>	<b>-</b>	<b>2,790,541</b>
<b>Total Assets Acquired</b>	<b>87,606,954</b>	<b>-</b>	<b>87,606,954</b>
<b>Liabilities Assumed</b>			
Accounts payable and accrued expenses	(761,779)	-	(761,779)
Asset retirement obligations	(1,497,913)	-	(1,497,913)
Other long-term liabilities	(1,316,000)	-	(1,316,000)
<b>Total Liabilities Assumed</b>	<b>(3,575,692)</b>	<b>-</b>	<b>(3,575,692)</b>
<b>Total</b>	<b>\$ 84,031,262</b>	<b>\$ -</b>	<b>\$ 84,031,262</b>

Amortization expense for the year ended December 31, 2019, is increased by \$459,369 to reflect the effect on earnings as a result of the above adjustments to the provisional amounts recognized. Depreciation expense for the same period is decreased by \$253,033 as a result of the adjustments.

For the year ended December 31, 2018, revenues and earnings recognized from the date of acquisition in our consolidated statement of operations were \$4,468,421 and (\$93,469), respectively. Acquisition costs of \$195,325 were expensed in professional fees during the same period.

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**Notes to Unaudited Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 6. BUSINESS ACQUISITIONS (Continued)**

**Pro Forma Information**

The following is the unaudited pro forma information assuming all business acquisitions occurred on January 1, 2018. For all of the business acquisitions depreciation and amortization have been included in the calculation of the pro forma information provided below, based upon the actual acquisition costs. Depreciation is computed on the straight-line method over the estimated remaining economic lives of the assets, ranging from two years to fifteen years. Amortization is computed on the straight-line method over the estimated useful lives of the assets ranging from two to fifty years.

	For the Year Ended December 31,	
	2019	2018
Revenue	\$ 42,377,671	\$ 35,036,072
Net Loss Attributable to Common Stockholders	\$ (2,066,847)	\$ (13,754,971)
Basic and Diluted Loss per Share	\$ (0.09)	\$ (0.69)
Basic and Diluted Weighted Average Class A and Class B Common Shares Outstanding	22,801,394	20,017,842

The information included in the pro forma amounts is derived from historical information obtained from the sellers of the businesses. The pro forma amounts above for basic and diluted weighted average shares outstanding have been adjusted to include the stock issued in connection with the acquisitions of Tammy Lynn and Image.

**NOTE 7. INTANGIBLE ASSETS**

Intangible assets consist of the following:

	December 31, 2019			December 31, 2018		
	Cost	Accumulated Amortization	Balance	Cost	Accumulated Amortization	Balance
Customer relationships	\$ 37,743,900	\$ (17,890,487)	\$ 19,853,413	\$ 32,638,900	\$ (8,326,564)	\$ 24,312,336
Permits, licenses, and lease acquisition costs	10,305,521	(1,443,337)	8,862,184	9,599,621	(559,285)	9,040,336
Site location	849,347	(136,839)	712,508	849,347	(80,216)	769,131
Noncompetition agreements	626,000	(269,318)	356,682	614,000	(145,517)	468,483
Trade names and trademarks	722,200	(267,900)	454,300	722,200	(195,417)	526,783
Technology	138,000	(138,000)	-	138,000	(122,657)	15,343
Nonsolicitation agreement	28,000	(28,000)	-	28,000	(28,000)	-
Favorable leases	-	-	-	847,000	(35,291)	811,709
Easements	2,032,494	-	2,032,494	1,088,413	-	1,088,413
Total	\$ 52,445,462	\$ (20,173,881)	\$ 32,271,581	\$ 46,525,481	\$ (9,492,947)	\$ 37,032,534

During the fourth quarter of 2019, we updated our analysis of economic lives of customer relationships. As of October 1, 2019, we extended the amortization period to 10 years to better reflect the estimated economic lives of our billboard customers. This change in accounting estimate decreased amortization expense and decreased the net loss by \$2,124,125, or \$0.09 per basic and diluted share, in the fourth quarter of 2019.

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**NOTE 7. INTANGIBLE ASSETS (Continued)**

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

	December 31,						Total
	2020	2021	2022	2023	2024	Thereafter	
Customer relationships	\$ 2,573,841	\$ 2,251,035	\$ 2,251,035	\$ 2,251,035	\$ 2,251,035	\$ 8,275,432	\$ 19,853,413
Permits, licenses and lease acquisition costs	945,132	945,132	945,132	945,132	945,132	4,136,524	8,862,184
Site location	56,623	56,623	56,623	56,623	56,623	429,393	712,508
Noncompetition agreements	117,617	101,200	90,365	46,100	1,400	-	356,682
Trade names and trademarks	64,900	64,900	64,900	64,900	64,900	129,800	454,300
<b>Total</b>	<b>\$ 3,758,113</b>	<b>\$ 3,418,890</b>	<b>\$ 3,408,055</b>	<b>\$ 3,363,790</b>	<b>\$ 3,319,090</b>	<b>\$ 12,971,149</b>	<b>\$ 30,239,087</b>

Amortization expense for the years ended December 31, 2019 and 2018 was \$10,471,973 and \$6,036,657, respectively.

**Future Amortization**

The weighted average amortization period, in months, for intangible assets is as follows:

Customer relationships	90
Permits, licenses, and lease acquisition costs	113
Site location	151
Noncompetition agreements	34
Trade names and trademarks	54

**NOTE 8. INVESTMENTS, INCLUDING INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

**Short-term Investments**

Short-term investments consist of certificates of deposit, U.S. Treasury securities, and corporate bonds. Certificates of deposit, U.S. Treasury securities and corporate bonds held by UCS are classified as held to maturity, mature in less than twelve months, and are reported at amortized cost which approximates fair value. Other corporate bonds are classified as available for sale and reported at fair value. Because we have elected the fair value option for debt securities classified as available for sale, any unrealized holding gains and losses during the period are included in earnings. For the year ended December 31, 2019, gains on redemptions of U.S. Treasury notes held to maturity were \$7,149.

	December 31,	
	2019	2018
Certificates of deposit	\$ 987,599	\$ 1,378,666
Corporate bonds available for sale	910,000	-
U.S. Treasury notes and corporate bond held to maturity	4,649,572	4,872,398
<b>Total</b>	<b>\$ 6,547,171</b>	<b>\$ 6,251,064</b>

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**NOTE 8. INVESTMENTS, INCLUDING INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)**

**Marketable Equity Securities**

During 2019, we began investing in marketable equity securities. Our marketable equity securities are publicly traded stocks measured at fair value using quoted prices for identical assets in active markets and classified as Level 1 within the fair value hierarchy. Our marketable equity securities are held by UCS and Boston Omaha. Marketable equity securities as of December 31, 2019 and 2018 are as follows:

	<b>Cost</b>	<b>Gross Unrealized Gain (Loss)</b>	<b>Fair Value</b>
Marketable equity securities, December 31, 2019	\$ 49,554,926	\$ 6,353,001	\$ 55,907,927
Marketable equity securities, December 31, 2018	\$ -	\$ -	\$ -

**U.S. Treasury Securities Available for Sale**

We classify our investments in debt securities that we intend to hold for indefinite periods of time as “available for sale.” Our securities available for sale are carried at fair value in the consolidated balance sheets. Because we have elected the fair value option for these securities, unrealized holding gains and losses during the period are included in earnings. Interest income is recognized at the coupon rate. Securities available for sale as of December 31, 2019 and 2018 are as follows:

	<b>Cost</b>	<b>Gross Unrealized Gain</b>	<b>Fair Value</b>
U.S. Treasury notes, December 31, 2019	\$ 75,488,863	\$ (79,664)	\$ 75,409,199
U.S. Treasury notes, December 31, 2018	\$ 86,728,590	\$ 116,796	\$ 86,845,386



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**NOTE 8. INVESTMENTS, INCLUDING INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)**

**Long-term Investments**

Long-term investments consist of certificates of deposit having maturity dates in excess of twelve months, U.S. Treasury securities, and certain equity investments. The certificates of deposit and U.S. Treasury securities have maturity dates ranging from 2021 through 2023. We have the intent and the ability to hold the certificates of deposit and U.S. Treasury securities to maturity. Certificates of deposit and U.S. Treasury securities are stated at amortized cost which approximates fair value and are held by UCS.

Long-term investments consist of the following:

	December 31,	
	2019	2018
U.S. Treasury securities, held to maturity	\$ 1,094,983	\$ 2,902,004
Certificates of deposit	380,753	317,178
Preferred stock	104,019	104,019
Non-voting preferred units of Dream Finders Holdings, LLC	12,000,000	-
Non-voting common units of Dream Finders Holdings, LLC	10,000,000	10,000,000
Voting common stock of CB&T Holding Corporation	19,058,485	19,058,485
	\$ 42,638,240	\$ 32,381,686
Total		

**Equity Investments**

On May 31, 2018, we invested \$19,058,485 in voting common stock of CB&T, the privately-held parent company of Crescent Bank & Trust, Inc. Our investment represents 14.99% of CB&T's outstanding common stock. CB&T is a closely held corporation, whose majority ownership rests with one family.

During late December 2017, we invested \$10,000,000 in non-voting common units of DFH, the parent company of Dream Finders Homes, LLC, a national homebuilder. Excluding their non-convertible preferred equity, our investment represents an approximately 5% ownership stake in the company. In May 2019, our subsidiary BOC DFH, LLC invested an additional \$12 million in DFH through the purchase of preferred units. DFH is required to pay to us a mandatory preferred return of at least 14% per annum on such preferred units and 25% of our preferred units are convertible, at our option, into non-voting common units until May 29, 2020 and the remaining preferred units are convertible, at our option, into non-voting common units after May 30, 2021. The mandatory 14% preferred return increases if the preferred units purchased are not redeemed or converted within one year of purchase. Also, we obtain additional beneficial conversion terms if the preferred units are not redeemed by May 29, 2021.

During January 2018, we exchanged our convertible note receivable from Breezeway for 31,227 shares of preferred stock. The preferred stock is noncumulative and has a dividend rate of \$.2665 per share, should dividends be declared. The preferred stock has one vote per share and is convertible into whole shares of common stock, determined according to the conversion formula contained in Breezeway's amended and restated articles of incorporation. In addition, our investment provides us with a multi-year right to sell insurance and/or warranty products through Breezeway's software platform to its customers.

We reviewed our investments as of December 31, 2019 and 2018 and concluded that no impairment to the carrying value was required.

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**Notes to Consolidated Financial Statements**

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**NOTE 8. INVESTMENTS, INCLUDING INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)**

**Investment in Unconsolidated Affiliates**

We have various investments in equity method affiliates, whose businesses are in real estate, real estate services, and asset management. Our interest in these affiliates ranges from 7.15% to 30%. Two of the investments in affiliates, Logic and 24<sup>th</sup> Street Holding Company, LLC, having a combined carrying amount of \$752,635 on December 31, 2019, are managed by a member of our board of directors.

The following table is a reconciliation of our investments in equity affiliates as presented in investments in unconsolidated affiliates on our consolidated balance sheets, together with combined summarized financial data related to the unconsolidated affiliates:

	December 31,	
	2019	2018
Beginning of year	\$ 568,713	\$ 952,128
Additional investment in unconsolidated affiliates	264,834	40,399
Distributions received	(541,108)	(816,201)
Loss on investment in affiliate	-	(107,630)
Equity in income of unconsolidated affiliates	479,366	500,017
End of year	<u>\$ 771,805</u>	<u>\$ 568,713</u>

Combined summarized financial data for these affiliates is as follows:

	December 31,	
	2019	2018
Revenue	\$ 19,374,109	\$ 16,529,997
Gross profit	6,731,623	7,579,760
Income from continuing operations	1,806,620	3,184,701
Net income	1,859,438	3,138,320

**NOTE 9. FAIR VALUE**

At December 31, 2019 and 2018, our financial instruments included cash, cash equivalents, restricted cash, receivables, marketable securities, investments, accounts payable, and long-term debt. The carrying value of cash, cash equivalents, restricted cash, receivables, and accounts payable approximates fair value due to the short-term nature of the instruments. As our long-term debt was issued during the third quarter of 2019, its interest rate is considered to approximate market rates at December 31, 2019. If our debt was measured at fair value within our consolidated balance sheets, it would have been classified as level 2 in the fair value hierarchy.

Marketable equity securities and U.S. Treasury securities available for sale are reported at fair values. Fair values for equity investments in private companies are not readily available, but are estimated to approximate fair value. Substantially all of the fair value is determined using observed prices of publicly traded securities, level 1 in the fair value hierarchy.

	Total Carrying Amount in Consolidated Balance Sheet Dec. 31, 2019	Quoted Prices in Active Markets for Identical Assets	Realized Gains and Losses	Total Changes in Fair Values Included in Current Period Earnings (Loss)
Marketable equity securities	\$ 55,907,927	\$ 55,907,927	\$ 550,130	\$ 6,353,001
Securities available for sale	75,409,199	75,409,199	14,902	(79,664)
			<u>\$ 565,032</u>	<u>\$ 6,273,337</u>



**BOSTON OMAHA CORPORATION  
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**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 10. INCOME TAX BENEFIT**

The components of the income tax (provision) benefit for the years ended December 31, were as follows:

	December 31,	
	2019	2018
<b>Current tax benefit:</b>		
Federal	\$ 513,201	\$ 1,873,248
State	161,781	683,290
Total	674,982	2,556,538
<b>Deferred tax benefit (expense):</b>		
Federal	1,470,099	29,152
State	463,432	10,634
Total	1,933,531	39,786
Total Income Tax Benefit Before Valuation Allowance	2,608,513	2,596,324
Valuation allowance	(2,608,513)	(2,596,324)
Total Income Tax Benefit	\$ -	\$ -
Deferred tax assets:		
Net operating loss carryforward	\$ 8,576,397	\$ 5,967,884
Less valuation allowance	(6,642,866)	(5,967,884)
Total Deferred Tax Assets	1,933,531	-
Deferred tax liabilities:		
Unrealized gains on securities	(1,732,696)	-
Other	(200,835)	-
Total Deferred Tax Liabilities	(1,933,531)	-
Net Deferred Tax Assets/Liabilities	\$ -	\$ -

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**Notes to Consolidated Financial Statements**

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**NOTE 10. INCOME TAX BENEFIT (Continued)**

The Tax Cuts Jobs Act was signed into law on December 22, 2017, and changed many aspects of U.S. corporate income taxation. Included in those changes was a reduction of the corporate income tax rate from 34% to 21%.

At December 31, 2019, we have available tax operating loss carry forwards of approximately \$26.4 million. This amount takes into consideration the reduction of \$1.3 million that was the result of an IRS audit which concluded late summer of 2019. Of the \$26.4 million, \$9.0 million arose in years beginning before 2018. Tax operating loss carry forwards generated in years prior to 2018 may be applied against future taxable income and expire in 2035 through 2037. Tax operating loss carryovers arising in years after 2017 may be carried forward indefinitely. Tax years open to examination by federal and state taxing authorities range from 2016 through 2019.

The amount and ultimate realization of the deferred tax assets for income tax purposes is dependent, in part, upon the tax laws in effect, our future earnings, and other future events, the effects of which cannot be determined. We continue to assess the impact of the 2018 private placement, our “at the market” offerings and other transactions to determine whether an “ownership change,” as defined in Section 382 of the Internal Revenue Code, has occurred and, if so, the limitations on our ability to utilize net operating losses, which we refer to as “NOLs” (See Note 12). Additionally, it is possible that future transactions may cause us to undergo one or more ownership changes. Certain of these NOLs may also be at risk of limitation in the event of a future ownership change.

At December 31, 2019, we had recorded a valuation allowance of \$6,642,866 to fully offset the deferred tax asset. The change in the valuation allowance for the year ended December 31, 2019 was \$674,982.

**NOTE 11. ASSET RETIREMENT OBLIGATIONS**

Our asset retirement obligations include the costs associated with the removal of structures, resurfacing of the land and retirement cost, if applicable, related to our outdoor advertising assets. The following table reflects information related to our asset retirement obligations:

Balance, January 1, 2018	-
Additions	1,783,024
Accretion expense	52,639
Liabilities settled	(11,244)
Balance, December 31, 2018	\$ 1,824,419
Additions	85,294
Accretion expense	134,992
Liabilities settled	-
Balance, December 31, 2019	\$ 2,044,705

**NOTE 12. CAPITAL STOCK**

On February 22, 2018, we entered into a Class A Common Stock Purchase Agreement, pursuant to which we agreed to issue and sell to three limited partnerships up to an aggregate of \$150,000,000 in unregistered shares of Class A common stock at a price of \$23.30, a slight premium to the closing price of shares of Class A common stock of \$23.29 on the NASDAQ Capital Market, as reported by NASDAQ on the date of the Class A Common Stock Purchase Agreement. Two of the three limited partnerships are entities managed by The Magnolia Group, LLC, and the third limited partnership is an entity managed by Boulderado Group, LLC. The Class A Common Stock Purchase Agreement was approved by an independent special committee of our board of directors with the advice of independent legal counsel and an independent investment banking firm which provided a fairness opinion to the special committee. The closing of the first tranche of shares sold under the agreement occurred on March 6, 2018, consisting of a total of 3,300,000 shares resulting in total gross proceeds of \$76,890,000. The closing of the second tranche of shares sold under the agreement occurred on May 15, 2018, consisting of the sale of 3,137,768 shares resulting in gross proceeds of approximately \$73,110,000 and in aggregate gross proceeds from the private placement of approximately \$150,000,000 in total.

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**NOTE 12. CAPITAL STOCK (Continued)**

Also in February 2018, we filed a shelf registration statement with the SEC allowing us to sell up to \$200,000,000 of our securities. This registration statement was declared effective by the SEC on February 9, 2018. We subsequently entered into a Sales Agreement with Cowen and Company, LLC, which we refer to as “Cowen,” relating to the sale of shares of our Class A common stock to be offered. In accordance with the terms of the Sales Agreement, we may offer and sell from time to time up to \$50,000,000 of shares of our Class A common stock through Cowen acting as our agent. Cowen is not required to sell any specific amount of securities, but will act as our sales agent using commercially reasonable efforts consistent with its normal trading and sales practices, on mutually agreed terms between Cowen and us. The compensation to Cowen for sales of Class A common stock sold pursuant to the Sales Agreement will be an amount equal to 3% of the gross proceeds of any shares of Class A common stock sold under the Sales Agreement. From March 2018 through August 20, 2019, we sold through Cowen an aggregate of 2,141,452 shares of our Class A common stock under this “at the market” offering, resulting in gross proceeds to us of \$49,999,625. For the period from January 1, through August 20, 2019, we sold through Cowen 942,223 shares of our Class A common stock under this at-the-market offering, resulting in gross proceeds to us of \$22,753,943 and net proceeds of \$22,059,015 after offering costs of \$694,928.

On May 4, 2018, we filed an amendment to our second amended and restated certificate of incorporation which increased our authorized shares of common stock. Our authorized capital stock now consists of 40,000,000 shares of common stock, of which 38,838,884 shares are designated as Class A common stock and 1,161,116 shares are designated as Class B common stock, and 1,000,000 shares of undesignated preferred stock.

On August 13, 2019, we entered into a second Sales Agreement with Cowen, relating to the sale of additional shares of our Class A common stock to be offered. In accordance with the terms of the second Sales Agreement, we may offer and sell from time to time up to \$75,000,000 of shares of our Class A common stock through Cowen acting as our agent. Cowen is not required to sell any specific amount of securities, but will act as our sales agent using commercially reasonable efforts consistent with its normal trading and sales practices, on mutually agreed terms between Cowen and us. The compensation to Cowen for sales of Class A common stock sold pursuant to the Sales Agreement will be an amount equal to 3% of the gross proceeds of any shares of Class A common stock sold under the Sales Agreement. From August 21, 2019 through December 31, 2019, we sold through Cowen 448,880 shares of our Class A common stock under the second “at the market” offering, resulting in gross proceeds to us of \$9,450,789 and net proceeds of \$9,122,227, after offering costs of \$328,562.

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**NOTE 12. CAPITAL STOCK (Continued)**

As of December 31, 2019 there were 104,772 outstanding warrants for our Class B common stock and 784 outstanding warrants for our Class A common stock. On August 3, 2018, Boulderado Partners, LLC distributed 784 warrants for our Class B common stock, which converted to Class A common stock warrants upon distribution, in connection with a distribution in-kind to one of its withdrawing members. A summary of warrant activity for the years ended December 31, 2019 and 2018 is presented in the following table.

	Shares Under Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value of Vested Warrants
Outstanding as of January 1, 2018	105,556	\$ 9.95	7.5	\$ 2,368,677
Issued	-			
Exercised	-			
Expired	-			
Outstanding as of December 31, 2018	105,556	\$ 9.95	6.5	\$ 1,419,728
Issued	-			
Exercised	-			
Expired	-			
Outstanding as of December 31, 2019	<u>105,556</u>	\$ 9.95	5.5	<u>\$ 1,170,616</u>

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**Notes to Consolidated Financial Statements**

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**NOTE 13. LONG-TERM DEBT**

On August 12, 2019, Link Media Holdings, Inc., (“Link”), a wholly owned subsidiary of Boston Omaha Corporation (“BOC”), which owns and operates BOC’s billboard businesses, entered into a Credit Agreement (the “Credit Agreement”) with First National Bank of Omaha (the “Lender”) under which Link may borrow up to \$40,000,000 (the “Credit Facility”). The Credit Agreement provides for an initial term loan (“Term Loan 1”), an incremental term loan (“Term Loan 2”) and a revolving line of credit. These loans are secured by all assets of Link and its operating subsidiaries, including a pledge of equity interests of each of Link’s subsidiaries. In addition, each of Link’s subsidiaries has joined as a guarantor to the obligations under the Credit Agreement. These loans are not guaranteed by BOC or any of BOC’s non-billboard businesses.

Principal amounts under each of Term Loan 1 and Term Loan 2 are payable in monthly installments according to either a 15-year or 25-year amortization schedule at Link’s option. For Term Loan 1, these payments are due commencing on the earlier of July 1, 2020 or the first day of the first calendar month following any draw down under Term Loan 2. For Term Loan 2, these principal payments are due commencing on the last day of the month following the closing of Term Loan 2. Both term loans are payable in full on August 12, 2026. Term Loan 1 has a fixed interest rate of 4.25% per annum with interest only payments due through July 1, 2020. Term Loan 2 has a loan availability in an amount not to exceed three times 2019 reported EBITDA reduced by the loan principal under Term Loan 1 and must be drawn before June 30, 2020. If utilized, Term Loan 2 will have a fixed rate of interest determined using the seven-year Treasury rate plus 195 basis points subject to a floor of 4.20% per annum.

The revolving line of credit loan facility has a \$5,000,000 maximum availability, provided that the outstanding principal balance of Term Loan 1, Term Loan 2 and this revolving line of credit may not exceed \$40,000,000. Interest payments are based on the 30 day LIBOR rate plus an applicable margin ranging between 2.00 and 2.50% dependent on Link’s consolidated leverage ratio. The revolving line of credit is due and payable on August 11, 2021.

Long-term debt included within our consolidated balance sheet as of December 31, 2019 consists of Term Loan 1 borrowings of \$18,060,000, of which \$504,170 is classified as current. There were no amounts outstanding related to the revolving line of credit and Term Loan 2 as of December 31, 2019.

During the term of the Credit Facility, Link is required to comply with the following financial covenants: A consolidated leverage ratio for any test period ending on the last day of any fiscal quarter of Link (a) beginning with the fiscal quarter ending December 31, 2019 of greater than 3.50 to 1.00, (b) beginning with the fiscal quarter ending December 31, 2020 of greater than 3.25 to 1.00, and (c) beginning with the fiscal quarter ending December 31, 2021 and thereafter, of greater than 3.00 to 1.0; minimum consolidated fixed charge coverage ratio of not less than 1.15 to 1.00 measured quarterly, based on rolling four quarters, with testing to commence as of December 31, 2019 based on the December 31, 2019 audited financial statements. The company was in compliance with these covenants as of December 31, 2019.

The Credit Agreement includes representations and warranties, reporting covenants, affirmative covenants, negative covenants, financial covenants and events of default customary for financings of this type. Upon the occurrence of an event of default the Lender may accelerate the loans. Upon the occurrence of certain insolvency and bankruptcy events of default the loans will automatically accelerate.



**NOTE 14. LEASES**

We enter into operating lease contracts primarily for land and office space. Arrangements are evaluated at inception to determine whether such arrangements contain a lease. Operating leases include land lease contracts and contracts for the use of office space. In accordance with the transition guidance of ASC 842, such arrangements are included in our consolidated balance sheet as of January 1, 2019.

Right of use assets, which we refer to as “ROU assets,” represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the respective lease term. Lease expense is recognized on a straight-line basis over the lease term.

Certain of our operating lease agreements include rental payments based on a percentage of revenue and others include rental payments adjusted periodically for inflationary changes. Percentage rent contracts, in which lease expense is calculated as a percentage of advertising revenue, and payments due to changes in inflationary adjustments are included within variable rent expense, which is accounted for separately from periodic straight-line lease expense.

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Notes to Unaudited Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 14. LEASES (Continued)**

Many operating lease contracts expire; however, we may continue to operate the leased assets after the rights and obligations of the lease agreements have expired. Such contracts, once expired, are considered to be leases and future expected payments are included in operating lease liabilities or ROU assets, using a 10 year extension period. Many of our leases entered into in connection with land provide options to extend the terms of the agreements. Generally, renewal periods are included in minimum lease payments when calculating the lease liabilities as, for most leases, we consider exercise of such options to be reasonably certain. As a result, optional terms and payments are included within the lease liability. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The implicit rate within our lease agreements is generally not determinable. As such, we use the incremental borrowing rate, which we refer to as "IBR," to determine the present value of lease payments at the commencement of the lease. The IBR, as defined in ASC 842, is "the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment."

**Operating Lease Cost**

Operating lease cost for the year ended December 31, 2019 is as follows:

	<b>Year Ended Ended December 31, 2019</b>	<b>Statement of Operations Classification</b>
Lease cost	\$ 5,989,314	Cost of billboard revenues and general and administrative
Variable and short-term lease cost	\$ 1,019,486	Cost of billboard revenues and general and administrative
<b>Total Lease Cost</b>	<b>\$ 7,008,800</b>	

Supplemental cash flow information related to operating leases was as follows:

	<b>Year Ended Ended December 31, 2019</b>
Cash payments for operating leases	\$ 5,776,931
New operating lease assets obtained in exchange for operating lease liabilities	\$ 6,551,279

**Operating Lease Assets and Liabilities**

	<b>December 31, 2019</b>	<b>Balance Sheet Classification</b>
Lease assets	\$ 53,249,985	Other Assets: Right of use assets
Current lease liabilities	\$ 3,801,727	Current Liabilities: Lease liabilities
Noncurrent lease liabilities	48,199,652	Long-term Liabilities: Lease liabilities
<b>Total Lease Liabilities</b>	<b>\$ 52,001,379</b>	

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Notes to Unaudited Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 14. LEASES (Continued)**

**Maturity of Operating Lease Liabilities**

	<b>December 31, 2019</b>
2020	\$ 6,186,668
2021	5,833,611
2022	5,552,963
2023	5,312,487
2024	4,923,471
Thereafter	50,794,820
Total lease payments	78,604,020
Less imputed interest	(26,602,641)
<b>Present Value of Lease Liabilities</b>	<b>\$ 52,001,379</b>

As of December 31, 2019 our operating leases have a weighted-average remaining lease term of 16.96 years and a weighted-average discount rate of 4.86%.

The future minimum obligations under operating leases in effect as of December 31, 2018 having a noncancellable term in excess of one year as determined prior to the adoption of ASC 842 are as follows:

2020	\$ 4,495,984
2021	4,148,078
2022	3,824,585
2023	3,406,397
2024	3,287,293
Thereafter	19,047,366
Total	<b>\$ 38,209,703</b>

**NOTE 15. INDUSTRY SEGMENTS**

This summary presents our current segments, as described below.

**General Indemnity Group, LLC**

GIG conducts our insurance operations through its subsidiaries, Warnock, SSS, SCS and UCS. SSS clients are multi-state and UCS, SCS and Warnock clients are nationwide. Revenue consists of surety bond sales and insurance commissions. Currently, GIG's corporate resources are used to support Warnock, SSS, SCS and UCS and to make additional business acquisitions in the insurance industry.

**Link Media Holdings, LLC**

LMH conducts our billboard rental operations. LMH advertisers are located in Alabama, Florida, Georgia, Illinois, Iowa, Kansas, Missouri, Nebraska, Virginia, West Virginia, and Wisconsin.

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 15. INDUSTRY SEGMENTS (Continued)**

<b>Year Ended December 31, 2019</b>	<b>GIG</b>	<b>LMH</b>	<b>Unallocated</b>	<b>Total Consolidated</b>
Revenue	\$ 12,959,971	\$ 28,429,167	\$ -	\$ 41,389,138
Segment gross profit	6,669,753	17,108,018	-	23,777,771
Segment loss from operations	(2,216,421)	(5,765,105)	(4,430,570)	(12,412,096)
Capital expenditures	46,868	11,728,650	-	11,775,518
Depreciation and amortization	1,179,450	12,394,691	-	13,574,141

<b>Year Ended December 31, 2018</b>	<b>GIG</b>	<b>LMH</b>	<b>Unallocated</b>	<b>Total Consolidated</b>
Revenue	\$ 5,956,261	\$ 14,065,132	\$ -	\$ 20,021,393
Segment gross profit	4,006,640	8,426,102	-	12,432,742
Segment loss from operations	(4,700,272)	(4,075,477)	(3,481,792)	(12,257,541)
Capital expenditures	56,051	141,793,310	-	141,849,361
Depreciation and amortization	1,271,134	6,804,931	-	8,076,065

<b>As of December 31, 2019</b>	<b>GIG</b>	<b>LMH</b>	<b>Unallocated</b>	<b>Total Consolidated</b>
Accounts receivable, net	\$ 1,213,823	\$ 2,976,720	\$ -	\$ 4,190,543
Goodwill	8,719,294	97,553,207	-	106,272,501
Total assets	45,956,410	224,258,311	166,693,489	436,908,210

<b>As of December 31, 2018</b>	<b>GIG</b>	<b>LMH</b>	<b>Unallocated</b>	<b>Total Consolidated</b>
Accounts receivable, net	\$ 1,075,399	\$ 3,389,045	\$ -	\$ 4,464,444
Goodwill	8,719,294	89,966,501	-	98,685,795
Total assets	36,396,939	175,082,989	120,714,593	332,194,521

**BOSTON OMAHA CORPORATION  
and SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

**For the Years Ended December 31, 2019 and 2018**

**NOTE 16. CUSTODIAL RISK**

As of December 31, 2019, we had approximately \$15,610,000 in excess of federally insured limits on deposit with financial institutions.

**NOTE 17. SUBSEQUENT EVENTS**

Effective January 1, 2020, GIG purchased from the minority owners the remaining thirty percent interest in South Coast Surety Insurance Services, LLC for \$1,406,409.

On January 13, 2020, Dream Finders Holdings, LLC redeemed \$6,000,000 of the preferred units initially purchased by us during May 2019.

On February 26, 2020, our subsidiary, LMH, acquired certain billboard assets and easements in Nevada from Dean Martin Holding, LLC. The purchase price for the acquired assets was \$1,995,832.

On March 10, 2020, FIF AireBeam, LLC, our wholly-owned subsidiary, acquired substantially all of the business assets of FibAire Communications, LLC, a broadband services provider, as well as other assets used in the business operations owned by entities related to FibAire. Under the terms of the asset purchase agreement, all purchased assets were sold on a debt-free basis to AireBeam. The total purchase price of \$13,712,491 is subject to adjustment based on a final review of net working capital delivered at the closing. The purchase price was paid 90% in cash and the remaining 10% of the purchase price was paid by issuing to FibAire 10% of the outstanding equity of AireBeam. \$1,851,186 of the cash proceeds will be held in escrow for a minimum of one year from the closing to provide indemnification for certain representations and warranties made by FibAire in the asset purchase agreement. At any time, FibAire has the option, but not the obligation, to sell AireBeam its entire ownership interest in AireBeam. AireBeam would be obligated to purchase the units and pay for the purchase over a three-year period if it elects to exercise this option. At any time after December 31, 2023, AireBeam has the option, but not the obligation, to purchase FibAire's ownership interest in AireBeam, with payment due in full upon exercise of the option. The purchase price for the units under either of these put/call options is based upon a multiple of earnings before interest, taxes, depreciation and amortization expense, and certain other expenses.

Subsequent to December 31, 2019, Boston Omaha Corporation invested approximately \$22,500,000 in marketable equity securities using mainly proceeds from maturing treasury investments.

LIST OF SUBSIDIARIES  
BOSTON OMAHA CORPORATION,

a Delaware corporation

<u>Subsidiary</u>	<u>Jurisdiction</u>
BOC DFH, LLC	Delaware
Boston Omaha Asset Management, LLC	Delaware
Boston Omaha Investments, LLC	Delaware
Fiber is Fast, LLC	Delaware
FIF AireBeam LLC	Delaware
General Indemnity Group, LLC	Delaware
Link Media Alabama, LLC	Alabama
Link Media Florida, LLC	Florida
Link Media Georgia, LLC	Georgia
Link Media Holdings, LLC	Delaware
Link Media Midwest, LLC	Delaware
Link Media Omaha, LLC	Delaware
Link Media Properties, LLC	Delaware
Link Media Services, LLC	Delaware
Link Media Southeast, LLC	Delaware
Link Media Wisconsin, LLC	Wisconsin
South Coast Surety Insurance Services, LLC	California
Surety Support Services, Inc.	Kansas
Tammy Lynn Outdoor, LLC	West Virginia
The Warnock Agency, Inc.	Georgia
United Casualty and Surety Insurance Company	Nebraska



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements (No. 333-222853 and No. 333-226779) on Form S-3 of our report dated March 13, 2020 relating to the financial statements of Boston Omaha Corporation and its subsidiaries (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2019.

*/s/ MaloneBailey, LLP*  
www.malonebailey.com  
Houston, Texas  
March 13, 2020

9801 Westheimer Road, Suite 1100, Houston, Texas 77042 713.343.4286

Zhongzhou Holdings Financial Center (Tower B) #2205 No. 88, Haide Yi Road, Nanshan District, Shenzhen, P.R. China 518054 86.755.8627.8659

#306-307 Ocean International Center (C Tower) No. 60 Dongsihuan Middle Road, Chaoyang District, Beijing, P.R. China 100025 86.10.5908.1688

[www.malonebailey.com](http://www.malonebailey.com)

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Public Company Accounting Oversight Board Registered AICPA  
An Independently Owned and Operated Member of Nexia International



## CERTIFICATIONS

I, Alex B. Rozek, certify that:

1. I have reviewed this annual report on Form 10-K of Boston Omaha Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2020

/s/ Alex B. Rozek  
Alex B. Rozek, Co-Chief Executive Officer  
(Principal Executive Officer)



## CERTIFICATIONS

I, Adam K. Peterson, certify that:

1. I have reviewed this annual report on Form 10-K of Boston Omaha Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2020

/s/ Adam K. Peterson  
Adam K. Peterson, Co-Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATIONS

I, Joshua P. Weisenburger, certify that:

1. I have reviewed this annual report on Form 10-K of Boston Omaha Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2020

/s/ Joshua P. Weisenburger  
Joshua P. Weisenburger, Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Boston Omaha Corporation (the "Company") on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 13, 2020

/s/ Alex B. Rozek  
Alex B. Rozek, Co-Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Boston Omaha Corporation (the "Company") on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 13, 2020

/s/ Adam K. Peterson  
Adam K. Peterson, Co-Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Boston Omaha Corporation (the "Company") on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 13, 2020

/s/ Joshua P. Weisenburger  
Joshua P. Weisenburger, Chief Financial Officer  
(Principal Financial Officer)