

BOSTON OMAHA CORP

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

Filed 03/15/21 for the Period Ending 12/29/20

Address	1411 HARNEY ST. SUITE 200 OMAHA, NE, 68102
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Sector	Consumer Cyclical
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

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

Date of Report (Date of earliest event reported): March 15, 2021 (December 29, 2020)

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

Delaware
(State or other jurisdiction of Incorporation)

001-38113
(Commission File Number)

27-0788438
(IRS Employer Identification Number)

1601 Dodge St., Suite 3300
Omaha, Nebraska 68102
(Address and telephone number of principal executive offices, including zip code)

(857) 256-0079

(Registrant's telephone number, including area code)

Not Applicable

(Former name or address, if changed since last report)

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

Title of Class	Trading Symbol	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)

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

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

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

Emerging growth company

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

ITEM 2.01**COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS**

On December 29, 2020 (the "Closing Date"), Boston Omaha Corporation (the "Company"), through its wholly-owned subsidiary FIF Utah LLC ("FIF Utah") completed its previously announced acquisition (the "Acquisition") of the assets of Utah Broadband, LLC ("UBB").

On December 11, 2020, FIF Utah entered into an Asset Purchase and Contribution Agreement (the "Agreement") by and among (i) UBB, (ii) its members Alpine Networks, Inc., a Utah corporation and The Community Trust of Utah; (iii) Steven C. McGhie, and (iv) FIF Utah. Under the terms of the Agreement, FIF Utah acquired substantially all of the assets of UBB and assumed only certain liabilities of UBB. The total purchase price of \$26,603,700 was paid 80% in cash and the remaining 20% of the purchase price was paid by issuing to UBB 20% of the outstanding equity of FIF Utah. A portion of the cash purchase price will be held in escrow to provide a source of indemnification for any breaches of the representations and warranties, covenants and other obligations of UBB, its members and Mr. McGhie under the Agreement.

ITEM 9.01**FINANCIAL STATEMENTS AND EXHIBITS****(a) Financial Statements of Businesses Acquired**

The audited financial statements of UBB for the year ended December 31, 2019 are filed herewith as Exhibit 99.1.

The unaudited financial statements of UBB for the nine months ended September 30, 2020 are filed herewith as Exhibit 99.2

(b) Pro Forma Financial Information

The unaudited pro forma consolidated balance sheet of the Company as of September 30, 2020, the unaudited pro forma consolidated statements of operations of the Company for the nine months ended September 30, 2020 and for the year ended December 31, 2019, and the notes to the unaudited pro forma consolidated financial statements, all giving effect to the acquisition by the Company of UBB, are filed herewith as Exhibit 99.3.

(d) Exhibits.

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

EXHIBIT INDEX**Exhibit****Number Exhibit Title**

23.1	<u>Consent of Moss Adams, LLP Independent Auditors of Utah Broadband, LLC.</u>
99.1	<u>Audited Financial Statements of Utah Broadband, LLC for the Year Ended December 31, 2019.</u>
99.2	<u>Unaudited Financial Statements of Utah Broadband, LLC for the Nine Months Ended September 30, 2020.</u>
99.3	<u>Unaudited Pro Forma Consolidated Balance Sheet of the Company as of September 30, 2020, Unaudited Pro Forma Consolidated Statements of Operations of the Company For the Nine Months Ended September 30, 2020 and the year ended December 31, 2019, and Notes to the Unaudited Pro Forma Consolidated Financial Statements, all giving effect to the acquisition by the Company of Utah Broadband, LLC.</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

BOSTON OMAHA CORPORATION
(Registrant)

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

Date: March 15, 2021



Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-222853 and No. 333-226779) of Boston Omaha Corporation of our report dated March 15, 2021, relating to the financial statements of Utah Broadband, LLC, appearing in this Current Report on Form 8-K/A of Boston Omaha Corporation.

/s/ Moss Adams LLP

Spokane, Washington
March 15, 2021

REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

UTAH BROADBAND, LLC

December 31, 2019

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Report of Independent Auditors

Members
Utah Broadband, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Broadband, LLC (Company), which comprise the balance sheet as of December 31, 2019, and the related statements of income and changes in member's equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Broadband, LLC as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Spokane, Washington
March 15, 2021

Utah Broadband, LLC
Balance Sheet

ASSETS

December 31, 2019

Current Assets:	
Cash and cash equivalents	\$ 323,162
Accounts receivable, net of allowance	840,401
Total Current Assets	<u>1,163,563</u>
Other Assets:	
Intangible assets, net	90,800
Total Other Assets	<u>90,800</u>
Property and Equipment	
Plant in service	10,275,601
Accumulated depreciation	(5,541,852)
Total Property, Plant, and Equipment; net	<u>4,733,749</u>
Total Assets	<u>\$ 5,988,112</u>

See accompanying notes.

Utah Broadband, LLC
Balance Sheet

LIABILITIES AND MEMBER'S EQUITY

	December 31, 2019
Current Liabilities:	
Accounts payable	\$ 237,631
Deferred revenue	386,368
Accrued liabilities	147,610
Current portion of long-term debt	123,417
Total Current Liabilities	<u>895,026</u>
Long-term debt, less current maturities	207,069
Member's Equity	<u>4,886,017</u>
Total Liabilities and Member's Equity	<u>\$ 5,988,112</u>

See accompanying notes.

Utah Broadband, LLC
Statement of Income and Member's Equity

	<u>Year Ended</u> <u>December 31,</u> <u>2019</u>
Broadband services	\$ 8,881,366
Costs and Expenses:	
Network expense	1,253,071
Depreciation and amortization	619,760
General and administrative	1,584,169
Payroll	2,019,380
Other expenses	44,364
	<hr/>
Total Costs and Expenses	5,520,744
Net Income from Operations	3,360,622
Other Income (Expense):	
Interest expense	(22,196)
Gain on sale of assets	65,729
	<hr/>
Net Income	\$ <u>3,404,155</u>
Member's equity, beginning of year	2,237,281
Distributions	<u>(755,419)</u>
Member's equity, end of year	\$ <u><u>4,886,017</u></u>

See accompanying notes.

Utah Broadband, LLC
Statement of Cash Flows

	Year Ended December 31, 2019
Cash Flows from Operating Activities:	
Net Income	\$ 3,404,155
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation and amortization	619,760
Gain on sale of assets	(65,729)
Changes in operating assets and liabilities:	
Accounts receivable, net	(673,829)
Accounts payable	2,815
Deferred revenue	17,418
Accrued liabilities	11,584
Net Cash Provided by Operating Activities	<u>3,316,174</u>
Cash Flows from Investing Activities:	
Acquisition of property, plant, and equipment	(2,227,319)
Proceeds from sale of assets	65,729
Net Cash Used in Investing Activities	<u>(2,161,590)</u>
Cash Flows from Financing Activities:	
Payments on long-term debt	(252,646)
Member distributions	(755,419)
Net Cash Used in Financing Activities	<u>(1,008,065)</u>
Net Increase in Cash and Cash Equivalents	146,519
Cash and Cash Equivalents, Beginning of Year	176,643
Cash and Cash Equivalents, End of Year	<u>\$ 323,162</u>
Supplemental Schedule of Non-cash Investing and Financing Activities	
Cash paid during the year for interest	<u>\$ 19,304</u>

See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

Description of entity – Utah Broadband, LLC. (Company), is a provider of Internet and managed WiFi services. The Company’s primary customer base is located in northern Utah. The Company primarily provides service to businesses, residential homes, and multi-dwelling buildings.

Accounting estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense and allowance for doubtful accounts.

Cash – The Company classifies short-term, highly liquid investments with maturities of three months or less when purchased as cash. The Company maintains its cash balances with financial institutions that are fully insured by the Federal Deposit Insurance Corporation. At various times throughout the year, the cash balances deposited in local institutions exceed federally insured limits. A possible loss exists for those amounts in excess of \$250,000.

Accounts receivable – Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Company reviews the collectability of accounts receivable monthly based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Monthly recurring receivables are due 15 days after issuance of the bill. Other nonrecurring receivables are generally due within 30 days. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes it has established adequate reserves for any risk associated with receivables.

Property, plant, and equipment – Property, plant, and equipment are stated at original cost. Cost includes contracted services, materials, interest capitalized during construction, direct labor and indirect charges for engineers, supervision, and other similar overhead items. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses.

Depreciation of the Company’s plant is provided using the straight-line method over the estimated useful lives of the assets. Upon retirement, sale, or other disposition of the plant, the cost and related accumulated depreciation are removed from the accounts and the resulting gains or losses are included in nonoperating income (expense).

Note 1 – Summary of Significant Accounting Policies (continued)

Long-lived assets – The Company reviews its long-lived assets for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of the future undiscounted cash flows produced by the asset, or the appropriate group of assets, is compared to the asset's carrying value to determine if any impairment exists. If the asset is determined to be impaired, the impairment loss is measured based on the excess of its carrying value over its fair value. No impairments of long-lived assets have been identified.

Intangible assets – Intangible assets deemed to have indefinite lives are not amortized but are subject to an annual impairment test. Other intangible assets are amortized over their useful lives. Intangible assets consist primarily of customer lists and are being amortized over ten years. The estimated annual amortization expense is \$10,000.

Income taxes – As a limited liability corporation, earnings and losses are included in the income tax returns of the member and taxed to the member. Accordingly, the Company does not incur additional income tax obligations and the financial statements do not include a provision for income taxes. The Company records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2019, the Company had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively.

Revenue recognition – Internet and managed services are recognized over the period a customer is connected to the network. These services are generally billed in advance but recognized in the month that service is provided.

Taxes imposed by governmental authorities – The Company's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Company. The specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through March 15, 2021, which is the date the financial statements are available to be issued.

Utah Broadband, LLC
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Subsequent to year end, an outbreak of a novel coronavirus (COVID-19) occurred in the United States, along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to the Company is unknown.

In December 2020, the member units of the Company were acquired by another entity.

Note 2 – Property, Plant, and Equipment

Property, plant, and equipment balances, together with accumulated depreciation, consist of the following:

	<u>Depreciable Life</u>	<u>December 31, 2019</u>
Towers	5–33 years	\$ 4,041,373
Fiber	10 years	1,390,506
Customer premise	3 years	1,705,945
General support assets	7 years	3,137,777
Accumulated depreciation		<u>(5,541,852)</u>
PPE, net		<u>\$ 4,733,749</u>

Note 3 – Long-Term Debt

Long-term debt is as follows:

	<u>Interest Rates, fixed</u>	<u>Maturity Date</u>	<u>December 31, 2019</u>
Zions Bank	4.55%	2022	\$ 294,484
Ford Motor Credit	4.50%	2023	36,002
Less current portion			<u>(123,417)</u>
Long-term portion			<u>\$ 207,069</u>

Utah Broadband, LLC
Notes to Financial Statements

Note 3 – Long-Term Debt (continued)

Aggregate maturities or payments required on principal under long-term debt obligations for each of the succeeding years, are as follows:

2020	\$	123,417
2021		123,417
2022		81,922
2023		1,730
		<hr/>
Total	\$	<u>330,486</u>

Note 4 – Lease Agreements

The Company leases towers and facilities under operating leases expiring in various years. Rent expense for the year ended December 31, 2019, was \$723,419. Future expenses under these leases is expected to be approximately \$725,000 annually.

Note 5 – New Accounting Standards

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 (Codified as ASC 606), Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In August 2015, the FASB issued ASU No 2015-14 deferring the effective date from January 1, 2017 to January 1, 2018 for public companies, and from January 1, 2018 to January 1, 2019 for private companies. On May 20, 2020, the FASB approved a one-year effective date deferral for private companies. The standard permits the use of either the retrospective or cumulative effect transition method.

The Company will adopt the provisions of ASU No. 2014-09 on January 1, 2020, using the cumulative effect transition method. The Company will not have an adjustment to the opening balance of retained earnings for the adoption of this update. The Company does not expect the adoption of this ASU to have a material impact on its financial position or results of operations.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), specifying the accounting for leases, which supersedes the leases requirements in Topic 840, Leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. Lessors' accounting is largely unchanged from the previous accounting standard. In addition, Topic 842 expands the disclosure requirements of lease arrangements. Lessees and lessors will use a modified retrospective transition approach, which includes a number of practical expedients. This guidance is effective for public companies for fiscal years and interim periods within those fiscal years, beginning after December 15, 2018, and for private companies for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019 with early adoption permitted. On May 20, 2020, the FASB approved an effective date deferral for private companies which deferred the effective date of ASC 842 to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is currently reviewing the provisions of the new standard and assessing the impact of its adoption.

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

FINANCIAL STATEMENTS

UTAH BROADBAND, LLC

For the Nine Months Ended September 30, 2020

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Utah Broadband, LLC
Balance Sheet
(Unaudited)

ASSETS

September 30, 2020

Current Assets:	
Cash and cash equivalents	\$ 1,959,558
Accounts receivable, net of allowance	202,917
Total Current Assets	<u>2,162,475</u>
Other Assets:	
Intangible assets, net	81,050
Total Noncurrent Assets	<u>81,050</u>
Property and Equipment	
Plant in service	12,430,727
Accumulated depreciation	(6,078,723)
Total Property, Plant, and Equipment, net	<u>6,352,004</u>
Total Assets	<u>\$ 8,595,529</u>

See accompanying notes.

Utah Broadband, LLC
Balance Sheet
(Unaudited)

LIABILITIES AND MEMBER'S EQUITY

	September 30, 2020
Current Liabilities:	
Accounts payable	\$ 435,916
Deferred revenue	428,026
Accrued liabilities	213,790
Current portion of long-term debt	402,417
Total Current Liabilities	<u>1,480,149</u>
Long-term debt, less current maturities	389,101
Member's Equity	<u>6,726,279</u>
Total Liabilities and Member's Equity	<u><u>\$ 8,595,529</u></u>

See accompanying notes.

Utah Broadband, LLC
Statement of Income and Member's Equity
(Unaudited)

**For the Nine
Months Ended
September 30, 2020**

Broadband services	\$	6,922,265
Costs and Expenses:		
Network expense		1,224,986
Depreciation and amortization		546,621
General and administrative		1,070,223
Payroll		1,775,705
Other expenses		69,249
Total Costs and Expenses		4,686,784
Net Income from Operations		2,235,481
Other Income (Expense):		
Interest expense		(12,781)
Other		18,000
Net Income	\$	2,240,700
Member's equity, beginning of period		4,886,017
Distributions		(400,438)
Member's equity, end of period	\$	6,726,279

See accompanying notes.

Utah Broadband, LLC
Statement of Cash Flows
(Unaudited)

**For the Nine
Months Ended
September 30, 2020**

Cash Flows from Operating Activities:	
Net Income	\$ 2,240,700
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation and amortization	546,621
Gain on sale of assets	(18,000)
Changes in operating assets and liabilities:	
Accounts receivable, net	637,484
Accounts payable	198,285
Deferred revenues	41,658
Accrued liabilities	66,180
Net Cash Provided by Operating Activities	<u>3,712,928</u>
Cash Flows from Investing Activities:	
Net acquisition of property, plant, and equipment	(2,155,126)
Proceeds from sale of assets	18,000
Net Cash Used in Investing Activities	<u>(2,137,126)</u>
Cash Flows from Financing Activities:	
Payments on long-term debt	(96,968)
Proceeds from long-term debt	558,000
Member distributions	(400,438)
Net Cash Provided by Financing Activities	<u>60,594</u>
Net Increase in Cash and Cash Equivalents	1,636,396
Cash and Cash Equivalents, Beginning of Period	323,162
Cash and Cash Equivalents, End of Period	<u>\$ 1,959,558</u>
Supplemental Schedule of Non-cash Investing and Financing Activities	
Cash paid during the period for interest	<u>\$ 22,543</u>

See accompanying notes.

Utah Broadband, LLC
Notes to Unaudited Financial Statements

Note 1 – Summary of Significant Accounting Policies

Description of entity – Utah Broadband, LLC. (Company), is a provider of Internet and managed WiFi services. The Company’s primary customer base is located in northern Utah. The Company primarily provides service to businesses, residential homes, and multi-dwelling buildings.

New adopted accounting standards – Effective January 1, 2020, the Company adopted Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, on a modified retrospective basis. ASC 606 requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also establishes a framework for allocating discounts between performance obligations and prescribes, through reference to ASC 340, *Other Assets and Deferred Costs*, the capitalization of incremental costs of obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer.

Accounting estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense and allowance for doubtful accounts.

Cash – The Company classifies short-term, highly liquid investments with maturities of three months or less when purchased as cash. The Company maintains its cash balances with financial institutions that are fully insured by the Federal Deposit Insurance Corporation. At various times throughout the year, the cash balances deposited in local institutions exceed federally insured limits. A possible loss exists for those amounts in excess of \$250,000.

Accounts receivable – Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Company reviews the collectability of accounts receivable monthly based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Monthly recurring receivables are due 15 days after issuance of the bill. Other nonrecurring receivables are generally due within 30 days. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes it has established adequate reserves for any risk associated with receivables.

Property, plant, and equipment – Property, plant, and equipment are stated at original cost. Cost includes contracted services, materials, interest capitalized during construction, direct labor and indirect charges for engineers, supervision, and other similar overhead items. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses

Depreciation of the Company’s plant is provided using the straight-line method over the estimated useful lives of the assets. Upon retirement, sale, or other disposition of the plant, the cost and related accumulated depreciation are removed from the accounts and the resulting gains or losses are included in operations.

Note 1 – Summary of Significant Accounting Policies (continued)

Long-lived assets – The Company reviews its long-lived assets for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of the future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset's carrying value to determine if any impairment exists. If the asset is determined to be impaired, the impairment loss is measured based on the excess of its carrying value over its fair value. No impairments of long-lived assets have been identified.

Intangible assets – Intangible assets deemed to have indefinite lives are not amortized but are subject to an annual impairment test. Other intangible assets are amortized over their useful lives. Intangible assets consist primarily of customer lists and are being amortized over ten years. The estimated annual amortization expense is \$10,000.

Income taxes – As a limited liability corporation, earnings and losses are included in the income tax returns of the member and taxed to the member. Accordingly, the Company does not incur additional income tax obligations and the financial statements do not include a provision for income taxes. The Company records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of September 30, 2020, the Company had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively.

Revenue recognition – Internet and managed services are recognized over the period a customer is connected to the network. Most of the Company's revenue is based on month-to-month contracts while customers may hold contracts with defined terms of service that range from one to three years.

Customer contracts that include both equipment and services are evaluated to determine whether performance obligations are separable. If the performance obligations are deemed separable and a separate earnings process exists, the total transaction price with the customer is allocated to each performance obligation based on the relative standalone selling price of the separate performance obligation. The standalone selling price is the price charged to similar customers for the individual services or equipment.

Revenue is recognized over the period a customer is connected to the network. These services are generally billed in advance but recognized in the month that service is provided. Revenue from services is recognized over time as customers receive the services. Revenue from sales of equipment or other nonrecurring services are recognized at a point in time when control of the equipment is transferred or when service is rendered.

Contracts with customers that generate contract assets generally include arrangements from services that are billed after services are provided. Contracts that generate contract liabilities include arrangements for services that are billed to or paid by the customer before services are provided. Contract liabilities are classified as deferred revenue on the balance sheet.

Contract assets also include certain incremental costs to obtain contracts that it expects to recover. These costs consist primarily of sales commissions which are dependent upon, and paid upon, successfully entering into individual customer contracts. The Company adopted the practical expedient that allows a Company to recognize the incremental costs of obtaining a contract as expense when incurred if the amortization period of the asset is one year or less.

The Company does not incur material contract fulfillment costs associated with its contracts with customers. The cost of the Company's network and related equipment, and enhancements to the network required under customer contracts, is accounted for in accordance with ASC 360, *Property, Plant, and Equipment*.

Taxes imposed by governmental authorities – The Company's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Company. The specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Uncertainties – On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Management continues to monitor the evolution of this pandemic, including how it may affect the economy and the general population. Given the dynamic nature of these circumstances and potential business disruption, the Company could experience a significant short-term impact to operations. Given the uncertainty about the situation, it is unable to estimate any impact on the financial statements.

Utah Broadband, LLC
Notes to Unaudited Financial Statements

Note 1 – Summary of Significant Accounting Policies (continued)

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. The Company’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through March 15, 2021, which is the date the financial statements are available to be issued.

In December 2020, the member units of the Company were acquired.

Note 2 – Property, Plant, and Equipment

Property, plant, and equipment balances, together with accumulated depreciation, consist of the following:

	<u>Depreciable Life</u>	<u>September 30, 2020</u>
Towers	5–33 years	\$ 4,432,941
Fiber	10 years	2,076,987
Customer premise	3 years	2,467,139
General support assets	7 years	3,453,660
Accumulated depreciation		(6,078,723)
PPE, net		<u>\$ 6,352,004</u>

Note 3 – Long-Term Debt

Long-term debt is as follows:

	<u>Interest Rates, fixed</u>	<u>Maturity Date</u>	<u>September 30, 2020</u>
Zions Bank	4.6%	2022	\$ 204,465
PPP	1.0%	2022	558,000
Ford Motor Credit	4.5%	2023	29,053
Less current portion			(402,417)
Long-term portion			<u>\$ 389,101</u>

Utah Broadband, LLC
Notes to Unaudited Financial Statements

Note 3 – Long-Term Debt (continued)

Aggregate maturities or payments required on principal under long-term debt obligations as of September 30, 2020, are as follows:

2021	\$	402,417
2022		382,896
2023		6,205
Total	\$	791,518

In 2020, the Company was granted a loan in the amount of \$558,000 pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if used for certain qualifying expenses as described in the CARES Act.

The unforgiven portion of the PPP loans are payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP and believes that it will meet the conditions for forgiveness.

Note 4 – Lease Agreements

The Company leases towers and facilities under operating leases expiring in various years. Future expenses under these leases are expected to be approximately \$725,000 annually.

Note 5 – New Accounting Standards Not Yet Adopted

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), specifying the accounting for leases, which supersedes the leases requirements in Topic 840, Leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. Lessors' accounting is largely unchanged from the previous accounting standard. In addition, Topic 842 expands the disclosure requirements of lease arrangements. Lessees and lessors will use a modified retrospective transition approach, which includes a number of practical expedients. This guidance was effective for public companies for fiscal years and interim periods within those fiscal years, beginning after December 15, 2018, and for private companies for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019 with early adoption permitted. On May 20, 2020, the FASB approved an effective date deferral for private companies which deferred the effective date of ASC 842 to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is currently reviewing the provisions of the new standard and assessing the impact of its adoption.

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

BOSTON OMAHA CORPORATION AND UTAH BROADBAND, LLC

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

BOSTON OMAHA CORPORATION AND UTAH BROADBAND, LLC

Unaudited Pro Forma Consolidated Balance Sheet

September 30, 2020

	<u>ASSETS</u>		<u>Pro Forma</u>	<u>Notes</u>	<u>Pro Forma</u>		
	<u>Historical (unaudited)</u>					<u>Adjustments</u>	<u>Consolidated</u>
	<u>Boston Omaha</u>	<u>Utah Broadband</u>					
Current Assets:							
Cash and cash equivalents	\$ 42,270,664	\$ 1,959,558	\$ (23,242,518)	(2a)	\$ 20,987,704		
Restricted cash	381,113	-	-		381,113		
Accounts receivable, net	3,585,966	202,917	(1,917)	(2a)	3,786,966		
Interest receivable	64,892	-	-		64,892		
Short-term investments	7,294,663	-	-		7,294,663		
Marketable equity securities	63,794,553	-	-		63,794,553		
U. S. Treasury securities available for sale	76,667,538	-	-		76,667,538		
Funds held as collateral assets	6,385,197	-	-		6,385,197		
Prepaid expenses	1,876,055	-	-		1,876,055		
Total Current Assets	202,320,641	2,162,475	(23,244,435)		181,238,681		
Property and Equipment, net	41,379,338	6,352,004	(182,004)	(2a)	47,549,338		
Other Assets:							
Goodwill	113,416,446	-	11,030,000	(2a)	124,446,446		
Intangible assets, net	35,418,574	81,050	9,558,950	(2a)	45,058,574		
Investments	19,698,400	-	-		19,698,400		
Investments in unconsolidated affiliates	16,026,812	-	-		16,026,812		
Deferred policy acquisition costs	975,276	-	-		975,276		
Right of use assets	50,242,563	-	3,226,355	(2a)	53,468,918		
Other	426,963	-	-		426,963		
Total Other Assets	236,205,034	81,050	23,815,305		260,101,389		
Total Assets	\$ 479,905,013	\$ 8,595,529	\$ 388,866		\$ 488,889,408		

See accompanying notes to unaudited pro forma consolidated financial statements.

BOSTON OMAHA CORPORATION AND UTAH BROADBAND, LLC

Unaudited Pro Forma Consolidated Balance Sheet

September 30, 2020

LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND STOCKHOLDERS' EQUITY

	<u>Historical (unaudited)</u>		<u>Pro Forma</u>	<u>Notes</u>	<u>Pro Forma</u>
	<u>Boston Omaha</u>	<u>Utah Broadband</u>			
Current Liabilities:					
Accounts payable and accrued expenses	\$ 5,964,495	\$ 649,706	(612,406)	(2a)	\$ 6,001,795
Short-term payables for business acquisitions	814,416	-	-	(2a)	814,416
Lease liabilities	3,723,843	-	-		3,723,843
Funds held as collateral	6,385,197	-	-		6,385,197
Unearned premiums	4,775,163	-	-		4,775,163
Current maturities of long-term debt	1,278,363	402,417	(402,417)	(2a)	1,278,363
Deferred revenue	1,612,915	428,026	(28,026)	(2a)	2,012,915
Total Current Liabilities	24,554,392	1,480,149	(1,042,849)		24,991,692
Long-term Liabilities:					
Asset retirement obligations	2,247,533	-	-		2,247,533
Lease liabilities	45,366,930	-	3,226,355	(2a)	48,593,285
Long-term debt, less current maturities	22,074,639	389,101	(389,101)	(2a)	22,074,639
Other long-term liabilities	120,595	-	-		120,595
Deferred tax liability	57,000	-	-		57,000
Total Liabilities	94,421,089	1,869,250	1,794,405		98,084,744
Redeemable Noncontrolling Interest:	1,655,121	-	5,320,740	(2a)	6,975,861
Stockholders' Equity:					
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, 26,175,555 shares issued and outstanding, respectively	26,176	-	-		26,176
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	423,481,777	-	-		423,481,777
Accumulated deficit	(39,680,206)	6,726,279	(6,726,279)	(2a)	(39,680,206)
Total Stockholders' Equity	383,828,803	6,726,279	(6,726,279)		383,828,803
Total Liabilities, Redeemable Noncontrolling interest and Stockholders' Equity	\$ 479,905,013	\$ 8,595,529	\$ 388,866		\$ 488,889,408

See accompanying notes to unaudited pro forma consolidated financial statements.

BOSTON OMAHA CORPORATION AND UTAH BROADBAND, LLC

Unaudited Pro Forma Consolidated Statement of Operations

For the Nine months Ended September 30, 2020

	Historical (unaudited)		Pro Forma Adjustments	Notes	Pro Forma Consolidated
	Boston Omaha	Utah Broadband			
Revenues:					
Billboard rentals, net	\$ 20,991,755	\$ -	\$ -		\$ 20,991,755
Broadband services	2,575,676	6,922,265	-		9,497,941
Premiums earned	9,538,183	-	-		9,538,183
Insurance commissions	1,065,013	-	-		1,065,013
Investment and other income	338,953	-	-		338,953
Total Revenues	34,509,580	6,922,265	-		41,431,845
Costs and Expenses:					
Cost of billboard revenues (exclusive of depreciation and amortization)	8,472,265	-	-		8,472,265
Cost of broadband revenues (exclusive of depreciation and amortization)	379,073	1,224,986	-		1,604,059
Cost of insurance revenues (exclusive of depreciation and amortization)	5,367,231	-	-		5,367,231
Employee costs	9,542,845	1,775,705	-		11,318,550
Professional fees	2,582,961	-	-		2,582,961
General and administrative	4,655,960	1,139,472	-		5,795,432
Amortization	3,012,641	-	651,375	(2b)	3,664,016
Depreciation	2,744,376	546,621	(117,409)	(2b)	3,173,588
Loss on disposition of assets	89,685	-	-		89,685
Bad debt expense	322,483	-	-		322,483
Accretion	105,964	-	-		105,964
Total Costs and Expenses	37,275,484	4,686,784	533,966		42,496,234
Net (Loss) Income from Operations	(2,765,904)	2,235,481	(533,966)		(1,064,389)
Other Income (Expense):					
Interest income	884,125	-	-		884,125
Dividend income	967,864	-	-		967,864
Equity in income of unconsolidated affiliates	2,406,151	-	-		2,406,151
Unrealized loss on securities	(24,413,748)	-	-		(24,413,748)
Gain on disposition of investments	5,696,068	-	-		5,696,068
Interest expense	(600,631)	(12,781)	-		(613,412)
Other	-	18,000	-		18,000
Net (Loss) Income before Income Tax	(17,826,075)	2,240,700	(533,966)	(2b)	(16,119,341)
Income Tax (Provision) Benefit	-	-	-		-
Net (Loss) Income	(17,826,075)	2,240,700	(533,966)		(16,119,341)
Noncontrolling Interest in Subsidiary Income	(42,184)	-	-		(42,184)
Net (Loss) Income					
Attributable to Common Stockholders	<u>\$ (17,868,259)</u>	<u>\$ 2,240,700</u>	<u>\$ (533,966)</u>		<u>\$ (16,161,525)</u>
Basic and Diluted Net Loss per Share	<u>\$ (0.71)</u>			(3a)	<u>\$ (0.64)</u>
Basic and Diluted Weighted Average Class A and Class B Common Shares Outstanding	<u>25,145,700</u>			(3a)	<u>25,145,700</u>

See accompanying notes to unaudited pro forma consolidated financial statements.

BOSTON OMAHA CORPORATION AND UTAH BROADBAND, LLC

Unaudited Pro Forma Consolidated Statement of Operations

For the Year Ended December 31, 2019

	Historical		Pro Forma Adjustments	Notes	Pro Forma Consolidated
	Boston Omaha	Utah Broadband			
Revenues:					
Billboard rentals, net	\$ 28,429,167	\$ -	\$ -		\$ 28,429,167
Broadband services	-	8,881,366	-		8,881,366
Premiums earned	10,944,313	-	-		10,944,313
Insurance commissions	1,567,331	-	-		1,567,331
Investment and other income	448,327	-	-		448,327
Total Revenues	41,389,138	8,881,366	-		50,270,504
Costs and Expenses:					
Cost of billboard revenues (exclusive of depreciation and amortization)	11,321,149	-	-		11,321,149
Cost of broadband revenues (exclusive of depreciation and amortization)	-	1,253,071	-		1,253,071
Cost of insurance revenues (exclusive of depreciation and amortization)	6,290,218	-	-		6,290,218
Employee costs	11,945,895	2,019,380	-		13,965,275
Professional fees	3,664,370	-	-		3,664,370
General and administrative	6,346,698	1,628,533	-		7,975,231
Amortization	10,471,973	-	868,500	(2b)	11,340,473
Depreciation	3,102,168	619,760	(47,477)	(2b)	3,674,451
Loss on disposition of assets	223,890	-	-		223,890
Bad debt expense	299,881	-	-		299,881
Accretion	134,992	-	-		134,992
Total Costs and Expenses	53,801,234	5,520,744	821,023		60,143,001
Net (Loss) Income from Operations	(12,412,096)	3,360,622	(821,023)		(9,872,497)
Other Income (Expense):					
Interest income	3,198,527	-	-		3,198,527
Dividend income	710,169	-	-		710,169
Equity in income of unconsolidated affiliates	479,366	-	-		479,366
Unrealized gain on securities	6,273,337	-	-		6,273,337
Gain on disposition of investments	572,181	-	-		572,181
Interest expense	(302,749)	(22,196)	-		(324,945)
Other	-	65,729	-		65,729
Net (Loss) Income before Income Tax	(1,481,265)	3,404,155	(821,023)	(2b)	1,101,867
Income Tax (Provision) Benefit	-	-	-		-
Net (Loss) Income	(1,481,265)	3,404,155	(821,023)		1,101,867
Noncontrolling Interest in Subsidiary Income	(5,658)	-	-		(5,658)
Net (Loss) Income					
Attributable to Common Stockholders	\$ (1,486,923)	\$ 3,404,155	\$ (821,023)		\$ 1,096,209
Basic and Diluted Net (Loss) Income per Share	\$ (0.07)			(3a)	\$ 0.05
Basic and Diluted Weighted Average Class A and Class B Common Shares Outstanding	22,778,405			(3a)	22,778,405

See accompanying notes to unaudited pro forma consolidated financial statements.

BOSTON OMAHA CORPORATION AND UTAH BROADBAND, LLC

Notes to Unaudited Pro Forma Consolidated Financial Statements

NOTE 1. BASIS OF PRESENTATION

The unaudited pro forma consolidated balance sheet has been prepared by applying pro forma adjustments to Boston Omaha Corporation's ("Boston Omaha") ("the Company") unaudited consolidated balance sheet as of September 30, 2020 and Utah Broadband, LLC.'s ("UBB") unaudited balance sheet as of September 30, 2020.

The unaudited pro forma consolidated statement of operations for the nine months ended September 30, 2020 has been prepared from Boston Omaha's unaudited interim consolidated statement of operations for the nine months ended September 30, 2020 and from UBB's unaudited interim statement of operations for the nine months ended September 30, 2020.

Boston Omaha's audited consolidated financial statements and UBB's audited financial statements have been used in the preparation of the unaudited pro forma consolidated statement of operations for the year ended December 31, 2019. The assumed timing of the transaction for the unaudited pro forma consolidated statements of operations and balance sheet presented is January 1, 2019 and September 30, 2020, respectively.

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

Boston Omaha's audited consolidated financial statements for the year ended December 31, 2019 and the notes relating thereto, as found in its Form 10-K which was filed with the Securities and Exchange Commission on March 13, 2020;

Boston Omaha's unaudited consolidated financial statements for the nine months ended September 30, 2020 and the notes relating thereto, as found in its Form 10-Q which was filed with the Securities and Exchange Commission on November 9, 2020;

UBB's audited financial statements for the year ended December 31, 2019 and the notes relating thereto included in this Form 8-K and;

UBB's unaudited financial statements for the nine months ended September 30, 2020 and the notes relating thereto included elsewhere in this Form 8-K.

NOTE 2. BUSINESS ACQUISITION

On December 29, 2020 (the "Closing Date"), Boston Omaha Corporation (the "Company"), through its wholly-owned subsidiary FIF Utah, LLC ("FIF Utah") completed its previously announced acquisition (the "Acquisition") of the assets of Utah Broadband, LLC ("UBB").

On December 11, 2020, FIF Utah entered into an Asset Purchase and Contribution Agreement (the "Agreement") by and among (i) UBB, (ii) its members Alpine Networks, Inc., a Utah corporation and The Community Trust of Utah; (iii) Steven C. McGhie, and (iv) FIF Utah. Under the terms of the Agreement, FIF Utah acquired substantially all of the assets of UBB and assumed only certain liabilities of UBB. The total purchase price of \$26,603,700 was paid 80% in cash and the remaining 20% of the purchase price was paid by issuing to UBB 20% of the outstanding equity of FIF Utah. A portion of the cash purchase price will be held in escrow to provide a source of indemnification for any breaches of the representations and warranties, covenants and other obligations of UBB, its members and Mr. McGhie under the Agreement.

BOSTON OMAHA CORPORATION AND UTAH BROADBAND, LLC

Notes to Unaudited Pro Forma Consolidated Financial Statements

NOTE 2. BUSINESS ACQUISITION, (Continued)

Recognized Amount of Identifiable Assets Acquired and Liabilities Assumed

The Company has performed a preliminary valuation analysis of the fair market value of UBB's assets to be acquired and liabilities to be assumed. Using the total consideration for the acquisition, the Company has estimated the allocations to such assets and liabilities. The following table summarizes the allocation of the preliminary purchase price as of the transaction's closing date, December 29, 2020:

Identifiable Assets:

PP&E	\$ 6,170,000
Customer Relationships	7,400,000
Permits	330,000
Tradenames and Trademarks	1,910,000
Goodwill	11,030,000
Right of Use Assets	3,226,355
Other	201,000
	<hr/>
Total Identifiable Assets Acquired	30,267,355

Liabilities Assumed:

Accounts Payable and Deferred Revenue	437,300
Lease Liabilities	3,226,355
	<hr/>
Total Liabilities Assumed	3,663,655
	<hr/>
Total Identifiable Net Assets	\$ 26,603,700

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

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

All significant intercompany balances have been eliminated in consolidation.

BOSTON OMAHA CORPORATION AND UTAH BROADBAND, LLC

Notes to Unaudited Pro Forma Consolidated Financial Statements

NOTE 3. PRO FORMA ADJUSTMENTS

Earnings per share

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

Income Tax (Provision) Benefit

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