LAMAR ADVERTISING CO/NEW
Form 10-K
February 25, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number 1-36756

Lamar Advertising Company

Commission File Number 1-12407

Lamar Media Corp.

(Exact names of registrants as specified in their charters)

Delaware	**72-1449411**
Delaware	**72-1205791**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5321 Corporate Blvd., Baton Rouge, LA	**70808**
(Address of principal executive offices)	**(Zip Code)**

Registrants telephone number, including area code: (225) 926-1000

SECURITIES OF LAMAR ADVERTISING COMPANY

REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Class A common stock, $0.001 par value

SECURITIES OF LAMAR ADVERTISING COMPANY

REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

SECURITIES OF LAMAR MEDIA CORP.

REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

None

SECURITIES OF LAMAR MEDIA CORP.

REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

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

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

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

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

Indicate by check mark whether each 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 x No ¨

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Lamar Advertising Company s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark if either registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the voting stock held by nonaffiliates of Lamar Advertising Company was $4,696,110,999.00 based on $57.48 per share as reported at the close of trading on the NASDAQ Global Select Market on June 30, 2015, the last business day of the registrant s most recently completed second fiscal quarter.

As of June 30, 2015, the aggregate market value of the voting stock held by nonaffiliates of Lamar Media Corp. was $0.

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date.

Class	Outstanding at February 1, 2016
Lamar Advertising Company Class A common stock, $0.001 par value per share	82,085,503 shares
Lamar Advertising Company Class B common stock, $0.001 par value per share	14,610,365 shares
Lamar Media Corp. common stock, $0.001 par value per share	100 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders scheduled to be held on May 26, 2016 (Proxy Statement)	Part III

This combined Form 10-K is separately filed by (i) Lamar Advertising Company and (ii) Lamar Media Corp. (which is a wholly owned subsidiary of Lamar Advertising Company). Lamar Media Corp. meets the conditions set forth in general instruction I(1) (a) and (b) of Form 10-K and is, therefore, filing this form with the reduced disclosure format permitted by such instruction.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included in this report is forward-looking in nature within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. This report uses terminology such as anticipates, believes, plans, expects, future, intends, may, will, should, estimates, predicts, po similar expressions to identify forward-looking statements. Examples of forward-looking statements in this report include statements about: (i) our future financial performance and condition; (ii) our business plans, objectives, prospects, growth and operating strategies; (iii) our future capital expenditures and level of acquisition activity; (iv) market opportunities and competitive positions; (v) our future cash flows and expected cash requirements; (vi) expected timing and amount of distributions to our stockholders; (vii) our intention to repurchase shares of our Class A common stock under our stock repurchase program; (viii) estimated risks; (ix) our ability to maintain compliance with applicable covenants and restrictions included in Lamar Media Corp s (Lamar Media) senior credit facility and the indentures relating to its outstanding notes; (x) stock price; and (xi) our ability to remain qualified as a real estate investment trust (REIT).

Forward-looking statements are subject to known and unknown risks, uncertainties and other important factors, including but not limited to the following, any of which may cause our actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements: (i) the state of the economy and financial markets generally and their effects on the markets in which we operate and the broader demand for advertising; (ii) the levels of expenditures on advertising in general and outdoor advertising in particular; (iii) risks and uncertainties relating to our significant indebtedness; (iv) the demand for outdoor advertising and its continued popularity as an advertising medium; (v) our need for, and ability to obtain, additional funding for acquisitions, operations and debt refinancing; (vi) increased competition within the outdoor advertising industry; (vii) the regulation of the outdoor advertising industry by federal, state and local governments; (viii) our ability to renew expiring contracts at favorable rates; (ix) the integration of businesses that we acquire and our ability to recognize cost savings and operating efficiencies as a result of these acquisitions; (x) our ability to successfully implement our digital deployment strategy; (xi) the market for our Class A common stock; (xii) changes in accounting principles, policies or guidelines; (xiii) our ability to effectively mitigate the threat of and damages caused by hurricanes and other kinds of severe weather; (xiv) our ability to maintain our status as a REIT; and (xv) changes in tax laws applicable to REITs or in the interpretation of those laws.

The forward-looking statements in this report are based on our current good faith beliefs; however, actual results may differ due to inaccurate assumptions, the factors listed above or other foreseeable or unforeseeable factors. Consequently, we cannot guarantee that any of the forward-looking statements will prove to be accurate. The forward-looking statements in this report speak only as of the date of this report, and Lamar Advertising Company and Lamar Media Corp. expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained in this report, except as required by law.

INDUSTRY AND MARKET DATA

The industry and market data presented throughout this report are based on the experience and estimates of our management and the data in reports issued by third-parties, including the Outdoor Advertising Association of America (OAAA). In each case, we believe this industry and market data is reasonable. We have not, however, independently verified the industry and market data derived from third-party sources, and no independent source has verified the industry and market data derived from management s experience and estimates.

PART I

ITEM 1. BUSINESS
GENERAL

Lamar Advertising Company is one of the largest outdoor advertising companies in the United States based on number of displays and has operated under the Lamar name since 1902. We operate in a single operating and reporting segment, advertising. We lease space for advertising on billboards, buses, shelters, benches, logo plates and in airport terminals. We offer our customers a fully integrated service, satisfying all aspects of their billboard display requirements from ad copy production to placement and maintenance.

We operate three types of outdoor advertising displays: billboards, logo signs and transit advertising displays.

Billboards. As of December 31, 2015, we owned and operated approximately 144,000 billboard advertising displays in 44 states, Canada and Puerto Rico. We lease most of our advertising space on two types of billboards: bulletins and posters.

Bulletins are generally large, illuminated advertising structures that are located on major highways and target vehicular traffic.

Posters are generally smaller advertising structures that are located on major traffic arteries and city streets and target vehicular and pedestrian traffic.

In addition to traditional billboards, we also lease space on digital billboards, which are generally located on major traffic arteries and city streets. As of December 31, 2015, we owned and operated approximately 2,300 digital billboard advertising displays in 42 states, Canada and Puerto Rico.

Logo signs. We lease advertising space on logo signs located near highway exits.

Logo signs generally advertise nearby gas, food, camping, lodging and other attractions.
We are the largest provider of logo signs in the United States, operating 23 of the 26 privatized state logo sign contracts. As of December 31, 2015, we operated approximately 134,000 logo sign advertising displays in 23 states and Canada.

Transit advertising displays. We also lease advertising space on the exterior and interior of public transportation vehicles, in airport terminals, and on transit shelters and benches in approximately 75 markets. As of December 31, 2015, we operated over 42,000 transit advertising displays in 18 states, Canada and Puerto Rico.

CORPORATE HISTORY

We have operated under the Lamar name since our founding in 1902 and have been publicly traded on NASDAQ under the symbol LAMR since 1996. We completed a reorganization on July 20, 1999 that created a holding company structure. At that time, the operating company (then called Lamar Advertising Company) was renamed Lamar Media Corp., and all of the operating company s stockholders became stockholders of a new holding company. The new holding company then took the Lamar Advertising Company name, and Lamar Media Corp. became a wholly owned subsidiary of Lamar Advertising Company.

During 2014, we completed a reorganization in order to qualify as a REIT for federal income tax purposes. As part of the plan to reorganize our business operations so that we could elect to qualify as a REIT for the taxable year commencing January 1, 2014, we completed a merger with our predecessor that was approved by our stockholders on November 17, 2014. At the time of the merger each outstanding share of our predecessor s Class A common stock, Class B common stock and Series AA preferred stock was converted into the right to receive an equal number of shares of Class A common stock, Class B common and Series AA preferred stock of the surviving corporation, respectively. Accordingly, references herein to our Class A common stock, Class B common and Series AA preferred stock refer to our capital stock and the capital stock of our predecessor, as applicable. We hold and operate certain assets through one or more taxable REIT subsidiaries (TRSs). The non-REIT qualified businesses that we hold through TRSs include most of our transit and foreign operations.

We may, from time to time, change the election of previously designated TRSs to be treated as qualified REIT subsidiaries or other disregarded entities (QRSs), and may reorganize and transfer certain assets or operations from our TRSs to other subsidiaries, including QRSs.

In this Annual Report, unless the context otherwise requires, we refer to Lamar Advertising Company and its consolidated subsidiaries (and its predecessor and its consolidated subsidiaries), as applicable, as the Company , Lamar Advertising or we , we refer to Lamar Advertising s wholly owned subsidiary Lamar Media Corp. as Lamar Media.

OPERATING STRATEGIES

We strive to be a leading provider of outdoor advertising services in each of the markets that we serve, and our operating strategies for achieving that goal include:

Continuing to provide high quality local sales and service. We seek to identify and closely monitor the needs of our tenants and to provide them with a full complement of high quality advertising services. Local advertising constituted approximately 79% of our net revenues for the year ended December 31, 2015, which management believes is higher than the industry average. We believe that the experience of our regional, territory and local managers has contributed greatly to our success. For example, our regional managers have been with us for an average of 32 years. In an effort to provide high quality sales and service at the local level, we employed approximately 890 local account executives as of December 31, 2015. Local account executives are typically supported by additional local staff and have the ability to draw upon the resources of our central office, as well as our offices in other markets, in the event business opportunities or customers needs support such an allocation of resources.

Continuing a centralized control and decentralized management structure. Our management believes that, for our particular business, centralized control and a decentralized organization provide for greater economies of scale and are more responsive to local market demands. Therefore, we maintain centralized accounting and financial control over our local operations, but our local managers are responsible for the day-to-day operations in each local market and are compensated according to that market s financial performance.

Continuing to focus on internal growth. Within our existing markets, we seek to increase our revenue and improve cash flow by employing highly-targeted local marketing efforts to improve our display occupancy rates and by increasing advertising rates where and when demand can absorb rate increases. Our local offices spearhead this effort and respond to local customer demands quickly.

In addition, we routinely invest in upgrading our existing displays and constructing new displays. Since January 1, 2006, we invested approximately $1.3 billion in capitalized expenditures, which include improvements to our existing real estate portfolio and the construction of new locations. Our regular improvement and expansion of our advertising display inventory allows us to provide high quality service to our current tenants and to attract new tenants.

Continuing to pursue other outdoor advertising opportunities. We plan to renew existing logo sign contracts and pursue additional logo sign contracts. Logo sign opportunities arise periodically, both from states initiating new logo sign programs and states converting from government-owned and operated programs to privately-owned and operated programs. Furthermore, we plan to pursue additional tourist oriented directional sign programs in both the United States and Canada and also other motorist information signing programs as opportunities present themselves. In addition, in an effort to maintain market share, we continue to pursue attractive transit advertising opportunities as they become available.

Reinvesting in capital expenditures including digital technology. We have historically invested in capital expenditures, however, during 2009 and 2010, we significantly reduced our capital expenditures to position the Company to manage through the economic recession. As a result of the economic recovery, the Company began to reinvest in capital expenditures beginning in 2011. We spent approximately $110.4 million in total capital expenditures in fiscal 2015, of which approximately $50.0 million was spent on digital technology. We expect our 2016 capitalized expenditures to closely approximate our spending in 2015.

CAPITAL ALLOCATION STRATEGY

The objective of our capital allocation strategy is to simultaneously increase adjusted funds from operations and our return on invested capital. To maintain our REIT status we are required to distribute to our stockholders annually an amount equal to at least 90% of our REIT taxable income. After complying with our REIT distribution requirements, we plan to continue to allocate our available capital among investment alternatives that meet our return on investment criteria. During 2015, we generated $477.7 million of cash from operating activities, which was used to fund $153.9 million of acquisitions and $110.4 million of capital expenditures. In addition, in 2015, we paid regular cash distributions in the aggregate of approximately $265.5 million to our stockholders.

Capital expenditures program. We will continue to reinvest in our existing assets and expand our outdoor advertising display portfolio through new construction. This includes maintenance and growth capital expenditures associated with the construction of new billboard displays, the entrance into and renewal of logo sign and transit contracts, and the purchase of real estate and operating equipment.

Acquisitions. We will seek to pursue strategic acquisitions of outdoor advertising businesses and assets. This includes acquisitions in our existing markets and in new markets where we can meet our return on investment criteria. When evaluating investments in new markets, our return on investment criteria reflects the additional risks inherent to the particular geographic area.

COMPANY OPERATIONS

Billboard Advertising

We lease most of our advertising space on two types of billboard advertising displays: bulletins and posters. As of December 31, 2015, we owned and operated approximately 144,000 billboard advertising displays in 44 states, Canada and Puerto Rico. In 2015, we derived approximately 73% of our billboard advertising net revenues from bulletin rentals and 27% from poster rentals.

Bulletins are large, advertising structures (the most common size is fourteen feet high by forty-eight feet wide, or 672 square feet) consisting of panels on which advertising copy is displayed. We wrap advertising copy printed with computer-generated graphics on a single sheet of vinyl around the structure. To attract more attention, some of the panels may extend beyond the linear edges of the display face and may include three-dimensional embellishments. Because of their greater impact and higher cost, bulletins are usually located on major highways and target vehicular traffic. At December 31, 2015, we operated approximately 67,200 bulletin displays.

We generally lease individually-selected bulletin space to advertisers for the duration of the contract (usually one to twelve months). We also lease bulletins as part of a rotary plan under which we rotate the advertising copy from one bulletin location to another within a particular market at stated intervals (usually every sixty to ninety days) to achieve greater reach within that market.

Posters are smaller advertising structures (the most common size is eleven feet high by twenty-three feet wide, or 250 square feet; we also operate junior posters, which are five feet high by eleven feet wide, or 55 square feet). Poster panels utilize a single flexible sheet of polyethylene material that inserts into the face of the panel. Posters are concentrated on major traffic arteries and target vehicular traffic, and junior posters are concentrated on city streets and target hard-to-reach pedestrian traffic and nearby residents. At December 31, 2015, we operated approximately 74,300 poster displays.

We generally lease poster space for thirty- and sixty-day periods in packages called showings, which comprise a given number of displays in a specified market area. We place and spread out the displays making up a showing in well-traveled areas to reach a wide audience in the particular market.

In addition to the traditional displays described above, we also rent digital billboards. Digital billboards are large electronic light emitting diode (LED) displays (the most common sizes are fourteen feet high by forty feet wide, or 560 square feet; ten and a half feet high by thirty six feet wide, or 378 square feet; and ten feet high by twenty-one feet wide, or 210 square feet) that are generally located on major traffic arteries and city streets. Digital billboards are capable of generating over one billion colors and vary in brightness based on ambient conditions. They display completely digital advertising copy from various advertisers in a slide show fashion, rotating each advertisement approximately every 6 to 8 seconds. At December 31, 2015, we operated approximately 2,300 digital billboards in various markets, which represents approximately 19% of billboard advertising net revenue.

We own the physical structures on which the advertising copy is displayed. We build the structures on locations we either own or lease. In each local office, one employee typically performs site leasing activities for the markets served by that office. See Item 2. Properties.

In the majority of our markets, our local production staffs perform the full range of activities required to create and install billboard advertising displays. Production work includes creating the advertising copy design and layout, coordinating its printing and installing the designs on the displays. Our talented design staff uses state-of-the-art technology to prepare creative, eye-catching displays for our tenants. We can also help with the strategic placement of advertisements throughout an advertiser s market by using software that allows us to analyze the target audience and its demographics. Our artists also assist in developing marketing presentations, demonstrations and strategies to attract new tenant advertisers.

In marketing billboard displays to advertisers, we compete with other forms of out-of-home advertising and other media. When selecting the media and provider through which to advertise, advertisers consider a number of factors and advertising providers, which are described in the section entitled Competition below.

Logo Sign Advertising

We entered the logo sign advertising business in 1988 and have become the largest provider of logo sign services in the United States, operating 23 of the 26 privatized state logo contracts. We erect logo signs, which generally advertise nearby gas, food, camping, lodging and other attractions, and directional signs, which direct vehicle traffic to nearby services and tourist attractions, near highway exits. As of December 31, 2015, we operated over 41,900 logo sign structures containing approximately 134,000 logo advertising displays in the United States and Canada.

We operate the logo sign contracts in the province of Ontario, Canada and in the following states:

Colorado	Georgia	Louisiana	Minnesota	Montana	New Jersey	Oklahoma
Delaware	Kansas	Maine	Mississippi	Nebraska	New Mexico	South Carolina
Florida	Kentucky	Michigan	Missouri[1]	Nevada	Ohio	Utah
Virginia	Wisconsin					

[1] The logo sign contract in Missouri is operated by a 66 2/3% owned partnership.

We also operate the tourist oriented directional signing (TODS) programs for the states of Colorado, Kansas, Kentucky, Louisiana, Michigan, Missouri, Montana, Nebraska, Nevada, New Jersey, Ohio, South Carolina, Virginia and the province of Ontario, Canada.

Our logo and TODS operations are decentralized. Generally, each office is staffed with an experienced local general manager, local sales and office staff and a local signing sub-contractor. This decentralization allows the management staff of Interstate Logos, L.L.C. (the subsidiary that operates all of the logo and directional sign-related businesses) to travel extensively to the various operations and serve in a technical and management advisory capacity and monitor regulatory and contract compliance. We also run a silk screening operation in Baton Rouge, Louisiana and a display construction company in Atlanta, Georgia.

State logo sign contracts represent the exclusive right to erect and operate logo signs within a state for a period of time. The terms of the contracts vary, but generally range from five to ten years, with additional renewal terms. Each logo sign contract generally allows the state to terminate the contract prior to its expiration and, in most cases, with compensation for the termination to be paid to the Company. When a logo sign contract expires, we transfer ownership of the advertising structures to the state. Depending on the contract, we may or may not be entitled to compensation at that time. Of our 24 logo sign contracts in place, in the United States and Canada, at December 31, 2015, five are subject to renewal in 2016.

States usually award new logo sign contracts and renew expiring logo sign contracts through an open proposal process. In bidding for new and renewal contracts, we compete against other logo sign providers, as well as local companies based in the state soliciting proposals.

In marketing logo signs to advertisers, we compete with other forms of out-of-home advertising and other media. When selecting the media and provider through which to advertise, advertisers consider a number of factors and advertising providers which are described in the section entitled Competition below.

Transit Advertising

We entered into the transit advertising business in 1993 as a way to complement our existing business and maintain market share in certain markets. Transit contracts are generally with the local municipalities and airport authorities and allow us the exclusive right to rent advertising space to customers, in airports and on buses, benches or shelters. The terms of the contracts vary but generally range between 3-15 years, many with renewable options for contract extension. We rent transit advertising displays in airport terminals and on bus shelters, benches and buses in approximately 75 transit markets, and our production staff provides a full range of creative and installation services to our transit advertising tenants. As of December 31, 2015, we operated over 42,000 transit advertising displays in 18 states, Canada and Puerto Rico.

Municipalities usually award new transit advertising contracts and renew expiring transit advertising contracts through an open bidding process. In bidding for new and renewal contracts, we compete against national outdoor advertising providers and local, on-premise sign providers and sign construction companies. Transit advertising operators incur significant start-up costs to build and install the advertising structures (such as transit shelters) upon being awarded contracts.

In marketing transit advertising displays to advertisers, we compete with other forms of out-of-home advertising and other media. When selecting the media and provider through which to advertise, advertisers consider a number of factors and advertising providers which are described in the section entitled Competition below.

COMPETITION

Although the outdoor advertising industry has encountered a wave of consolidation, the industry remains fragmented. The industry is comprised of several large outdoor advertising and media companies with operations in multiple markets, as well as smaller, local companies operating a limited number of structures in one or a few local markets.

Although we primarily focus on small to mid-size markets where we can attain a strong market share, in each of our markets, we compete against other providers of outdoor advertising and other types of media, including:

- Larger outdoor advertising providers, such as (i) Clear Channel Outdoor Holdings, Inc., which operates billboards, street furniture displays, transit displays and other out-of-home advertising displays and (ii) Outfront Media, Inc. (formerly CBS Outdoor), which operates traditional outdoor, street furniture and transit advertising properties. Clear Channel Outdoor and Outfront Media each have corporate relationships with large media conglomerates and may have greater total resources, product offerings and opportunities for cross-selling than we do.

- Broadcast and cable television, radio, print media, direct mail marketing, the internet, social media and applications used in conjunction with wireless devices.

- An increasing variety of out-of-home advertising media, such as advertising displays in shopping centers, malls, airports, stadiums, movie theaters, supermarkets and advertising displays on taxis, trains and buses.

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In selecting the form of media through which to advertise, advertisers evaluate their ability to target audiences having a specific demographic profile, lifestyle, brand or media consumption or purchasing behavior or audiences located in, or traveling through, a particular geography. Advertisers also compare the relative costs of available media, evaluating the number of impressions (potential viewings), exposure (the opportunity for advertising to be seen) and circulation (traffic volume in a market), as well as potential effectiveness, quality of related services (such as advertising copy design and layout) and customer service. In competing with other media, we believe that outdoor advertising is relatively more cost-efficient than other media, allowing advertisers to reach broader audiences and target specific geographic areas or demographic groups within markets.

We believe that our strong emphasis on sales and customer service and our position as a major provider of advertising services in each of our primary markets enables us to compete effectively with the other outdoor advertising companies, as well as with other media, within those markets.

GEOGRAPHIC DIVERSIFICATION

Our advertising displays are geographically diversified across the United States, Canada and Puerto Rico. The following table sets forth information regarding the geographic diversification of our advertising displays, which are listed in order of contributions to total revenue. Markets with less than 1% of total displays are grouped in the category all other United States and Puerto Rico .

	Percentage of Revenues for the year ended, December 31, 2015					Number of Displays for the year ended, December 31, 2015					
Market	**Static Billboard Displays**	**Digital Billboard Displays**	**Transit Displays**	**Logo Displays**	**Total Displays**	**Static Billboard Displays**	**Digital Billboard Displays**	**Transit Displays**	**Logo Displays**	**Total Displays**	**Percentage of Total Displays**
New York, NY	3.9%	1.1%	0.0%	0.0%	3.0%	1,323	18			1,341	0.4%
Pittsburgh, PA	2.5%	4.1%	2.3%	0.0%	2.6%	3,163	51	815		4,029	1.3%
Gary, IN	1.9%	3.7%	0.0%	0.0%	2.0%	1,804	109			1,913	0.6%
Las Vegas, NV	1.8%	2.9%	3.3%	0.0%	2.0%	875	37	1,211		2,123	0.7%
San Bernardino, CA	1.9%	2.0%	1.7%	0.0%	1.8%	922	19	1,207		2,148	0.7%
Oklahoma City, OK	1.9%	1.5%	0.0%	0.0%	1.6%	2,470	29			2,499	0.8%
Richmond, VA	1.5%	1.9%	0.0%	0.0%	1.4%	1,357	34			1,391	0.4%
Hartford, CT	1.4%	1.9%	0.1%	0.0%	1.3%	982	19	100		1,101	0.3%
Vancouver, Canada	0.0%	0.0%	20.5%	0.0%	1.3%			5,922		5,922	1.9%
Nashville, TN	1.3%	1.9%	0.0%	0.0%	1.3%	1,764	38			1,802	0.6%
Dallas, TX	1.6%	0.7%	0.0%	0.0%	1.3%	1,171	11			1,182	0.4%

Knoxville, TN	1.6%	0.5%	0.0%	0.0%	1.2%	2,020	11			2,031	0.7%
Birmingham, AL	1.4%	1.6%	0.0%	0.0%	1.2%	1,660	25			1,685	0.5%
Buffalo, NY	1.2%	1.1%	3.6%	0.0%	1.2%	971	20	1,716		2,707	0.9%
Cincinnati, OH	1.1%	2.6%	0.0%	0.0%	1.2%	1,246	31			1,277	0.4%
Baton Rouge, LA	1.3%	1.5%	0.0%	0.0%	1.2%	1,562	37			1,599	0.5%
Atlanta, GA	1.1%	2.2%	0.0%	0.0%	1.1%	806	40			846	0.3%
Austin, TX	1.5%	0.6%	0.0%	0.0%	1.1%	935	5			940	0.3%
Gulfport, MS	1.3%	0.9%	0.0%	0.0%	1.0%	1,023	18			1,041	0.3%
Providence, RI	1.0%	1.6%	1.1%	0.0%	1.0%	611	26	660		1,297	0.4%
Tulsa, OK	1.1%	1.5%	0.0%	0.0%	1.0%	1,766	24			1,790	0.6%
All US Logo Programs	0.0%	0.0%	0.0%	93.7%	5.6%				129,493	129,493	40.1%
All Other United States and Puerto Rico	67.6%	64.1%	55.7%	0.0%	62.4%	112,864	1,682	26,052		140,598	44.0%
All Other Canada	0.1%	0.1%	11.7%	6.3%	1.2%	151	2	4,390	4,679	9,222	2.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	141,446	2,286	42,073	134,172	319,977	100.0%
Total Revenue (in millions)	$ 958.6	$ 228.3	$ 91.7	$ 74.8	$ 1,353.4						

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TAXABLE REIT SUBSIDIARIES

We hold and operate certain of our assets that cannot be held and operated directly by a REIT through taxable REIT subsidiaries, or TRSs. A TRS is a subsidiary of a REIT that pays corporate taxes on its taxable income. The assets held in our TRSs primarily consist of our transit advertising business, advertising services business and our foreign operations in Canada and Puerto Rico. Our TRS assets and operations will continue to be subject, as applicable, to U.S. federal and state corporate income taxes. Furthermore, our assets and operations outside the United States will continue to be subject to foreign taxes in the jurisdictions in which those assets and operations are located. Net income from our TRSs will either be retained by our TRSs and used to fund their operations, or distributed to us, where it will be reinvested in our business or be available for distribution to Lamar Advertising s stockholders. As of December 31, 2015, the annual revenue generated by our TRSs in the aggregate was approximately $232 million.

ADVERTISING TENANTS

Our tenant base is diverse. The table below sets forth the ten industries from which we derived most of our billboard advertising revenues for the year ended December 31, 2015, as well as the percentage of billboard advertising revenues attributable to the advertisers in those industries. The individual advertisers in these industries accounted for approximately 78% of our billboard advertising net revenues in the year ended December 31, 2015. No individual tenant accounted for more than 1.0% of our billboard advertising net revenues in that period.

Categories	Percentage of Net Billboard Advertising Revenues
Restaurants	13%
Service	11%
Health Care	11%
Retailers	10%
Amusement Entertainment/Sports	7%
Automotive	6%
Gaming	5%
Education	5%
Financial Banks, Credit Unions	4%
Telecommunications	3%
Real Estate	3%
	78%

REGULATION

Outdoor advertising is subject to governmental regulation at the federal, state and local levels. Regulations generally restrict the size, spacing, lighting and other aspects of advertising structures and pose a significant barrier to entry and expansion in many markets.

Federal law, principally the Highway Beautification Act of 1965 (the HBA), regulates outdoor advertising on Federal Aid Primary, Interstate and National Highway Systems roads. The HBA requires states, through the adoption of individual Federal/State agreements, to effectively control outdoor advertising along these roads, and mandates a state compliance program and state standards regarding size, spacing and lighting. The HBA requires any state or political subdivision that compels the removal of a lawful billboard along a Federal Aid Primary or Interstate highway to pay just compensation to the billboard owner.

All states have passed billboard control statutes and regulations at least as restrictive as the federal requirements, including laws requiring the removal of illegal signs at the owner s expense (and without compensation from the state). Although we believe that the number of our billboards that may be subject to removal as illegal is immaterial, and no state in which we operate has banned billboards entirely, from time to time governments have required us to remove signs and billboards legally erected in accordance with federal, state and local permit requirements and laws. Municipal and county governments generally also have sign controls as part of their zoning laws and building codes. We contest laws and regulations that we believe unlawfully restrict our constitutional or other legal rights and may adversely impact the growth of our outdoor advertising business.

Using federal funding for transportation enhancement programs, state governments have purchased and removed billboards for beautification, and may do so again in the future. Under the power of eminent domain, state or municipal governments have laid claim to property and forced the removal of billboards. Under a concept called amortization by which a governmental body asserts that a billboard operator has earned compensation by continued operation over time, local governments have attempted to force removal of legal but nonconforming billboards (i.e., billboards that conformed with applicable zoning regulations when built but which do not conform to current zoning regulations). Although the legality of amortization is questionable, it has been upheld in some instances. Often, municipal and county governments also have sign controls as part of their zoning laws, with some local governments prohibiting construction of new billboards or allowing new construction only to replace existing structures. Although we have generally been able to obtain satisfactory compensation for those of our billboards purchased or removed as a result of governmental action, there is no assurance that this will continue to be the case in the future.

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We have also introduced and intend to continue to expand the deployment of digital billboards that display static digital advertising copy from various advertisers that change every 6 to 8 seconds. We have encountered some existing regulations that restrict or prohibit these types of digital displays but it has not yet materially impacted our digital deployment. Since digital billboards have only recently been developed and introduced into the market on a large scale, existing regulations that currently do not apply to them by their terms could be revised to impose greater restrictions. These regulations may impose greater restrictions on digital billboards due to alleged concerns over aesthetics or driver safety.

In January 2013, Scenic America, Inc., a nonprofit membership organization, filed a lawsuit against the U.S. Department of Transportation (USDOT) and the Federal Highway Administration (FHWA). The complaint alleged that (i) the FHWA exceeded its authority when the agency issued the 2007 Guidance to assist its division offices in evaluating state regulations that authorize the construction and operation of digital billboards that are in conformance with restrictions on intermittent , flashing or moving lights, which restrictions are contained in the individual Federal/State Agreements that implement the provisions of the HBA and in issuing the 2007 Guidance, the FHWA violated the Administrative Procedures Act (APA) by not first engaging in formal rulemaking, (ii) the 2007 Guidance violated the HBA because it adopted a new lighting standard without first amending the provisions of the Federal/State Agreements and (iii) the 2007 Guidance violates the HBA (the 2007 Guidance) because digital billboards are themselves inconsistent with customary use of outdoor advertising, as that term is used in the HBA. As the principal remedy for these alleged violations, the complaint sought an injunction vacating the 2007 Guidance. On June 20, 2014, the U.S. District Court for the District of Columbia dismissed all challenges made by Scenic America to the 2007 Guidance finding that (i) the 2007 Guidance was an interpretive and not a substantive rule and, therefore, did not violate the APA, (ii) the 2007 Guidance did not infringe on the Federal/State Agreements and (iii) the 2007 Guidance is consistent with customary use and, therefore, did not violate the HBA. Scenic America filed a notice of appeal from the District Court s judgment to the D.C. Circuit Court of Appeals on August 7, 2014. This appeal is pending as of February 23, 2016.

On December 30, 2013, USDOT and FHWA published a Notice encouraging states to work with the FHWA to review their Federal/State Agreements, most of which were put in place in the late 1960s and early 1970s, to determine if amendments are advisable. FHWA encouraged each state to work with their FHWA division offices to amend its Federal/State Agreement so that it is consistent with the state s current outdoor advertising objectives and address the evolving technology being used or that could be used in the future by the outdoor industry. The Notice details a multi-step process to achieve this goal. The Notice does not make any reference to the 2007 Guidance, nor does it recommend or require any specific substantive amendments to a state s Federal/State Agreement. It is uncertain whether the FHWA Notice will have any impact on current federal, state or local regulation of outdoor advertising signs or on the above referenced Scenic America law suit. To the extent that any Federal/State Agreements are amended in a manner that places new restrictions on outdoor advertising it could have a material adverse effect on our business, results of operations or financial condition.

Relatively few large scale studies have been conducted to date regarding driver safety issues, if any, related to digital billboards. On December 30, 2013, the results of a study conducted by USDOT and FHWA that looked at the effect of digital billboards and conventional billboards on driver visual behavior were issued. The conclusions of the report indicated that the presence of digital billboards did not appear to be related to a decrease in looking toward the road ahead and were generally within acceptable thresholds. The report cautioned, however, that it adds to the knowledge base but does not present definitive answers to the research questions investigated. Accordingly, the results of this or other studies may result in regulations at the federal or state level that impose greater restrictions on digital billboards. Any new restrictions on digital billboards could have a material adverse effect on both our existing inventory of digital billboards and our plans to expand our digital deployment, which could have a material adverse effect on our business, results of operations and financial condition.

LEGAL PROCEEDINGS

From time to time, we are involved in litigation in the ordinary course of business, including disputes involving advertising contracts, site leases, employment claims and construction matters. We are also involved in routine administrative and judicial proceedings regarding billboard permits, fees and compensation for condemnations. We are not a party to any lawsuit or proceeding which, in the opinion of management, is likely to have a material adverse effect on us.

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REAL ESTATE PORTFOLIO

Our management headquarters is located in Baton Rouge, Louisiana. We also own 117 local operating facilities with front office administration and sales office space connected to back-shop poster and bulletin production space. In addition, we lease an additional 127 operating facilities at an aggregate lease expense for 2015 of approximately $7.6 million.

We own approximately 7,100 parcels of property beneath our advertising displays. As of December 31, 2015, we leased over 75,000 outdoor sites, accounting for an annualized lease expense of approximately $225.7 million. This amount represented approximately 19% of billboard advertising net revenues for that period. These leases are for varying terms ranging from month-to-month to a term of over ten years, and many provide us with renewal options. Our lease agreements generally permit us to use the land for the construction, repair and relocation of outdoor advertising displays, including all rights necessary to access and maintain the site. Approximately 64% of our leases will expire or be subject to renewal in the next 5 years, 13% will expire or be subject to renewal in 6 to 10 years and 23% thereafter. There is no significant concentration of displays under any one lease or subject to negotiation with any one landlord. An important part of our management activity is to manage our lease portfolio and negotiate suitable lease renewals and extensions.

The following table illustrates the number of leased and owned sites by state as of December 31, 2015, which is sorted from greatest to least in number and percentage of leased sites. States in which we lease less than 2% of our portfolio are grouped in the category All Other States .

State	# of billboard leased sites	% of total	# of owned billboard sites	% of total
Pennsylvania	6,431	8.6%	1,176	16.4%
Texas	6,324	8.4%	643	9.0%
California	5,024	6.7%	128	1.8%
Ohio	3,778	5.0%	372	5.2%
Louisiana	3,666	4.9%	457	6.4%
Alabama	3,484	4.6%	462	6.4%
Florida	3,163	4.2%	400	5.5%
Tennessee	3,119	4.2%	270	3.8%
North Carolina	2,932	3.9%	136	1.9%
New York	2,652	3.5%	188	2.6%
Missouri	2,473	3.3%	229	3.2%
Wisconsin	2,374	3.2%	270	3.8%
Mississippi	2,257	3.0%	315	4.3%
Indiana	2,222	3.0%	247	3.4%
Georgia	2,220	3.0%	179	2.5%
Michigan	2,019	2.7%	194	2.7%
Oklahoma	1,958	2.6%	112	1.6%
Virginia	1,829	2.4%	126	1.7%
All Other States	17,075	22.8%	1,279	17.8%
	75,000	100%	7,183	100%

CONTRACT EXPIRATIONS

We derive revenues primarily from renting advertising space to customers on our advertising displays. Our contracts with customers generally cover periods ranging from one week to one year and are generally billed every four weeks. Since contract terms are short-term in nature, we do not consider revenues by year of contract expiration to be meaningful.

EMPLOYEES

We employed approximately 3,200 people as of December 31, 2015. Approximately 225 employees were engaged in overall management and general administration at our management headquarters in Baton Rouge, Louisiana, and the remainder, including approximately 890 local account executives were employed in our operating offices.

Thirteen of our local offices employ billposters and construction personnel who are covered by collective bargaining agreements. We believe that our relationship with our employees, including our 107 unionized employees, is good, and we have never experienced a strike or work stoppage.

INFLATION

In the last three years, inflation has not had a significant impact on us.

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SEASONALITY

Our revenues and operating results are subject to seasonality. Typically, we experience our strongest financial performance in the summer and fall, and our weakest financial performance in the first quarter of the calendar year, partly because retailers cut back their advertising spending immediately following the holiday shopping season. We expect this trend to continue in the future. Because a significant portion of our expenses is fixed, a reduction in revenues in any quarter is likely to result in a period-to-period decline in operating performance and net earnings.

AVAILABLE INFORMATION

We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports available free of charge through our website, www.lamar.com, as soon as reasonably practicable after filing them with, or furnishing them to, the Securities and Exchange Commission. Information contained on the website is not part of this Annual Report.

ITEM 1A. RISK FACTORS

The Company s substantial debt may adversely affect its business, financial condition and financial results.

The Company has borrowed substantially in the past and will continue to borrow in the future. At December 31, 2015, Lamar Advertising Company s wholly owned subsidiary, Lamar Media, had approximately $1.92 billion of total debt outstanding, consisting of approximately $373.8 million in bank debt outstanding under Lamar Media s senior credit facility, $1.0 billion in various series of senior subordinated notes and $510 million in senior notes. Despite the level of debt presently outstanding, the terms of the indentures governing Lamar Media s notes and the terms of the senior credit facility allow Lamar Media to incur substantially more debt, including approximately $291.1 million available for borrowing as of December 31, 2015 under the revolving senior credit facility. In January 2016, Lamar Media entered into an incremental term loan agreement under its senior credit facility and borrowed $300 million to fund acquisition activity. This term loan was subsequently repaid with the proceeds of Lamar Media s issuance of $400 million in senior notes in January 2016.

The Company s substantial debt and its use of cash flow from operations to make principal and interest payments on its debt may, among other things:

- make it more difficult for the Company to comply with the financial covenants in its senior credit facility, which could result in a default and an acceleration of all amounts outstanding under the facility;

- limit the cash flow available to fund the Company s working capital, capital expenditures, acquisitions or other general corporate requirements;

- limit the Company s ability to obtain additional financing to fund future dividend distributions, working capital, capital expenditures or other general corporate requirements;

- place the Company at a competitive disadvantage relative to those of its competitors that have less debt;

- force the Company to seek and obtain alternate or additional sources of funding, which may be unavailable, or may be on less favorable terms, or may require the Company to obtain the consent of lenders under its senior credit facility or the holders of its other debt;

- limit the Company s flexibility in planning for, or reacting to, changes in its business and industry; and

- increase the Company s vulnerability to general adverse economic and industry conditions.

Any of these problems could adversely affect the Company s business, financial condition and financial results.

Restrictions in the Company s and Lamar Media s debt agreements reduce operating flexibility and contain covenants and restrictions that create the potential for defaults, which could adversely affect the Company s business, financial condition and financial results.

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The terms of Lamar Media s senior credit facility and the indentures relating to Lamar Media s outstanding notes restrict the ability of the Company and Lamar Media to, among other things:

- incur or repay debt;
- dispose of assets;
- create liens;
- make investments;
- enter into affiliate transactions; and
- pay dividends and make inter-company distributions.

At December 31, 2015, the terms of Lamar Media s senior credit facility also restrict the Company from exceeding a specified senior debt ratio. Lamar Media is also subject to certain other financial covenants relating to the incurrence of additional debt. Please see *Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources* for a description of the specific financial ratio requirements under the senior credit facility.

The Company s ability to comply with the financial covenants in the senior credit facility and the indentures governing Lamar Media s outstanding notes (and to comply with similar covenants in any future agreements) depends on its operating performance, which in turn depends significantly on prevailing economic, financial and business conditions and other factors that are beyond the Company s control. Therefore, despite its best efforts and execution of its strategic plan, the Company may be unable to comply with these financial covenants in the future.

The Company is currently in compliance with all financial covenants. However, if in the future there are economic declines the Company can make no assurance that these declines will not negatively impact the Company s financial results and, in turn, its ability to meet these financial covenant requirements. If Lamar Media fails to comply with its financial covenants, the lenders under the senior credit facility could accelerate all of the debt outstanding, which would create serious financial problems and could lead to a default under the indentures governing Lamar Media s outstanding notes. Any of these events could adversely affect the Company s business, financial condition and financial results.

In addition, these restrictions reduce the Company s operating flexibility and could prevent the Company from exploiting investment, acquisition, marketing, or other time-sensitive business opportunities.

The Company s revenues are sensitive to general economic conditions and other external events beyond the Company s control.

The Company rents advertising space on outdoor structures to generate revenues. Advertising spending is particularly sensitive to changes in economic conditions.

Additionally, the occurrence of any of the following external events could further depress the Company s revenues:

- a widespread reallocation of advertising expenditures to other available media by significant renters of the Company s displays; and
- a decline in the amount spent on advertising in general or outdoor advertising in particular.

The Company s growth through acquisitions may be difficult, which could adversely affect our future financial performance. In addition, if we are unable to successfully integrate any completed acquisitions, our financial performance would also be adversely affected.

The Company has historically grown through acquisitions. During the year ended December 31, 2015, we completed acquisitions for a total cash purchase price of approximately $153.9 million. In addition, in January 2016, the Company acquired assets in five markets from Clear Channel Outdoor Holdings, Inc. for an aggregate cash purchase price of approximately $458.5 million. We intend to continue to evaluate strategic acquisition opportunities as they arise.

The future success of our acquisition strategy could be adversely affected by many factors, including the following:

- the pool of suitable acquisition candidates is dwindling, and we may have a more difficult time negotiating acquisitions on favorable terms;
- we may face increased competition for acquisition candidates from other outdoor advertising companies, some of which have greater financial resources than we do, which may result in higher prices for those businesses and assets;
- we may not have access to the capital needed to finance potential acquisitions and may be unable to obtain any required consents from our current lenders to obtain alternate financing;
- compliance with REIT requirements may hinder our ability to make certain investments and may limit our acquisition opportunities;

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- we may be unable to integrate acquired businesses and assets effectively with our existing operations and systems as a result of unforeseen difficulties that could divert significant time, attention and effort from management that could otherwise be directed at developing existing business;

- we may be unable to retain key personnel of acquired businesses;

- we may not realize the benefits and cost savings anticipated in our acquisitions; and

- as the industry consolidates further, larger mergers and acquisitions may face substantial scrutiny under antitrust laws.

These obstacles to our opportunistic acquisition strategy may have an adverse effect on our future financial results.

The Company could suffer losses due to asset impairment charges for goodwill and other intangible assets.

The Company tested goodwill for impairment on December 31, 2015. Based on the Company s review at December 31, 2015, no impairment charge was required. The Company continues to assess whether factors or indicators become apparent that would require an interim impairment test between our annual impairment test dates. For instance, 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 both 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 net earnings.

The Company faces competition from larger and more diversified outdoor advertisers and other forms of advertising that could hurt its performance.

While the Company enjoys a significant market share in many of its small and medium-sized markets, the Company faces competition from other outdoor advertisers and other media in all of its markets. Although the Company is one of the largest companies focusing exclusively on outdoor advertising in a relatively fragmented industry, it competes against larger companies with diversified operations, such as television, radio and other broadcast media. These diversified competitors have the advantage of cross-selling complementary advertising products to advertisers.

The Company also competes against an increasing variety of out-of-home advertising media, such as advertising displays in shopping centers, malls, airports, stadiums, movie theaters and supermarkets, and on taxis, trains and buses. To a lesser extent, the Company also faces competition from other forms of media, including radio, newspapers, direct mail advertising, telephone directories and the Internet. The industry competes for advertising revenue along the following dimensions: exposure (the number of impressions an advertisement makes), advertising rates (generally measured in cost-per-thousand impressions), ability to target specific demographic groups or geographies, effectiveness, quality of related services (such as advertising copy design and layout) and customer service. The Company may be unable to compete successfully along these dimensions in the future, and the competitive pressures that the Company faces could adversely affect its profitability or financial performance.

Federal, state and local regulation impact the Company s operations, financial condition and financial results.

Outdoor advertising is subject to governmental regulation at the federal, state and local levels. Regulations generally restrict the size, spacing, lighting and other aspects of advertising structures and pose a significant barrier to entry and expansion in many markets.

Federal law, principally the Highway Beautification Act of 1965, or the HBA, regulates outdoor advertising on Federal Aid Primary, Interstate and National Highway Systems roads. The HBA requires states, through the adoption of individual Federal/State Agreements, to effectively control outdoor advertising along these roads, and mandates a state compliance program and state standards regarding size, spacing and lighting. The HBA requires any state or political subdivision that compels the removal of a lawful billboard along a Federal Aid Primary or Interstate highway to pay just compensation to the billboard owner.

All states have passed billboard control statutes and regulations at least as restrictive as the federal requirements, including laws requiring the removal of illegal signs at the owner s expense (and without compensation from the state). Although the Company believes that the number of our billboards that may be subject to removal as illegal is immaterial, and no state in which we operate has banned billboards entirely, from time to time governments have required us to remove signs and billboards legally erected in accordance with federal, state and local permit requirements and laws. Municipal and county governments generally also have sign controls as part of their zoning laws and building codes. We contest laws and regulations that we believe unlawfully restrict our constitutional or other legal rights and may adversely impact the growth of our outdoor advertising business.

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In January 2013, Scenic America, Inc., a nonprofit membership organization, filed a lawsuit against the U.S. Department of Transportation (USDOT) and the Federal Highway Administration. The complaint alleged that (i) the FHWA exceeded its authority when the agency issued the 2007 Guidance to assist its division offices in evaluating state regulations that authorize the construction and operation of digital billboards that are in conformance with restrictions on intermittent , flashing or moving lights, which restrictions are contained in the individual Federal/State Agreements that implement the provisions of the HBA (the 2007 Guidance) and that in issuing the 2007 Guidance, the FHWA violated the Administrative Procedures Act by not first engaging in formal rulemaking, (ii) the 2007 Guidance violated the HBA because it adopted a new lighting standard without first amending the provisions of the Federal/State Agreements and (iii) the 2007 Guidance violated the HBA because digital billboards are themselves inconsistent with customary use of outdoor advertising, as that term is used in the HBA. As the principal remedy for these alleged violations, the complaint sought an injunction vacating the 2007 Guidance. On June 20, 2014, the U.S. District Court for the District of Columbia dismissed all challenges made by Scenic America to the 2007 Guidance finding that (i) the 2007 Guidance was an interpretive and not a substantive rule and, therefore, did not violate the APA, (ii) the 2007 Guidance did not infringe on the Federal/State Agreements and (iii) the 2007 Guidance is consistent with customary use and, therefore, did not violate the HBA. Scenic America filed a notice of appeal from the District Court s judgment to the D.C. Circuit Court of Appeals on August 7, 2014. This appeal is pending as of February 23, 2016.

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Relatively few large scale studies have been conducted to date regarding driver safety issues, if any, related to digital billboards. On December 30, 2013, the results of a study conducted by USDOT and FHWA that looked at the effect of digital billboards and conventional billboards on driver visual behavior were issued. The conclusions of the report indicated that the presence of digital billboards did not appear to be related to a decrease in looking toward the road ahead and were generally within acceptable thresholds. The report cautioned, however, that it adds to the knowledge base but does not present definitive answers to the research questions investigated. Accordingly, the results of this or other studies may result in regulations at the federal or state level that impose greater restrictions on digital billboards. Any new restrictions on digital billboards could have a material adverse effect on both our existing inventory of digital billboards and our plans to expand our digital deployment, which could have a material adverse effect on our business, results of operations and financial condition.

The Company s logo sign contracts are subject to state award and renewal.

In 2015, the Company generated approximately 6% of its revenues from state-awarded logo sign contracts. In bidding for these contracts, the Company competes against other national and local logo sign providers. A logo sign provider incurs significant start-up costs upon being awarded a new contract. These contracts generally have a term of five to ten years, with additional renewal periods. Some states reserve the right to terminate a contract early, and most contracts require the state to pay compensation to the logo sign provider for early termination. At the end of the contract term, the logo sign provider transfers ownership of the logo sign structures to the state. Depending on the contract, the logo provider may or may not be entitled to compensation for the structures at the end of the contract term.

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Of the Company s 23 logo sign contracts in place at December 31, 2015, five are subject to renewal in 2016. The Company may be unable to renew its expiring contracts. The Company may also lose the bidding on new contracts.

The Company is controlled by significant stockholders who have the power to determine the outcome of all matters submitted to the stockholders for approval and whose interest in the Company may be different than yours.

As of December 31, 2015, members of the Reilly family, including Kevin P. Reilly, Jr., the Company s Chairman and President, and Sean Reilly, the Company s Chief Executive Officer, and their affiliates, owned in the aggregate approximately 16% of the Company s outstanding common stock, assuming the conversion of all Class B common stock to Class A common stock. As of that date, their combined holdings represented approximately 65% of the voting power of Lamar Advertising s outstanding capital stock, which would give the Reilly family and their affiliates the power to:

- elect the Company s entire board of directors;
- control the Company s management and policies; and
- determine the outcome of any corporate transaction or other matter requiring stockholder approval, including charter amendments, mergers, consolidations and asset sales.

The Reilly family may have interests that are different than yours in making these decisions.

If the Company s contingency plans relating to hurricanes and other natural disasters fail, the resulting losses could hurt the Company s business.

The Company has determined that it is uneconomical to insure against losses resulting from hurricanes and other natural disasters. Although the Company has developed contingency plans designed to mitigate the threat posed by hurricanes and other forms of inclement weather to its real estate portfolio (e.g., removing advertising faces at the onset of a storm, when possible, which better permits the structures to withstand high winds during the storm), these plans could fail and significant losses could result.

If Lamar Advertising fails to remain qualified as a REIT, both Lamar Advertising and Lamar Media would be taxed as regular C corporations and would not be able to deduct distributions to the stockholders of Lamar Advertising when computing their taxable income.

Lamar Advertising elected to qualify as a REIT for U.S. federal income tax purposes starting with its taxable year ended December 31, 2014. REIT qualification involves the application of highly technical and complex provisions of the Internal Revenue Code of 1986, as amended, (the Code) to Lamar Advertising s assets and operations as well as various factual determinations concerning matters and circumstances not entirely within our control. There are limited judicial or administrative interpretations of these provisions. Although Lamar Advertising plans to operate in a manner consistent with the REIT qualification, the Company cannot assure you that it will so qualify or remain so qualified. Lamar Media is treated as a qualified REIT subsidiary of Lamar Advertising that is disregarded as separate from its parent REIT for U.S. federal income tax purposes.

If, in any taxable year, Lamar Advertising fails to qualify for taxation as a REIT, and is not entitled to relief under the Code:

- it will not be allowed a deduction for distributions to its stockholders in computing its taxable income;

- it and its subsidiaries, including Lamar Media, will be subject to applicable federal and state income tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates; and

- it would be disqualified from REIT tax treatment for the four taxable years following the year during which it was so disqualified.

Any such corporate tax liability could be substantial and would reduce the amount of cash available for required distribution to Lamar Advertising s stockholders, may require it to borrow funds (under Lamar Media s senior credit facility or otherwise) or liquidate some investments to pay any such additional tax liability. This adverse impact could last for five or more years because, unless it is entitled to relief under certain statutory provisions, it will be taxable as a corporation, beginning in the year in which the failure occurs, and it will not be allowed to re-elect to be taxed as a REIT for the following four years.

Even it if qualifies as a REIT, certain of Lamar Advertising s business activities will be subject to U.S. and foreign taxes on its income and assets, which will continue to reduce its cash flows, and it will have potential deferred and contingent tax liabilities.

Even if it qualifies as a REIT, Lamar Advertising may be subject to certain U.S. federal, state and local taxes and foreign taxes on its income and assets, including alternative minimum taxes, taxes on any undistributed income, and state, local or foreign income, franchise, property and transfer taxes. In addition, the Company could in certain circumstances be required to pay an excise or penalty tax, which could be significant in amount, in order to utilize one or more relief provisions under the Code to maintain qualification for taxation as a REIT.

In order to maintain its qualification as a REIT, the Company holds certain of its non-qualifying REIT assets and receives certain non-qualifying items of income through one or more TRSs. These non-qualifying REIT assets consist principally of the Company s advertising services business and its transit advertising business. Those TRS assets and operations will continue to be subject, as applicable, to U.S. federal and state corporate income taxes. Furthermore, the Company s assets and operations outside the United States are subject to foreign taxes in the jurisdictions in which those assets and operations are located. In addition, the Company may incur a 100% excise tax on transactions with a TRS if they are not conducted on an arm s-length basis. Any of these taxes would decrease the Company s earnings and its cash available for distributions to stockholders.

The Company will also be subject to a U.S. federal income tax at the highest regular corporate rate (currently 35%) on all or a portion of the gain recognized from a sale of assets occurring within a specified period (currently, five years) after the effective date of our REIT conversion, to the extent of the built-in gain based on the fair market value of those assets held by the Company on the effective date of REIT conversion in excess of the Company s then tax basis in those assets. Since the Company elected REIT status for the taxable year ending December 31, 2014, the tax on subsequently sold assets will be based on the fair market value and built-in gains of those assets as of January 1, 2014. The same rules apply to any assets we acquire from a C corporation in a carry-over basis transaction with built-in gain at the time of the acquisition by us. Gain from a sale of an asset occurring after the specified period ends will not be subject to this corporate level tax. The Company currently does not expect to sell any asset if the sale would result in the imposition of a material tax liability. It cannot, however, assure you that the Company will not change its plans in this regard.

In addition, the IRS and any state or local tax authority may successfully assert liabilities against the Company for corporate income taxes for taxable years of Lamar Advertising prior to the effective time of the REIT election, in which case the Company will owe these taxes plus applicable interest and penalties, if any. Moreover, any increase in taxable income for these pre-REIT periods will likely result in an increase in non-REIT accumulated earnings and profits which could cause the Company to pay taxable distributions to its stockholders after the relevant determination.

Failure to make sufficient distributions would jeopardize Lamar Advertising s qualification as a REIT and/or would subject it to U.S. federal income and excise taxes.

As a REIT, Lamar Advertising is required to distribute to its stockholders with respect to each taxable year at least 90% of its taxable income (net of any available net operating loss carry forwards) in order to qualify as a REIT, and 100% of its taxable income (net of any available net operating loss carry forwards) in order to avoid U.S. federal income and excise taxes. For these purposes, Lamar Advertising s subsidiaries that are not TRSs, including Lamar Media, will be treated as part of the REIT and therefore Lamar Advertising also will be required to distribute out their taxable income.

Because the REIT distribution requirements will prevent us from retaining earnings, we may be required to refinance debt at maturity with additional debt or equity, which may not be available on acceptable terms, or at all.

Covenants specified in our existing and future debt instruments may limit Lamar Advertising s ability to make required REIT distributions.

Lamar Media s senior credit facility and the indentures relating to Lamar Media s outstanding notes contain certain covenants that could limit Lamar Advertising s distributions to its stockholders. If these limits prevent Lamar Advertising from satisfying its REIT distribution requirements, it could fail to qualify for taxation as a REIT. If these limits do not jeopardize its qualification for taxation as a REIT but do nevertheless prevent it from distributing 100%

of its REIT taxable income, it will be subject to federal corporate income tax, and potentially a nondeductible excise tax, on the retained amounts.

Lamar Advertising and its subsidiaries may be required to borrow funds, sell assets, or raise equity to satisfy its REIT distribution requirements or maintain the asset tests.

In order to meet the REIT distribution requirements and maintain its qualification and taxation as a REIT and avoid corporate income taxes, Lamar Advertising and/or its subsidiaries, including Lamar Media, may need to borrow funds, sell assets or raise equity, even if the then-prevailing market conditions are not favorable for these borrowings, sales or offerings. Any insufficiency of its cash flows to cover Lamar Advertising s REIT distribution requirements could adversely impact its ability to raise short- and long-term debt, to sell assets, or to offer equity securities in order to fund distributions required to maintain its qualification and taxation as a REIT and avoid corporate income taxes. Furthermore, the REIT distribution requirements may increase the financing Lamar Advertising needs to fund capital expenditures, future growth and expansion initiatives. This would increase its total leverage.

In addition, if Lamar Advertising fails to comply with certain asset tests at the end of any calendar quarter, it must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its REIT qualification. As a result, it may be required to liquidate otherwise attractive investments. These actions may reduce its income and amounts available for distribution to its stockholders.

Our cash distributions are not guaranteed and may fluctuate

A REIT generally is required to distribute at least 90% of its REIT taxable income to its stockholders. The Company may have available NOLs that could reduce or substantially eliminate its REIT taxable income, and thus it may not be required to distribute material amounts of cash to qualify for taxation as a REIT. The Company expects that, for the foreseeable future, it may utilize available NOLs to reduce its REIT taxable income.

The board of directors of the Company, in its sole discretion, will determine on a quarterly basis the amount of cash to be distributed to its stockholders based on a number of factors including, but not limited to, the Company s results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments, future acquisitions and divestitures, any stock repurchase program, and general market demand for its advertising space available for lease. Consequently, the Company s distribution levels may fluctuate.

Complying with REIT requirements may cause Lamar Advertising, its subsidiaries (other than TRSs) to forego otherwise attractive opportunities.

To qualify as a REIT for federal income tax purposes, Lamar Advertising must continually satisfy tests concerning, among other things, the sources of its income, the nature and diversification of its assets, the amounts it distributes to its stockholders and the ownership of Lamar Advertising common stock. For these purposes, Lamar Advertising is treated as owning the assets of and receiving or accruing the income of its subsidiaries (other than TRSs). Thus, compliance with these tests will require Lamar Advertising and its subsidiaries to refrain from certain activities and may hinder their ability to make certain attractive investments, including investments in the businesses to be conducted by TRSs, and to that extent limit their opportunities. Furthermore, acquisition opportunities in domestic and international markets may be adversely affected if Lamar Advertising needs or requires the target company to comply with some REIT requirements prior to closing.

Ownership limitations contained in the Lamar Advertising charter may restrict stockholders from acquiring or transferring certain amounts of shares.

In order for Lamar Advertising to remain qualified as a REIT, no more than 50% of the value of the outstanding shares of its stock may be owned, directly or indirectly or through application of certain attribution rules by five or fewer individuals (as defined in the Code) at any time during the last half of a taxable year (other than the first taxable year for which an election to be a REIT has been made). To preserve its REIT qualification, the Lamar Advertising charter generally prohibits any person or entity from owning actually and by virtue of the applicable constructive ownership provisions more than 5% of the outstanding shares of Lamar Advertising common stock. These ownership limitations could restrict stockholders from acquiring or transferring certain amounts of shares of its stock. The Lamar Advertising charter also provides a separate share ownership limitation for certain members of the Reilly family and their affiliates that allows them to own actually and by virtue of the applicable constructive ownership provisions no more than 19% of the outstanding shares of Lamar Advertising common stock and, during the second half of any taxable year other than its first taxable year as a REIT, no more than 33% in value of the aggregate of the outstanding shares of all classes and series of its stock, in each case excluding any shares of its stock that are not treated as outstanding for federal income tax purposes.

Complying with REIT requirements may limit the Company s ability to hedge effectively and increase the cost of its hedging, and may cause us to incur tax liabilities.

The REIT provisions of the Code limit the Company s ability to hedge liabilities. Generally, income from hedging transactions that the Company enters into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets and income from certain currency hedging transactions related to its non-U.S. operations do not constitute gross income for purposes of the REIT gross income tests, provided certain requirements are satisfied. To the extent that the Company enters into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of the REIT gross income tests. As a result of these rules, the Company may need to limit its use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of the Company s hedging activities because its TRSs would be subject to tax on income or gains resulting from hedges entered into by them or expose the Company to greater risks associated with changes in interest rates than it would otherwise want to bear. In addition, losses in any of the Company s TRSs generally will not provide any tax benefit, except for being carried forward for use against future taxable income in the applicable TRS.

Lamar Advertising has limited experience operating as a REIT, which may adversely affect its financial condition, results of operations, cash flow, per share trading price of Lamar Class A common stock and ability to satisfy debt service obligations.

Lamar Advertising elected to qualify as a REIT for the taxable year ended December 31, 2014 and, therefore, has limited operating history as a REIT. In addition, its senior management team has limited experience operating a REIT. The Company cannot assure you that its management s past experience will be sufficient to operate the Company successfully as a REIT. Failure to maintain REIT status could adversely affect Lamar Advertising s and its subsidiaries financial condition, results of operations, cash flow, per share trading price of Lamar Advertising s Class A common stock and ability to satisfy debt service obligations.

The Lamar Advertising charter, the Lamar Advertising bylaws and Delaware law may inhibit a takeover that stockholders consider favorable and could also limit the market price of Lamar Advertising stock.

Provisions of the Lamar Advertising charter, the Lamar Advertising bylaws and applicable provisions of Delaware law may make it more difficult for or prevent a third party from acquiring control of Lamar Advertising without the approval of the board of directors. These provisions:

- impose restrictions on ownership and transfer of Lamar Advertising common stock that are intended to facilitate the Company s compliance with certain REIT rules relating to share ownership;

- limit who may call a special meeting of stockholders;

- establish advance notice and informational requirements and time limitations on any director nomination or proposal that a stockholder wishes to make at a meeting of stockholders;

- do not permit cumulative voting in the election of its directors, which would otherwise permit less than a majority of stockholders to elect directors; and

- provide the board of directors the ability to issue additional classes and shares of preferred stock and to set voting rights, preferences and other terms of the preferred stock without stockholder approval.

In addition, Section 203 of the DGCL generally limits the Company s ability to engage in any business combination with certain persons who own 15% or more of its outstanding voting stock or any of its associates or affiliates who at any time in the past three years have owned 15% or more of its outstanding voting stock.

These provisions may have the effect of entrenching the Company s management team and may deprive you of the opportunity to sell your shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a control premium could reduce the price of Lamar Advertising common stock.

Legislative or other actions affecting REITs could have a negative effect on Lamar Advertising and its subsidiaries.

At any time, the U.S. federal income tax laws governing REITs or the administrative and judicial interpretations of those laws may be amended or interpreted in a different manner. Federal and state tax laws are constantly under review by persons involved in the legislative process, the IRS, the U.S. Department of the Treasury, and state taxing authorities. Changes to the tax laws, regulations and administrative and judicial interpretations, which may have retroactive application, could adversely affect Lamar Advertising and its subsidiaries. The Company cannot predict with certainty whether, when, in what forms, or with what effective dates, the tax laws, regulations and administrative and judicial interpretations applicable to Lamar Advertising may be changed. Accordingly, the Company cannot assure you that any such change will not significantly affect Lamar Advertising s ability to qualify for taxation as a REIT or the federal income tax consequences to it of such qualification.

The ability of the board of directors of Lamar Advertising to revoke its REIT election, without stockholder approval, may cause adverse consequences to its stockholders.

The Lamar Advertising charter provides that the board of directors may revoke or otherwise terminate the REIT election, without the approval of its stockholders, if the board determines that it is no longer in the Company s best interest to continue to qualify as a REIT. If the Company ceases to be a REIT, it will be subject to federal income tax at regular corporate rates and state and local taxes, which may have adverse consequences on its total return to its stockholders.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our management headquarters is located in Baton Rouge, Louisiana. We also own 117 local operating facilities with front office administration and sales office space connected to back-shop poster and bulletin production space. In addition, the Company leases an additional 127 operating facilities at an aggregate lease expense for 2015 of approximately $7.6 million.

We own approximately 7,100 parcels of property beneath our outdoor advertising structures. As of December 31, 2015, we leased approximately 75,000 active outdoor sites, accounting for a total annual lease expense of approximately $225.7 million. This amount represented approximately 19% of billboard advertising net revenues for that period. These leases are for varying terms ranging from month-to-month to a term of over ten years, and many provide the Company with renewal options. There is no significant concentration of displays under any one lease or subject to negotiation with any one landlord. An important part of our management activity is to manage our lease portfolio and negotiate suitable lease renewals and extensions.

ITEM 3. LEGAL PROCEEDINGS

The Company from time to time is involved in litigation in the ordinary course of business, including disputes involving advertising contracts, site leases, employment claims and construction matters. The Company is also involved in routine administrative and judicial proceedings regarding billboard permits, fees and compensation for condemnations. The Company is not a party to any lawsuit or proceeding which, in the opinion of management, is likely to have a material adverse effect on the Company.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company s Class A common stock has been publicly traded since August 2, 1996 and is currently listed on the NASDAQ Global Select Market under the symbol LAMR. As of December 31, 2015, the Class A common stock was held by 142 shareholders of record. The Company believes, however, that the actual number of beneficial holders of the Class A common stock may be substantially greater than the stated number of holders of record because a substantial portion of the Class A common stock is held in street name.

The following table sets forth, for the periods indicated, the high and low sales prices for the Class A common stock:

	High	Low
Year ended December 31, 2015		
First Quarter	$ 59.78	$ 52.71
Second Quarter	$ 61.73	$ 56.93
Third Quarter	$ 60.89	$ 51.03
Fourth Quarter	$ 60.76	$ 51.36
Year ended December 31, 2014		
First Quarter	$ 54.12	$ 46.79
Second Quarter	$ 54.48	$ 47.37
Third Quarter	$ 53.47	$ 48.37
Fourth Quarter	$ 55.14	$ 43.39

The Company s Class B common stock is not publicly traded and is held of record by members of the Reilly family and the Reilly Family Limited Partnership (the RFLP). Kevin P. Reilly, Jr., our President and Chairman of the Board, is the managing general partner of the RFLP and Sean E. Reilly, our Chief Executive Officer, and Wendell Reilly and Anna Reilly, each of whom is a member of our board of directors are also general partners in the RFLP.

The Company s Series AA preferred stock is entitled to preferential dividends, in an annual aggregate amount of $364,904, before any dividends may be paid on the common stock. All dividends related to the Company s preferred stock are paid on a quarterly basis. In addition, the Company s senior credit facility and other indebtedness have terms restricting the payment of dividends.

Dividends

As a REIT, we must annually distribute to our common stockholders an amount equal to at least 90% of our REIT taxable income (determined before the deduction for distributed earnings and excluding any net capital gain). Generally, we expect to distribute all or substantially all of our REIT taxable income to avoid being subject to income tax or excise tax on undistributed REIT taxable income. The amount, timing and frequency of future distributions will be at the sole discretion of our Board of Directors and will be declared based upon various factors, a number of which may be beyond our control, including our financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income and excise taxes that we otherwise would be required to pay, limitations on distributions in our existing and future debt instruments, our ability to utilize net operating losses (NOLs) to offset our distribution requirements, limitations on our ability to fund distributions using cash generated through our TRSs and other factors that our Board of Directors may deem relevant.

During the years ended December 31, 2015 and 2014, we declared and paid the following regular cash distributions to the holders of our Class A and Class B common stock:

Declaration Date	Payment Date	Record Date	Distribution per share	Aggregate Payment Amount (in millions)
February 27, 2015	March 31, 2015	March 17, 2015	$ 0.68	$ 65.2
May 28, 2015	June 30, 2015	June 16, 2015	$ 0.69	$ 66.6
September 1, 2015	September 30, 2015	September 16, 2015	$ 0.69	$ 66.6
December 9, 2015	December 30, 2015	December 21, 2015	$ 0.69	$ 66.7

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Declaration Date	Payment Date	Record Date	Distribution per share	Aggregate Payment Amount (in millions)
May 21, 2014	June 30, 2014	June 1, 2014	$ 0.83	$ 79.0
August 26, 2014	September 30,2014	September 22, 2014	$ 0.83	$ 79.2
December 11, 2014	December 30, 2014	December 22, 2014	$ 0.84	$ 80.2

During the year ended December 31, 2013, there were no dividends declared on its common stock.

Issuer Purchases of Equity Securities

On December 11, 2014, the Company announced that its Board of Directors had approved a stock repurchase program authorizing the repurchase of up to $250 million of the Company s Class A common stock. The stock repurchase program will expire on June 30, 2016 unless extended by the Board of Directors.

The following table sets forth the Company s repurchases of its securities during the quarter ended December 31, 2015:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1 through October 31, 2015		$		$ 250,000,000
November 1 through November 30, 2015				250,000,000
December 1 through December 31, 2015				250,000,000

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ITEM 6. SELECTED FINANCIAL DATA
Lamar Advertising Company

The selected consolidated statement of operations, statement of cash flows and balance sheet data presented below are derived from the year ended December 31 audited consolidated financial statements of the Company, which are prepared in accordance with accounting principles generally accepted in the United States (GAAP). The data presented below should be read in conjunction with the audited consolidated financial statements, related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included herein.

	2015	2014	2013	2012	2011
			(Dollars in Thousands)		
Statement of Operations Data:					
Net revenues	$ 1,353,396	$ 1,287,060	$ 1,245,842	$ 1,179,736	$ 1,130,714
Operating expenses:					
Direct advertising expenses	473,760	453,269	436,844	418,538	409,052
General and administrative expenses	313,941	299,878	288,786	264,406	248,970
Depreciation and amortization	191,433	258,435	300,579	296,083	299,639
Gain on disposition of assets	(8,765)	(3,192)	(3,804)	(13,817)	(10,548)
Total operating expenses	970,369	1,008,390	1,022,405	965,210	947,113
Operating income	383,027	278,670	223,437	214,526	183,601
Other expense (income):					
Loss on extinguishment of debt		26,023	14,345	41,632	677
Other-than-temporary impairment of investment		4,069			
Interest income	(34)	(102)	(165)	(331)	(569)
Interest expense	98,433	105,254	146,277	157,093	171,093
Total other expense	98,399	135,244	160,457	198,394	171,201
Income before income taxes	284,628	143,426	62,980	16,132	12,400
Income tax expense (benefit)	22,058	(110,092)	22,841	8,242	5,542
Net income	262,570	253,518	40,139	7,890	6,858
Preferred stock dividends	365	365	365	365	365
Net income applicable to common stock	$ 262,205	$ 253,153	$ 39,774	$ 7,525	$ 6,493
Net income per share basic and diluted	$ 2.72	$ 2.66	$ 0.42	$ 0.08	$ 0.07
Cash dividends declared per common share	$ 2.75	$ 2.50	$	$	$
Statement of Cash Flow Data:					

Cash flows provided by operating activities	$ 477,650	$ 452,529	$ 394,705	$ 375,909	$ 318,821
Cash flows used in investing activities	$ 253,880	$ 163,997	$ 191,869	$ 303,399	$ 117,255
Cash flows used in financing activities	$ 224,808	$ 294,315	$ 227,195	$ 47,417	$ 259,442
Balance Sheet Data[(1)]					
Cash and cash equivalents	$ 22,327	$ 26,035	$ 33,212	$ 58,911	$ 33,503
Working capital	40,079	47,803	36,705	82,127	76,795
Total assets	3,391,778	3,318,818	3,401,618	3,514,030	3,427,353
Total debt (including current maturities)	1,919,484	1,899,895	1,938,802	2,160,854	2,158,528
Total long-term obligations	2,129,066	2,112,011	2,223,319	2,433,297	2,419,802
Stockholders equity	1,021,059	981,466	932,946	861,625	827,721

(1) Certain balance sheet reclassifications were made in order to be comparable to the current year presentation.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements. These statements are subject to risks and uncertainties including those described in Item 1A under the heading Risk Factors, and elsewhere in this Annual Report, that could cause actual results to differ materially from those projected in these forward-looking statements. The Company cautions investors not to place undue reliance on the forward-looking statements contained in this document. These statements speak only as of the date of this document, and the Company undertakes no obligation to update or revise the statements, except as may be required by law.

LAMAR ADVERTISING COMPANY

The following is a discussion of the consolidated financial condition and results of operations of the Company for the years ended December 31, 2015, 2014 and 2013. This discussion should be read in conjunction with the consolidated financial statements of the Company and the related notes.

OVERVIEW

The Company s net revenues are derived primarily from the rental of advertising space on outdoor advertising displays owned and operated by the Company. Revenue growth is based on many factors that include the Company s ability to increase occupancy of its existing advertising displays; raise advertising rates; and acquire new advertising displays and its operating results are therefore affected by general economic conditions, as well as trends in the advertising industry. Advertising spending is particularly sensitive to changes in general economic conditions, which affect the rates the Company is able to charge for advertising on its displays and its ability to maximize advertising sales or occupancy on its displays.

Historically, the Company made strategic acquisitions of outdoor advertising assets to increase the number of outdoor advertising displays it operates in existing and new markets. The Company continues to evaluate and pursue strategic acquisition opportunities as they arise. The Company has financed its historical acquisitions and intends to finance any future acquisition activity from available cash, borrowings under its senior credit facility or the issuance of debt or equity securities. See Liquidity and Capital Resources below. During the year ended December 31, 2015, the Company completed acquisitions for a total cash purchase price of approximately $153.9 million. In addition, in January 2016, the Company acquired five new markets from Clear Channel Outdoor Holdings, Inc. for a cash purchase price of approximately $458.5 million.

The Company s business requires expenditures for maintenance and capitalized costs associated with the construction of new billboard displays, the entrance into and renewal of logo sign and transit contracts, and the purchase of real estate and operating equipment. The following table presents a breakdown of capitalized expenditures for the past three years:

	2015	2014	2013
		(In thousands)	
Billboard Traditional	$ 32,283	$ 25,829	$ 21,295
Billboard Digital	49,531	53,536	50,233
Logos	9,420	9,747	11,182
Transit	510	425	168
Land and buildings	10,629	8,668	9,471

PP&E	8,052	9,368	13,301
Total capital expenditures	$ 110,425	$ 107,573	$ 105,650

We expect our 2016 capital expenditures to approximate our 2015 spending.

NON-GAAP FINANCIAL MEASURES

Our management reviews our performance by focusing on several key performance indicators not prepared in conformity with Generally Accepted Accounting Principles in the United States (GAAP). We believe these non-GAAP performance indicators are meaningful supplemental measures of our operating performance and should not be considered in isolation of, or as a substitute for their most directly comparable GAAP financial measures.

Included in our analysis of our results of operations are discussions regarding earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA), Funds From Operations (FFO), as defined by the National Association of Real Estate Investment Trusts, Adjusted Funds From Operations (AFFO) and acquisition-adjusted net revenue.

We define Adjusted EBITDA as net income before income tax expense (benefit), interest expense (income), gain (loss) on extinguishment of debt and investments, stock-based compensation, depreciation and amortization and gain or loss on disposition of assets and investments.

FFO is defined as net income before gains or losses from the sale or disposal of real estate assets and investments and real estate related depreciation and amortization and including adjustments to eliminate non-controlling interest.

We define AFFO as FFO before (i) straight-line revenue and expense; (ii) stock-based compensation expense; (iii) non-cash tax expense (benefit); (iv) non-real estate related depreciation and amortization; (v) amortization of deferred financing and debt issuance costs, (vi) loss on extinguishment of debt; (vii) non-recurring infrequent or unusual losses (gains); (viii) less maintenance capital expenditures; and (ix) an adjustment for non-controlling interest.

Acquisition-adjusted net revenue adjusts our net revenue for the prior period by adding to it the net revenue generated by the acquired assets before our acquisition of these assets for the same time frame that those assets were owned in the current period. In calculating acquisition-adjusted revenue, therefore, we include revenue generated by assets that we did not own in the period but acquired in the current period. We refer to the amount of pre-acquisition revenue generated by the acquired assets during the prior period that corresponds with the current period in which we owned the assets (to the extent within the period to which this report relates) as acquisition net revenue . In addition, we also adjust the prior period to subtract revenue generated by the assets that have been divested since the prior period and, therefore, no revenue derived from those assets is reflected in the current period.

Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue are not intended to replace net income or any other performance measures determined in accordance with GAAP. Neither FFO nor AFFO represent cash flows from operating activities in accordance with GAAP and, therefore, these measures should not be considered indicative of cash flows from operating activities as a measure of liquidity or of funds available to fund our cash needs, including our ability to make cash distributions. Rather, Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue are presented as we believe each is a useful indicator of our current operating performance. We believe that these metrics are useful to an investor in evaluating our operating performance because (1) each is a key measure used by our management team for purposes of decision making and for evaluating our core operating results; (2) Adjusted EBITDA is widely used in the industry to measure operating performance as depreciation and amortization may vary significantly among companies depending upon accounting methods and useful lives, particularly where acquisitions and non-operating factors are involved; (3) acquisition-adjusted net revenue is a supplement to net revenue to enable investors to compare period over period results on a more consistent basis without the effects of acquisitions and divestures, which reflects our core performance and organic growth (if any) during the period in which the assets were owned and managed by us; (4) Adjusted EBITDA, FFO and AFFO each provides investors with a meaningful measure for evaluating our period-to-period operating performance by eliminating items that are not operational in nature; and (5) each provides investors with a measure for comparing our results of operations to those of other companies.

Our measurement of Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue may not, however, be fully comparable to similarly titled measures used by other companies. Reconciliations of Adjusted EBITDA, FFO, AFFO and acquisition-adjusted net revenue to net income, the most directly comparable GAAP measure, have been included herein.

RESULTS OF OPERATIONS

The following table presents certain items in the Consolidated Statements of Operations as a percentage of net revenues for the years ended December 31, 2015, 2014 and 2013:

Year Ended December 31,

	2015	**2014**	**2013**
Net revenues	100.0%	100.0%	100.0%
Operating expenses:			
Direct advertising expenses	35.0	35.2	35.1
General and administrative expenses	17.9	17.9	18.6
Corporate expenses	5.3	5.4	4.6
Depreciation and amortization	14.1	20.1	24.1
Operating income	28.3	21.7	17.9
Loss on extinguishment of debt		2.0	1.2
Interest expense	7.3	8.2	11.7
Income tax expense (benefit)	1.6	(8.6)	1.8
Net income	19.4	19.7	3.2

Year ended December 31, 2015 compared to Year ended December 31, 2014

Net revenues increased $66.3 million or 5.2% to $1.35 billion for the year ended December 31, 2015 from $1.29 billion for the same period in 2014. This increase was attributable primarily to an increase in billboard net revenues of $47.7 million or 4.2% over the prior period, which is primarily related to an increase in billboard panels through acquisitions in 2014 and 2015 as well as the addition of approximately 175 digital panels during the year, an increase in logo sign revenue of $3.5 million, which represents an increase of 5.0% over the prior period and a $15.2 million increase in transit revenue, which represents an increase of 19.8% over the prior period. The increase in transit revenue primarily resulted from the addition of 14 transit markets, which included 11 airport markets.

For the year ended December 31, 2015, there was a $39.4 million increase in net revenues as compared to acquisition-adjusted net revenue for the year ended December 31, 2014. The $39.4 million increase in revenue primarily consists of a $31.6 million increase in billboard revenue, a $2.8 million increase in logo revenue and a $4.9 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2014. The increase in revenue represents an increase of 3.0% over the comparable period in 2014. See Reconciliations below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $34.6 million or 4.6% to $787.7 million for the year ended December 31, 2015. Operating expenses related to the operations of our outdoor advertising assets increased $31.9 million and corporate expenses increased $2.7 million.

Depreciation and amortization expense decreased $67.0 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014, primarily due to a portion of our digital and traditional billboard structures being fully depreciated as well as our change to the straight-line method of depreciation effective January 1, 2015.

Gain on disposition of assets for the year ended December 31, 2015 increased $5.6 million over the same period in 2014 primarily due to a $4.3 million non-cash gain resulting from an exchange of outdoor advertising assets in the period.

Due primarily to the above factors, operating income increased $104.4 million to $383.0 million for the year ended December 31, 2015 compared to $278.7 million for the same period in 2014.

The Company did not have any financing transactions during the year ended December 31, 2015. However, during the year ended December 31, 2014, the Company recognized a loss on debt extinguishment of $26.0 million related to the redemption of Lamar Media s 7 7/8% Senior Subordinated Notes due 2018 (the 7 7/8% Notes) and the amendment of its senior credit facility. Approximately $10.3 million of the loss was a non-cash expense attributable to the write off of unamortized debt issuance fees associated with the then existing senior credit facility and the 7 7/8% Notes.

Interest expense decreased approximately $6.8 million from $105.3 million for the year ended December 31, 2014 to $98.4 million for the year ended December 31, 2015, primarily resulting from the Company s April 2014 refinancing of the 7 7/8% Notes. See *Uses of Cash Tender Offers and Debt Repayment* for more information.

The increase in operating income and decrease in interest expense, and the decreases in other-than-temporary impairment of investments and loss on debt extinguishment over the comparable period in 2014, resulted in a $141.2 million increase in net income before income taxes. The Company recognized $22.1 million in income tax expense for the year ended December 31, 2015. The effective tax rate for the year ended December 31, 2015 is approximately 7.7%, which differs from the federal statutory rate primarily due to our qualification for taxation as a REIT and adjustments for foreign items.

As a result of the above factors, the Company recognized net income for the year ended December 31, 2015 of $262.6 million, as compared to net income of $253.5 million for the same period in 2014.

Reconciliations:

Because acquisitions occurring after December 31, 2013 (the acquired assets) have contributed to our net revenue results for the periods presented, we provide 2014 acquisition-adjusted net revenue, which adjusts our 2014 net revenue for the year ended December 31, 2014 by adding to or subtracting from it the net revenue generated by the acquired or divested assets prior to our acquisition or divestiture of these assets for the same time frame that those assets were owned in the year ended December 31, 2015.

Reconciliations of 2014 reported net revenue to 2014 acquisition-adjusted net revenue for the year ended December 31, 2014 as well as a comparison of 2014 acquisition-adjusted net revenue to 2015 reported net revenue for the year ended December 31, 2015, are provided below:

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Reconciliation and Comparison of Reported Net Revenue to Acquisition-Adjusted Net Revenue

	Year ended December 31, 2015	2014
	(in thousands)	
Reported net revenue	$ 1,353,396	$ 1,287,060
Acquisition net revenue		26,943
Adjusted totals	$ 1,353,396	$ 1,314,003

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Year Ended December 31, 2015	2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 262,570	$ 253,518	$ 9,052	3.6%
Income tax expense (benefit)	22,058	(110,092)	132,150	
Loss on other-than-temporary impairment of investment		4,069	(4,069)	
Loss on extinguishment of debt		26,023	(26,023)	
Interest expense (income), net	98,399	105,152	(6,753)	
Gain on disposition of assets	(8,765)	(3,192)	(5,573)	
Depreciation and amortization	191,433	258,435	(67,002)	
Stock-based compensation expense	25,890	24,120	1,770	
Adjusted EBITDA	$ 591,585	$ 558,033	$ 33,552	6.0%

Adjusted EBITDA for the year ended December 31, 2015 increased 6.0% to $591.6 million. The increase in Adjusted EBITDA was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense) of $45.8 million, and was partially offset by an increase in general administrative and corporate expenses of $12.3 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Year Ended December 31, 2015	Year Ended December 31, 2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 262,570	$ 253,518	$ 9,052	3.6%
Depreciation and amortization related to real estate	176,132	241,294	(65,162)	
Gain from sale or disposal of real estate	(8,467)	(2,681)	(5,786)	
One time adjustment to taxes related to REIT conversion		(120,081)	120,081	
Adjustments for unconsolidated affiliates and non-controlling interest	631	695	(64)	
FFO	$ 430,866	$ 372,745	$ 58,121	15.6%
Straight line (income) expense	463	(841)	1,304	
Stock-based compensation expense	25,890	24,120	1,770	
Non-cash portion of tax provision	11,099	(2,056)	13,155	
Non-real estate related depreciation and amortization	15,301	17,141	(1,840)	
Amortization of deferred financing costs	4,682	4,777	(95)	
Loss on other-than-temporary impairment of investment		4,069	(4,069)	
Loss on extinguishment of debt		26,023	(26,023)	
Capital expenditures maintenance	(45,605)	(56,820)	11,215	
Adjustments for unconsolidated affiliates and non-controlling interest	(631)	(695)	64	
AFFO	$ 442,065	$ 388,463	$ 53,602	13.8%

FFO for the year ended December 31, 2015 was $430.9 million as compared to FFO of $372.7 million for the same period in 2014. AFFO for the year ended December 31, 2015 increased 13.8% to $442.1 million as compared to $388.5 million for the same period in 2014. AFFO growth was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense) and decrease in interest expense, partially offset by increases in general and administrative expenses and corporate expenses.

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Year ended December 31, 2014 compared to Year ended December 31, 2013

Net revenues increased $41.2 million or 3.3% to $1.29 billion for the year ended December 31, 2014 from $1.25 billion for the same period in 2013. This increase was attributable primarily to an increase in billboard net revenues of $35.7 million or 3.2% over the prior period, which is primarily related to an increase in billboard units obtained through acquisitions in 2013 and 2014 as well as the addition of approximately 200 digital units during the year, an increase in logo sign revenue of $4.0 million, which represents an increase of 6.0% over the prior period due to the addition of the Wisconsin Logo program during 2014, and a $1.5 million increase in transit revenue, which represents an increase of 2.0% over the prior period.

For the year ended December 31, 2014, there was a $28.6 million increase in net revenues as compared to acquisition-adjusted net revenue for the year ended December 31, 2013. The $28.6 million increase in revenue primarily consists of a $25.3 million increase in billboard revenue, a $3.6 million increase in logo revenue and a $0.3 million decrease in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2013. The increase in revenue represents an increase of 2.3% over the comparable period in 2013. See Reconciliations below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $27.5 million or 3.8% to $753.1 million for the year ended December 31, 2014. Operating expenses related to the operations of our outdoor advertising assets increased $15.7 million and corporate expenses increased $11.8 million. Included in corporate expenses is approximately $3.1 million related to the Company s conversion to real estate investment trust status.

Depreciation and amortization expense decreased $42.1 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013, primarily due to a significant number of assets purchased in the third quarter of 1999 being fully amortized.

Due primarily to the above factors, operating income increased $55.2 million to $278.7 million for the year ended December 31, 2014 compared to $223.4 million for the same period in 2013.

During the year ended December 31, 2014, the Company recognized a $26.0 million loss on debt extinguishment related to the early extinguishment of Lamar Media s 7 7/8% Senior Subordinated Notes due 2018 and the amendment of its senior credit facility. Approximately $10.3 million of the loss is a non-cash expense attributable to the write off of unamortized debt issuance fees associated with the retired debt and the then existing senior credit facility. See *Uses of Cash* *Tender Offers and Debt Repayment* for more information.

Interest expense decreased approximately $41.0 million from $146.3 million for the year ended December 31, 2013 to $105.3 million for the year ended December 31, 2014, due to the reduction in total debt outstanding as well as a decrease in interest rates resulting from the Company s 2013 and 2014 refinancing transactions. See *Uses of Cash* *Tender Offers and Debt Repayment* for more information.

The increase in operating income and decrease in interest expense, offset by the increase in loss on extinguishment of debt over the comparable period in 2013, resulted in an $80.4 million increase in net income before income taxes. The Company recorded an income tax benefit of $110.1 million for the year ended December 31, 2014, which is primarily the write off of a substantial amount of the Company s deferred tax liabilities resulting from the Company s conversion to a real estate investment trust.

As a result of the above factors, the Company recognized net income for the year ended December 31, 2014 of $253.5 million, as compared to net income of $40.1 million for the same period in 2013.

Reconciliations:

Because acquisitions occurring after December 31, 2012 (the acquired assets) have contributed to our net revenue results for the periods presented, we provide 2013 acquisition-adjusted net revenue, which adjusts our 2013 net revenue for the year ended December 31, 2013 by adding to or subtracting from it the net revenue generated by the acquired or divested assets prior to our acquisition or divestiture of these assets for the same time frame that those assets were owned in the year ended December 31, 2014.

Reconciliations of 2013 reported net revenue to 2013 acquisition-adjusted net revenue for the year ended December 31, 2013 as well as a comparison of 2013 acquisition-adjusted net revenue to 2014 reported net revenue for the year ended December 31, 2014, are provided below:

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Reconciliation and Comparison of Reported Net Revenue to Acquisition-Adjusted Net Revenue

	Year ended December 31, 2014	2013
	(in thousands)	
Reported net revenue	$ 1,287,060	$ 1,245,842
Acquisition net revenue		12,641
Adjusted totals	$ 1,287,060	$ 1,258,483

Key Performance Indicators

Net Income/Adjusted EBITDA

(in thousands)

	Year Ended December 31, 2014	2013	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 253,518	$ 40,139	$ 213,379	531.6%
Income tax (benefit) expense	(110,092)	22,841	(132,933)	
Loss on other-than-temporary impairment of investment	4,069		4,069	
Loss on extinguishment of debt	26,023	14,345	11,678	
Interest expense (income), net	105,152	146,112	(40,960)	
Gain on disposition of assets	(3,192)	(3,804)	612	
Depreciation and amortization	258,435	300,579	(42,144)	
Stock-based compensation expense	24,120	24,936	(816)	
Adjusted EBITDA	$ 558,033	$ 545,148	$ 12,885	2.4%

Adjusted EBITDA for the year ended December 31, 2014 increased 2.4% to $558.0 million. The increase in Adjusted EBITDA was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense) of $24.8 million, and was partially offset by an increase in general administrative and corporate expenses of $11.9 million, excluding the impact of stock-based compensation expense.

Net Income/FFO/AFFO

(in thousands)

	Year Ended December 31, 2014	Year Ended December 31, 2013	Amount of Increase (Decrease)	Percent Increase (Decrease)
Net income	$ 253,518	$ 40,139	$ 213,379	531.6%
Depreciation and amortization related to real estate	241,294	283,424	(42,130)	
Gain from sale or disposal of real estate	(2,681)	(1,949)	(732)	
One time adjustment to taxes related to REIT conversion	(120,081)		(120,081)	
Adjustments for unconsolidated affiliates and non-controlling interest	695	915	(220)	
FFO	$ 372,745	$ 322,529	$ 50,216	15.6%
Straight line expense	(841)	(1,212)	371	
Stock-based compensation expense	24,120	24,936	(816)	
Non-cash portion of tax provision	(2,056)	18,749	(20,805)	
Non-real estate related depreciation and amortization	17,141	17,155	(14)	
Amortization of deferred financing costs	4,777	14,667	(9,890)	
Loss on other-than-temporary impairment of investment	4,069		4,069	
Loss on extinguishment of debt	26,023	14,345	11,678	
Capital expenditures maintenance	(56,820)	(64,073)	7,253	
Adjustments for unconsolidated affiliates and non-controlling interest	(695)	(915)	220	
AFFO	$ 388,463	$ 346,181	$ 42,282	12.2%

FFO for the year ended December 31, 2014 was $372.7 million as compared to FFO of $322.5 million for the same period in 2013. AFFO for the year ended December 31, 2014 increased 12.2% to $388.5 million as compared to $346.2 million for the same period in 2013. AFFO growth was primarily attributable to the increase in our gross margin (net revenue less direct advertising expense) and decrease in interest expense, partially offset by increases in general and administrative expenses and corporate expenses.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company has historically satisfied its working capital requirements with cash from operations and borrowings under its senior credit facility. The Company s wholly owned subsidiary, Lamar Media Corp., is the principal borrower under the senior credit facility and maintains all corporate operating cash balances. Any cash requirements of the Company, therefore, must be funded by distributions from Lamar Media.

Sources of Cash

Total Liquidity at December 31, 2015. As of December 31, 2015 we had approximately $313.4 million of total liquidity, which is comprised of approximately $22.3 million in cash and cash equivalents and approximately $291.1 million of availability under the revolving portion of Lamar Media s senior credit facility. We are currently in compliance with the maintenance covenant included in the senior credit facility, and we would remain in compliance after giving effect to borrowing the full amount available to us under the revolving portion of the senior credit facility.

Cash Generated by Operations. For the years ended December 31, 2015, 2014 and 2013 our cash provided by operating activities was $477.7 million, $452.5 million and $394.7 million, respectively. The increase in cash provided by operating activities for the year ended December 31, 2015 over the same period in 2014 relates to an increase in revenues partially offset by an increase in operating expenses, excluding depreciation and amortization. We generated cash flows from operations during 2015 in excess of our cash needs for operations and capital expenditures as described herein. We used the excess cash generated principally to pay dividends, reduce our outstanding indebtedness and fund our acquisitions. See Cash Flows for more information.

Credit Facilities. On January 7, 2016, Lamar Media entered into Incremental Amendment No. 1 to the Second Amended and Restated Credit Agreement, dated as of February 3, 2014 with the Company, certain of Lamar Media s subsidiaries as guarantors, JPMorgan Chase Bank, N.A. as administrative agent and the lenders party thereto. The Incremental Amendment established a $300 million Term A-1 loan as a new class of incremental term loan. Lamar Media borrowed the $300 million in Term A-1 loans on January 7, 2016. The term A-1 loan was repaid in full with the proceeds of an intuitional private placement of senior notes on January 28, 2016. See Sources of Cash-Note Offerings for more information.

Lamar Media s Second Amended and Restated Credit Agreement dated as of February 3, 2014 and subsequently amended on April 18, 2014 (as so amended, the senior credit facility) currently consists of a $400 million revolving credit facility, a $300 million Term A loan facility (the Term A Loans) and a $500 million incremental facility. Lamar Media is the borrower under the senior credit facility and may also from time to time designate wholly-owned subsidiaries as subsidiary borrowers under the incremental loan facility. The availability under the incremental facility was reduced to $200 million following the Term A-1 loan borrowing discussed above. Incremental loans may be in the form of additional term loan tranches or increases in the revolving credit facility. Our lenders have no obligation to make additional loans to us, or any designated subsidiary borrower, under the incremental facility, but may enter into such commitments in their sole discretion.

As of December 31, 2015, Lamar Media had approximately $291.1 million of unused capacity under the revolving credit facility included in the senior credit facility and the aggregate balance outstanding under the senior credit facility was $373.8 million.

Note Offerings. On January 28, 2016, Lamar Media completed an institutional private placement of $400 million aggregate principal amount of its 5 3/4% Senior Notes due 2026. The institutional private placement resulted in net proceeds to Lamar Media, after payment of fees and expenses of approximately $394.5 million. Lamar Media used the proceeds of this offering to repay the $300 million term A-1 loan, which it borrowed on January 7, 2016 in order to fund the acquisition of certain assets of Clear Channel Outdoor Holdings, Inc., and a portion of the borrowing outstanding under its revolving credit facility.

On January 10, 2014, Lamar Media completed an institutional private placement of $510 million aggregate principal amount of its 5 3/8% Senior Notes due 2024. The institutional private placement resulted in net proceeds to Lamar Media, after payment of fees and expenses, of approximately $502.3 million. Lamar Media used the proceeds of this offering to repay $502.1 million of indebtedness, including all outstanding term loans, under its senior credit facility.

Factors Affecting Sources of Liquidity

Internally Generated Funds. The key factors affecting internally generated cash flow are general economic conditions, specific economic conditions in the markets where the Company conducts its business and overall spending on advertising by advertisers.

Credit Facilities and Other Debt Securities. Lamar must comply with certain covenants and restrictions related to the senior credit facility and its outstanding debt securities.

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Restrictions Under Debt Securities. Lamar must comply with certain covenants and restrictions related to its outstanding debt securities. Currently Lamar Media has outstanding $500 million 5 7/8% Senior Subordinated Notes issued in February 2012 (the 5 7/8% Senior Subordinated Notes), $535 million 5% Senior Subordinated Notes issued in October 2012 (the 5% Senior Subordinated Notes), $510 million 5 3/8% Senior Notes issued in January 2014 (the 5 3/8% Senior Notes) and the $400 million 5 3/4% Senior Notes issued January 2016 (the 5 3/4% Senior Notes).

The indentures relating to Lamar Media s outstanding notes restrict its ability to incur additional indebtedness but permit the incurrence of indebtedness (including indebtedness under the senior credit facility), (i) if no default or event of default would result from such incurrence and (ii) if after giving effect to any such incurrence, the leverage ratio (defined as the sum of (x) total consolidated debt plus (y) the aggregate liquidation preference of any preferred stock of Lamar Media s restricted subsidiaries to trailing four fiscal quarter EBITDA (as defined in the indentures)) would be less than 7.0 to 1. Currently, Lamar Media is not in default under the indentures of any of its outstanding notes and, therefore, would be permitted to incur additional indebtedness subject to the foregoing provision.

In addition to debt incurred under the provisions described in the preceding paragraph, the indentures relating to Lamar Media s outstanding notes permit Lamar Media to incur indebtedness pursuant to the following baskets:

- up to $1.5 billion of indebtedness under the senior credit facility;
- indebtedness outstanding on the date of the indentures or debt incurred to refinance outstanding debt;
- inter-company debt between Lamar Media and its restricted subsidiaries or between restricted subsidiaries;
- certain purchase money indebtedness and capitalized lease obligations to acquire or lease property in the ordinary course of business that cannot exceed the greater of $50 million or 5% of Lamar Media s net tangible assets; and
- additional debt not to exceed $75 million.

Restrictions under Senior Credit Facility. Lamar Media is required to comply with certain covenants and restrictions under the senior credit facility. If the Company fails to comply with these tests, the lenders under the senior credit facility will be entitled to exercise certain remedies, including the termination of the lending commitments and the acceleration of the debt payments under the senior credit facility. At December 31, 2015, and currently, we were in compliance with all such tests under the senior credit facility.

Lamar Media must maintain a senior debt ratio, defined as total consolidated debt (other than subordinated indebtedness) of Lamar Advertising and its restricted subsidiaries, minus the lesser of (x) $100 million and (y) the aggregate amount of unrestricted cash and cash equivalents of Lamar Advertising and its restricted subsidiaries to EBITDA, as defined below, for the period of four consecutive fiscal quarters then ended, of less than or equal to 3.50 to 1.00.

Lamar Media is also restricted from incurring additional indebtedness under certain circumstances unless, after giving to the incurrence of such indebtedness, it is in compliance with the senior debt ratio covenant and its total debt ratio, defined as (a) total consolidated debt of Lamar Advertising Company and its restricted subsidiaries as of any date minus the lesser of (i) $100 million and (ii) the aggregate amount of unrestricted cash and cash equivalents of Lamar Advertising Company and its restricted subsidiaries to (b) EBITDA, as defined below, for the most recent four fiscal quarters then ended is less than 6.0 to 1.00.

Under the senior credit facility EBITDA means, for any period, operating income for the Company and its restricted subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) for such period (calculated before (i) taxes, (ii) interest expense, (iii) depreciation, (iv) amortization, (v) any other non-cash income or charges accrued for such period, (vi) charges and expenses in connection with the credit facility transactions, (vii) costs and expenses of Lamar Advertising associated with the REIT conversion, provided that the aggregate amount of costs and expenses that may be added back pursuant to this clause (vii) shall not exceed $10 million in the aggregate and (viii) the amount of cost savings, operating expense reductions and other operating improvements or synergies projected by the Lamar Media in good faith to be realized as a result of any acquisition, investment, merger, amalgamation or disposition within 12 months of any such acquisition, investment, merger, amalgamation or disposition, net of the amount of actual benefits realized during such period from such action: provided, (a) the aggregate amount for all such cost savings, operating expense reductions and other operating improvements or synergies shall not exceed an amount equal to 15% of EBITDA for the applicable four quarter period and (b) any such adjustment to EBITDA may only take into account cost savings, operating expense reductions and other operating improvements synergies that are (I) directly attributable to such acquisition, investment, merger, amalgamation or disposition, (II) expected to have a continuing impact on the Lamar Media and its restricted subsidiaries and (III) factually supportable, in each case all as certified by the Chief Financial Officer of the Lamar Media on behalf of the Lamar Media, and (ix) any loss or gain relating to amounts paid or earned in cash prior to the stated settlement date of any swap agreement that has been reflected in operating income for such period) and (except to the extent received or paid in cash by the Company and its restricted subsidiaries income or loss attributable to equity in affiliates for such period), excluding any extraordinary and unusual gains or losses during such period and excluding the proceeds of any casualty events whereby insurance or other proceeds are received and certain dispositions. For purposes of calculating EBITDA, the effect on such calculation of any adjustments required under Statement of Financial Accounting Standards No. 141R is excluded. If during any period for which EBITDA is being determined, the Company shall have consummated any acquisition or disposition, EBITDA shall be determined on a pro forma basis as if such acquisition or disposition had been made or consummated on the first day of such period.

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Excess Cash Flow Payments. The requirement to make certain mandatory prepayments on loans outstanding under the senior credit facility under certain circumstances was eliminated in conjunction with the second amendment and restatement of the senior credit agreement in February 2014.

The Company believes that its current level of cash on hand, availability under the senior credit facility and future cash flows from operations are sufficient to meet its operating needs through fiscal 2016. All debt obligations are reflected on the Company s balance sheet.

Uses of Cash

Capital Expenditures. Capital expenditures excluding acquisitions were approximately $110.4 million for the year ended December 31, 2015. We anticipate our 2016 total capital expenditures will closely approximate our 2015 spending.

Acquisitions. During the year ended December 31, 2015, the Company financed its acquisition activity of approximately $153.9 million with cash on hand.

On January 7, 2016, the Company acquired the assets in five U.S. markets from Clear Channel Outdoor Holdings, Inc. for an aggregate cash purchase price of approximately $458.5 million. The cash purchase price was funded using borrowings from the Company s revolving credit facility of $160 million and $300 million in borrowings under a Term A-1 incremental loan facility funded by JPMorgan Chase Bank, N.A. The Term A-1 loan and a portion of the borrowing under the revolving credit facility were subsequently paid off on January 28, 2016 using the net proceeds from Lamar Media s issuance of $400 million in aggregate principal amount 5 3/4% Senior Notes. See Sources of Cash-Note Offerings for more information.

Stock Repurchase Program. On December 11, 2014, the Company announced that its Board of Directors authorized the repurchase of up to $250 million of the Company s Class A common stock. There were no repurchases under the repurchase program for the years ended December 31, 2015 and 2014.

Note Redemption. On April 21, 2014, Lamar Media redeemed in full all $400 million of its 7 7/8% Senior Subordinated Notes due 2018 at a redemption price equal to 103.938% of aggregate principal amount of outstanding notes, plus accrued and unpaid interest to, but not including the redemption date for a total redemption price of $416.3 million. Lamar Media used cash on hand and borrowings under its senior credit facility to fund the redemption.

Term A Loans. The Term A Loans mature on February 2, 2019 The $373.8 million in principal amount outstanding as of December 31, 2015 will amortize in quarterly installments paid on each March 31, June 30, September 30 and December 31, thereafter, as follows:

Principal Payment Date	Principal Amount (in thousands)
March 31, 2016	$ 3,750
June 30, 2016- March 31, 2017	$ 5,625
June 30, 2017-December 31, 2018	$ 11,250
Term A Loan Maturity Date	$ 168,750

The Term A Loans and revolving credit facility bear interest at rates based on the Adjusted LIBO Rate (Eurodollar loans) or the Adjusted Base Rate (Base Rate loans), at Lamar Media s option. Eurodollar loans bear interest at a rate per annum equal to the Adjusted LIBO rate plus 2.25% (or the Adjusted LIBO Rate plus 2.00% at any time the Total Debt Ratio is less than or equal to 4.25 to 1; or the Adjusted LIBO Rate plus 1.75% at any time the Total Debt Ratio is less than or equal to 3.00 to 1). Base Rate Loans bear interest at a rate per annum equal to the Adjusted Base Rate plus 1.00% (or the Adjusted Base Rate plus 0.75% at any time the Total Debt Ratio is less than or equal to 3.00 to 1). The guarantees, covenants, events of default and other terms of the senior credit facility apply to the Term A Loans and revolving credit facility.

Dividends. On February 25, 2016, Lamar Advertising Company s Board of Directors declared a quarterly cash dividend of $0.75 per share payable on March 31, 2016 to its stockholders of record of its Class A common stock and Class B common stock on March 16, 2016. The Company expects aggregate quarterly distributions to stockholders in 2016, including the dividend payable on March 31, 2016, will total $3.02 per common share.

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During the year ended December 31, 2015 the Company made four cash distributions to its common stockholders totaling approximately $265.1 million or $2.75 per share of common stock. The Company must annually distribute to its stockholders an amount equal to at least 90% of its REIT taxable income (determined before the deduction for distributed earnings and excluding any net capital gain). The amount, timing and frequency of future distributions will be at the sole discretion of the Board of Directors and will be declared based upon various factors, a number of which may be beyond the Company s control, including financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income and excise taxes that the Company otherwise would be required to pay, limitations on distributions in our existing and future debt instruments, the Company s ability to utilize net operating losses to offset, in whole or in part, the Company s distribution requirements, limitations on its ability to fund distributions using cash generated through its TRSs and other factors that the Board of Directors may deem relevant.

Tender Offers and Debt Repayment. On December 4, 2013, Lamar Media redeemed in full all $350 million in aggregate principal amount of its 9 3/4% Senior Notes due 2014 at a redemption price equal to 100% of the aggregate principal amount of outstanding notes plus a make whole amount and accrued and unpaid interest up to but not including the redemption date. The total amount paid to redeem the notes was approximately $366.4 million, which was funded by using cash on hand of $182.4 million and $184.0 million of borrowings under the senior credit facility.

Debt Service and Contractual Obligations. As of December 31, 2015, we had outstanding debt of approximately $1.92 billion. In the future, Lamar Media has principal reduction obligations and revolver commitment reductions under the senior credit facility. In addition, it has fixed commercial commitments. These commitments are detailed as follows:

		Payments Due by Period			
Contractual Obligations	**Total**	**Less Than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**After 5 Years**
			(In millions)		
Long-Term Debt	$ 1,919.5	$ 21.3	$ 84.4	$ 268.8	$ 1,545.0
Interest obligations on long term debt[1]	654.2	98.1	194.2	175.3	186.6
Billboard site and other operating leases	1,323.8	172.3	256.1	202.0	693.4
Total payments due	$ 3,897.5	$ 291.7	$ 534.7	$ 646.1	$ 2,425.0

(1) Interest rates on our variable rate instruments are assuming rates at the December 2015 levels.

		Amount of Expiration Per Period			
Other Commercial Commitments	**Total Amount Committed**	**Less Than 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**After 5 Years**
			(In millions)		
Revolving Bank Facility[2]	$ 400.0	$	$	$ 400.0	$
Standby Letters of Credit[3]	$ 8.9	$ 7.7	$ 1.2	$	$

(2) Lamar Media had $100.0 million outstanding under the revolving facility at December 31, 2015.

(3)

The standby letters of credit are issued under Lamar Media s revolving bank facility and reduce the availability of the facility by the same amount.

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Cash Flows

The Company s cash flows provided by operating activities increased by $25.1 million for the year ended December 31, 2015 primarily resulting from an increase in revenues of approximately $66.3 million, a reduction of interest expense of approximately $6.8 million, offset by an increase of operating expenses of approximately $32.8 million and an increase in operating net assets of $15.8 million, as compared to the comparable period in 2014.

Cash flows used in investing activities increased $89.9 million from $164.0 million in 2014 to $253.9 million in 2015 primarily due to an increase in acquisition activity of $88.9 million as compared to the same period in 2014.

Cash flows used in financing activities decreased $69.5 million to $224.8 million for the year ended December 31, 2015, primarily due to a decrease in cash used in debt refinancing transactions during 2015 compared to 2014. See *Liquidity and Capital Resources Uses of Cash* .

CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates and judgments, including those related to long-lived asset recovery, intangible assets, goodwill impairment, deferred taxes, asset retirement obligations, stock-based compensation and allowance for doubtful accounts. We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events and, where applicable, established valuation techniques. These estimates form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from our estimates. We believe that the following significant accounting policies and assumptions may involve a higher degree of judgment and complexity than others.

Long-Lived Asset Recovery. Long-lived assets, consisting primarily of property, plant and equipment and intangibles comprise a significant portion of the Company s total assets. Purchases of property, plant and equipment are recorded at purchase cost, while acquired property, plant and equipment is recorded at fair value determined primarily through estimates of replacement costs. Property, plant and equipment of $1.1 billion and intangible assets of $402.9 million are reviewed for impairment whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset or asset group to future undiscounted net cash flows expected to be generated by that asset or asset group before interest expense. These undiscounted cash flow projections are based on management s assumptions surrounding future operating results and the anticipated future economic environment. If actual results differ from management s assumptions, an impairment of these intangible assets may exist and a charge to income would be made in the period such impairment is determined. During the year ended December 31, 2015, there were no indications that an impairment test was necessary.

Intangible Assets. The Company has significant intangible assets recorded on its balance sheet. Intangible assets primarily represent site locations of $364.5 million and customer relationships of $36.8 million associated with the Company s acquisitions. The fair values of intangible assets recorded are determined using discounted cash flow models that require management to make assumptions related to future operating results, including projecting net revenue growth discounted using current cost of capital rates, of each acquisition and the anticipated future economic environment. If actual results differ from management s assumptions, an impairment of these intangibles may exist and a charge to income would be made in the period such impairment is determined. Historically no impairment charge has been required with respect to the Company s intangible assets.

Goodwill Impairment. The Company has a significant amount of goodwill on its balance sheet and must perform an impairment test of goodwill annually or on a more frequent basis if events and circumstances indicate that the asset might be impaired. The first step of the impairment test requires management to determine the implied fair value of its reporting units and compare it to its book value (including goodwill). To the extent the book value of a reporting unit exceeds the fair value of the reporting unit, the Company would be required to perform the second step of the impairment test, as this is an indicator that the reporting unit may be impaired. Impairment testing involves various estimates and assumptions, which could vary, and an analysis of relevant market data and market capitalization.

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We have identified two reporting units (Logo operations and Billboard operations) in accordance with Accounting Standards Codification (ASC) 350. No changes have been made to our reporting units from the prior period. The reporting units and their carrying amounts of goodwill as of December 31, 2015 and 2014 are as follows:

	Carrying Value of Goodwill (in thousands)	
	December 31, 2015	December 31, 2014
Billboard operations	$ 1,545,633	$ 1,511,807
Logo operations	$ 961	$ 961

We believe there are numerous facts and circumstances that need to be considered when estimating the reasonableness of the reporting unit s estimated fair value. In conducting our impairment test, we assessed the reasonableness of the reporting unit s estimated fair value based on both market capitalization and discounted future cash flows. The discounted cash flow analysis incorporated various growth rate assumptions and discounting based on a present value factor.

Consideration of market capitalization. The Company first considered its market capitalization as of its annual impairment testing date of December 31. The market capitalization of its Class A common stock as of December 31, 2015 was $6.2 billion compared to stockholders equity of $1.0 billion as of that date, resulting in an excess of approximately $5.2 billion, which is substantially in excess of our book value. Market capitalization was calculated using a 10-day average of the closing prices of the Class A common stock beginning five trading days prior to the measurement date. The Company considers market capitalization over book value a strong indicator that no impairment of goodwill exists as of the measurement date of December 31, 2015.

Calculations of Fair Value using Discounted Cash Flow Analysis. We also estimate fair value using a discounted cash flow analysis that compares the estimated future cash flows of each reporting unit to the book value of the reporting unit. The discount rate and projected revenue and EBITDA (earnings before interest, tax, depreciation and amortization) growth rates are significant assumptions utilized in our calculation of the present value of cash flows used to estimate fair value of the reporting units. These assumptions could be adversely impacted by certain risks including deterioration in industry and economic conditions. See discussion in Risk Factors in Item 1A of this Annual Report. For additional information about goodwill, see Note 5 to the Consolidated Financial Statements.

Our discount rate assumption is based on our cost of capital, which we determine annually based on our estimated costs of debt and equity relative to our capital structure. As of December 31, 2015 our weighted average cost of capital (WACC) was approximately 9.5%. In developing our revenue and EBITDA growth rates, we consider our historical performance and current market trends in the markets in which we operate. The assumptions used in our impairment test are based on the best available market information and are consistent with our internal forecast and operating plans. The five year projected Compound Annual Growth Rate (CAGR) used in our discounted cash flow analysis for billboard revenue and billboard EBITDA was 3.3% and 3.5%, respectively, and our logo operations revenue and EBITDA CAGR was 2.5% and 2.7%, respectively. The projected CAGR for revenue and EBITDA discussed above would have to deteriorate significantly, among other factors, before further testing of goodwill impairment would be necessary for our reporting units. The fair values calculated as of December 31, 2015, using the discounted cash flow analysis described above for both reporting units were substantially in excess of their book values.

Based upon the Company s annual review as of December 31, 2015, using both the market capitalization approach and discounted cash flow analysis, there was no indication of a potential impairment and, therefore, the second step of the impairment test was not required and no impairment charge was necessary.

Income Taxes. We elected to be taxed as a REIT under the U.S. Federal Tax Code effective January 1, 2014, and are generally not subject to federal and state income taxes on our QRSs taxable income that we distribute to our stockholders provided that we meet certain organizational and operating requirements. However, even as a REIT, we will remain obligated to pay income taxes on foreign earnings as well as earnings from our TRS assets.

Accounting for income taxes requires us to estimate the timing and impact of amounts recorded in our financial statements that may be recognized differently for tax purposes. To the extent that the timing of amounts recognized for financial reporting purposes differs from the timing of recognition for tax reporting purposes, deferred tax assets or liabilities are required to be recorded. Deferred tax assets and liabilities are measured based on the rate at which we expect these items to be reflected in our tax returns, which may differ from the current rate. We do not expect to pay federal taxes on our REIT taxable income.

We periodically review our deferred tax assets, and we record a valuation allowance to reduce our net deferred tax asset to the amount that management believes is more likely than not to be realized. Valuation allowances may be reversed if related deferred tax assets are deemed realizable based on changes in facts and circumstances relevant to the assets recoverability.

We recognize the benefit of uncertain tax positions when, in management s judgment, it is more likely than not that positions we have taken in our tax returns will be sustained upon examination, which are measured at the largest amount that is greater than 50% likely of being realized upon settlement. We adjust our tax liabilities when our judgment changes as a result of the evaluation of new information or information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which additional information is available or the position is ultimately settled under audit.

We consider the earnings of certain non-U.S. subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs. Should we decide to repatriate the foreign earnings, we may have to adjust the income tax provision in the period we determined that the earnings will no longer be indefinitely invested outside of the United States.

Asset Retirement Obligations. The Company had an asset retirement obligation of $206.2 million as of December 31, 2015. This liability relates to the Company s obligation upon the termination or non-renewal of a lease to dismantle and remove its billboard structures from the leased land and to reclaim the site to its original condition. The Company records the present value of obligations associated with the retirement of tangible long-lived assets in the period in which they are incurred. The liability is capitalized as part of the related long-lived asset s carrying amount. Over 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. In calculating the liability, the Company calculates the present value of the estimated cost to dismantle using an average cost to dismantle, adjusted for inflation and market risk.

This calculation includes 100% of the Company s billboard structures on leased land (which currently consist of approximately 72,000 structures). The Company uses a 15-year retirement period based on historical operating experience in its core markets, including the actual time that billboard structures have been located on leased land in such markets and the actual length of the leases in the core markets, which includes the initial term of the lease, plus consideration of any renewal period. Historical third-party cost information is used to estimate the cost of dismantling of the structures and the reclamation of the site. The interest rate used to calculate the present value of such costs over the retirement period is based on the Company s historical credit-adjusted risk free rate.

Stock-based Compensation. Share-based compensation expense is based on the value of the portion of share-based payment awards that is ultimately expected to vest. Share-Based Payment Accounting requires the use of a valuation model to calculate the fair value of share-based awards. The Company has elected to use the Black-Scholes option-pricing model. The Black-Scholes option-pricing model incorporates various assumptions, including volatility, expected life and interest rates. The expected life is based on the observed and expected time to post-vesting exercise and forfeitures of stock options by our employees. Upon the adoption of Share-Based Payment Accounting, we used a combination of historical and implied volatility, or blended volatility, in deriving the expected volatility assumption as allowed under Share-Based Payment Accounting. The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of our stock options. The dividend yield assumption is based on our history and expectation of dividend payouts. Share-Based Payment Accounting requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on our historical experience. If factors change and we employ different assumptions in the application of Share-Based Payment Accounting in future periods, the compensation expense that we record under Share-Based Payment Accounting may differ significantly from what we have recorded in the current period. During 2015, we recorded $9.6 million as compensation expense related to stock options and employee stock purchases. We evaluate and adjust our assumptions on an annual basis. See Note 14 Stock Compensation Plans of the Notes to Consolidated Financial Statements for further discussion.

Allowance for Doubtful Accounts. The Company maintains allowances for doubtful accounts based on the payment patterns of its customers. Management analyzes historical results, the economic environment, changes in the credit worthiness of its customers, and other relevant factors in determining the adequacy of the Company s allowance. Bad debt expense was $6.5 million, $5.9 million and $6.0 million or approximately 0.5% of net revenue for each of the years ended December 31, 2015, 2014, and 2013, respectively. If the future economic environment declines, the inability of customers to pay may occur and the allowance for doubtful accounts may need to be increased, which will result in additional bad debt expense in future years.

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ACCOUNTING STANDARDS AND REGULATORY UPDATE

In January 2014, the FASB issued guidance on the accounting for service concession arrangements with public sector entities. This guidance specifies that an operating entity should not account for a service concession arrangement as a lease and the infrastructure used in a service concession arrangement should not be recognized as property, plant and equipment. This guidance applies when the public sector entity controls the services that the operating entity must provide within the infrastructure and also controls any residual interest in the infrastructure at the end of the term of the arrangement. This guidance did not have an impact on our consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In August 2015, the FASB issued ASU No. 2015-14 deferring the effective date from January 1, 2017 to January 1, 2018, while allowing for early adoption as of January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In April 2015, the FASB issued ASU No. 2015-03, *Interest Imputation of interest: Simplifying the Presentation of Debt Issuance Costs*. The pronouncement requires reporting entities to present debt issuance costs related to a note as a direct deduction from the face amount of that note presented in the balance sheet. The pronouncement is effective for fiscal years and for interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted. A reporting entity may apply the amendments in the ASU retrospectively to all prior periods. The Company does not expect that the adoption of this pronouncement will have a material impact on the consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17 *Income taxes Balance Sheet Classification of Deferred Taxes*. The amendments in this update require deferred tax liabilities and assets be classified as noncurrent in the balance sheet. The amendments are effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted as of the beginning of an interim or annual reporting period. The Company does not expect the adoption of this amendment will have a material impact on the consolidated balance sheet.

On December 18, 2015, the Unites States House of Representatives enacted the Protecting Americans from Tax Hikes Act of 2015 (the PATH Act). The PATH Act contains several provisions pertaining to REIT qualification and taxation. While we are still evaluating the impact, we do not believe the provisions will have a material adverse impact on our REIT qualification and taxation.

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LAMAR MEDIA CORP.

The following is a discussion of the consolidated financial condition and results of operations of Lamar Media for the years ended December 31, 2015, 2014 and 2013. This discussion should be read in conjunction with the consolidated financial statements of Lamar Media and the related notes.

RESULTS OF OPERATIONS

The following table presents certain items in the Consolidated Statements of Operations as a percentage of net revenues for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,		
	2015	2014	2013
Net revenues	100.0%	100.0%	100.0%
Operating expenses:			
Direct advertising expenses	35.0	35.2	35.1
General and administrative expenses	17.9	17.9	18.6
Corporate expenses	5.3	5.3	4.6
Depreciation and amortization	14.1	20.1	24.1
Operating income	28.3	21.7	18.0
Loss on extinguishment of debt		2.0	1.2
Interest expense	7.3	8.2	11.7
Income tax expense (benefit)	1.6	(11.1)	1.8
Net income	19.4	22.3	3.2

Year ended December 31, 2015 compared to Year ended December 31, 2014

Net revenues increased $66.3 million or 5.2% to $1.35 billion for the year ended December 31, 2015 from $1.29 billion for the same period in 2014. This increase was attributable primarily to an increase in billboard net revenues of $47.7 million or 4.2% over the prior period, which is primarily related to an increase in billboard panels obtained through acquisitions in 2014 and 2015 as well as the addition of approximately 175 digital panels during the year; an increase in logo sign revenue of $3.5 million, which represents an increase of 5.0% over the prior period and a $15.2 million increase in transit revenue, which represents an increase of 19.8% over the prior period. The increase in transit revenue primarily resulted from the addition of 14 transit markets, which included 11 airport markets.

For the year ended December 31, 2015, there was a $39.4 million increase in net revenues as compared to acquisition-adjusted net revenue for the year ended December 31, 2014. The $39.4 million increase in revenue primarily consists of a $31.6 million increase in billboard revenue, a $2.8 million increase in logo revenue and a $4.9 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2014. The increase in revenue represents an increase of 3.0% over the comparable period in 2014. See Reconciliations below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $34.6 million or 4.6% to $787.4 million for the year ended December 31, 2015. Operating expenses related to the operations of our outdoor advertising assets increased $31.9 million and corporate expenses increased $2.7 million.

Depreciation and amortization expense decreased $67.0 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014, primarily due to a portion of our digital and traditional billboard structures being fully depreciated as well as our change to the straight-line method of depreciation effective January 1, 2015.

Gain on disposition of assets for the year ended December 31, 2015 increased $5.6 million over the same period in 2014 primarily due to a $4.3 million non-cash gain resulting from an exchange of outdoor advertising assets in the period.

Due primarily to the above factors, operating income increased $104.4 million to $383.4 million for the year ended December 31, 201