LAMAR ADVERTISING CO/NEW
Form 10-K
February 27, 2014
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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, 2013

¨ **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 0-30242

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 ¨   No x

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 ¨	Smaller reporting company ¨
		(Do not check if a 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	Smaller reporting company ¨
		(Do not check if a 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 $3,085,912,810.91 based on $43.39 per share as reported at the close of trading on the NASDAQ Global Select Market on June 28, 2013, the last business day of the registrant s most recently completed second fiscal quarter.

As of June 28, 2013, 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 18, 2014**
Lamar Advertising Company Class A common stock, $0.001 par value per share	80,226,132 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 21, 2014 (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:

- our future financial performance and condition;
- our business plans, objectives, prospects, growth and operating strategies;
- our future capital expenditures and level of acquisition activity;
- market opportunities and competitive positions;
- our future cash flows and expected cash requirements;
- estimated risks;
- our ability to maintain compliance with applicable covenants and restrictions included in Lamar Media s senior credit facility and the indentures relating to its outstanding notes;
- stock price;
- our consideration of an election to real estate investment trust (REIT) status and our ability to complete the conversion effective for the taxable year beginning January 1, 2014; and
- our ability to remain qualified as a REIT if a conversion is successfully completed.

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:

- 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;

the levels of expenditures on advertising in general and outdoor advertising in particular;

risks and uncertainties relating to our significant indebtedness;

the demand for outdoor advertising and its continued popularity as an advertising medium;

our need for, and ability to obtain, additional funding for acquisitions, operations and debt refinancing;

increased competition within the outdoor advertising industry;

the regulation of the outdoor advertising industry by federal, state and local governments;

our ability to renew expiring contracts at favorable rates;

the integration of businesses that we acquire and our ability to recognize cost savings and operating efficiencies as a result of these acquisitions;

our ability to successfully implement our digital deployment strategy;

the market for our Class A common stock;

changes in accounting principles, policies or guidelines;

our ability to effectively mitigate the threat of and damages caused by hurricanes and other kinds of severe weather;

Lamar Advertising s consideration of an election to real estate investment trust status;

our ability to qualify as a REIT and maintain our status as a REIT assuming a conversion is successfully completed; and

changes in tax laws applicable to REIT s 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.

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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, referred to in this Annual Report as the Company or Lamar Advertising or we 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 sell advertising on billboards, buses, shelters, benches and logo plates. As of December 31, 2013, we owned and operated over 145,000 billboard advertising displays in 44 states, Canada and Puerto Rico, approximately 120,000 logo advertising displays in 22 states and the province of Ontario, Canada, and operated approximately 38,000 transit advertising displays in 16 states, Canada and Puerto Rico. We offer our customers a fully integrated service, satisfying all aspects of their billboard display requirements from ad copy production to placement and maintenance.

Our Business

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

Billboards. We sell 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 these traditional billboards, we also sell digital billboards, which are generally located on major traffic arteries and city streets. As of December 31, 2013, we owned and operated over 1,880 digital billboard advertising displays in 41 states, Canada and Puerto Rico.

Logo signs. We sell 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 22 of the 26 privatized state logo sign contracts. As of December 31, 2013, we operated approximately 120,000 logo sign advertising displays in 22 states and Canada.

Transit advertising displays. We also sell advertising space on the exterior and interior of public transportation vehicles, transit shelters and benches in over 60 markets. As of December 31, 2013, we operated approximately 38,000 transit advertising displays in 16 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 our current 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.

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

Where you can find more 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.

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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 customers and to provide them with a full complement of high quality advertising services. Local advertising constituted approximately 78% of our net revenues for the year ended December 31, 2013, 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 30 years. In an effort to provide high quality sales and service at the local level, we employed approximately 825 local account executives as of December 31, 2013. 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. During the last ten years we invested approximately $1.2 billion in capitalized expenditures, which include improvements to our existing displays and in constructing new displays. Our regular improvement and expansion of our advertising display inventory allows us to provide high quality service to our current advertisers and to attract new advertisers.

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 $106 million in total capital expenditures in fiscal 2013, of which $50.2 million was spent on digital technology. We expect our 2014 capitalized expenditures to closely approximate our spending in 2013.

COMPANY OPERATIONS

Billboard Advertising

We sell most of our advertising space on two types of billboard advertising displays: bulletins and posters. As of December 31, 2013, we owned and operated over 145,000 billboard advertising displays in 44 states, Canada and Puerto Rico. In 2013, we derived approximately 72% of our billboard advertising net revenues from bulletin sales and 28% from poster sales.

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, 2013, we operated approximately 68,000 bulletin displays.

We generally sell individually-selected bulletin space to advertisers for the duration of the contract (usually one to twelve months). We also sell 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.

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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, 2013, we operated approximately 76,000 poster displays.

We generally sell 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 sell 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, 2013, we operated over 1,880 digital billboards in various markets, which represents approximately 18% 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. We provide our production services to local advertisers and to advertisers that are not represented by advertising agencies, as most national advertisers represented by advertising agencies use preprinted designs that require only our installation. Our talented design staff uses state-of-the-art technology to prepare creative, eye-catching displays for our customers. 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 customers.

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 22 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, 2013, we operated over 39,100 logo sign structures containing approximately 120,000 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						

(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, 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.

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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 23 logo sign contracts in place, in the United States and Canada, at December 31, 2013, five are subject to renewal in 2014.

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 three other national 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. We provide transit advertising displays on bus shelters, benches and buses in over 60 transit markets, and our production staff provides a full range of creative and installation services to our transit advertising customers. As of December 31, 2013, we operated approximately 38,000 transit advertising displays in 16 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 in North America and worldwide and (ii) CBS Outdoor, a division of CBS Corporation, which operates traditional outdoor, street furniture and transit advertising properties in North America and worldwide. Clear Channel Outdoor and CBS Outdoor 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 and supermarkets and advertising displays on taxis, trains and buses.

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 demographics groups within markets.

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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.

CUSTOMERS

Our customer 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, 2013, 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 72% of our billboard advertising net revenues in the year ended December 31, 2013. No individual advertiser accounted for more than 1.0% of our billboard advertising net revenues in that period.

Categories	Percentage of Net Billboard Advertising Revenues
Restaurants	13%
Retailers	11%
Health Care	10%
Service	9%
Amusement Entertainment/Sports	7%
Automotive	7%
Gaming	5%
Financial Banks, Credit Unions Telecommunications	4%
Telecommunications	3%
Hotels and Motels	3%
	72%

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 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 alleges that the FHWA exceeded its authority when, in 2007, the agency issued 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). The complaint also alleges that in issuing the 2007 Guidance, the FHWA violated the Administrative Procedures Act by not first engaging in formal rulemaking. The complaint further alleges that the 2007 Guidance violated the HBA because it adopted a new lighting standard without first amending the provisions of the Federal/State Agreements. Finally, the complaint alleges that the 2007 Guidance violates 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 seeks an injunction vacating the 2007 Guidance. If the 2007 Guidance is vacated, the agency could then elect to undertake rulemaking or other new administrative action with respect to digital billboards that, if enacted in a way that placed additional restrictions on digital billboards, ultimately could have a material adverse effect on our business, results of operations and financial condition.

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.

EMPLOYEES

We employed approximately 3,000 people as of December 31, 2013. Approximately 200 employees were engaged in overall management and general administration at our management headquarters in Baton Rouge, Louisiana, and the remainder, including approximately 825 local account executives, were employed in our operating offices.

Fifteen 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 117 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.

ITEM 1A. ***RISK FACTORS***
Risks related to the Company s business and operations

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, 2013, Lamar Advertising Company s wholly owned subsidiary, Lamar Media, had approximately $1.94 billion of total debt outstanding, consisting of approximately $502.1 million in bank debt outstanding under Lamar Media s senior credit facility and $1.4 billion in various series of senior subordinated 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 $93.0 million available for borrowing as of December 31, 2013 under the revolving senior credit facility.

Additionally, on January 10, 2014, Lamar Media completed an institutional private placement of 5 3/8% Senior Notes due 2024 and used the net proceeds of $502.3 million to repay all amounts outstanding under its senior credit facility. On February 3, 2014, Lamar Media amended and restated its existing senior credit facility to (among other changes) increase (i) the revolving credit facility from $250 million to $400 million and (ii) the incremental facility from $300 million to $500 million.

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 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.

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, 2013, the terms of Lamar Media s senior credit facility also restricted it from exceeding specified total holdings debt ratio and senior debt ratio and required it to maintain a specified minimum fixed charges coverage ratio. Under the senior credit facility as amended and restated on February 3, 2014, Lamar Media is required to maintain a specified senior debt ratio and is 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.

Although we are currently in compliance with all financial covenants, the Company s operating results were negatively impacted by the recent economic recession and there can be no assurance that the current economic environment will not further impact the Company s results and, in turn, its ability to meet these requirements in the future. 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 sells 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 users 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, 2013, we completed acquisitions for a total cash purchase price of approximately $92 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;

- 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, 2013. Based on the Company s review at December 31, 2013, 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 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.

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

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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 to 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.

We have also introduced and intend 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, however, 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 and the Federal Highway Administration. The complaint alleges that 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 complaint also alleges that in issuing the 2007 Guidance, the FHWA violated the Administrative Procedures Act by not first engaging in formal rulemaking. The complaint further alleges that the 2007 Guidance violated the HBA because it adopted a new lighting standard without first amending the provisions of the Federal/State Agreements. Finally, the complaint alleges that the 2007 Guidance violates 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 seeks an injunction vacating the 2007 Guidance. If the 2007 Guidance is vacated, the agency could then elect to undertake rulemaking or other new administrative action with respect to digital billboards that, if enacted in a way that placed additional restrictions on digital billboards, ultimately could have a material adverse effect on our business, results of operations and financial condition.

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 conditions.

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

In 2013, the Company generated approximately 5% of its revenues from state-awarded logo sign contracts. In bidding for these contracts, the Company competes against three other national logo sign providers, as well as numerous smaller, 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.

Of the Company s 23 logo sign contracts in place at December 31, 2013, five are subject to renewal in 2014. 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, 2013, 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, 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 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 advertising structures (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.

Risks related to Lamar Advertising s potential REIT conversion

The Company may not elect to be treated as a REIT for U.S. federal income tax purposes for its taxable year ending December 31, 2014 or for any future period. Because the timing and availability of the REIT election is uncertain, Lamar Advertising and its subsidiaries may not realize the anticipated tax benefits from the REIT conversion for the taxable year ending December 31, 2014 or at all.

As previously disclosed, Lamar Advertising is considering an election to be treated as a REIT for federal income tax purposes effective January 1, 2014. However, its election to be taxed as a REIT depends on numerous factors, including the receipt of a private letter ruling from the U.S. Internal Revenue Service (the IRS), the approval of the election by its board of directors and its ability to satisfy the requirements for qualification as a REIT during its taxable year ending December 31, 2014. If the Company does not elect REIT status for its taxable year ending December 31, 2014, the benefits attributable to the Company s qualification and taxation as a REIT, including its ability to reduce its corporate level federal income tax through distributions to its stockholders, would not commence for the taxable year beginning on January 1, 2014, and the Company together with its subsidiaries, would pay corporate level income taxes on its taxable income, to the extent net operating losses are not available to reduce its taxable income, until such time, if any, as Lamar Advertising became a REIT. Additionally, even if all steps necessary to implement the REIT conversion are effected, the board of directors of Lamar Advertising may decide not to elect REIT status, or to delay such election, if it determines in its sole discretion that it is not in the best interests of Lamar Advertising or its stockholders.

If Lamar Advertising fails to qualify as a REIT or 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.

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 operations as well as various factual determinations concerning matters and circumstances not entirely within its 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 rules starting with its taxable year ending December 31, 2014, the Company cannot assure you that it will so qualify or remain so qualified. If Lamar Advertising makes the REIT election, Lamar Media will be treated as a qualified REIT subsidiary that is disregarded as separate from its parent REIT for federal income tax purposes.

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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 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 if Lamar Advertising qualifies as a REIT, certain of its and its subsidiaries business activities will be subject to corporate level income tax and foreign taxes, which will continue to reduce its cash flows, and it will have potential deferred and contingent tax liabilities.

Even if Lamar Advertising qualifies for taxation as a REIT, it and its subsidiaries may be subject to certain federal, state , local 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, Lamar Advertising 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 qualify as a REIT, Lamar Advertising, through Lamar Media, plans to hold certain of its non-qualifying REIT assets and to receive certain non-qualifying items of income through one or more taxable REIT subsidiaries, or TRSs. These non-qualifying REIT assets consist principally of assets relating to its transit business and certain services. Those TRS assets and operations would continue to be subject, as applicable, to federal and state corporate income taxes. Furthermore, Lamar Advertising s 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. Any of these taxes would decrease Lamar Media s and Lamar Advertising s earnings and the cash available for distributions to the stockholders of Lamar Advertising.

Lamar Advertising will also be subject to a federal corporate level 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 (generally, ten years) after the effective date of its REIT conversion, to the extent of the built-in-gain based on the fair market value of those assets on the effective date of the REIT election in excess of its then tax basis in those assets. If Lamar Advertising elects REIT status for the taxable year beginning January 1, 2014, the tax on subsequently sold assets will be based on the fair market value and built-in-gain of those assets as of January 1, 2014. 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. The Company cannot, however, assure you that it 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 time it qualified as a REIT, in which case it 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 earnings and profits, which could cause it to pay an additional taxable distribution to its stockholders after the relevant determination.

If Lamar Advertising converts to a REIT, it will be required to distribute at least 90% of its taxable income to its stockholders.

If Lamar Advertising converts to a REIT, it will be 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, most of Lamar s subsidiaries, 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.

To the extent that the Company satisfies the 90% distribution requirement, but distributes less than 100% of its REIT taxable income, it will be subject to federal corporate income tax on its undistributed taxable income. In addition, the Company will be subject to a 4% nondeductible excise tax if the actual amount that it distributes to its stockholders for a calendar year is less than the minimum amount specified under the Code. Because the REIT distribution requirements will prevent the Company from retaining earnings, it may be required to refinance debt at maturity with additional debt or equity, which may not be available on acceptable terms, or at all.

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

Although Lamar Media s senior credit facility would allow Lamar Media to conduct its affairs in a manner that would allow Lamar Advertising to qualify and remain qualified as a REIT including by allowing Lamar Media to make distributions to Lamar Advertising required for the Company to qualify and remain qualified for taxation as a REIT, subject to certain restrictions the senior credit facility and the indentures relating to our outstanding notes contain certain covenants that could limit Lamar Advertising s distributions to its stockholders. 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.

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.

Lamar Advertising has no 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 has no operating history as a REIT. In addition, its senior management team has no 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.

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

At any time, the federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. 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 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 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.

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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 approximately 120 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 124 operating facilities at an aggregate lease expense for 2013 of approximately $7.1 million.

We own approximately 6,900 parcels of property beneath our outdoor advertising structures. As of December 31, 2013, we leased approximately 75,900 active outdoor sites, accounting for a total annual lease expense of approximately $208.9 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, 2013, the Class A common stock was held by 167 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 sale prices for the Class A common stock:

	High	Low
Year ended December 31, 2012	$ 34.19	$ 27.08
First Quarter	32.85	23.37
Second Quarter	37.75	26.21
Third Quarter	41.49	36.08
Fourth Quarter		
Year ended December 31, 2013		
First Quarter	$ 48.86	$ 39.10
Second Quarter	49.61	41.30
Third Quarter	47.31	41.36
Fourth Quarter	52.33	45.64

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.

If the Company makes an election to convert to real estate investment trust status for U.S. federal income tax purposes, the Company will be required to annually distribute to its stockholders an amount equal to at least 90% of its REIT taxable income (determined before the deduction for dividends paid and excluding any net capital gain). If a conversion to a REIT is made, the Company expects to distribute all or substantially all of its REIT taxable income so as to not be subject to the income or excise tax on undistributed REIT taxable income. The amount, timing and frequency of future distributions, however, will be at the sole discretion of the Company s Board of Directors and will be declared based upon various factors, many of which are beyond the Company s control, including its 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 if a conversion is successfully completed, limitations on distributions in our existing and future debt instruments, our ability to utilize NOLs to offset our distribution requirements, and other factors that the Company s Board of Directors, may deem relevant.

During the years ended December 31, 2013 and 2012, there were no dividends declared on its common stock.

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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.

	2013	2012	2011	2010	2009
			(Dollars in Thousands)		
Statement of Operations Data:					
Net revenues	$ 1,245,842	$ 1,179,736	$ 1,130,714	$ 1,094,146	$ 1,055,147
Operating expenses:					
Direct advertising expenses	436,844	418,538	409,052	398,467	397,725
General and administrative expenses	288,786	264,406	248,970	246,513	229,423
Depreciation and amortization	300,579	296,083	299,639	312,703	336,725
Gain on disposition of assets	(3,804)	(13,817)	(10,548)	(4,900)	(5,424)
Total operating expenses	1,022,405	965,210	947,113	952,783	958,449
Operating income	223,437	214,526	183,601	141,363	96,698
Other expense (income):					
Loss (gain) on extinguishment of debt	14,345	41,632	677	17,398	(3,320)
Gain on disposition of investment					(1,445)
Interest income	(165)	(331)	(569)	(367)	(527)
Interest expense	146,277	157,093	171,093	186,048	197,047
Total other expense	160,457	198,394	171,201	203,079	191,755
Income before income taxes	62,980	16,132	12,400	(61,716)	(95,057)
Income tax expense (benefit)	22,841	8,242	5,542	(22,746)	(36,459)
Net income (loss)	40,139	7,890	6,858	(38,970)	(58,598)
Preferred stock dividends	365	365	365	365	365
Net income (loss) applicable to common stock	$ 39,774	$ 7,525	$ 6,493	$ (39,335)	$ (58,963)
Net income (loss) per share	$ 0.42	$ 0.08	$ 0.07	$ (0.43)	$ (0.64)
Statement of Cash Flow Data:					
Cash flows provided by operating activities	$ 394,705	$ 375,909	$ 318,821	$ 322,820	$ 293,743

Cash flows used in investing activities	$ 191,869	$ 303,399	$ 117,255	$ 41,480	$ 29,039
Cash flows used in financing activities	$ 227,195	$ 47,417	$ 259,442	$ 302,429	$ 168,349
Balance Sheet Data[(1)]					
Cash and cash equivalents	$ 33,212	$ 58,911	$ 33,503	$ 91,679	$ 112,253
Working capital	36,705	82,127	76,795	140,116	86,660
Total assets	3,401,618	3,514,030	3,427,353	3,648,961	3,943,541
Total debt (including current maturities)	1,938,802	2,160,854	2,158,528	2,409,140	2,674,912
Total long-term obligations	2,223,319	2,433,297	2,419,802	2,670,730	2,841,184
Stockholders equity	932,946	861,625	827,721	808,938	821,081

(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, 2013, 2012 and 2011. This discussion should be read in conjunction with the consolidated financial statements of the Company and the related notes.

Adjustment to Previously Reported Amounts

Immaterial Correction of an Error. During the fourth quarter of 2013, the Company identified an error in its revenue recognition. The Company determined that its policy of recognizing revenue on a monthly basis was in error and that revenue should be recognized on a daily basis over the term of the advertising contract. The result of the error is an immaterial understatement of deferred income liability and net revenue as of and for the year ended December 31, 2013. In accordance with Staff Accounting Bulletin (SAB) No. 99, *Materiality,* and SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*, management evaluated the materiality of the error from both qualitative and quantitative perspectives, and concluded the error was immaterial to the current and prior periods.

Consequently, the Company revised its historical financial statements for fiscal 2012, fiscal 2011 herein, and will revise the quarters within fiscal 2013, when they are published in future filings. For more information see Note (1) (c) of the Notes to Consolidated Financial Statements.

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, 2013, the Company completed acquisitions for a total cash purchase price of approximately $92 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:

	2013	2012	2011
		(In thousands)	
Billboard Traditional	$ 21,295	$ 29,061	$ 34,425
Billboard Digital	50,233	42,134	41,250
Logos	11,182	8,704	10,141
Transit	168	259	817
Land and buildings	9,471	12,797	4,501
PP&E	13,301	12,615	15,936
Total capital expenditures	$ 105,650	$ 105,570	$ 107,070

We expect our capital expenditures to be approximately $100 million in 2014.

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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, 2013, 2012 and 2011:

	Year Ended December 31,		
	2013	2012	2011
Net revenues	100.0%	100.0%	100.0%
Operating expenses:			
Direct advertising expenses	35.1	35.5	36.2
General and administrative expenses	18.6	17.9	17.9
Corporate expenses	4.6	4.5	4.1
Depreciation and amortization	24.1	25.1	26.5
Operating income	17.9	18.2	16.2
Loss on extinguishment of debt	1.2	3.5	
Interest expense	11.7	13.3	15.1
Net income	3.2	0.7	0.6

Year ended December 31, 2013 compared to Year ended December 31, 2012

Net revenues increased $66.1 million or 5.6% to $1.25 billion for the year ended December 31, 2013 from $1.18 billion for the same period in 2012. This increase was attributable primarily to an increase in billboard net revenues of $52.1 million or 5.0% over the prior period, an increase in logo sign revenue of $6.0 million, which represents an increase of 9.5% over the prior period, and an $8.0 million increase in transit revenue, which represents an increase of 11.8% over the prior period.

For the year ended December 31, 2013, there was a $26.9 million increase in net revenues as compared to acquisition-adjusted net revenue for the year ended December 31, 2012. The $26.9 million increase in revenue primarily consists of a $19.4 million increase in billboard revenue, a $3.6 million increase in logo revenue and a $4.0 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2012. This increase in revenue represents an increase of 2.2% over the comparable period in 2012. See Reconciliations below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $42.7 million or 6.2% to $725.6 million for the year ended December 31, 2013, which includes a $10.5 million increase in non-cash compensation. Excluding non-cash compensation, operating expenses related to the operations of our outdoor advertising assets increased $28.3 million and corporate expenses increased $3.9 million, of which $2.1 million is related to the Company s evaluation of an election to real estate investment trust status.

Depreciation and amortization expense increased $4.5 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012, primarily due to the Company s capital expenditures.

During the year ended December 31, 2013, gain on disposition of assets decreased $10.0 million over the comparable period ended December 31, 2012, primarily due to a gain of $9.8 million related to two asset swap transactions, which occurred in 2012.

Due to the above factors, operating income increased $8.9 million to $223.4 million for the year ended December 31, 2013 compared to $214.5 million for the same period in 2012.

During the year ended December 31, 2013, the Company recognized a $14.3 million loss on debt extinguishment related to the early extinguishment of Lamar Media s 9 3/4% Senior Notes due 2014. Approximately $4.0 million of the loss is a non-cash expense attributable to the write off of unamortized debt issuance fees and unamortized discounts associated with the retired debt. See *Uses of Cash Tender Offers and Debt Repayment* for more information.

Interest expense decreased approximately $10.8 million from $157.1 million for the year ended December 31, 2012 to $146.3 million for the year ended December 31, 2013, due to the reduction in total debt outstanding as well as a decrease in interest rates resulting from the Company s 2012 refinancing transactions. See *Uses of Cash Tender Offers and Debt Repayment* for more information.

The increase in operating income, decrease in interest expense and decrease in loss on extinguishment of debt over the comparable period in 2012 resulted in a $46.8 million increase in net income before income taxes. The Company recorded income tax expense of $22.8 million for the year ended December 31, 2013. The effective tax rate for the year ended December 31, 2013 was 36.3%, which is lower than the statutory rates primarily due to an increase in the corporate income tax rate in Puerto Rico from 30% to 39%, which resulted in a change to the carrying value of net operating loss carryforwards during the period.

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As a result of the above factors, the Company recognized net income for the year ended December 31, 2013 of $40.1 million, as compared to net income of $7.9 million for the same period in 2012.

Reconciliations:

Because acquisitions occurring after December 31, 2011 (the acquired assets) have contributed to our net revenue results for the periods presented, we provide 2012 acquisition-adjusted net revenue, which adjusts our 2012 net revenue for the year ended December 31, 2012 by adding to it the net revenue generated by the acquired assets prior to our acquisition of these assets for the same time frame that those assets were owned in the year ended December 31, 2013. We provide this information as a supplement to net revenues to enable investors to compare periods in 2013 and 2012 on a more consistent basis without the effects of acquisitions. Management uses this comparison to assess how well we are performing within our existing assets.

Acquisition-adjusted net revenue is not determined in accordance with GAAP. For this adjustment, we measure the amount of pre-acquisition revenue generated by the assets during the period in 2012 that corresponds with the actual period we have owned the acquired assets in 2013 (to the extent within the period to which this report relates). We refer to this adjustment as acquisition net revenue.

Reconciliations of 2012 reported net revenue to 2012 acquisition-adjusted net revenue for the year ended December 31, 2012 as well as a comparison of 2012 acquisition-adjusted net revenue to 2013 reported net revenue for the year ended December 31, 2013, are provided below:

Comparison of 2013 Reported Net Revenue to 2012 Acquisition-Adjusted Net Revenue

	Year ended December 31,	
	2013	**2012**
	(in thousands)	
Reported net revenue	$ 1,245,842	$ 1,179,736
Acquisition net revenue		39,174
Adjusted totals	$ 1,245,842	$ 1,218,910

Year ended December 31, 2012 compared to Year ended December 31, 2011

Net revenues increased $49.0 million or 4.3% to $1.18 billion for the year ended December 31, 2012 from $1.13 billion for the same period in 2011. This increase was attributable primarily to an increase in billboard net revenues of $38.7 million or 3.8% over the prior period, an increase in logo sign revenue of $3.7 million, which represents an increase of 6.5% over the prior period, and a $6.6 million increase in transit revenue, which represents an increase of 10.9% over the prior period.

For the year ended December 31, 2012, there was a $34.8 million increase in net revenues as compared to acquisition-adjusted net revenue for the year ended December 31, 2011. The $34.8 million increase in revenue primarily consists of a $27.6 million increase in billboard revenue, a $2.2 million increase in logo revenue and a $5.0 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2011. This increase in revenue represents an increase of 3.0% over the comparable period in 2011. See Reconciliations below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $24.9 million or 3.8% to $682.9 million for the year ended December 31, 2012 from $658.0 million for the same period in 2011. There was an $18.3 million increase in operating expenses related to the operations of our outdoor advertising assets and a $6.6 million increase in corporate expenses.

Depreciation and amortization expense decreased $3.6 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011, primarily due to a reduction in the number of non-performing structures that were dismantled during the period as compared to the year ended December 31, 2012.

The Company recorded a gain on disposition of assets of $13.8 million for the year ended December 31, 2012, which includes a gain of $9.8 million related to two asset swap transactions during the year.

Due to the above factors, operating income increased $30.9 million to $214.5 million for the year ended December 31, 2012 compared to $183.6 million for the same period in 2011.

During the year ended December 31, 2012, the Company recognized a $41.6 million loss on debt extinguishment related to the early extinguishment of Lamar Media s 6 5/8% Senior Subordinated Notes due 2015, 6 5/8% Senior Subordinated Notes due 2015 Series B and 6 5/8% Senior Subordinated Notes due 2015 Series C (collectively, the 6 5/8% Senior Subordinated Notes) and the prepayment of $295 million of the Term B Loan under Lamar Media s senior credit facility. Approximately $23.2 million of the loss is a non-cash expense attributable to the write off of unamortized debt issuance fees and unamortized discounts associated with the retired debt. See *Uses of Cash Tender Offers and Debt Repayment* for more information.

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Interest expense decreased approximately $14.0 million from $171.1 million for the year ended December 31, 2011 to $157.1 million for the year ended December 31, 2012, due to the reduction in total debt outstanding as well as a decrease in interest rates resulting from the Company s 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 loss on extinguishment of debt discussed above resulted in a $3.7 million increase in net income before income taxes. The Company recorded income tax expense of $8.2 million for the year ended December 31, 2012. The effective tax rate for the year ended December 31, 2012 was 51.1%, which is higher than the statutory rate due to permanent differences resulting from non-deductible expenses and amortization, primarily non-deductible compensation expense related to stock based compensation calculated in accordance with ASC718.

As a result of the above factors, the Company recognized net income for the year ended December 31, 2012 of $7.9 million, as compared to net income of $6.9 million for the same period in 2011.

Reconciliations:

Because acquisitions occurring after December 31, 2010 (the acquired assets) have contributed to our net revenue results for the periods presented, we provide 2011 acquisition-adjusted net revenue, which adjusts our 2011 net revenue for the year ended December 31, 2011 by adding to it the net revenue generated by the acquired assets prior to our acquisition of these assets for the same time frame that those assets were owned in the year ended December 31, 2012. We provide this information as a supplement to net revenues to enable investors to compare periods in 2012 and 2011 on a more consistent basis without the effects of acquisitions. Management uses this comparison to assess how well we are performing within our existing assets.

Acquisition-adjusted net revenue is not determined in accordance with GAAP. For this adjustment, we measure the amount of pre-acquisition revenue generated by the assets during the period in 2011 that corresponds with the actual period we have owned the acquired assets in 2012 (to the extent within the period to which this report relates). We refer to this adjustment as acquisition net revenue.

Reconciliations of 2011 reported net revenue to 2011 acquisition-adjusted net revenue for the year ended December 31, 2011 as well as a comparison of 2011 acquisition-adjusted net revenue to 2012 reported net revenue for the year ended December 31, 2012, are provided below:

Comparison of 2012 Reported Net Revenue to 2011 Acquisition-Adjusted Net Revenue

	Year ended December 31,	
	2012	2011
	(in thousands)	
Reported net revenue	$ 1,179,736	$ 1,130,714
Acquisition net revenue		14,257
Adjusted totals	$ 1,179,736	$ 1,144,971

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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, 2013. As of December 31, 2013 we had approximately $126.2 million of total liquidity, which is comprised of approximately $33.2 million in cash and cash equivalents and approximately $93.0 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, 2013, 2012, and 2011 our cash provided by operating activities was $394.7 million, $375.9 million and $318.8 million, respectively. While our net income was approximately $40.1 million for the year ended December 31, 2013, the Company generated cash from operating activities of $394.7 million during 2013 primarily due to adjustments needed to reconcile net income to cash provided by operating activities, which includes depreciation and amortization of $300.6 million. We generated cash flows from operations during 2013 in excess of our cash needs for operations and capital expenditures as described herein. We used the excess cash generated principally to reduce our outstanding indebtedness and fund our acquisitions. See Cash Flows for more information.

Credit Facilities. On February 3, 2014, Lamar Media entered into a second restatement agreement with the Company, certain of Lamar Media s subsidiaries as guarantors, the lenders named therein and JPMorgan Chase Bank, N.A., as administrative agent, under which the parties agreed to amend and restate Lamar Media s existing senior credit facility on the terms set forth in the second amended and restated credit agreement included in the second restatement agreement. The senior credit agreement was entered into on April 28, 2010, amended and restated on February 9, 2012 and further amended and restated on February 3, 2014 and is referred to herein as the senior credit facility . Among other things, the second amendment and restatement of the credit agreement increased the revolving credit facility by $150 million and extended its maturity date to February 2, 2019. The senior credit facility currently consists of a $400 million revolving credit facility 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. 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, 2013, Lamar Media had approximately $93.0 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 $502.1 million.

Note Offerings. 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, outstanding under its senior credit facility.

On October 30, 2012, Lamar Media completed an institutional private placement of $535 million aggregate principal amount of 5% Senior Subordinated Notes due 2023. The institutional private placement resulted in net proceeds to Lamar Media, after the payment fees and expenses, of approximately $527.1 million. Lamar Media used the proceeds of this offering to (i) repurchase in full its remaining 6 5/8% Senior Subordinated Notes due 2015 Series B and remaining 6 5/8% Senior Subordinated Notes due 2015 Series C, (ii) to fund the acquisition of NextMedia Outdoor, Inc., which closed on October 31, 2012 and (iii) to repay $295 million of the Term B loan outstanding under our senior credit facility.

On February 9, 2012, Lamar Media completed an institutional private placement of $500 million aggregate principal amount of 5 7/8% Senior Subordinated Notes, due 2022. The institutional private placement resulted in net proceeds to Lamar Media, after payment of fees and expenses, of approximately $489 million. The Company used the proceeds of this offering together with approximately $99 million of term loan borrowings under its senior credit facility to repurchase $583.1 million of its outstanding 6 5/8% Senior Subordinated Notes, as described below under the heading *Uses of Cash Tender Offers and Debt Repayment*.

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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.

Restrictions Under Debt Securities. Lamar must comply with certain covenants and restrictions related to its outstanding debt securities. Currently Lamar Media has outstanding $400 million 7 7/8% Senior Subordinated Notes issued in April 2010 (the 7 7/8% Senior Subordinated Notes), $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) and $510 million 5 3/8% Senior Notes issued in January 2014 (the 5 3/8% 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, 2013, 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) $100,000,000 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 $10,000,000 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 to15% 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.

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 will not be required to make a mandatory prepayment in respect of consolidated excess cash flow for the fiscal year ended December 31, 2013 pursuant to the terms of the senior credit agreement.

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 2014. All debt obligations are reflected on the Company s balance sheet.

Uses of Cash

Capital Expenditures. Capital expenditures excluding acquisitions were approximately $105.7 million for the year ended December 31, 2013. We anticipate our 2014 total capital expenditures will be approximately $100 million.

Acquisitions. During the year ended December 31, 2013, the Company financed its acquisition activity of approximately $92.2 million with cash on hand.

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 our senior credit facility.

On January 26, 2012, Lamar Media commenced a tender offer to purchase for cash, up to $700 million in aggregate principal amount of its outstanding 6 5/8% Senior Subordinated Notes. On February 9, 2012, Lamar Media accepted tenders for approximately $483.7 million in aggregate principal amount of the 6 5/8% Senior Subordinated Notes, out of approximately $582.9 million tendered, in connection with the early settlement date of the tender offer. On February 27, 2012, Lamar Media accepted tenders for approximately $99.2 million previously tendered and not accepted for payment and an additional $220 thousand tendered following the early settlement date. The holders of the notes tendered on or before midnight on February 8, 2012 received a total consideration of $1,025.83 per $1,000 principal amount of the notes tendered; holders of notes tendered after such date received a total consideration of $1,005.83 per $1,000 principal amount of the notes tendered. The total cash payment to purchase the tendered 6 5/8% Senior Subordinated Notes on February 9, 2012, including accrued interest up to but excluding February 9, 2012 was approximately $511.6 million and the total cash payment to purchase the tendered notes on February 27, 2012, including accrued interest up to but excluding February 27, 2012 was approximately $102.3 million, resulting in an aggregate payment in respect of the 6 5/8% Senior Subordinated Notes tender offer of approximately $613.9 million.

On August 29, 2012, Lamar Media redeemed in full all $122.76 million of its 6 5/8% Senior Subordinated Notes at a redemption price equal to 101.104% of the principal amount outstanding, plus accrued and unpaid interest to, but not including, the redemption date. Lamar Media used cash on hand and borrowings under its senior credit facility to fund the redemption.

On November 8, 2012, Lamar Media redeemed $36.1 million of its 6 5/8% Senior Subordinated Notes due 2015 Series B and $30 million of its 6 5/8% Senior Subordinated Notes due 2015 Series C at a redemption price equal to 101.104% of the principal amount of outstanding notes plus accrued and unpaid interest up to but not including the redemption date.

On November 29, 2012, Lamar Media redeemed in full the remaining $71.1 million in aggregate principal amount outstanding of its 6 5/8% Senior Subordinated Notes due 2018 Series C at a redemption price equal to 101.104% of the principal amount of outstanding notes plus accrued and unpaid interest up to but not including the redemption date.

On December 14, 2012, Lamar Media repaid $295 million of its Term B loan outstanding under its senior credit facility. Lamar Media recorded a $3.9 million loss related to this prepayment due to the write off of previously capitalized and unamortized debt issuance costs. As of December 31, 2012, $22.2 million remains outstanding under the Term B loans.

During September and October of 2011, the Company repurchased an aggregate principal amount of $47.9 million of its outstanding 6 5/8% Senior Subordinated Notes at an average price of 98.5% of the original amount of the notes through open-market transactions.

Debt Service and Contractual Obligations. As of December 31, 2013, we had outstanding debt of approximately $1.94 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	$ 1,938.8	$ 55.9	$ 362.9	$ 485.0	$ 1,035.0
Interest obligations on long term debt [1]	686.0	107.7	197.8	163.3	217.2
Billboard site and other operating leases	1,161.9	155.4	235.2	175.9	595.4
Total payments due	$ 3,786.7	$ 319.0	$ 795.9	$ 824.2	$ 1,847.6

[1] Interest rates on our variable rate instruments are assuming rates at the December 2013 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]	$ 250.0	$	$ 250.0	$	$
Standby Letters of Credit [3]	$ 7.0	$ 5.6	$ 1.4	$	$

(2) Lamar Media had $150.0 million outstanding under the revolving facility at December 31, 2013.

(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.

REIT Election

As previously announced, the Company is actively considering an election to convert to real estate investment trust (REIT) status. In conjunction with this review, the Company submitted a private letter ruling request to the U.S. Internal Revenue Service (the IRS) in November of 2012 addressing certain matters relevant to its contemplated qualification as a REIT. After a delay caused by internal IRS procedures and considerations, in November 2013 the Company was advised by the IRS that it will resume issuing private letter rulings regarding the REIT provisions of the Internal Revenue Code of 1986, as amended, and that the IRS is actively working on the Company s private letter ruling request. Based on current information, the Company believes that it will be in a position to convert to a REIT effective January 1, 2014.

The Company s decision to proceed with a REIT election is subject to the approval of its board of directors. A favorable IRS ruling, if received, does not guarantee that the Company would succeed in qualifying as a REIT and there is no certainty as to the timing of a REIT election. The Company may not ultimately pursue a conversion to a REIT, and it can provide no assurance that a REIT conversion, if completed, will be successfully implemented or achieve the intended benefits.

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Cash Flows

The Company s cash flows provided by operating activities increased by $18.8 million for the year ended December 31, 2013 primarily resulting from an increase in operating income of $8.9 million as described in Results of Operations and by a decrease in changes to operating net assets of $20.9 million, offset by a increase in non-cash compensation of $10.5 million over the comparable period in 2012.

Cash flows used in investing activities decreased $111.5 million from $303.4 million in 2012 to $191.9 million in 2013 primarily due to a decrease in acquisition activity of $113.8 million as compared to the same period in 2012.

Cash flows used in financing activities increased to $227.2 million for the year ended December 31, 2013, primarily due to the redemption of Lamar Media s 9 3/4% Senior Notes as discussed above. 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 $419.4 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, 2013, 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 $388.7 million and customer relationships of $29.1 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, 2012 and 2011 are as follows:

	Carrying Value of Goodwill (in thousands)	
	December 31, 2013	**December 31, 2012**
Billboard operations	1,502,592	1,484,189
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, 2013 was $4.9 billion compared to stockholders equity of $932.9 million as of that date, resulting in an excess of approximately $4.0 billion, which is substantially in excess of our book value. 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, 2013. The following table presents the market capitalization and aggregate book value of the reporting units as of December 31, 2013:

	Equity Book Value	**Market Capitalization**[(1)]
	(in thousands)	
Aggregate Values as of December 31, 2013	$ 932,946	$ 4,905,601

(1) Market capitalization was calculated using a 10-day average of the closing prices of the Class A common stock beginning 5 trading days prior to the measurement date.

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, 2013 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 five year projected Compound Annual Growth Rate (CAGR) used in our discounted cash flow analysis for billboard revenue and billboard EBITDA was 4.4% and 5.8%, respectively, and our logo operations revenue and EBITDA CAGR was 2.2% and 2.5%, 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, 2013, using the discounted cash flow analysis described above for both reporting units were substantially in excess of their book values. Assumptions used in our impairment test, such as forecasted growth rates and our cost of capital, are based on the best available market information and are consistent with our internal forecast and operating plans. The following table presents the aggregate fair value of our reporting units and aggregate book value of the reporting units as of December 31, 2013:

	Equity Book Value	Fair Value [1]
	(in thousands)	
Aggregate Values as of December 31, 2013	$ 932,946	$ 4,223,102

(1) Fair Value is calculated using the discounted cash flow analysis described above.

Based upon the Company s annual review as of December 31, 2013, 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.

Deferred Taxes. As of December 31, 2013, the Company had deferred tax assets of $252.3 million, a component of which is the Company s operating loss carry forward, net of existing valuation allowances. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those jurisdictions during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carry back and carry forward periods), projected future taxable income, and tax-planning strategies in making this assessment. In order to fully realize the deferred tax assets, the Company will need to generate future taxable income before the expiration of the carry forwards governed by the tax code. Based on the current level of pretax earnings for financial reporting purposes and projected decreases in future depreciation and amortization, we will generate the minimum amount of future taxable income to support the realization of the deferred tax assets. Additionally, the Company has a significant amount of deferred tax liabilities that will reverse during the same period and jurisdiction and is of the same character as the temporary differences giving rise to the deferred tax assets. As a result, management believes that it is more likely than not that we will realize the benefits of these deferred tax assets, net of the existing valuation allowances at December 31, 2013. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced. Should the Company determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made. For a more detailed description, see Note 11 of the Notes to the Consolidated Financial Statements.

Asset Retirement Obligations. The Company had an asset retirement obligation of $200.8 million as of December 31, 2013. 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 2013, we recorded $17.3 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 $6.0 million, $5.4 million and $7.6 million or approximately 0.5%, 0.5% and 0.7% of net revenue for the years ended December 31, 2013, 2012, and 2011, 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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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, 2013, 2012 and 2011. 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, 2013, 2012 and 2011:

	Year Ended December 31,		
	2013	**2012**	**2011**
Net revenues	100.0%	100.0%	100.0%
Operating expenses:			
Direct advertising expenses	35.1	35.5	36.2
General and administrative expenses	18.6	17.9	17.9
Corporate expenses	4.6	4.5	4.1
Depreciation and amortization	24.1	25.1	26.5
Operating income	18.0	18.2	16.2
Loss on extinguishment of debt	1.2	3.5	
Interest expense	11.7	13.3	15.1
Net income	3.2	0.7	0.6

Year ended December 31, 2013 compared to Year ended December 31, 2012

Net revenues increased $66.1 million or 5.6% to $1.25 billion for the year ended December 31, 2013 from $1.18 billion for the same period in 2012. This increase was attributable primarily to an increase in billboard net revenues of $52.1 million or 5.0% over the prior period, an increase in logo sign revenue of $6.0 million, which represents an increase of 9.5% over the prior period, and an $8.0 million increase in transit revenue, which represents an increase of 11.8% over the prior period.

For the year ended December 31, 2013, there was a $26.9 million increase in net revenues as compared to acquisition-adjusted net revenue for the year ended December 31, 2012. The $26.9 million increase in revenue primarily consists of a $19.4 million increase in billboard revenue, a $3.6 million increase in logo revenue and a $4.0 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2012. This increase in revenue represents an increase of 2.2% over the comparable period in 2012. See Reconciliations below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $42.7 million or 6.2% to $725.3 million for the year ended December 31, 2013, which includes a $10.5 million increase in non-cash compensation. Excluding non-cash compensation, operating expenses related to the operations of our outdoor advertising assets increased $28.3 million and corporate expenses increased $3.9 million, of which $2.1 million is related to the Company s evaluation of an election to real estate investment trust status.

Depreciation and amortization expense increased $4.5 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012, primarily due to Lamar Media s capital expenditures.

During the year ended December 31, 2013, gain on disposition of assets decreased $10.0 million over the comparable period ended December 31, 2012, primarily due to a gain of $9.8 million related to two asset swap transactions, which occurred in 2012.

Due to the above factors, operating income increased $8.9 million to $223.8 million for the year ended December 31, 2013 compared to $214.9 million for the same period in 2012.

During the year ended December 31, 2013, the Company recognized a $14.3 million loss on debt extinguishment related to the early extinguishment of our 9 3/4% Senior Notes due 2014. Approximately $4.0 million of the loss is a non-cash expense attributable to the write off of unamortized debt issuance fees and unamortized discounts associated with the retired debt. See *Uses of Cash Tender Offers and Debt Repayment* for more information.

Interest expense decreased approximately $10.8 million from $157.1 million for the year ended December 31, 2012 to $146.3 million for the year ended December 31, 2013, due to the reduction in total debt outstanding as well as a decrease in interest rates resulting from our refinancing transactions in 2012. See *Uses of Cash Tender Offers and Debt Repayment* for more information.

The increase in operating income, decrease in interest expense and decrease in loss on extinguishment of debt over the comparable period in 2012 resulted in a $46.8 million increase in net income before income taxes. Lamar Media recorded income tax expense of $23.0 million for the year ended December 31, 2013. The effective tax rate for the year ended December 31, 2013 was 36.3%, which is lower than the statutory rates primarily due to an increase in the corporate income tax rate in Puerto Rico from 30% to 39%, which resulted in a change to the carrying value of net operating loss carryforwards during the period.

As a result of the above factors, Lamar Media recognized net income for the year ended December 31, 2013 of $40.3 million, as compared to net income of $8.1 million for the same period in 2012.

Reconciliations:

Because acquisitions occurring after December 31, 2011 (the acquired assets) have contributed to our net revenue results for the periods presented, we provide 2012 acquisition-adjusted net revenue, which adjusts our 2012 net revenue for the year ended December 31, 2012 by adding to it the net revenue generated by the acquired assets prior to our acquisition of these assets for the same time frame that those assets were owned in the year ended December 31, 2013. We provide this information as a supplement to net revenues to enable investors to compare periods in 2013 and 2012 on a more consistent basis without the effects of acquisitions. Management uses this comparison to assess how well we are performing within our existing assets.

Acquisition-adjusted net revenue is not determined in accordance with GAAP. For this adjustment, we measure the amount of pre-acquisition revenue generated by the assets during the period in 2012 that corresponds with the actual period we have owned the acquired assets in 2013 (to the extent within the period to which this report relates). We refer to this adjustment as acquisition net revenue.

Reconciliations of 2012 reported net revenue to 2012 acquisition-adjusted net revenue for the year ended December 31, 2012 as well as a comparison of 2012 acquisition-adjusted net revenue to 2013 reported net revenue for the year ended December 31, 2013, are provided below:

Comparison of 2013 Reported Net Revenue to 2012 Acquisition-Adjusted Net Revenue

	Year ended December 31,	
	2013	2012
	(in thousands)	
Reported net revenue	$ 1,245,842	$ 1,179,736
Acquisition net revenue		39,174
Adjusted totals	$ 1,245,842	$ 1,218,910

Year ended December 31, 2012 compared to Year ended December 31, 2011

Net revenues increased $49.0 million or 4.3% to $1.18 billion for the year ended December 31, 2012 from $1.13 billion for the same period in 2011. This increase was attributable primarily to an increase in billboard net revenues of $38.7 million or 3.8% over the prior period, an increase in logo sign revenue of $3.7 million, which represents an increase of 6.5% over the prior period, and a $6.6 million increase in transit revenue, which represents an increase of

10.9% over the prior period.

For the year ended December 31, 2012, there was a $34.8 million increase in net revenues as compared to acquisition-adjusted net revenue for the year ended December 31, 2011. The $34.8 million increase in revenue primarily consists of a $27.6 million increase in billboard revenue, a $2.2 million increase in logo revenue and a $5.0 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2011. This increase in revenue represents an increase of 3.0% over the comparable period in 2011. See Reconciliations below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $24.9 million or 3.8% to $682.6 million for the year ended December 31, 2012 from $657.7 million for the same period in 2011. There was an $18.3 million increase in operating expenses related to the operations of our outdoor advertising assets and a $6.6 million increase in corporate expenses.

Depreciation and amortization expense decreased $3.6 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011, primarily due to a reduction in the number of non-performing structures that were dismantled during the period as compared to the year ended December 31, 2012.

The Company recorded a gain on disposition of assets of $13.8 million for the year ended December 31, 2012, which includes a gain of $9.8 million related to two asset swap transactions during the year.

Due to the above factors, operating income increased $30.9 million to $214.9 million for the year ended December 31, 2012 compared to $184.0 million for the same period in 2011.

During the year ended December 31, 2012, Lamar Media recognized a $41.6 million loss on debt extinguishment related to the early extinguishment of the 6 5/8% Senior Subordinated Notes and the prepayment of $295 million of our Term B Loan. Approximately $23.2 million of the loss is a non-cash expense attributable to the write off of unamortized debt issuance fees and unamortized discounts associated with the retired notes. See *Uses of Cash Tender Offers and Debt Repayment* for more information.

Interest expense decreased approximately $14.0 million from $171.1 million for the year ended December 31, 2011 to $157.1 million for the year ended December 31, 2012, due to the reduction in total debt outstanding as well as a decrease in interest rates resulting from Lamar Media s recent 2012 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 loss on extinguishment of debt discussed above resulted in a $3.7 million increase in net income before income taxes. Lamar Media recorded income tax expense of $8.4 million for the year ended December 31, 2012. The effective tax rate for the year ended December 31, 2012 was 50.7%, which is higher than the statutory rate due to permanent differences resulting from non-deductible expenses and amortization, primarily non-deductible compensation expense related to stock based compensation calculated in accordance with ASC718.

As a result of the above factors, Lamar Media recognized net income for the year ended December 31, 2012 of $8.1 million, as compared to net income of $6.9 million for the same period in 2011.

Reconciliations:

Because acquisitions occurring after December 31, 2010 (the acquired assets) have contributed to our net revenue results for the periods presented, we provide 2011 acquisition-adjusted net revenue, which adjusts our 2011 net revenue for the three and year ended December 31, 2012 by adding to it the net revenue generated by the acquired assets prior to our acquisition of these assets for the same time frame that those assets were owned in the year ended December 31, 2012. We provide this information as a supplement to net revenues to enable investors to compare periods in 2012 and 2011 on a more consistent basis without the effects of acquisitions. Management uses this comparison to assess how well we are performing within our existing assets.

Acquisition-adjusted net revenue is not determined in accordance with GAAP. For this adjustment, we measure the amount of pre-acquisition revenue generated by the assets during the period in 2011 that corresponds with the actual period we have owned the acquired assets in 2012 (to the extent within the period to which this report relates). We refer to this adjustment as acquisition net revenue.

Reconciliations of 2011 reported net revenue to 2011 acquisition-adjusted net revenue for the year ended December 31, 2011 as well as a comparison of 2011 acquisition-adjusted net revenue to 2012 reported net revenue for the year ended December 31, 2012, are provided below:

Comparison of 2012 Reported Net Revenue to 2011 Acquisition-Adjusted Net Revenue

	Year ended December 31, 2012	2011
	(in thousands)	
Reported net revenue	$ 1,179,736	$ 1,130,714
Acquisition net revenue		14,257
Adjusted totals	$ 1,179,736	$ 1,144,971

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ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***
Lamar Advertising Company and Lamar Media Corp.

Lamar Advertising Company is exposed to interest rate risk in connection with variable rate debt instruments issued by its wholly owned subsidiary Lamar Media Corp. The information below summarizes the Company s interest rate risk associated with its principal variable rate debt instruments outstanding at December 31, 2013, and should be read in conjunction with Note 8 of the Notes to the Company s Consolidated Financial Statements.

Loans under Lamar Media Corp. s senior credit facility bear interest at variable rates equal to the JPMorgan Chase Prime Rate or LIBOR plus the applicable margin. Because the JPMorgan Chase Prime Rate or LIBOR may increase or decrease at any time, the Company is exposed to market risk as a result of the impact that changes in these base rates may have on the interest rate applicable to borrowings under the senior credit facility. Increases in the interest rates applicable to borrowings under the senior credit facility would result in increased interest expense and a reduction in the Company s net income.

At December 31, 2013 there was approximately $502.1 million of aggregate indebtedness outstanding under the senior credit facility, or approximately 26.7% of the Company s outstanding long-term debt on that date, bearing interest at variable rates. The aggregate interest expense for 2013 with respect to borrowings under the senior credit facility was $12.2 million, and the weighted average interest rate applicable to borrowings under this credit facility during 2013 was 2.9%. Assuming that the weighted average interest rate was 200 basis points higher (that is 4.9% rather than 2.9%), then the Company s 2013 interest expense would have been approximately $7.7 million higher resulting in a $4.7 million decrease in the Company s 2013 net income.

The Company attempted to mitigate the interest rate risk resulting from its variable interest rate long-term debt instruments by issuing fixed rate long-term debt instruments and maintaining a balance over time between the amount of the Company s variable rate and fixed rate indebtedness. In addition, the Company has the capability under the senior credit facility to fix the interest rates applicable to its borrowings at an amount equal to LIBOR plus the applicable margin for periods of up to twelve months (in certain cases with the consent of the lenders), which would allow the Company to mitigate the impact of short-term fluctuations in market interest rates. In the event of an increase in interest rates, the Company may take further actions to mitigate its exposure. The Company cannot guarantee, however, that the actions that it may take to mitigate this risk will be feasible or that, if these actions are taken, that they will be effective.

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ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

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Management s Report on Internal Control Over Financial Reporting

The management of Lamar Advertising Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act.

Lamar Advertising s management assessed the effectiveness of Lamar Advertising s internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework (1992)*. Based on this assessment, Lamar Advertising s management has concluded that, as of December 31, 2013, Lamar Advertising s internal control over financial reporting is effective based on those criteria. The effectiveness of Lamar Advertising s internal control over financial reporting as of December 31, 2013 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included in Item 8 to this Annual Report.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Lamar Advertising Company:

We have audited Lamar Advertising Company s internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Lamar Advertising Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management s Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Lamar Advertising Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Lamar Advertising Company and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income, stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2013, and the financial statement schedule, and our report dated February 27, 2014 expressed an unqualified opinion on those consolidated financial statements and schedule.

/s/ KPMG LLP
KPMG LLP

Baton Rouge, Louisiana

February 27, 2014

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Lamar Advertising Company:

We have audited the accompanying consolidated balance sheets of Lamar Advertising Company and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income, stockholders equity and cash flows for each of the years in the three-year period ended December 31, 2013. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule. These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lamar Advertising Company and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lamar Advertising Company s internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 27, 2014, expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP
KPMG LLP

Baton Rouge, Louisiana

February 27, 2014

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LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2013 and 2012

(In thousands, except share and per share data)

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 33,212	$ 58,911
Receivables, net of allowance for doubtful accounts of $7,615 in both 2013 and 2012	161,741	159,829
Prepaid expenses	42,048	41,132
Deferred income tax assets (note 11)	10,378	10,817
Other current assets	34,679	30,546
Total current assets	282,058	301,235
Property, plant and equipment (note 4)	3,036,456	2,940,449
Less accumulated depreciation and amortization	(1,914,527)	(1,760,090)
Net property, plant and equipment	1,121,929	1,180,359
Goodwill (note 5)	1,503,553	1,485,150
Intangible assets, net (note 5)	419,385	468,312
Deferred financing costs, net of accumulated amortization of $25,180 and $25,867 at 2013 and 2012, respectively	30,290	37,787
Other assets	44,403	41,187
Total assets	$ 3,401,618	$ 3,514,030
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Trade accounts payable	$ 13,341	$ 13,539
Current maturities of long-term debt (note 8)	55,935	33,134
Accrued expenses (note 7)	98,924	99,461
Deferred income	77,153	72,974
Total current liabilities	245,353	219,108
Long-term debt (note 8)	1,882,867	2,127,720
Deferred income tax liabilities (note 11)	119,150	99,530
Asset retirement obligation (note 9)	200,831	189,659

Other liabilities	20,471	16,388
Total liabilities	2,468,672	2,652,405
Stockholders equity (note 13):		
Series AA preferred stock, par value $.001, $63.80 cumulative dividends, authorized 5,720 shares; 5,720 shares issued and outstanding at 2013 and 2012		
Class A preferred stock, par value $638, $63.80 cumulative dividends, 10,000 shares authorized, 0 shares issued and outstanding at 2013 and 2012		
Class A common stock, par value $.001, 175,000,000 shares authorized, 97,426,144 and 96,082,868 shares issued and 80,209,509 and 78,963,663 outstanding at 2013 and 2012, respectively	97	96
Class B common stock, par value $.001, 37,500,000 shares authorized, 14,610,365 and 14,910,365 shares issued and outstanding at 2013 and 2012, respectively	15	15
Additional paid-in-capital	2,470,375	2,432,518
Accumulated comprehensive income	3,867	5,978
Accumulated deficit	(647,577)	(687,351)
Cost of shares held in treasury, 17,216,635 and 17,119,205 shares in 2013 and 2012, respectively	(893,831)	(889,631)
Stockholders equity	932,946	861,625
Total liabilities and stockholders equity	$ 3,401,618	$ 3,514,030

See accompanying notes to consolidated financial statements.

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LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

Years Ended December 31, 2013, 2012 and 2011

(In thousands, except share and per share data)

	2013	2012	2011
Statements of Operations			
Net revenues	$ 1,245,842	$ 1,179,736	$ 1,130,714
Operating expenses (income):			
Direct advertising expenses (exclusive of depreciation and amortization)	436,844	418,538	409,052
General and administrative expenses (exclusive of depreciation and amortization)	231,574	211,320	202,437
Corporate expenses (exclusive of depreciation and amortization)	57,212	53,086	46,533
Depreciation and amortization (note 10)	300,579	296,083	299,639
Gain on disposition of assets	(3,804)	(13,817)	(10,548)
	1,022,405	965,210	947,113
Operating income	223,437	214,526	183,601
Other expense (income):			
Loss on extinguishment of debt	14,345	41,632	677
Interest income	(165)	(331)	(569)
Interest expense	146,277	157,093	171,093
	160,457	198,394	171,201
Income before income tax expense	62,980	16,132	12,400
Income tax expense (note 11)	22,841	8,242	5,542
Net income	40,139	7,890	6,858
Preferred stock dividends	365	365	365
Net income applicable to common stock	$ 39,774	$ 7,525	$ 6,493
Earnings per share:			
Basic earnings per share	$ 0.42	$ 0.08	$ 0.07
Diluted earnings per share	$ 0.42	$ 0.08	$ 0.07

Cash dividends declared per share of common stock	$	$	$
Weighted average common shares outstanding	94,387,230	93,379,246	92,851,067
Incremental common shares from dilutive stock options	358,285	287,395	322,718
Weighted average common shares assuming dilution	94,745,515	93,666,641	93,173,785
Statements of Comprehensive Income			
Net income	$ 40,139	$ 7,890	$ 6,858
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(2,111)	652	(784)
Comprehensive income	$ 38,028	$ 8,542	$ 6,074

See accompanying notes to consolidated financial statements.

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LAMAR ADVERTISING COMPANY

AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity

Years Ended December 31, 2013, 2012 and 2011

(In thousands, except share and per share data)

	Series AA PREF Stock	Class A PREF Stock	Class A CMN Stock	Class B CMN Stock	Treasury Stock	Add l Paid in Capital	Accumulated Comprehensive Income	Accumulated Deficit	Total
Balance, December 31, 2010	$		94	15	(885,037)	2,389,125	6,110	(701,369)	808,938
Non-cash compensation						11,650			11,650
Exercise of 113,359 shares of stock options			1			1,997			1,998
Issuance of shares of common stock through employee purchase plan						3,459			3,459
Tax shortfall related to options exercised						(552)			(552)
Purchase of 83,802 shares of treasury stock					(3,481)				(3,481)
Foreign currency translation							(784)		(784)
Net income								6,858	6,858
Dividends ($63.80 per preferred share)								(365)	(365)
Balance, December 31, 2011	$		95	15	(888,518)	2,405,679	5,326	(694,876)	827,721
Non-cash compensation						14,466			14,466
Exercise of 586,563 shares of stock options			1			10,355			10,356
Issuance of shares of common stock through employee purchase plan						3,499			3,499

Tax shortfall related to options exercised					(1,481)			(1,481)
Purchase of 36,553 shares of treasury stock				(1,113)				(1,113)
Foreign currency translation						652		652
Net income							7,890	7,890
Dividends ($63.80 per preferred share)							(365)	(365)
Balance, December 31, 2012	$	96	15	(889,631)	2,432,518	5,978	(687,351)	861,625
Non-cash compensation					18,179			18,179
Exercise of 682,263 shares of stock options		1			16,992			16,993
Issuance of shares of common stock through employee purchase plan					3,900			3,900
Tax shortfall related to options exercised					(1,214)			(1,214)
Purchase of 97,430 shares of treasury stock				(4,200)				(4,200)
Foreign currency translation						(2,111)		(2,111)
Net income							40,139	40,139
Dividends ($63.80 per preferred share)								