Risk Factors Comparison 2024-02-23 to 2023-02-24 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Risks Related to Our Capital Structure 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, ~~2022~~ **2023** , Lamar Advertising Company' s wholly owned subsidiary, Lamar Media, had approximately $ 3. ~~31~~ **34** billion of total debt outstanding, net of deferred financing costs, consisting of approximately $ ~~985~~ **1** . ~~8~~ **01** ~~million~~ **billion** in bank debt outstanding under Lamar Media' s senior credit facility, $ 2. 08 billion in various series of senior notes, $ 249. ~~4~~ **6** million under the Accounts Receivable Securitization Program and $ ~~2~~ **1** . ~~0~~ **6** million in other seller 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 and Accounts Receivable Securitization Program allow Lamar Media to incur substantially more debt, including approximately $ ~~694~~ **671** . ~~0~~ **2** million available for borrowing under the revolving credit facility as of December 31, ~~2022~~ **2023** . 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 and in its Accounts Receivable Securitization Program, which could result in a default and an acceleration of all amounts outstanding under the facility or under the Accounts Receivable Securitization Program; • limit the cash flow available to fund the Company' s working capital, capital expenditures, acquisitions or other general corporate requirements; • limit the Company' s ability to obtain additional financing to fund future dividend distributions, working capital, capital expenditures or other general corporate requirements; • place the Company at a competitive disadvantage relative to those of its competitors that have less debt; • force the Company to seek and obtain alternate or additional sources of funding, which may be unavailable, or may be on less favorable terms, or may require the Company to obtain the consent of lenders under its senior credit facility or the holders of its other debt; • limit the Company' s flexibility in planning for, or reacting to, changes in its business and industry; and • increase the Company' s vulnerability to general adverse economic and industry conditions. Lamar Media has variable rate debt outstanding under the senior credit facility and its Accounts Receivable Securitization Program. Increases in the interest rates applicable to these borrowings have recently resulted in increased interest expense, which has impacted the Company' s net income. Interest rates may continue to increase as a result of macroeconomic factors outside of our control. The Company may take actions in the future to mitigate its interest rate exposure, however, it cannot guarantee that the actions that it takes to mitigate these risks will be effective. Additionally, to the extent we refinance existing debt obligations or seek to enter into new debt financing arrangements in the current interest rate environment, we expect that such arrangements would be subject to higher interest rates than our existing debt obligations, which would further increase our interest expense. Any of these problems could adversely affect the Company' s business, financial condition and financial results. The Company may be unable to generate sufficient cash flow to satisfy its significant debt service obligations. The Company' s ability to generate cash flow from operations to make principal and interest payments on its debt will depend on its future performance, which will be affected by a range of economic, competitive and business factors. The Company cannot control many of these factors, including general economic conditions, its customers' allocation of advertising expenditures among available media and the amount spent on advertising in general, and its business would be negatively impacted if the general economy were to deteriorate in the future. If its operations do not generate sufficient cash flow from operations to satisfy its debt service obligations, the Company may need to borrow additional funds to make these payments or undertake alternative financing plans, such as refinancing or restructuring its debt, or reducing or delaying capital investments and acquisitions. The Company cannot guarantee that such additional funds or alternative financing will be available on favorable terms, if at all. The Company' s inability to generate sufficient cash flow from operations or obtain additional funds or alternative financing on acceptable terms could have a material adverse effect on our business, financial condition and results of operations. 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, ~~2022~~ **2023** , the terms of Lamar Media' s senior credit facility and of its Accounts Receivable Securitization Program also restrict the Company from exceeding a specified secured debt ratio. Lamar Media is also subject to certain other financial covenants relating to the incurrence of additional debt. Please see " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources " for a description of the specific financial ratio requirements under the senior credit facility. The Company' s ability to comply with the financial covenants in the senior credit facility, Accounts Receivable Securitization Program and the indentures governing Lamar Media' s outstanding notes (and to comply with similar covenants in any future agreements) depends on its operating performance, which in turn depends significantly on prevailing economic, financial and business conditions and other factors that are beyond the Company' s control. Therefore, despite its best efforts and execution of its strategic plan, the Company may be unable to comply with these financial covenants in the future. The Company is currently in compliance with all financial covenants. However, if in the future there are economic declines the Company can make no assurance that these declines will not negatively impact the Company' s financial results and, in turn, its ability to meet these financial covenant requirements. If Lamar Media fails to comply with its financial covenants, Lamar Media could be in default under the senior credit facility and the Accounts Receivable Securitization Program (which could result in an event of default under the indentures governing its outstanding notes). In the event of such a default under the senior credit facility, the lenders under the senior credit facility could accelerate all of the debt outstanding, could elect to institute foreclosure proceedings against Lamar Media' s assets, and ~~it~~ **the Company** could be forced into bankruptcy or liquidation. Any of these events could adversely affect Lamar Media' s business, financial condition and financial results. In the event of such a default under the Accounts Receivable Securitization Program, the lenders under the Accounts Receivable Securitization Program could accelerate all of the debt outstanding, could elect to institute foreclosure proceedings against the assets of the Special Purpose Subsidiaries (as defined herein), and the Special Purpose Subsidiaries could be forced into bankruptcy or liquidation. 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 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, ~~2022~~ **2023**, members of the Reilly family, including Kevin P. Reilly, Jr., the Company' s Executive Chairman, and Sean Reilly, the Company' s President and Chief Executive Officer, and their affiliates ~~,~~ owned in the aggregate approximately 15 % 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 62 % of the voting power of Lamar Advertising' s outstanding capital stock, which would give the Reilly family and their affiliates the power to: • elect the Company' s entire Board of Directors; • control the Company' s management and policies; and • determine the outcome of any corporate transaction or other matter requiring stockholder approval, including charter amendments, mergers, consolidations, financings and asset sales. The Reilly family may have interests that are different than yours in making these decisions. Our UPREIT structure may result in potential conflicts of interest. We are structured as an " UPREIT, " which stands for " umbrella partnership real estate investment trust. " While limited partners of Lamar Advertising Limited Partnership (the " Operating Partnership ") do not generally have any right to participate in or exercise management power over the business and affairs of the Operating Partnership, they do have the right to vote on certain amendments to the partnership agreement of the Operating Partnership, as well as on certain other matters. Persons holding such voting rights may exercise them in a manner that conflicts with the interests of our stockholders. The partnership agreement of the Operating Partnership provides that, for so long as we own a controlling interest in the Operating Partnership, any conflict that cannot be resolved in a manner not adverse to either our stockholders or the limited partners shall be resolved by the general partner in favor of our stockholders. Circumstances may arise in the future when the interests of limited partners in the Operating Partnership may conflict with the interests of our stockholders. Risks Related to Our Business 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, ~~2022~~ **2023**, we completed acquisitions for a total cash purchase price of approximately $ ~~479~~ **139** . ~~8~~ **0** million. 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 and private equity funds (particularly funds that are focused on investing in media and / or ~~infastruc~~ **infrastructure** , some of which may have greater financial resources than we do, which may result in higher prices for those businesses and assets; • we may not have access to the capital needed to finance potential acquisitions and may be unable to obtain any required consents from our current lenders to obtain alternate financing; • compliance with REIT requirements may hinder our ability to make certain investments and may limit our acquisition opportunities; • 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, ~~2022~~ **2023** . Based on the Company' s review at December 31, ~~2022~~ **2023** , 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 is below the 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' s logo sign contracts are subject to state award and renewal. In ~~2022~~ **2023** , the Company generated approximately 4 % of its revenues from state- awarded logo sign contracts. In bidding for these contracts, the Company competes against other national logo sign providers as well as numerous smaller local logo sign providers. As a logo sign provider, the Company 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 Company as a logo sign provider for early termination. At the end of the contract term, the Company, as a 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 24 logo sign contracts in place at December 31, ~~2022~~ **2023** , 4 are subject to renewal or expiration in ~~2023~~ **2024** . The Company may be unable to renew its expiring contracts. The Company may also lose the bidding on new contracts. 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 **for its outdoor or logo structure assets** . Although the Company has developed contingency plans designed to mitigate the threat posed by hurricanes and other forms of inclement weather to its real estate portfolio (e. g., removing advertising faces at the onset of a storm, when possible, which better permits the structures to withstand high winds during the storm), these plans could fail and significant losses could result. To the extent that such natural disaster events become more frequent or destructive because of climate change, we may incur increased costs related to storm remediation and preparation. Our cash distributions are not guaranteed and may fluctuate. A REIT generally is required to distribute at least 90 % of its REIT taxable income to its stockholders. The Company may have available net operating loss (" NOL ") carry forwards that could reduce or substantially eliminate its REIT taxable income, and thus it may not be required to distribute material amounts of cash to qualify for taxation as a REIT. The Company expects that ~~, for the foreseeable future,~~ it may utilize available NOL carry forwards to reduce its REIT taxable income. The Board of Directors of the Company, in its sole discretion, will determine on a quarterly basis the amount of cash to be distributed to its stockholders based on a number of factors including, but not limited to, the Company' s results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments, future acquisitions and divestitures, any stock repurchase program, and general market demand for its advertising space available for rent. Consequently, the Company' s distribution levels may fluctuate. The Lamar Advertising charter, the Lamar Advertising bylaws and Delaware law may inhibit a takeover that stockholders consider favorable and could also limit the market price of Lamar Advertising stock. Provisions of the Lamar Advertising charter, the Lamar Advertising bylaws and applicable provisions of Delaware law may make it more difficult for or prevent a third party from acquiring control of Lamar Advertising without the approval of the Board of Directors. These provisions: • impose restrictions on ownership and transfer of Lamar Advertising common stock that are intended to facilitate the Company' s compliance with certain REIT rules relating to share ownership; • limit who may call a special meeting of stockholders; • establish advance notice and informational requirements and time limitations on any director nomination or proposal that a stockholder wishes to make at a meeting of stockholders; • do not permit cumulative voting in the election of its directors, which would otherwise permit less than a majority of stockholders to elect directors; and • provide the Board of Directors the ability to issue additional classes and shares of preferred stock and to set voting rights, preferences and other terms of the preferred stock without stockholder approval. In addition, Section 203 of the ~~DGCL~~ **Delaware General Corporation Law** generally limits the Company' s ability to engage in any business combination with certain persons who own 15 % or more of its outstanding voting stock or any of its associates or affiliates who at any time in the past three years have owned 15 % or more of its outstanding voting stock. These provisions may have the effect of entrenching the Company' s management team and may deprive the Company' s stockholders of the opportunity to sell their shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a control premium could reduce the price of Lamar Advertising common stock. Risks Related to Our Industry The Company' s revenues are sensitive to the state of the economy and the financial markets generally and other external events beyond the Company' s control. The Company rents advertising space on outdoor structures to generate revenues. Advertising spending is particularly sensitive to changes in economic conditions. Additionally, the occurrence of any of the following external events could further depress the Company' s revenues: • a widespread reallocation of advertising expenditures to other available media by significant renters of the Company' s displays; and • a decline in the amount spent on advertising, in general, or outdoor advertising in particular as a result of macroeconomic factors. The Company faces competition from larger and more diversified outdoor advertisers and other forms of advertising that could hurt its performance. While the Company enjoys a significant market share in many of its small and medium- sized markets, the Company faces competition from other outdoor advertisers and other media in all of its markets. Although the Company is one of the largest companies focusing exclusively on outdoor advertising in a relatively fragmented industry, it competes against larger companies with diversified operations, such as television, radio and other broadcast media. These diversified competitors have the advantage of cross- selling complementary advertising products to advertisers. The Company also competes against an increasing variety of out- of- home advertising media, such as advertising displays in shopping centers, malls, airports, stadiums, movie theaters and supermarkets, and on taxis, trains and buses. To a lesser extent, the Company also faces competition from other forms of media, including radio, newspapers, direct mail advertising, telephone directories and the Internet. The industry competes for advertising revenue along the following dimensions: exposure (the number of " impressions " an advertisement makes), advertising rates (generally measured in cost- per- thousand impressions), ability to target specific demographic groups or geographies, effectiveness, quality of related services (such as advertising copy design and layout) and customer service. The Company may be unable to compete successfully along these dimensions in the future, and the competitive pressures that the Company faces could adversely affect its profitability or financial performance. Federal, state and local regulation impact the Company' s operations, financial condition and financial results. Outdoor advertising is subject to governmental regulation at the federal, state and local levels. Regulations generally restrict the size, spacing, lighting and other aspects of advertising structures and pose a significant barrier to entry and expansion in many markets. Federal law, principally the Highway Beautification Act of 1965, or the HBA, regulates outdoor advertising on Federal — Aid Primary, Interstate and National Highway Systems roads. The HBA requires states, through the adoption of individual Federal / State Agreements, to " effectively control " outdoor advertising along these roads, and mandates a state compliance program and state standards regarding size, spacing and lighting. These state standards, or their local and municipal equivalents, may be modified over time in response to legal challenges or otherwise, which may have an adverse effect on our business. 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 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 continued to expand the deployment of digital billboards, which 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. However, new regulations could be enacted to impose greater restrictions on digital billboards due to alleged concerns over aesthetics or driver safety. The findings of future studies related to the impact of digital billboards on driver safety issues, if any, 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. Our business and operations could suffer in the event of cybersecurity breaches and we may incur significant legal and financial exposure. The risk of a security breach or disruption, particularly through cyber- attacks or cyber intrusions, has generally increased and become more sophisticated over time. Although we have implemented physical and electronic security measures designed to protect against the loss, misuse and alteration of our websites, digital assets, proprietary business information and any personal identifiable information (“ PII ”) that we collect, no security measures are impenetrable and we and outside parties we interact with may be unable to anticipate or prevent unauthorized access. A security breach could occur due to the actions of outside parties, employee error, malfeasance or a combination of these or other actions. An increase in the number of our employees and outside parties with which we do business working remotely may increase the risk of a cybersecurity incident, which has required us to modify our security measures. If an actual or perceived breach of our security were to occur, proprietary or competitive information may be misappropriated, and we could experience disruptions in our business operations, information processes and internal controls. In addition, the public perception of the effectiveness of our security measures may be harmed and adversely affect our competitive position. In the event of a security breach, we could suffer significant legal and financial exposure in connection with remediation efforts, investigations and legal proceedings, which could lead to the need for additional resources in our security and system protection measures. We have been and expect to continue to be the target of fraudulent activities and security breaches; however, to date they have not had a material impact on our business, results of operations or financial condition. We could be negatively impacted by environmental, social and governance (ESG) and sustainability matters. Governments, shareholders, customers, employees and other stakeholders are increasingly focusing on corporate ESG practices and disclosures, and expectations in this area are rapidly evolving and growing. We may incur costs related to ESG initiatives, including those related to producing enhanced mandatory or voluntary disclosures about our business. If we are unable to respond effectively to ESG matters, our reputation, business, financial condition and results of operations could be adversely impacted. Risks Related to Our Status as a REIT If Lamar Advertising fails to remain qualified as a REIT, both Lamar Advertising and Lamar Media would be taxed as regular C corporations and would not be able to deduct distributions to the stockholders of Lamar Advertising when computing their taxable income. Lamar Advertising elected to qualify as a REIT for U. S. federal income tax purposes starting with its taxable year ended December 31, 2014 and for each subsequent taxable year thereafter. REIT qualification involves the application of highly technical and complex provisions of the U. S. Internal Revenue Code of 1986, as amended, (the “ Code ”) to Lamar Advertising’ s assets and operations as well as various factual determinations concerning matters and circumstances not entirely within our control. There are limited judicial or administrative interpretations of these provisions. Although Lamar Advertising plans to operate in a manner consistent with the REIT qualification rules, the Company cannot assure you that it will so qualify or remain so qualified. Lamar Media is treated as a qualified REIT subsidiary of Lamar Advertising that is disregarded as separate from its parent REIT for U. S. federal income tax purposes. If, in any taxable year, Lamar Advertising fails to qualify for taxation as a REIT, and is not entitled to relief under the Code: • it will not be allowed a deduction for distributions to its stockholders in computing its taxable income; • it and its corporate subsidiaries, including Lamar Media, will be subject to applicable federal and state income tax, including any applicable state- level 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 distributions 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 it qualifies as a REIT, certain of Lamar Advertising' s and its subsidiaries' business activities will be subject to U. S. and foreign taxes which will continue to reduce its cash flows, and it will have potential deferred and contingent tax liabilities. Even if it qualifies as a REIT, Lamar Advertising may be subject to certain U. S. federal, state and local taxes and foreign taxes on its income and assets, including any applicable state- level alternative minimum taxes, taxes on any undistributed income, and state, local or foreign income, franchise, property and transfer taxes. In addition, the Company could in certain circumstances be required to pay an excise or penalty tax, which could be significant in amount, in order to utilize one or more relief provisions under the Code to maintain qualification for taxation as a REIT. In order to maintain its qualification as a REIT, the Company holds certain of its non- qualifying REIT assets and receives certain non- qualifying items of income through one or more TRSs. These non- qualifying REIT assets consist principally of the Company' s advertising services business and its transit advertising business. Those TRS assets and operations will continue to be subject, as applicable, to U. S. federal and state corporate income taxes. Furthermore, the Company' s assets and operations outside the United States are subject to foreign taxes in the jurisdictions in which those assets and operations are located. In addition, the Company may incur a 100 % excise tax on transactions with a TRS if they are not conducted on an arm' s- length basis. Any of these taxes would decrease the Company' s earnings and its cash available for distributions to stockholders. The Company was subject to a U. S. federal income tax at the highest regular corporate rate (currently 21 %) on all or a portion of the gain recognized from a sale of assets occurring within five years after the effective date of our REIT conversion, to the extent of the built- in gain based on the fair market value of those assets held by the Company on the effective date of REIT conversion in excess of the Company' s then tax basis in those assets. Such five- year period has expired with respect to the Company but certain tax years for which this rule applied remain open such that additional taxes could be assessed with respect to sales in those tax years. The same rules apply to any assets we acquire from a " C " corporation in a carry- over basis transaction with built- in gain at the time of the acquisition by us. Gain from a sale of an asset occurring after the specified period ends will not be subject to this corporate level tax. Dividends payable by REITs generally do not qualify for the reduced tax rates on dividend income from non- REIT corporations. Qualified dividend income payable to U. S. stockholders that are individuals, trusts and estates are generally subject to tax at reduced rates. Dividends payable by REITs, however, generally are not eligible for the reduced qualified dividend rates. For taxable years beginning before January 1, 2026, non- corporate taxpayers may generally deduct 20 % of certain pass- through business income, including " qualified REIT dividends " (generally, dividends received by a REIT shareholder that are not designated as capital gain dividends or qualified dividend income), subject to certain limitations. Although this deduction reduces the effective tax rate applicable to certain dividends paid by REITs, such tax rate may still be higher than the tax rate applicable to regular corporate qualified dividends. This may cause investors to view REIT investments as less attractive than investments in non- REIT corporations, which in turn may adversely affect the value of the stock of REITs, including our stock. Gain on disposition of assets deemed held for sale in the ordinary course of business is subject to 100 % tax. If we sell any of our assets, the IRS may determine that the sale is a disposition of an asset held primarily for sale to customers in the ordinary course of a trade or business. Gain from this kind of sale will generally be subject to a 100 % tax. Whether an asset is held" primarily for sale to customers in the ordinary course of a trade or business" depends on the particular facts and circumstances of the sale. Although we will attempt to comply with the terms of safe- harbor provisions in the Internal Revenue Code prescribing when asset sales will not be so characterized, we cannot assure you that we will be able to do so. Failure to make sufficient distributions would jeopardize Lamar Advertising' s qualification as a REIT and / or would subject it to U. S. federal income and excise taxes. As a REIT, Lamar Advertising is required to distribute to its stockholders with respect to each taxable year at least 90 % of its REIT taxable income (excluding capital gains and net of any available NOL carry forwards) in order to qualify as a REIT, and 100 % of its REIT taxable income (excluding capital gains and net of any available NOL carry forwards) in order to avoid U. S. federal income and excise taxes. For these purposes, Lamar Advertising' s subsidiaries that are not TRSs, including Lamar Media, will be treated as part of the REIT and therefore Lamar Advertising also will be required to distribute out their taxable income. Because the REIT distribution requirements will prevent us from retaining earnings, we may be required to refinance debt at maturity with additional debt or equity, which may not be available on acceptable terms, or at all. Covenants specified in our existing and future debt instruments may limit Lamar Advertising' s ability to make required REIT distributions. Lamar Media' s senior credit facility and the indentures relating to Lamar Media' s outstanding notes contain certain covenants that could limit Lamar Advertising' s distributions to its stockholders. If these limits prevent Lamar Advertising from satisfying its REIT distribution requirements, it could fail to qualify for taxation as a REIT. If these limits do not jeopardize Lamar Advertising' s qualification for taxation as a REIT but do nevertheless prevent it from distributing 100 % of its REIT taxable income, it will be subject to U. S. 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 require it 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 U. S. 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 certain REIT requirements prior to closing. Ownership limitations contained in the Lamar Advertising charter may restrict stockholders from acquiring or transferring certain amounts of shares. In order for Lamar Advertising to remain qualified as a REIT, no more than 50 % of the value of the outstanding shares of its stock may be owned, directly or indirectly or through application of certain attribution rules, by five or fewer " individuals " (as defined in the Code) at any time during the last half of a taxable year (other than the first taxable year for which an election to be a REIT has been made). To preserve its REIT qualification, the Lamar Advertising charter generally prohibits any person or entity from owning actually and by virtue of the applicable constructive ownership provisions more than 5 % of the outstanding shares of Lamar Advertising common stock. These ownership limitations could restrict stockholders from acquiring or transferring certain amounts of shares of its stock. The Lamar Advertising charter also provides a separate share ownership limitation for certain members of the Reilly family and their affiliates that allows them to own actually and by virtue of the applicable constructive ownership provisions no more than 19 % of the outstanding shares of Lamar Advertising common stock and, during the second half of any taxable year other than its first taxable year as a REIT, no more than 33 % in value of the aggregate of the outstanding shares of all classes and series of its stock, in each case excluding any shares of its stock that are not treated as outstanding for federal income tax purposes. If Lamar Advertising' s operating partnership does not qualify as a partnership, its income may be subject to taxation, and Lamar Advertising would no longer qualify as a REIT. The Internal Revenue Code classifies " publicly traded partnerships " as associations taxable as corporations (rather than as partnerships), unless substantially all of their taxable income consists of specified types of passive income. Lamar Advertising structured the Operating Partnership to be classified as a partnership for federal income tax purposes. However, no assurance can be given the IRS will not challenge Lamar Advertising' s position or will **not** classify the Operating Partnership as a " publicly traded partnership " for federal income tax purposes. To minimize this risk, Lamar Advertising has placed certain restrictions on the transfer and / or redemption of partnership units in the Amended and Restated Limited Partnership Agreement of the Operating Partnership. If the IRS would assert successfully that the Operating Partnership should be treated as a " publicly traded partnership " and substantially all of the Operating Partnership' s gross income did not consist of the specified types of passive income, the Internal Revenue Code would treat the Operating partnership as an association taxable as a corporation. In such event, Lamar Advertising would cease to qualify as a REIT. In addition, the imposition of a corporate tax on the Operating Partnership would reduce the amount of distributions the Operating Partnership could make to Lamar Advertising and, in turn, reduce the amount of cash available to Lamar Advertising to pay dividends to our shareholders. The Tax Cuts and Jobs Act, the CARES Act and the Inflation Reduction Act, as well as any future tax legislation, may impact the Company' s business and security holders. On December 22, 2017, H. R. 1, informally titled the Tax Cuts and Jobs Act (the " TCJA ") was signed into law. The TCJA made major changes to the Code, including a number of provisions of the Code that affect the taxation of REITs and their stockholders. Among the changes made by the TCJA are permanently reducing the generally applicable corporate tax rate, generally reducing the tax rate applicable to individuals and other non- corporate taxpayers for tax years beginning after December 31, 2017 and before January 1, 2026, eliminating or modifying certain previously allowed deductions (including substantially limiting interest deductibility and, for individuals, the deduction for non-business state and local taxes). On March 27, 2020, legislation intended to support the economy during the COVID- 19 pandemic, the Coronavirus Aid, Relief, and Economic Security Act (the " CARES Act "), was signed into law. The CARES Act made technical corrections, or temporary modifications, to certain of the provisions of the TCJA, including, without limitation, the provisions of the TCJA concerning NOLs and interest expense deductions. Certain CARES Act related interest expense deduction changes are discussed in the following subsection. With respect to NOLs, effective for taxable years beginning on or after January 1, 2018, the TCJA limited the deduction for NOL carryforwards to 80 % of taxable income (before the deduction) and eliminated NOL carrybacks for individuals and non- REIT corporations (NOL carrybacks did not apply to REITs under prior law), but allows for indefinite NOL carryforwards. The CARES Act repealed such 80 % limitation for carryforwards to taxable years beginning before January 1, 2021. The CARES Act also allows a five- year carryback for NOLs arising in 2018, 2019, or 2020. The TCJA' s NOL limitations (even as modified by the CARES Act) may result in Lamar Advertising having to make additional distributions in order to comply with REIT distribution requirements or avoid taxes on retained income and gains. On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the " IRA "). The IRA includes numerous tax provisions that impact corporations, including the implementation of a 15 % corporate alternative minimum tax based on " adjusted financial statement income " exceeding $ 1 billion, as well as a 1 % excise tax on certain stock repurchases and economically similar transactions. However, REITs are excluded from the definition of an " applicable corporation " and therefore are not subject to the corporate alternative minimum tax. Additionally, the 1 % excise tax specifically does not apply to stock repurchases by REITs. Any taxable REIT subsidiaries of Lamar Advertising operate as standalone corporations and therefore could be adversely affected by the IRA. Lamar Advertising will continue to analyze and monitor the application of the IRA to its business; however, the effect of these changes on the value of Lamar Advertising' s assets, shares of Lamar Advertising stock or market conditions, generally, is uncertain. The individual and collective impact of the changes made by the TCJA, the CARES Act and the IRA on REITs and their security holders ~~are~~ **is** uncertain and may not become evident for some period of time. The effect of any technical corrections with respect to the TCJA, the CARES Act or the IRA could have an adverse effect on Lamar Advertising, its subsidiaries, and holders of its securities. It is also possible additional tax legislation could be enacted in the future, as a result of the COVID- 19 pandemic or otherwise, which could have an adverse effect on Lamar Advertising, its subsidiaries, and holders of its securities. Lamar Advertising may potentially be unable to deduct the full amount of its interest expense pursuant to the TCJA and the CARES Act. For taxable years beginning after December 31, 2017, interest deductions for businesses with average annual gross receipts of over $ 25 million are capped at 30 % of the business' " adjusted taxable income " plus business interest income pursuant to the TCJA. For these purposes, for taxable years beginning after December 31, 2017 and before January 1, 2022, " adjusted taxable income " is computed without regard to deductions allowable for depreciation, amortization, or depletion. The CARES Act increased the aforementioned 30 % limitation to 50 % for taxable years beginning in 2019 or 2020 and permitted an entity to elect to use its 2019 adjusted taxable income to calculate the applicable limitation for its 2020 taxable year. For taxable years beginning after December 31, 2021, " adjusted taxable income " is calculated by taking deductions allowable for depreciation, amortization, or depletion into account. This limitation, however, does not apply to an " electing real property trade or business. " As a REIT, Lamar Advertising would generally constitute a real property trade or businesses, and thus would retain the ability to fully deduct interest expenses if it makes such an election. However, an entity making such an election must use a longer depreciation cost recovery period for its property. Lamar Advertising has not made such election to date and has not yet determined whether it will make such election at a later date. Legislative changes or other actions affecting REITs could have a negative effect on Lamar Advertising and its subsidiaries. At any time, the U. S. federal income tax laws governing REITs or the administrative and judicial interpretations of those laws may be amended or interpreted in a different manner. Federal and state tax laws are constantly under review by persons involved in the legislative process, the IRS, the U. S. Department of the Treasury, and state taxing authorities. Additional changes to the tax laws, regulations and administrative and judicial interpretations, which may have retroactive application, could adversely affect Lamar Advertising and its subsidiaries. The Company cannot predict with certainty whether, when, in what forms, or with what effective dates, the tax laws, regulations and administrative and judicial interpretations applicable to Lamar Advertising may be changed. Accordingly, the Company cannot assure you that any such change will not significantly affect Lamar Advertising' s ability to qualify for taxation as a REIT or the U. S. federal income tax consequences to it of such qualification. The ability of the Board of Directors of Lamar Advertising to revoke its REIT election, without stockholder approval, may cause adverse consequences to its stockholders. The Lamar Advertising charter provides that the Board of Directors may revoke or otherwise terminate the REIT election, without the approval of its stockholders, if the board determines that it is no longer in the Company' s best interest to continue to qualify as a REIT. If the Company ceases to be a REIT, it will be subject to U. S. federal income tax at regular corporate rates and applicable state and local corporate taxes, which may have adverse consequences on its total return to its stockholders.