LAMAR MEDIA CORP/DE
Form 10-Q
November 06, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2009

or

o **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 name 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.)
5551 Corporate Blvd., Baton Rouge, LA	70808
(Address of principle executive offices)	(Zip Code)

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

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 þ No o

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

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 the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

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

Indicate by check mark whether Lamar Advertising Company is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes o No þ

Indicate by check mark whether Lamar Media Corp. is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes o No þ

The number of shares of Lamar Advertising Company s Class A common stock outstanding as of October 29, 2009: 76,695,141

The number of shares of the Lamar Advertising Company s Class B common stock outstanding as of October 29, 2009: 15,172,865

The number of shares of Lamar Media Corp. common stock outstanding as of October 29, 2009: 100

This combined Form 10-Q 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 H(1) (a) and (b) of Form 10-Q 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 combined Quarterly Report on Form 10-Q of Lamar Advertising Company (Lamar Advertising or the Company) and Lamar Media Corp. (Lamar Media) 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 predicts, potential, continue, and similar expressions to identify forward-looking statements. Examples of forward-looking statements in this report include statements about:

- expected operating results;
- business plans, objectives, prospects, growth and operating activities;
- market opportunities and competitive position;
- acquisition opportunities; and
- stock price.

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 the Company s actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements:

- the severity and length of the current economic recession and its affect on the markets in which the Company operates;
- the levels of expenditures on advertising in general and outdoor advertising in particular;
- risks and uncertainties relating to the Company s significant indebtedness;
- the Company s need for, and ability to obtain, additional funding for acquisitions and operations;
- increased competition within the outdoor advertising industry;
- the regulation of the outdoor advertising industry;
- the Company s ability to renew expiring contracts at favorable rates;
- the integration of businesses that the Company acquires and its ability to recognize cost savings and operating efficiencies as a result of these acquisitions;
- the Company s ability to successfully implement its digital deployment strategy; and
- changes in accounting principles, policies or guidelines.

The forward-looking statements in this report are based on the Company s current good faith beliefs, however, actual results may differ due to inaccurate assumptions, the factors listed above or other foreseeable or unforeseeable factors. Consequently, the Company 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.

For a further description of these and other risks and uncertainties, the Company encourages you to read carefully Item 1A to the combined Annual Report on Form 10-K for the year ended December 31, 2008 of the Company and Lamar Media (the 2008 Combined Form 10-K).

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

LAMAR ADVERTISING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 47,700	$ 14,139
Receivables, net of allowance for doubtful accounts of $10,235 and $10,000 in 2009 and 2008, respectively	158,294	155,043
Prepaid expenses	57,874	44,377
Deferred income tax assets	8,809	8,949
Other current assets	52,520	38,475
Total current assets	325,197	260,983
Property, plant and equipment	2,837,864	2,900,970
Less accumulated depreciation and amortization	(1,384,556)	(1,305,937)
Net property, plant and equipment	1,453,308	1,595,033
Goodwill	1,416,202	1,416,396
Intangible assets	695,493	773,764
Deferred financing costs, net of accumulated amortization of $36,246 and $36,670 in 2009 and 2008, respectively	34,264	24,372
Other assets	46,463	46,477
Total assets	$ 3,970,927	$ 4,117,025
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Trade accounts payable	$ 10,415	$ 15,108
Current maturities of long-term debt	114,868	58,751
Accrued expenses	77,634	78,089
Deferred income	39,601	30,612
Total current liabilities	242,518	182,560
Long-term debt	2,588,219	2,755,698

Deferred income tax liabilities	116,580	132,072
Asset retirement obligation	159,462	160,723
Other liabilities	19,444	15,354
Total liabilities	3,126,223	3,246,407
Stockholders equity:		
Series AA preferred stock, par value $.001, $63.80 cumulative dividends, authorized 5,720 shares; 5,720 shares issued and outstanding at 2009 and 2008		
Class A preferred stock, par value $638, $63.80 cumulative dividends, 10,000 shares authorized; 0 shares issued and outstanding at 2009 and 2008		
Class A common stock, par value $.001, 175,000,000 shares authorized, 93,640,394 and 93,339,895 shares issued at 2009 and 2008, respectively; 76,695,141 and 76,401,592 outstanding at 2009 and 2008, respectively	94	93
Class B common stock, par value $.001, 37,500,000 shares authorized, 15,172,865 shares issued and outstanding at 2009 and 2008	15	15
Additional paid-in capital	2,356,919	2,347,854
Accumulated comprehensive income (deficit)	2,626	(1,066)
Accumulated deficit	(631,542)	(592,914)
Cost of shares held in treasury, 16,945,253 and 16,938,303 shares in 2009 and 2008, respectively	(883,408)	(883,364)
Stockholders equity	844,704	870,618
Total liabilities and stockholders equity	$ 3,970,927	$ 4,117,025

See accompanying notes to condensed consolidated financial statements.

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LAMAR ADVERTISING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	Three months ended September 30,		Nine months ended September 30,	
	2009	**2008**	**2009**	**2008**
Net revenues	$ 271,766	$ 312,516	$ 793,750	$ 919,111
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	97,630	113,975	298,055	329,702
General and administrative expenses (exclusive of depreciation and amortization)	44,225	52,556	138,828	158,785
Corporate expenses (exclusive of depreciation and amortization)	10,345	13,147	32,003	41,977
Depreciation and amortization	83,529	80,486	252,792	237,482
Gain on disposition of assets	(3,222)	(868)	(5,095)	(3,880)
	232,507	259,296	716,583	764,066
Operating income	39,259	53,220	77,167	155,045
Other expense (income)				
Gain on extinguishment of debt	(131)		(3,670)	
Gain on disposition of investment	(1,445)	(281)	(1,445)	(1,814)
Interest income	(128)	(317)	(442)	(997)
Interest expense	52,090	42,444	145,085	127,869
	50,386	41,846	139,528	125,058
(Loss) income before income tax expense	(11,127)	11,374	(62,361)	29,987
Income tax (benefit) expense	(6,346)	9,544	(24,005)	19,236
Net (loss) income	(4,781)	1,830	(38,356)	10,751
Preferred stock dividends	91	91	273	273
Net (loss) income applicable to common stock	$ (4,872)	$ 1,739	$ (38,629)	$ 10,478
Earnings per share:				
Basic earnings per share	$ (0.05)	$ 0.02	$ (0.42)	$ 0.11
Diluted earnings per share	$ (0.05)	$ 0.02	$ (0.42)	$ 0.11

Weighted average common shares used in computing earnings per share:				
Weighted average common shares outstanding	91,770,644	91,393,601	91,679,539	92,332,022
Incremental common shares from dilutive stock options and warrants	224,337	132,809	30,867	122,414
Incremental common shares from convertible debt				
Weighted average common shares diluted	91,994,981	91,526,410	91,710,406	92,454,436

See accompanying notes to condensed consolidated financial statements.

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LAMAR ADVERTISING COMPANY AND
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	Nine months ended September 30, 2009	2008
Cash flows from operating activities:		
Net (loss) income	$ (38,356)	$ 10,751
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	252,792	237,482
Non-cash equity based compensation	9,687	9,047
Amortization included in interest expense	15,723	12,038
Gain on disposition of assets	(6,540)	(5,694)
Gain on extinguishment of debt	(3,670)	
Deferred tax (benefit) expense	(9,651)	14,983
Provision for doubtful accounts	8,438	8,044
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(14,032)	(20,465)
Prepaid expenses	(11,742)	(18,378)
Other assets	(129)	159
Increase (decrease) in:		
Trade accounts payable	(4,696)	9,808
Accrued expenses	(18,175)	(16,929)
Other liabilities	11,773	(3,122)
Net cash provided by operating activities	191,422	237,724
Cash flows from investing activities:		
Acquisitions	(1,675)	(225,920)
Capital expenditures	(29,010)	(159,246)
Proceeds from disposition of assets	11,716	9,101
Payments received on notes receivable	142	228
Net cash used in investing activities	(18,827)	(375,837)
Cash flows from financing activities:		
Debt issuance costs	(19,849)	(169)
Cash used for purchase of treasury stock	(43)	(93,390)
Net proceeds from issuance of common stock	3,254	10,495
Net (payments) borrowings under credit agreement	(171,299)	167,147
Payment on convertible notes	(266,094)	
Net proceeds from note offering	314,927	
Dividends	(273)	(273)

Net cash (used in) provided by financing activities	(139,377)	83,810
Effect of exchange rate changes in cash and cash equivalents	343	(235)
Net increase (decrease) in cash and cash equivalents	33,561	(54,538)
Cash and cash equivalents at beginning of period	14,139	76,048
Cash and cash equivalents at end of period	$ 47,700	$ 21,510
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 133,442	$ 127,865
Cash paid for foreign, state and federal income taxes	$ 2,519	$ 3,549

See accompanying notes to condensed consolidated financial statements.

LAMAR ADVERTISING COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
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1. Significant Accounting Policies

The information included in the foregoing interim condensed consolidated financial statements is unaudited. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company s financial position and results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year. These interim condensed consolidated financial statements should be read in conjunction with the Company s consolidated financial statements and the notes thereto included in the 2008 Combined Form 10-K (2008 10-K) as revised by our current report on Form 8-K filed July 28, 2009 (see note 3 below). Subsequent events, if any, are evaluated through the date on which the financial statements are issued.

2. Stock-Based Compensation

Equity Incentive Plan. Lamar Advertising s 1996 Equity Incentive Plan has reserved 13 million shares of Class A common stock for issuance to directors and employees, including shares underlying granted options and common stock reserved for issuance under its performance-based incentive program. Options granted under the plan expire ten years from the grant date with vesting terms ranging from three to five years and include 1) options that vest in one-fifth increments beginning on the grant date and continuing on each of the first four anniversaries of the grant date and 2) options that cliff-vest on the fifth anniversary of the grant date. All grants are made at fair market value based on the closing price of our Class A common stock as reported on the NASDAQ Global Select Market on the date of grant.

We use a Black-Scholes-Merton option pricing model to estimate the fair value of share-based awards under Stock Compensation Awards Classified as Equity (formerly SFAS 123R). The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and expected volatility. The Company granted options excluding the exchange of eligible options described below, for an aggregate of 1,863,434 shares of its Class A common stock during the nine months ended September 30, 2009.

On July 2, 2009, we completed a tender offer for 250 eligible participants to exchange some or all of certain outstanding options (the Eligible Options) for new options to be issued under the Company s 1996 Equity Incentive Plan, as amended. We have accepted for cancellation Eligible Options to purchase an aggregate of 2,630,474 shares of the Company s Class A common stock, representing 86.2% of the total number of shares of Class A common stock underlying all Eligible Options. In exchange for the Eligible Options surrendered in the Offer, we issued new options to purchase up to an aggregate of 1,030,819 shares of the Company s Class A common stock under the 1996 Plan. Each new option has an exercise price per share of $15.67, the closing price of the Company s Class A common stock on the Nasdaq Global Select Market on July 2, 2009. Eligible Options not tendered for exchange remain outstanding according to their original terms and are subject to the 1996 Plan. An incremental cost of $1,923 will be recognized over the 5 year vesting term of the new options using the bifurcation method.

The exchange of Eligible Options has been accounted for as a modification under Share-Based Payment Accounting. In calculating the incremental cost of a modification, the fair value of the modified award was compared to the fair value of the original award measured immediately before its terms and conditions were modified. The Company elected to use a binomial lattice model solely to determine the incremental cost associated with the underwater options because it more appropriately captures exercise and cancellation patterns needed in the valuation. There were no significant changes in assumptions utilized in the determination of the incremental cost of the modification.

Stock Purchase Plan. Lamar Advertising s 2000 Employee Stock Purchase Plan (the 2000 ESPP) has reserved 924,000 shares of common stock for issuance to employees. The 2000 ESPP was terminated following the issuance of all shares that were subject to the offer that commenced under the 2000 ESPP on January 1, 2009 and ended June 30, 2009. Our 2009 Employee Stock Purchase Plan was adopted by our Board of Directors in February 2009 and approved by our shareholders on May 28, 2009. The following is a summary of ESPP share activity for the nine months ended September 30, 2009:

	Shares
2000 ESPP Plan Shares available for future purchases, January 1, 2009	238,087
Purchases under 2000 ESPP Plan	(149,933)
Share reserved for issuance during 2009	500,000
Shares available as of June 30, 2009 & transferred to the 2009 ESPP Plan	588,154
Purchases under 2009 ESPP plan	(53,728)
Total shares available at September 30, 2009 under the 2009 ESPP Plan	534,426

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Performance-based compensation. Unrestricted shares of our Class A common stock may be awarded to key officers, employees and directors under our 1996 Equity Incentive Plan. The number of shares to be issued, if any, based upon the achievement of certain enumerated performance goals will be dependent on the level of achievement of these performance measures for key officers and employees, as determined by the Company s Compensation Committee based on our 2009 results. Any shares issued based on the achievement of performance goals will be issued in the first quarter of 2010. The shares subject to these awards can range from a minimum of 0% to a maximum of 100% of the target number of shares depending on the level at which the goals are attained. We also issue shares of restricted and unrestricted stock to our non-employee directors as part of their compensation for board service. Through September 30, 2009, the Company has recorded $601 as compensation expense related to these agreements.

3. Adjustments to Previously Reported Amounts

Immaterial Correction of an Error. During the third quarter of 2009, the Company identified an error in accounting for lease escalations, resulting in an immaterial understatement of accrued expenses and direct advertising expense which effected periods beginning fiscal 2005 through June 30, 2009. 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 qualitative and quantitative perspectives, and concluded the error was immaterial to the current and prior periods. The correction of the immaterial error resulted in an understatement of accrued expenses of $5,682 and $6,016 at December 31, 2008 and 2007, respectively, and an overstatement of net income of $677, and $1,450, for the years ended December 31, 2008 and 2007, respectively, and $18, $404, $183, $243, and $269 for the three-month periods ended June 30, 2009, March 31, 2009, September 30, 2008, June 30, 2008, and March 31, 2008, respectively. Consequently, the Company will revise its historical financial statements for fiscal 2007, fiscal 2008, and the quarters within fiscal 2008 and 2009, when they are published in future filings. The Company will recognize the cumulative effect of the error on periods prior to those that will be presented in future filings by increasing accrued expenses and accumulated deficit by $3,186 and $1,953, respectively, as of January 1, 2007.

Retrospective Adoption of New Accounting Standards: On July 28, 2009, we filed a Current Report on Form 8-K in which we made adjustments to our consolidated financial statements and related notes included in our 2008 10-K by retrospectively adopting revisions to U.S. GAAP accounting standards for ASC 470, Debt Debt with Conversion and Other Options. All periods and amounts presented in the consolidated financial statements and related notes included in our 2008 10-K have been retrospectively adjusted in accordance with the revised guidance. On adoption of the revisions we recorded additional interest expense net of income taxes as of December 31, 2007, December 31, 2008, and the three and nine months ended September 30, 2008 of $3,785, $6,884, $1,737, and $5,114, respectively.

4. Depreciation and Amortization

The Company includes all categories of depreciation and amortization on a separate line in its Statement of Operations. The amounts of depreciation and amortization expense excluded from the following operating expenses in its Statement of Operations are:

	Three months ended September 30,		**Nine months ended September 30,**	
	2009	**2008**	**2009**	**2008**
Direct advertising expenses	$ 79,057	$ 75,653	$ 239,355	$ 223,443
General and administrative expenses	1,499	1,786	4,697	5,275
Corporate expenses	2,973	3,047	8,740	8,764
	$ 83,529	$ 80,486	$ 252,792	$ 237,482

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5. Goodwill and Other Intangible Assets

The following is a summary of intangible assets at September 30, 2009 and December 31, 2008.

	Estimated	September 30, 2009		December 31, 2008	
	Life (Years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer lists and contracts	7 10	$ 465,440	$ 426,254	$ 465,126	$ 415,753
Non-competition agreements	3 15	63,416	59,457	63,407	58,380
Site locations	15	1,370,310	718,533	1,367,511	649,596
Other	5 15	13,608	13,037	13,608	12,159
		1,912,774	1,217,281	1,909,652	1,135,888
Unamortizable intangible assets:					
Goodwill		$ 1,669,837	$ 253,635	$ 1,670,031	$ 253,635

6. Asset Retirement Obligations

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

Balance at December 31, 2008	$ 160,723
Additions to asset retirement obligations	65
Accretion expense	7,719
Liabilities settled	(9,045)
Balance at September 30, 2009	$ 159,462

7. Fair Value Hedging Interest Rate Swaps

The Company utilizes derivative instruments such as interest rate swaps for purposes of hedging its exposure to changing interest rates. Derivatives and Hedging (formerly SFAS 133) requires that all derivative instruments subject to the requirements of the statement be measured at fair value and recognized as assets or liabilities on the balance sheet. Upon entering into a derivative contract, the Company may designate the derivative as either a fair value hedge or a cash flow hedge, or decide that the contract is not a hedge, and thereafter mark the contract to market through earnings. The Company documents the relationship between the derivative instrument designated as a hedge and the hedged items, as well as its objective for risk management and strategy for use of the hedging instrument to manage the risk. Derivative instruments designated as fair value or cash flow hedges are linked to specific assets and liabilities or to specific firm commitments or forecasted transactions. The Company assesses at inception, and on an ongoing basis, whether a derivative instrument used as a hedge is highly effective in offsetting changes in the fair value or cash flows of the hedged item. A derivative that is not a highly effective hedge does not qualify for hedge accounting. Changes in the fair value of a qualifying fair value hedge are recorded in earnings along with the gain or loss on the hedged item. Changes in the fair value of a qualifying cash flow hedge are recorded in other comprehensive income, until earnings are affected by the cash flows of the hedged item. When the cash flow of the hedged item is recognized in the statement of operations, the fair value of the associated cash flow hedge is reclassified from other comprehensive income into earnings.

Ineffective portions of a cash flow hedging derivative s change in fair value are recognized currently in earnings as other income (expense). If a derivative instrument no longer qualifies as a cash flow hedge, hedge accounting is discontinued and the gain or loss that was recorded in other comprehensive incomes is recognized over the period anticipated in the original hedge transaction.

The Company entered into two interest rate swap agreements in December 2007 that mature in December 2009. One interest rate swap converts $100,000 of variable rate debt to 3.89% fixed rate debt, the other converts $100,000 of variable rate debt to 3.99% fixed rate debt. The derivatives were designated as cash flow hedges. The fair market values at September 30, 2009 and December 31, 2008 were $(1,860) and $(6,212) respectively and are reflected in other liabilities and other comprehensive income on the balance sheet.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
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8. Summarized Financial Information of Subsidiaries

Separate financial statements of each of the Company s direct or indirect wholly owned subsidiaries that have guaranteed Lamar Media s obligations with respect to its publicly issued notes (collectively, the Guarantors) are not included herein because the Company has no independent assets or operations, the guarantees are full and unconditional and joint and several and the only subsidiaries that are not a guarantors are in the aggregate minor. Lamar Media s ability to make distributions to Lamar Advertising is restricted under both the terms of the indentures relating to Lamar Media s outstanding notes and by the terms of its senior credit facility. As of September 30, 2009 and December 31, 2008, Lamar Media was permitted under the terms of its outstanding notes other than the senior notes to make transfers to Lamar Advertising in the form of cash dividends, loans or advances in amounts up to $1,118,499 and $970,420, respectively. Under its senior credit facility, however, if the total holdings debt ratio (as defined in the senior credit facility) is greater than 5.5 to 1, or if under the senior notes Lamar Media s senior leverage ratio (as defined in the indenture for the senior notes) is greater than or equal to 3.0 to 1, transfers to Lamar Advertising are subject to additional restrictions. As of September 30, 2009, the total holdings debt ratio was greater than 5.5 to 1 and, therefore, transfers to Lamar Advertising were restricted to the following: (a) payments to allow Lamar Advertising to pay dividends on its outstanding Series AA Preferred Stock and (b) payments in respect of Qualified Holdings Obligations (as defined in the senior credit facility), consisting of interest on convertible notes and certain fees, costs and expenses, incurred from time to time by Lamar Advertising on behalf of Lamar Media and its subsidiaries. As of September 30, 2009, Lamar Media s senior leverage ratio was greater than 3.0 to 1 and, therefore, transfers to Lamar Advertising were restricted to a series of baskets specified in the Indenture, including payments of Lamar Media s operating expenses in an aggregate amount in any fiscal year not to exceed 5% of the total operating expenses of Lamar Media and its restricted subsidiaries and other restricted payments not in excess of $500 in any fiscal year of Lamar Media.

9. Earnings Per Share

Basic earnings per share are computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. The number of dilutive shares resulting from this calculation is 224,337 and 132,809 for the three months ended September 30, 2009 and 2008 and 30,867 and 122,414 for the nine months ended September 30, 2009 and 2008. Diluted earnings per share should also reflect the potential dilution that could occur if the Company s convertible debt was converted to common stock. The number of potentially dilutive shares related to the Company s convertible debt excluded from the calculation because of their antidilutive effect is 602,986 and 5,879,893 for the three months ended September 30, 2009 and 2008, and 3,284,425 and 5,879,893 for the nine months ended September 30, 2009 and 2008, respectively.

10. Long-Term Debt

On March 27, 2009, Lamar Media completed an institutional private placement of $350,000 in aggregate principal amount ($314,927 gross proceeds) of 9 3/4% Senior Notes due 2014 (the Notes). The institutional private placement resulted in net proceeds to Lamar Media of approximately $307,489. The Notes were sold within the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the Securities Act), and outside the United States only to non-U.S. persons in reliance on Regulation S under the Securities Act.

The Notes mature on April 1, 2014 and bear interest at a rate of 9 3/4% per annum, which is payable semi-annually on April 1 and October 1 of each year, beginning October 1, 2009. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The terms of the Notes will, among other things, limit Lamar Media s and its restricted subsidiaries ability to (i) incur additional debt and issue preferred stock; (ii) make certain distributions, investments and other restricted payments; (iii) create certain liens; (iv) enter into transactions with affiliates; (v) have the restricted subsidiaries make payments to Lamar Media; (vi) merge, consolidate or sell substantially all of Lamar

Media s or the restricted subsidiaries assets; and (vii) sell assets. These covenants are subject to a number of exceptions and qualifications.

LAMAR ADVERTISING COMPANY AND
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

Lamar Media may redeem up to 35% of the aggregate principal amount of the Notes, at any time and from time to time, at a price equal to 109.75% of the aggregate principal amount so redeemed, plus accrued and unpaid interest thereon (including additional interest, if any), with the net cash proceeds of certain public equity offerings completed before April 1, 2012. At any time prior to April 1, 2014, Lamar Media may redeem some or all of the Notes at a price equal to 100% of the principal amount plus a make-whole premium. In addition, if the Company or Lamar Media undergoes a change of control, Lamar Media may be required to make an offer to purchase each holder s Notes at a price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest (including additional interest, if any), up to but not including the repurchase date.

On March 23, 2009, the Company commenced a tender offer to purchase for cash any and all of its outstanding 2 7/8% Convertible Notes due 2010 Series B. The tender offer expired on April 17, 2009. As a result of the tender offer, the Company accepted for payment $153,633 in principle amount of notes at a purchase price of 92% of the original principal amount of the notes, plus with respect to such convertible notes, all accrued and unpaid interest up to, but not including, the payment date of April 20, 2009. Pursuant to the terms of the tender offer, convertible notes not tendered, or tendered and validly withdrawn, in the tender offer remain outstanding, and the terms and conditions governing the note, including the covenants and other provisions contained in the indentures governing the notes, remain unchanged.

On April 2, 2009, Lamar Media Corp. entered into Amendment No. 4 (Amendment No. 4) to its existing senior credit facility dated as of September 30, 2005 (as amended, the Credit Agreement) together with its subsidiary guarantors, its subsidiary borrowers, the Company, and JPMorgan Chase Bank, N.A., as Administrative Agent (JPMorgan) to, among other things: (i) reduce the amount of the revolving credit commitments available thereunder from $400,000 to $200,000; (ii) increase the interest rate margins for the revolving credit facility and term loans under the Credit Agreement; (iii) make certain changes to the provisions regarding mandatory prepayments of loans; (iv) amend certain financial covenants; and (v) cause Lamar Media and the subsidiary guarantors to pledge additional collateral of Lamar Media and its subsidiaries, including certain owned real estate properties, to secure loans made under the Credit Agreement. Amendment No. 4 and the changes it made to the Credit Agreement were effective as of April 6, 2009.

Amendment No. 4 also reduced Lamar Media s incremental loan facility from $500,000 to $300,000. The incremental facility permits Lamar Media to request that its lenders enter into commitments to make additional term loans, up to a maximum aggregate amount of $300,000. Lamar Media s lenders have no obligation to make additional loans out of the $300,000 incremental facility, but may enter into such commitments at their sole discretion.

On July 14, 2009, the Company completed a tender offer to purchase for cash any and all of its then outstanding 2 7/8% Convertible Notes due 2010 Series B. Upon expiration of the tender offer, the Company accepted for payment $120,415 in principal amount of notes at a purchase price of 97.75% of the original principal amount of the notes, all accrued and unpaid interest up to, but not including the payment date of July 15, 2009. Pursuant to the terms of the tender offer, convertible notes not tendered, or tendered and validly withdrawn, in the tender offer remain outstanding, and the terms and conditions governing the notes, including the covenants and other provisions contained in the indentures governing the notes, remain unchanged.

In addition, on August 18, 2009, the Company accepted for payment $7,050 in principal amount of 2 7/8% Convertible Notes due 2010 Series B at a purchase price of $7,046, which was 99.9% of the original amount of the notes, in a privately negotiated transaction.

As a result of these transactions, the Company had approximately $6,402 principal amount of Convertible Notes outstanding as of September 30, 2009; the Convertible Notes mature on December 31, 2010. The Company used the proceeds from Lamar Media s $350,000 9 3/4% senior note offering to fund these transactions.

11. Disclosures About Fair Value of Financial Instruments

At September 30, 2009, the Company s financial instruments included cash and cash equivalents, marketable securities, accounts receivable, investments, accounts payable, borrowings and derivative contracts. The fair values of cash and cash equivalents, accounts receivable, accounts payable and short-term borrowings and current portion of long-term debt approximated carrying values because of the short-term nature of these instruments. Investments and derivative contracts are reported at fair values. Fair values for investments held at cost are not readily available, but are estimated to approximate fair value. The following table provides fair value measurement information for liabilities reported in the accompanying Condensed Consolidated Balance Sheet as of September 30, 2009:

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LAMAR ADVERTISING COMPANY AND
SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE DATA)

			As of September 30, 2009		
			Fair Value Measurements Using:		
	Carrying Amount	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial liabilities					
Long-term debt (including current maturities)	$ 2,703,087	$ 2,684,626	$ 2,684,626	$	$
Hedging instrument	$ 1,860	$ 1,860	$	$ 1,860	$

Fair Value Measurements and Disclosures (formerly SFAS 157) established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As presented in the table above, this hierarchy consists of three broad levels. Level 1 inputs on the hierarchy consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 inputs are other than quoted prices in active markets included in Level 1, and Level 3 inputs have the lowest priority and include significant inputs that are generally less observable from objective sources. When available, we measure fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. We currently do not use Level 3 inputs to measure fair value.

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the table above.

Level 1 Fair Value Measurements

Long-term debt The Fixed Rate Notes and Floating Rate Notes are actively traded in an established market. The fair values of these debt instruments are based on quotes obtained through financial information services and/or major financial institutions.

Level 2 Fair Value Measurements

Hedging instrument We value the interest rate swap liability utilizing a discounted cash flow model that takes into consideration forward interest rates observable in the market and the Company s credit risk.

12. Recently Issued Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board issued guidance which divides nongovernmental U.S. GAAP into the authoritative Codification and guidance that is nonauthoritative. The Codification is not intended to change U.S. GAAP; however, it does significantly change the way in which accounting literature is organized and because it completely replaces existing standards, it will affect the way U.S. GAAP is referenced by most companies in their financial statements and accounting policies. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of the Codification did not have an impact on our consolidated financial statements.

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LAMAR MEDIA CORP.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,763	$ 14,139
Receivables, net of allowance for doubtful accounts of $10,235 and $10,000 in 2009 and 2008, respectively	158,294	155,043
Prepaid expenses	57,874	44,377
Deferred income tax assets	8,809	8,948
Other current assets	42,884	39,183
Total current assets	305,624	261,690
Property, plant and equipment	2,837,864	2,900,970
Less accumulated depreciation and amortization	(1,384,556)	(1,305,937)
Net property, plant and equipment	1,453,308	1,595,033
Goodwill	1,406,050	1,406,254
Intangible assets	694,923	773,140
Deferred financing costs net of accumulated amortization of $26,906 and $22,817 in 2009 and 2008, respectively	32,272	18,538
Other assets	41,181	43,412
Total assets	$ 3,933,358	$ 4,098,067
LIABILITIES AND STOCKHOLDER S EQUITY		
Current liabilities:		
Trade accounts payable	$ 10,415	$ 15,108
Current maturities of long-term debt	114,868	58,751
Accrued expenses	66,896	67,351
Deferred income	39,601	30,612
Total current liabilities	231,780	171,822
Long-term debt	2,582,119	2,777,607
Deferred income tax liabilities	147,323	158,657
Asset retirement obligation	159,462	160,723

Other liabilities	19,444	15,354
Total liabilities	3,140,128	3,284,163
Stockholder s equity:		
Common stock, par value $.01, 3,000 shares authorized, 100 shares issued and outstanding at 2009 and 2008		
Additional paid-in-capital	2,530,422	2,517,481
Accumulated comprehensive income (deficit)	2,626	(1,066)
Accumulated deficit	(1,739,818)	(1,702,511)
Stockholder s equity	793,230	813,904
Total liabilities and stockholder s equity	$ 3,933,358	$ 4,098,067

See accompanying note to condensed consolidated financial statements.

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LAMAR MEDIA CORP.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS)

	Three months ended September 30,		Nine months ended September 30,	
	2009	**2008**	**2009**	**2008**
Net revenues	$ 271,766	$ 312,516	$ 793,750	$ 919,111
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	97,630	113,975	298,055	329,702
General and administrative expenses (exclusive of depreciation and amortization)	44,225	52,556	138,828	158,785
Corporate expenses (exclusive of depreciation and amortization)	10,344	13,003	31,577	41,506
Depreciation and amortization	83,529	80,486	252,792	237,482
Gain on disposition of assets	(3,222)	(868)	(5,095)	(3,880)
	232,506	259,152	716,157	763,595
Operating income	39,260	53,364	77,593	155,516
Other expense (income)				
Gain on disposition of investment	(1,445)	(281)	(1,445)	(1,814)
Interest income	(113)	(317)	(379)	(997)
Interest expense	51,822	39,310	139,987	118,623
	50,264	38,712	138,163	115,812
(Loss) income before income tax expense	(11,004)	14,652	(60,570)	39,704
Income tax (benefit) expense	(6,182)	10,833	(23,395)	22,840
Net (loss) income	$ (4,822)	$ 3,819	$ (37,175)	$ 16,864

See accompanying note to condensed consolidated financial statements.

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LAMAR MEDIA CORP.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Cash flows from operating activities:		
Net (loss) income	$ (37,175)	$ 16,864
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	252,792	237,482
Non-cash equity based compensation	9,687	9,047
Amortization included in interest expense	10,625	2,792
Gain on disposition of assets	(6,540)	(5,694)
Deferred tax (benefit) expense	(11,969)	19,059
Provision for doubtful accounts	8,438	8,044
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(14,032)	(20,465)
Prepaid expenses	(11,742)	(18,378)
Other assets	(129)	2,955
Increase (decrease) in:		
Trade accounts payable	1,119	9,808
Accrued expenses	(15,246)	(17,531)
Other liabilities	22,146	(6,533)
Net cash provided by operating activities	207,974	237,450
Cash flows from investing activities:		
Acquisitions	(1,675)	(225,920)
Capital expenditures	(29,010)	(159,246)
Proceeds from disposition of assets	11,716	9,101
Payment received on notes receivable	142	228
Net cash used in investing activities	(18,827)	(375,837)
Cash flows from financing activities:		
Debt issuance costs	(19,849)	(168)
Payment on mirror note	(287,500)	
Net proceeds from note offering	314,927	
Net (payments) borrowings on credit agreement	(171,299)	167,147
(Distributions) Contributions to/from parent	(2,145)	10,495
Dividend to parent		(93,390)
Net cash (used in) provided by financing activities	(165,866)	84,084

Effect of exchange rate changes in cash and cash equivalents	343	(235)
Net increase (decrease) in cash and cash equivalents	23,624	(54,538)
Cash and cash equivalents at beginning of period	14,139	76,048
Cash and cash equivalents at end of period	$ 37,763	$ 21,510
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 133,442	$ 127,865
Cash paid for foreign, state and federal income taxes	$ 2,519	$ 3,549

See accompanying note to condensed consolidated financial statements.

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LAMAR MEDIA CORP.
AND SUBSIDIARIES
NOTE TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(IN THOUSANDS, EXCEPT FOR SHARE DATA)

1. Significant Accounting Policies

The information included in the foregoing interim condensed consolidated financial statements is unaudited. In the opinion of management all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of Lamar Media s financial position and results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year. These interim condensed consolidated financial statements should be read in conjunction with Lamar Media s consolidated financial statements and the notes thereto included in the 2008 Combined Form 10-K.

Certain notes are not provided for the accompanying condensed consolidated financial statements as the information in notes 1, 2, 4, 5, 6, 7, 8, 10, 11, 12 and portions of Note 3 to the condensed consolidated financial statements of Lamar Advertising Company included elsewhere in this report is substantially equivalent to that required for the condensed consolidated financial statements of Lamar Media Corp. Earnings per share data is not provided for Lamar Media Corp., as it is a wholly owned subsidiary of the Company.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion contains forward-looking statements. Actual results could differ materially from those anticipated by the forward-looking statements due to risks and uncertainties described in the section of this combined quarterly report on Form 10-Q entitled Note Regarding Forward Looking Statements and in Item 1A to the 2008 Combined Form 10-K, as updated from time to time by the risk factors included in our Current Reports on Form 8-K and Quarterly Reports on Form 10-Q for the Company and Lamar Media filed after the 2008 Combined Form 10-K. You should carefully consider each of these risks and uncertainties in evaluating the Company s and Lamar Media s financial conditions and results of operations. Investors are cautioned 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 three and nine months ended September 30, 2009 and 2008. This discussion should be read in conjunction with the consolidated financial statements of the Company and the related notes included in this Form 10-Q.

OVERVIEW

The Company s net revenues are derived primarily from the sale of advertising on outdoor advertising displays owned and operated by the Company. The Company relies on sales of advertising space for its revenues, 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 occupancy on its displays.

Since December 31, 2005, the Company has completed strategic acquisitions of outdoor advertising assets and site easements for an aggregate purchase price of approximately $632.9 million. The Company has historically financed its acquisitions and intends to finance its future acquisition activity, if any, from available cash, borrowings under its senior credit facility and the issuance of Class A common stock or debt securities. See Liquidity and Capital Resources below. As a result of acquisitions, the operating performances of individual markets and of the Company as a whole are not necessarily comparable on a year-to-year basis. Due to the current economic recession, however, the Company has significantly reduced its acquisition activity during 2009.

Growth of the Company s business requires expenditures for maintenance and capitalized costs associated with the construction of new billboard displays, the replacement of damaged 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 three months and nine months ended September 30, 2009 and 2008:

	Three months ended September 30, (in thousands)		Nine months ended September 30, (in thousands)	
	2009	**2008**	**2009**	**2008**
Total capital expenditures:				
Billboard traditional	$ 1,386	$ 9,669	$ 6,447	$ 49,459
Billboard digital	3,345	34,928	11,592	84,964
Logos	1,205	1,365	3,276	4,481
Transit	113	261	3,123	609
Land and buildings	165	1,790	549	7,946
Operating equipment	1,325	3,620	4,023	11,787
Total capital expenditures	$ 7,539	$ 51,633	$ 29,010	$ 159,246

RESULTS OF OPERATIONS

During the third quarter of 2009, the Company identified an error associated with the Company s lease escalation liability. As a result, the Company s direct advertising expense and the related accrued liability balances were misstated. In accordance with Staff Accounting Bulletin (SAB) No. 99, *Materiality,* and SAB No. 108, *Considering the Effects of Prior Year Misstatements when Qualifying Misstatements in Current Year Financial Statements*, management evaluated the materiality of the errors from qualitative and quantitative perspectives, and concluded the errors were immaterial to the prior periods. Consequently, the Company will revise its historical financial statements for fiscal 2007, fiscal 2008, fiscal 2009, and the quarters within fiscal 2008 and 2009, when they are published.

Nine Months ended September 30, 2009 compared to Nine Months ended September 30, 2008

Net revenues decreased $125.3 million or 13.6% to $793.8 million for the nine months ended September 30, 2009 from $919.1 million for the same period in 2008. This decrease was attributable primarily to a decrease in billboard net revenues of $115.2 million or 13.8% over the prior period, a decrease in logo sign revenue of $0.4 million, which represents a decrease of 1.2% over the prior period, and a $9.7 million decrease in transit revenue, which represents a decrease of 20.6% over the prior period.

For the nine months ended September 30, 2009, there was a $139.0 million decrease in net revenues as compared to acquisition-adjusted net revenue for the nine months ended September 30, 2008. The $139.0 million decrease in revenue primarily consists of a $130.3 million decrease in billboard revenue and a $9.4 million decrease in transit revenue offset by a $0.7 million increase in logo revenue over the acquisition-adjusted net revenue for the comparable period in 2008. This $139.0 million decrease in revenue represents a decrease of 14.9% over the comparable period in 2008 and is attributable to the continuation of the general economic downturn which began in the fourth quarter of 2008. See Reconciliations below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, decreased $61.6 million or 11.6% to $468.9 million for the nine months ended September 30, 2009 from $530.5 million for the same period in 2008. There was a $51.6 million decrease in operating expenses related to the operations of our outdoor advertising assets and a $10.0 million decrease in corporate expenses. The decrease in operating expenses was primarily due to the Company s increased efforts to reduce overall expenditures through lease renegotiations and cancellations, in addition to a 13% reduction in personnel expenses resulting from a reduction in work force.

Depreciation and amortization expense increased $15.3 million for the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008, primarily due to the acceleration of depreciation related to non performing structures dismantled during the period.

Due to the above factors, operating income decreased $77.8 million to $77.2 million for the nine months ended September 30, 2009 compared to $155.0 million for the same period in 2008.

Interest expense increased $17.2 million from $127.9 million for the nine months ended September 30, 2008 to $145.1 million for the nine months ended September 30, 2009, due to the issuance of $350 million in aggregate principal amount of 9 3/4% senior notes issued in March 2009 and the increase in interest rates as a result of the amendments to Lamar Media s senior credit facility in April 2009.

During the nine months ended September 30, 2009, Lamar recognized a gain of $3.7 million resulting from the partial extinguishment of it s 2 7/8% Convertible Notes due 2010 Series B.

The decrease in operating income and the increase in interest expense, offset by the increase in the gain on extinguishment of debt resulted in a $92.3 million decrease in income before income taxes. This decrease in income resulted in a decrease in income tax expense of $43.2 million for the nine months ended September 30, 2009 over the same period in 2008. The effective tax rate for the nine months ended September 30, 2009 was 38.5%, which is lower than the statutory rate due to permanent differences resulting from non-deductible compensation expense related to stock options in accordance with Stock Compensation Awards Classified as Equity (formerly SFAS 123R) and other non-deductible expenses and amortization.

As a result of the above factors, the Company recognized a net loss for the nine months ended September 30, 2009 of $38.4 million, as compared to net income of $10.8 million for the same period in 2008.

Three Months ended September 30, 2009 compared to Three Months ended September 30, 2008

Net revenues decreased $40.7 million or 13.0% to $271.8 million for the three months ended September 30, 2009 from $312.5 million for the same period in 2008. This decrease was attributable primarily to a decrease in billboard net revenues of $38.8 million or 13.7% over the prior period and a $2.7 million decrease in transit revenue over the prior period, which represents a decrease of 16.5% , offset by a $0.8 million increase in logo revenue over the prior period.

For the three months ended September 30, 2009, there was a $40.3 million decrease in net revenues as compared to acquisition-adjusted net revenue for the three months ended September 30, 2008. The $40.3 million decrease in revenue primarily consists of a $39.1 million decrease in billboard revenue and a $2.3 million decrease in transit revenue offset by a $1.1 million increase in logo revenue over the acquisition-adjusted net revenue for the comparable period in 2008. This $40.3 million decrease in revenue represents a decrease of 12.9% over the comparable period in 2008 and is attributable to the continuation of the general economic downturn which began in the fourth quarter of 2008. See Reconciliations below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, decreased $27.5 million or 15.3% to $152.2 million for the three months ended September 30, 2009 from $179.7 million for the same period in 2008. There was a $24.7 million decrease in operating expenses related to the operations of our outdoor advertising assets and a $2.8 million decrease in corporate expenses. The decrease in operating expenses was primarily due to the Company s increased efforts to reduce overall expenditures through lease renegotiations and cancellations, in addition to a 13% reduction in personnel.

Depreciation and amortization expense increased $3.0 million for the three months ended September 30, 2009, as compared to the three months ended September 30, 2008, primarily due to the acceleration of depreciation in non performing structures dismantled during the period.

Due to the above factors, operating income decreased $13.9 million to $39.3 million for the three months ended September 30, 2009 compared to $53.2 million for the same period in 2008.

Interest expense increased $9.7 million from $42.4 million for the three months ended September 30, 2008 to $52.1 million for the three months ended September 30, 2009 due to the issuance of $350 million in aggregate principal amount of 9 3/4% senior notes issued in March 2009 and the increase in interest rates as a result of the amendments to Lamar Media s senior credit facility in April 2009.

The decrease in operating income and increase in interest expense described above resulted in a $22.5 million increase in loss before income taxes. This increase in loss resulted in an increase in income tax benefit of $15.9 million for the three months ended September 30, 2009 over the same period in 2008, as adjusted. The effective tax rate for the three months ended September 30, 2009 was 57.0%.

As a result of the above factors, the Company recognized a net loss for the three months ended September 30, 2009 of $4.8 million, as compared to net income of $1.8 million for the same period in 2008.

Reconciliations:

Because acquisitions occurring after December 31, 2007 (the acquired assets) have contributed to our net revenue results for the periods presented, we provide 2008 acquisition-adjusted net revenue, which adjusts our 2008 net revenue for the three and nine months ended September 30, 2008 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 three and nine months ended September 30, 2009. We provide this information as a supplement to net revenues to enable investors to compare periods in 2009 and 2008 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 2008 that corresponds with the actual period we have owned the assets in 2008 (to the extent within the period to which this report relates). We refer to this adjustment as acquisition net revenue.

Reconciliations of 2008 reported net revenue to 2008 acquisition-adjusted net revenue for each of the three and nine month periods ended September 30, as well as a comparison of 2008 acquisition-adjusted net revenue to 2009 reported net revenue for each of the three and nine month periods ended September 30, are provided below:

Reconciliation of Reported Net Revenue to Acquisition-Adjusted Net Revenue

	Three months ended September 30, 2008 (in thousands)	Nine months ended September 30, 2008 (in thousands)
Reported net revenue	$ 312,516	$ 919,111
Acquisition net revenue	(431)	13,671
Acquisition-adjusted net revenue	$ 312,085	$ 932,782

Comparison of 2009 Reported Net Revenue to 2008 Acquisition-Adjusted Net Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	(in thousands)		(in thousands)	
Reported net revenue	$ 271,766	$ 312,516	$ 793,750	$ 919,111
Acquisition net revenue		(431)		13,671
Adjusted totals	$ 271,766	$ 312,085	$ 793,750	$ 932,782

LIQUIDITY AND CAPITAL RESOURCES

Overview

In light of the worsening economic climate in the fourth quarter of 2008 that has continued in 2009 we have taken certain steps to reduce our overall operating expenses. These steps include reducing operating expenses and non-essential capital expenditures and significantly reducing acquisition activity. As part of the overall reductions in operating expenses, the Company reduced its workforce from approximately 3,500 to 3,050, which represents a decrease of approximately 13%.

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 cash balances.

Sources of Cash

Total Liquidity at September 30, 2009. As of September 30, 2009, Lamar Media had approximately $235.8 million in total liquidity that consisted of approximately $47.7 million in cash and the ability to fully access its revolving senior credit facility in the amount of $188.1 million while remaining in compliance with covenant restrictions.

Cash Generated by Operations. For the nine months ended September 30, 2009 and 2008 our cash provided by operating activities was $191.4 million and $237.7 million, respectively. While our net loss was approximately $38.4 million for the nine months ended September 30, 2009, we generated cash from operating activities of $191.4 million during that same period, primarily due to non-cash adjustments needed to reconcile net loss to cash provided by operating activities of $266.8 million, which primarily consisted of depreciation and amortization of $252.8 million and amortization included in interest expense of $15.7 million. In addition, there was an increase in working capital of $37.0 million. We expect to generate cash flows from operations during 2009 in excess of our cash needs for operations and capital expenditures as described herein. We expect to use the excess cash generated principally for reducing outstanding indebtedness.

Note Offerings. On March 27, 2009, Lamar Media completed an institutional private placement of $350 million in aggregate principal amount (approximately $314.9 million in gross proceeds) of 9 3/4% Senior Notes due 2014 (the 9 3/4% Notes). The institutional private placement resulted in net proceeds to Lamar Media of approximately $306.5 million. The 9 3/4% Notes were sold within the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the Securities Act), and outside the United States only to non-U.S. persons in reliance on Regulation S under the Securities Act.

The 9 3/4% Notes mature on April 1, 2014 and bear interest at a rate of 9 3/4% per annum, which is payable semi-annually on April 1 and October 1 of each year, beginning October 1, 2009. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The terms of the indenture will, among other things, limit Lamar Media s and its restricted subsidiaries ability to (i) incur additional debt and issue preferred stock; (ii) make certain distributions, investments and other restricted payments; (iii) create certain liens; (iv) enter into transactions with affiliates; (v) have the restricted subsidiaries make payments to Lamar Media; (vi) merge, consolidate or sell substantially all of Lamar Media s or the restricted subsidiaries assets; and (vii) sell assets. These covenants are subject to a number of exceptions and qualifications.

Lamar Media may redeem up to 35% of the aggregate principal amount of the 9 3/4% Notes, at any time and from time to time, at a price equal to 109.75% of the aggregate principal amount so redeemed, plus accrued and unpaid interest thereon (including additional interest, if any), with the net cash proceeds of certain public equity offerings completed before April 1, 2012. At any time prior to April 1, 2014, Lamar Media may redeem some or all of the 9 3/4% Notes at a price equal to 100% of the principal amount plus a make-whole premium. In addition, if the Company or Lamar Media undergoes a change of control, Lamar Media may be required to make an offer to purchase each holder s 9 3/4% Notes at a price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest (including additional interest, if any), up to, but not including the repurchase date.

Lamar Media distributed all of the proceeds of this offering, after the payment of fees and expenses, to Lamar Advertising in order to enable the Company to repurchase some or all of its outstanding 2 7/8% Convertible Notes due 2010 Series B, or to fund repayment of the Company s convertible notes at maturity. See Uses of Cash Tender Offers below.

Credit Facilities. As of September 30, 2009, Lamar Media had approximately $188.1 million of unused capacity under the revolving credit facility included in its senior credit facility. The senior credit facility was effective September 30, 2005 and was comprised of a $400.0 million revolving senior credit facility and a $400.0 million term facility. We have also borrowed $789.0 million in term loans as a result of incremental borrowings (Series A through Series F) during 2006 and 2007 under the incremental facility included in our senior credit facility. In addition to those incremental borrowings, the existing incremental facility permitted Lamar Media to request that its lenders enter into commitments to make additional term loans, up to a maximum aggregate amount of $500.0 million. The aggregate balance outstanding under our senior credit facility September 30, 2009 was $1.12 billion.

On April 2, 2009, Lamar Media Corp. entered into Amendment No. 4 (Amendment No. 4) to its existing senior credit facility dated as of September 30, 2005 together with its subsidiary guarantors, its subsidiary borrowers, the Company, and JPMorgan Chase Bank, N.A., as Administrative Agent (JPMorgan) to, among other things: (i) reduce the amount of the revolving credit commitments available thereunder from $400 million to $200 million; (ii) increase the interest rate margins for the revolving credit facility and term loans under the Credit Agreement; (iii) make certain changes to the provisions regarding mandatory prepayments of loans; (iv) amend certain financial covenants; and (v) cause Lamar Media and the subsidiary guarantors to pledge additional collateral of Lamar Media and its subsidiaries, including certain owned real estate properties, to secure loans made under the Credit Agreement. Amendment No. 4 and the changes it made to the Credit Agreement were effective as of April 6, 2009.

Amendment No. 4 also reduced our incremental loan facility from $500.0 million to $300.0 million. The incremental facility permits Lamar Media to request that its lenders enter into commitments to make additional term loans, up to a maximum aggregate amount of $300 million. Lamar Media s lenders have no obligation to make additional loans out of the $300 million incremental facility, but may enter into such commitments at their sole discretion.

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 its credit facilities and its outstanding debt securities.

Restrictions Under Debt Securities. Currently Lamar Media has outstanding $385.0 million 7 1/4% Senior Subordinated Notes due 2013 issued in December 2002 and June 2003, (the 7 1/4% Notes), $400.0 million 6 5/8% Senior Subordinated Notes due 2015 issued August 2005, $216 million 6 5/8% Senior Subordinated Notes due 2015 Series B issued in August 2006, $275 million 6 5/8% Senior Subordinated Notes due 2015 Series-C issued in October 2007 (collectively, the 6 5/8% Notes) and $350.0 million 9 3/4% Notes. The indentures relating to Lamar Media s outstanding notes restrict its ability to incur indebtedness but permit the incurrence of indebtedness (including indebtedness under its 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 total consolidated debt to trailing four fiscal quarter EBITDA (as defined in the indentures)) would be less than (a) 6.5 to 1 pursuant to the 7 1/4% Notes and 9 3/4% Notes indenture, and (b) 7.0 to 1, pursuant to the 6 5/8% Notes indentures. In addition to debt incurred under the provisions described in the preceding sentence, the indentures relating to Lamar Media s outstanding notes permit Lamar Media to incur indebtedness pursuant to the following baskets:

- up to $1.3 billion of indebtedness under its senior credit facility;
- currently outstanding indebtedness or debt incurred to refinance outstanding debt;
- inter-company debt between Lamar Media and its subsidiaries or between 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 $20 million or 5% of Lamar Media s net tangible assets; and

additional debt not to exceed $40 million.

Restrictions Under Senior Credit Facility. Lamar Media is required to comply with certain covenants and restrictions under its senior credit agreement. If the Company fails to comply with these tests, all obligations under the senior credit facility, including our revolving credit facility, may be accelerated. At September 30, 2009 and currently Lamar Media is in compliance with all such tests.

Lamar Media must be in compliance with the following financial ratios under its senior credit facility:

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a total debt ratio, defined as total consolidated debt to EBITDA, as defined below, for the most recent four fiscal quarters as set forth below:

Period	**Ratio**
Amendment No. 4 Effective Date through and including March 31, 2009	7.25 to 1.00
Thereafter through and including June 30, 2009	7.50 to 1.00
Thereafter through and including June 30, 2010	7.75 to 1.00
Thereafter through and including December 31, 2010	7.50 to 1.00
Thereafter through and including March 31, 2011	7.00 to 1.00
Thereafter through and including June 30, 2011	6.75 to 1.00
Thereafter through and including September 30, 2011	6.25 to 1.00
Thereafter	6.00 to 1.00

a senior debt ratio, defined as total senior debt to EBITDA, as defined below, for the most recent four fiscal quarters as set forth below:

Period	**Ratio**
Amendment No. 4 Effective Date through and including March 31, 2009	4.00 to 1.00
Thereafter through and including March 31, 2010	4.25 to 1.00
Thereafter through and including September 30, 2010	4.00 to 1.00
Thereafter through and including December 31, 2010	3.75 to 1.00
Thereafter through and including March 31, 2011	3.50 to 1.00
Thereafter through and including September 30, 2011	3.25 to 1.00
Thereafter through and including December 30, 2011	3.00 to 1.00
Thereafter	2.00 to 1.00

a fixed charges coverage ratio, defined as EBITDA, (as defined below), for the most recent four fiscal quarters to the sum of (1) the total payments of principal and interest on debt for such period, plus (2) capital expenditures made during such period, plus (3) income and franchise tax payments made during such period, plus (4) dividends, of greater than 1.05 to 1.

The definition of EBITDA was revised in Amendment No. 4 as follows: EBITDA means, for any period, operating income for the Company and its subsidiaries (other than any unrestricted subsidiary) (determined on a consolidated basis without duplication in accordance with GAAP) for such period calculated before taxes, interest expense, interest in respect of mirror loan indebtedness, depreciation, amortization and any other non-cash income or charges accrued for such period, one-time cash restructuring charges and cash severance charges in the fiscal years ending on December 31, 2008 and 2009 (which charges shall not in the aggregate exceed $2.5 million for such fiscal years) for such period and (except to the extent received or paid in cash by the Company or any of its subsidiaries (other than any unrestricted subsidiary) 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 and Dispositions. For purposes hereof, the effect thereon of any adjustments required under Statement of Financial Accounting Standards No. 141R shall be excluded.

The Company believes that its current level of cash on hand, availability under its senior credit agreement and future cash flows from operations are sufficient to meet its operating needs through the year 2009. All debt obligations are reflected on the Company s balance sheet.

Uses of Cash

Capital Expenditures. Capital expenditures excluding acquisitions were approximately $29.0 million for the nine months ended
September 30, 2009. We anticipate our 2009 total capital expenditures to be between $35.0 million and $40.0 million.

Acquisitions. Due to the current economic recession, the Company has significantly reduced its acquisition activity for the year ended December 31, 2009. Consequently, during the nine months ended September 30, 2009, the Company s acquisition activity was $1.7 million and was financed with cash on hand.

Tender Offers. On March 23, 2009, the Company commenced a tender offer to purchase for cash any and all of its outstanding 2 7/8% Convertible Notes due 2010 Series B. The tender offer expired on April 17, 2009. As a result of the tender offer, Lamar accepted for payment $153.6 million principle amount of notes at a purchase price of $142.7 million, which was 92% of the original principal amount of the notes, including all accrued and unpaid interest up to, but not including the payment date of April 20, 2009.

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On June 6, 2009, the Company commenced a tender offer to purchase for cash any and all of its remaining outstanding 2 7/8% Convertible Notes due 2010 Series B. The tender offer expired on July 14, 2009. As a result of the tender offer, Lamar accepted for payment $120.4 million in principal amount of notes at a purchase price of $117.8 million, which was 97.75% of the original amount of the notes, including all accrued and unpaid interest up to, but not including the payment date of July 15, 2009. Pursuant to the terms of the tender offer, convertible notes not tendered, or tendered and validly withdrawn, in the tender offer remain outstanding, and the terms and conditions governing the note, including the covenants and other provisions contained in the indentures governing the notes, remain unchanged.

In addition, on August 18, 2009, the Company accepted for payment $7.1 million in principal amount of 2 7/8% Convertible Notes due 2010 Series B at a purchase price of $7.0 million, which was 99.9% of the original amount of the notes, in a privately negotiated transaction.

As a result of these transactions, the Company had approximately $6.4 million principal amount of Convertible Notes outstanding as of September 30, 2009; the Convertible Notes mature on December 31, 2010. The Company used the proceeds from Lamar Media s $350 million 9 3/4% senior note offering to fund these transactions. See Sources of Cash-Note Offerings above.

Lamar Media Corp.

The following is a discussion of the consolidated financial condition and results of operations of Lamar Media for the three and nine months ended September 30, 2009 and 2008. This discussion should be read in conjunction with the consolidated financial statements of Lamar Media and the related notes included in this Form 10-Q.

RESULTS OF OPERATIONS

Nine Months ended September 30, 2009 compared to Nine Months ended September 30, 2008

Net revenues decreased $125.3 million or 13.6% to $793.8 million for the nine months ended September 30, 2009 from $919.1 million for the same period in 2008. This decrease was attributable primarily to a decrease in billboard net revenues of $115.2 million or 13.8% over the prior period, a decrease in logo sign revenue of $0.4 million, which represents a decrease of 1.2% over the prior period, and a $9.7 million decrease in transit revenue, which represents a decrease of 20.6% over the prior period.

For the nine months ended September 30, 2009, there was a $139.0 million decrease in net revenues as compared to acquisition-adjusted net revenue for the nine months ended September 30, 2008. The $139.0 million decrease in revenue primarily consists of a $130.3 million decrease in billboard revenue and a $9.4 million decrease in transit revenue offset by a $0.7 million increase in logo revenue over the acquisition-adjusted net revenue for the comparable period in 2008. This $139.0 million decrease in revenue represents a decrease of 14.9% over the comparable period in 2008 and is attributable to the continuation of the general economic downturn which began in the fourth quarter of 2008. See Reconciliations below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, decreased $61.5 million or 11.6% to $468.5 million for the nine months ended September 30, 2009 from $530.0 million for the same period in 2008. There was a $51.6 million decrease in operating expenses related to the operations of our outdoor advertising assets and a $9.9 million decrease in corporate expenses. The decrease in operating expenses was primarily due to the Company s increased efforts to reduce overall expenditures through lease renegotiations and cancellations, in addition to a 13% reduction in personnel expenses resulting from a reduction in work force.

Depreciation and amortization expense increased $15.3 million for the nine months ended September 30, 2009 as compared to the nine months ended September 30, 2008, primarily due to the acceleration of depreciation related to non performing structures dismantled during the period.

Due to the above factors, operating income decreased $77.9 million to $77.6 million for the nine months ended September 30, 2009 compared to $155.5 million for the same period in 2008.

Interest expense increased $21.4 million from $118.6 million for the nine months ended September 30, 2008 to $140.0 million for the nine months ended September 30, 2009 due to the issuance of $350 million in aggregate principal amount of 9 3/4% senior notes issued in March 2009 and the increase in interest rates as a result of the amendments to Lamar Media s senior credit facility in April 2009.

The decrease in operating income and the increase in interest expense, offset by the increase in the gain on extinguishment of debt resulted in a $100.3 million decrease in income before income taxes. This decrease in income resulted in a decrease in income tax expense of $46.2 million for the nine months ended September 30, 2009 over the same period in 2008. The effective tax rate for the nine months ended September 30, 2009 was 38.6%, which is lower than the statutory rate due to permanent differences resulting from non-deductible compensation expense related to stock options in accordance with Stock Compensation Awards Classified as Equity (formerly SFAS 123R) and other non-deductible expenses and amortization.

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As a result of the above factors, Lamar Media recognized a net loss for the nine months ended September 30, 2009 of $37.2 million, as compared to net income of $16.9 million for the same period in 2008.

Three Months ended September 30, 2009 compared to Three Months ended September 30, 2008

Net revenues decreased $40.7 million or 13.0% to $271.8 million for the three months ended September 30, 2009 from $312.5 million for the same period in 2008. This decrease was attributable primarily to a decrease in billboard net revenues of $38.8 million or 13.7% over the prior period and a $2.7 million decrease in transit revenue over the prior period, which represents a decrease of 16.5% offset by a $0.8 million increase in logo revenue over the prior period.

For the three months ended September 30, 2009, there was a $40.3 million decrease in net revenues as compared to acquisition-adjusted net revenue for the three months ended September 30, 2008. The $40.3 million decrease in revenue primarily consists of a $39.1 million decrease in billboard revenue and a $2.3 million decrease in transit revenue offset by a $1.1 million increase in logo revenue over the acquisition-adjusted net revenue for the comparable period in 2008. This $40.3 million decrease in revenue represents a decrease of 12.9% over the comparable period in 2008 and is attributable to the continuation of the general economic downturn which began in the fourth quarter of 2008. See Reconciliations below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, decreased $27.3 million or 15.2% to $152.2 million for the three months ended September 30, 2009 from $179.5 million for the same period in 2008. There was a $24.6 million decrease in operating expenses related to the operations of our outdoor advertising assets and a $2.7 million decrease in corporate expenses. The decrease in operating expenses was primarily due to Lamar Media s increased efforts to reduce overall expenditures through lease renegotiations and cancellations, in addition to a 13% reduction in personnel.

Depreciation and amortization expense increased $3.0 million for the three months ended September 30, 2009 as compared to the three months ended September 30, 2008, primarily due to the acceleration of depreciation in non performing structures dismantled during the period.

Due to the above factors, operating income decreased $14.1 million to $39.3 million for the three months September 30, 2009 compared to $53.4 million for the same period in 2008.

Interest expense increased $12.5 million from $39.3 million for the three months ended September 30, 2008 to $51.8 million for the three months ended September 30, 2009 due to the issuance of $350 million in aggregate principal amount of 9 3/4% senior notes issued in March 2009 and the increase in interest rates as a result of the amendments to Lamar Media s senior credit facility in April 2009.

The decrease in operating income and increase in interest expense described above resulted in a $25.7 million increase in loss before income taxes. This increase in loss resulted in an increase in income tax benefit of $17.0 million for the three months ended September 30, 2009 over the same period in 2008. The effective tax rate for the three months ended September 30, 2009 was 56.2%.

As a result of the above factors, Lamar Media recognized a net loss for the three months ended September 30, 2009 of $4.8 million, as compared to net income of $3.8 million for the same period in 2008.

Reconciliations:

Because acquisitions occurring after December 31, 2007 the acquired assets) have contributed to our net revenue results for the periods presented, we provide 2008 acquisition-adjusted net revenue, which adjusts our 2008 net revenue for the three and nine months ended September 30, 2008 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 three and nine months ended September 30, 2009. We provide this information as a supplement to net revenues to enable investors to compare periods in 2009 and 2008 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 2008 that corresponds with the actual period we have owned the assets in 2009 (to the extent within the period to which this report relates). We refer to this adjustment as acquisition net revenue.

Reconciliations of 2008 reported net revenue to 2008 acquisition-adjusted net revenue for each of the three and nine month periods ended September 30, as well as a comparison of 2008 acquisition-adjusted net revenue to 2009 reported net revenue for each of the three and nine month periods ended September 30, are provided below:

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Reconciliation of Reported Net Revenue to Acquisition-Adjusted Net Revenue

	Three months ended September 30, 2008 (in thousands)	Nine months ended September 30, 2008 (in thousands)
Reported net revenue	$ 312,516	$ 919,111
Acquisition net revenue	(431)	13,671
Acquisition-adjusted net revenue	$ 312,085	$ 932,782

Comparison of 2009 Reported Net Revenue to 2008 Acquisition-Adjusted Net Revenue

	Three months ended September 30, (in thousands)		Nine months ended September 30, (in thousands)	
	2009	2008	2009	2008
Reported net revenue	$ 271,766	$ 312,516	$ 793,750	$ 919,111
Acquisition net revenue		(431)		13,671
Adjusted totals	$ 271,766	$ 312,085	$ 793,750	$ 932,782

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Lamar Advertising Company and Lamar Media Corp.

The Company is exposed to interest rate risk in connection with variable rate debt instruments issued by its wholly owned subsidiary Lamar Media. The information below summarizes the Company s interest rate risk associated with its principal variable rate debt instruments outstanding at September 30, 2009, and should be read in conjunction with Note 8 of the Notes to the Company s Consolidated Financial Statements in the 2008 Combined Form 10-K.

Loans under Lamar Media s senior credit facility bear interest at variable rates equal to the JPMorgan Chase Prime Rate or LIBOR plus the applicable margin, with a minimum LIBOR rate of 2.0%. 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 September 30, 2009, there was approximately $1.1 billion of aggregate indebtedness outstanding under the senior credit facility, or approximately 41.4% of the Company s outstanding long-term debt on that date, bearing interest at variable rates. The aggregate interest expense for the nine months ended September 30, 2009 with respect to borrowings under the senior credit facility was $43.8 million, and the weighted average interest rate applicable to borrowings under this credit facility during the nine months ended September 30, 2009 was 3.9%. Assuming that the weighted average interest rate was 200-basis points higher (that is 5.9% rather than 3.9%), then the Company s nine months ended September 30, 2009 interest expense would have been approximately $18.4 million higher resulting in a $12.2 million decrease in the Company s nine months ended September 30, 2009 net income.

The Company has 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. From time to time, the

Company has utilized and expects to continue to utilize derivative financial instruments with respect to a portion of its interest rate risks to achieve a more predictable cash flow by reducing its exposure to interest rate fluctuations. These transactions generally are interest rate and swap agreements, which are entered into with major financial institutions. 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 if these actions are taken, that they will be effective.

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ITEM 4. CONTROLS AND PROCEDURES

a) *Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures.*

The Company s and Lamar Media s management, with the participation of the principal executive officer and principal financial officer of the Company and Lamar Media, have evaluated the effectiveness of the design and operation of the Company s and Lamar Media s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this quarterly report. Based on this evaluation, the principal executive officer and principal financial officer of the Company and Lamar Media concluded that these disclosure controls and procedures are effective and designed to ensure that the information required to be disclosed in the Company s and Lamar Media s reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the requisite time periods.

b) *Changes in Internal Control Over Financial Reporting.*

There was no change in the internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) of the Company and Lamar Media identified in connection with the evaluation of the Company s and Lamar Media s internal control performed during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s and Lamar Media s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 6. EXHIBITS

The Exhibits filed as part of this report are listed on the Exhibit Index immediately following the signature page hereto, which Exhibit Index is incorporated herein by reference.

SIGNATURES

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

	LAMAR ADVERTISING COMPANY
DATED: November 5, 2009	BY: /s/ Keith A. Istre
	Chief Financial and Accounting Officer and Treasurer
	LAMAR MEDIA CORP.
DATED: November 5, 2009	BY: /s/ Keith A. Istre
	Chief Financial and Accounting Officer and Treasurer

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INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Certificate of Incorporation of the Company. Previously filed as Exhibit 3.1 to the Company s Annual Report on Form 10-K (File No. 0-30242) filed on March 15, 2006 and incorporated herein by reference.
3.2	Amended and Restated Certificate of Incorporation of Lamar Media. Previously filed as Exhibit 3.2 to the Company s Quarterly Report on Form 10-Q for the period ended March 31, 2007 (File No. 0-30242) filed on May 10, 2007 and incorporated herein by reference.
3.3	Amended and Restated Bylaws of the Company. Previously filed as Exhibit 3.1 to the Company s Current Report on Form 8-K (File No. 0-30242) filed on August 27, 2007 and incorporated herein by reference.
3.4	Amended and Restated Bylaws of Lamar Media. Previously filed as Exhibit 3.1 to Lamar Media s Quarterly Report on Form 10-Q for the period ended September 30, 1999 (File No. 1-12407) filed on November 12, 1999 and incorporated herein by reference.
31.1	Certification of the Chief Executive Officer of Lamar Advertising Company and Lamar Media pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
31.2	Certification of the Chief Financial Officer of Lamar Advertising Company and Lamar Media pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. Filed herewith.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.