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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2012

or

☐ **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.)**
5321 Corporate Blvd., Baton Rouge, LA	**70808**
(Address of principal 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 ☑ No ☐

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 ☑ No ☐

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	☑	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether Lamar Media Corp. is a large accelerated filer, an accelerated filer, 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	☐	Accelerated filer	☐
Non-accelerated filer	☑ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

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

The number of shares of Lamar Advertising Company's Class A common stock outstanding as of October 31, 2012: 78,748,838

The number of shares of the Lamar Advertising Company's Class B common stock outstanding as of October 31, 2012: 14,910,365

The number of shares of Lamar Media Corp. common stock outstanding as of October 31, 2012: 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.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information included in this report is forward-looking in nature within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. This report uses terminology such as "anticipates," "believes," "plans," "expects," "future," "intends," "may," "will," "should," "estimates," "predicts," "potential," "continue" and similar expressions to identify forward-looking statements. Examples of forward-looking statements in this report include statements about:

- Lamar Advertising Company's (the "Company" or "Lamar") future financial performance and condition;
- the Company's business plans, objectives, prospects, growth and operating strategies;
- the Company's anticipated capital expenditures and level of acquisition activity;
- the Company's consideration of an election to real estate investment trust status;
- the sources of cash that will be used to fund future acquisitions;
- the sources of cash that will be used to fund the redemption of the 6 5/8% senior subordinated notes due 2015;
- market opportunities and competitive positions;
- the sufficiency of cash on hand, cash availability and future cash flows from operations;
- expected uses of cash flows from operations;
- estimated risks; 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:

- current economic conditions and their effect 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 Company's ability to successfully implement its digital deployment strategy;
- the integration of any businesses that the Company may acquire and its ability to recognize cost savings and operating efficiencies as a result of any acquisitions; 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. ("Lamar Media") expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained in this report, except as required by law.

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, 2011 of the Company and Lamar Media (the "2011 Combined Form 10-K"), filed on February 27, 2012 and such risk factors as updated, from time to time, in our combined Quarterly Reports on Form 10-Q.

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PART I — FINANCIAL INFORMATION

ITEM 1. — FINANCIAL STATEMENTS

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash and cash equivalents	$ 38,448	$ 33,503
Receivables, net of allowance for doubtful accounts of $8,100 and $7,500 in 2012 and 2011, respectively	164,747	147,436
Prepaid expenses	55,428	39,514
Deferred income tax assets	10,783	9,812
Other current assets	27,706	26,360
Total current assets	297,112	256,625
Property, plant and equipment	2,911,267	2,860,592
Less accumulated depreciation and amortization	(1,765,716)	(1,666,975)
Net property, plant and equipment	1,145,551	1,193,617
Goodwill	1,435,111	1,426,848
Intangible assets	437,552	476,880
Deferred financing costs, net of accumulated amortization of $27,328 and $28,187 in 2012 and 2011, respectively	37,127	34,409
Other assets	40,741	38,974
Total assets	$ 3,393,194	$ 3,427,353
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Trade accounts payable	$ 13,353	$ 12,663
Current maturities of long-term debt	35,653	17,310
Accrued expenses	100,024	94,654
Deferred income	47,246	36,717
Total current liabilities	196,276	161,344
Long-term debt	2,039,955	2,141,218
Deferred income tax liabilities	95,385	92,317
Asset retirement obligation	185,841	180,662
Other liabilities	14,806	12,814
Total liabilities	2,532,263	2,588,355
Stockholders’ equity:		
Series AA preferred stock, par value $.001, $63.80 cumulative dividends, authorized 5,720 shares; 5,720 shares issued and outstanding at 2012 and 2011	—	—
Class A preferred stock, par value $638, $63.80 cumulative dividends, 10,000 shares authorized; 0 shares issued and outstanding at 2012 and 2011	—	—
Class A common stock, par value $.001, 175,000,000 shares authorized, 95,867,915 and 95,011,499 shares issued at 2012 and 2011, respectively; 78,748,710 and 77,928,847 issued and outstanding at 2012 and 2011, respectively	96	95
Class B common stock, par value $.001, 37,500,000 shares authorized, 14,910,365 and 15,122,865 shares issued and outstanding at 2012 and 2011, respectively	15	15
Additional paid-in capital	2,425,347	2,405,679
Accumulated comprehensive income	6,374	5,326
Accumulated deficit	(681,270)	(683,599)
Cost of shares held in treasury, 17,119,205 and 17,082,652 shares in 2012 and 2011, respectively	(889,631)	(888,518)
Stockholders’ equity	860,931	838,998
Total liabilities and stockholders’ equity	$ 3,393,194	$ 3,427,353

See accompanying notes to condensed consolidated financial statements.

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LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)
(In thousands, except share and per share data)

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Net revenues	$ 306,286	$ 296,701	$ 877,396	$ 845,248
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	103,845	103,200	312,339	305,809
General and administrative expenses (exclusive of depreciation and amortization)	52,153	51,866	157,275	151,505
Corporate expenses (exclusive of depreciation and amortization)	13,590	11,648	40,036	33,996
Depreciation and amortization	73,915	75,171	219,283	221,454
Gain on disposition of assets	(739)	(609)	(5,309)	(7,967)
	242,764	241,276	723,624	704,797
Operating income	63,522	55,425	153,772	140,451
Other expense (income)				
Loss on extinguishment of debt	1,984	451	31,956	451
Interest income	(147)	(428)	(270)	(511)
Interest expense	38,534	42,530	117,081	129,457
	40,371	42,553	148,767	129,397
Income before income tax expense	23,151	12,872	5,005	11,054
Income tax expense	11,655	8,880	2,403	8,876
Net income	11,496	3,992	2,602	2,178
Preferred stock dividends	91	91	273	273
Net income applicable to common stock	$ 11,405	$ 3,901	$ 2,329	$ 1,905
Earnings per share:				
Basic earnings per share	$ 0.12	$ 0.04	$ 0.02	$ 0.02
Diluted earnings per share	$ 0.12	$ 0.04	$ 0.02	$ 0.02
Weighted average common shares used in computing earnings per share:				
Weighted average common shares outstanding	93,423,063	92,901,470	93,265,621	92,808,705
Incremental common shares from dilutive stock options	306,449	175,149	285,270	362,995
Weighted average common shares diluted	93,729,512	93,076,619	93,550,891	93,171,700
Statement of Comprehensive Income				
Net income	$ 11,496	$ 3,992	$ 2,602	$ 2,178
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	1,152	(1,704)	1,048	(1,303)
Comprehensive income	$ 12,648	$ 2,288	$ 3,650	$ 875

See accompanying notes to condensed consolidated financial statements.

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LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Cash flows from operating activities:		
Net income	$ 2,602	$ 2,178
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	219,283	221,454
Non-cash equity based compensation	10,902	7,338
Amortization included in interest expense	13,101	13,820
Gain on disposition of assets	(5,309)	(7,967)
Loss on extinguishment of debt	31,956	451
Deferred tax expense	1,099	7,027
Provision for doubtful accounts	4,308	4,546
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(20,674)	(26,485)
Prepaid expenses	(14,325)	(16,128)
Other assets	(1,048)	4,510
Increase (decrease) in:		
Trade accounts payable	8	(1,356)
Accrued expenses	4,312	4,015
Other liabilities	7,134	9,302
Net cash provided by operating activities	253,349	222,705
Cash flows from investing activities:		
Acquisitions	(54,738)	(15,164)
Capital expenditures	(77,747)	(83,182)
Proceeds from disposition of assets	5,023	10,175
Payments received on notes receivable	118	179
Net cash used in investing activities	(127,344)	(87,992)
Cash flows from financing activities:		
Debt issuance costs	(14,328)	—
Cash used for purchase of treasury stock	(1,113)	(3,481)
Net proceeds from issuance of common stock	9,809	3,650
Net proceeds received under revolving credit facility	15,000	—
Principal payments on long term debt	(8,381)	(168,488)
Proceeds received from note offering	500,000	—
Payment on senior subordinated notes	(722,296)	(15,835)
Proceeds received from senior credit facility term loan	100,000	—
Dividends	(273)	(273)
Net cash used in financing activities	(121,582)	(184,427)
Effect of exchange rate changes in cash and cash equivalents	522	(449)
Net increase (decrease) in cash and cash equivalents	4,945	(50,163)
Cash and cash equivalents at beginning of period	33,503	91,679
Cash and cash equivalents at end of period	$ 38,448	$ 41,516
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 102,334	$ 113,400
Cash paid for foreign, state and federal income taxes	$ 1,906	$ 1,368

See accompanying notes to condensed consolidated financial statements.

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In thousands, except share and per 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 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 2011 Combined Form 10-K. 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. The Black-Scholes-Merton option pricing model incorporates various and highly subjective assumptions, including expected term and expected volatility. The Company granted options for an aggregate of 44,600 shares of its Class A common stock during the nine months ended September 30, 2012.

Stock Purchase Plan. In 2009 our board of directors adopted a new employee stock purchase plan, the 2009 Employee Stock Purchase Plan or 2009 ESPP, which was approved by our shareholders on May 28, 2009. The 2009 ESPP reserved 588,154 shares of Class A common stock for issuance to our employees, which included 88,154 shares of Class A common stock that had been available for issuance under our 2000 Employee Stock Purchase Plan or 2000 ESPP. 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. The terms of the 2009 ESPP are substantially the same as the 2000 ESPP.

The number of shares of Class A common stock available under the 2009 ESPP was automatically increased by 77,928 shares on January 1, 2012 pursuant to the automatic increase provisions of the 2009 ESPP and further increased by 250,000 shares of Class A common stock pursuant to an amendment to the 2009 Plan adopted by our board of directors on February 22, 2012 and approved by our stockholders at the Company's 2012 Annual Meeting of Stockholders on May 24, 2012.

The following is a summary of the 2009 ESPP share activity for the nine months ended September 30, 2012:

	Shares
Available for future purchases, January 1, 2012	253,294
Additional shares reserved under 2009 ESPP	250,000
Purchases	(110,014)
Available for future purchases, September 30, 2012	393,280

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, will be dependent on the level of achievement of performance measures for key officers and employees, as determined by the Company's Compensation Committee based on our 2012 results. Any shares issued based on the achievement of performance goals will be issued in the first quarter of 2013. 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. For the nine months ended September 30, 2012, the Company has recorded $5,783 as non-cash compensation expense related to performance-based awards. In addition, each of our non-employee directors automatically receive upon election or re-election a restricted stock award of our Class A common stock. These awards vest 50% on grant date and 50% on the last day of each director's one year term. The Company recorded $216 non-cash compensation expense related to these awards for the nine months ended September 30, 2012.

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In thousands, except share and per share data)

3. Acquisitions

During the nine months ended September 30, 2012, the Company completed several acquisitions of outdoor advertising assets for a total purchase price of approximately $57,836 of which $54,738 was in cash.

Each of these acquisitions was accounted for under the acquisition method of accounting, and, accordingly, the accompanying consolidated financial statements include the results of operations of each acquired entity from the date of acquisition. The acquisition costs have been allocated to assets acquired and liabilities assumed based on preliminary fair value estimates at the dates of acquisition. The allocations are pending final determination of the fair value of certain assets and liabilities. The following is a summary of the preliminary allocation of the acquisition costs in the above transactions.

	Total
Property, plant and equipment	$11,358
Goodwill	8,689
Site locations	30,554
Non-competition agreements	70
Customer lists and contracts	5,780
Other asset	1,913
Current liabilities	(528)
	$57,836

Summarized below are certain unaudited pro forma statements of operations data for the three and nine months ended September 30, 2012 and September 30, 2011 as if each of the above acquisitions and the acquisitions occurring in 2011, which were fully described in the 2011 Combined Form 10-K, had been consummated as of January 1, 2011. This pro forma information does not purport to represent what the Company’s results of operations actually would have been had such transactions occurred on the date specified or to project the Company’s results of operations for any future periods.

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Pro forma net revenues	$306,504	$300,509	$883,621	$856,457
Pro forma net income applicable to common stock	$ 11,430	$ 4,024	$ 2,903	$ 2,011
Pro forma net income per common share—basic	$ 0.12	$ 0.04	$ 0.03	$ 0.02
Pro forma net income per common share—diluted	$ 0.12	$ 0.04	$ 0.03	$ 0.02

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,	
	2012	2011	2012	2011
Direct advertising expenses	$68,507	$71,384	$205,450	$209,630
General and administrative expenses	985	1,009	3,007	3,079
Corporate expenses	4,423	2,778	10,826	8,745
	$73,915	$75,171	$219,283	$221,454

5. Goodwill and Other Intangible Assets

The following is a summary of intangible assets at September 30, 2012 and December 31, 2011.

	Estimated	September 30, 2012		December 31, 2011	
	Life (Years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer lists and contracts	7—10	$ 474,225	$ 457,157	$ 468,371	$ 451,524
Non-competition agreements	3—15	63,665	62,495	63,592	61,849
Site locations	15	1,414,227	995,396	1,383,076	925,291
Other	5—15	13,608	13,125	13,608	13,103
		$1,965,725	$1,528,173	$1,928,647	$1,451,767
Unamortizable intangible assets:					
Goodwill		$1,688,746	$ 253,635	$1,680,483	$ 253,635

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LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In thousands, except share and per share data)

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, 2011	$180,662
Additions to asset retirement obligations	649
Accretion expense	8,061
Liabilities settled	(3,531)
Balance at September 30, 2012	$185,841

7. 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 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, 2012 and December 31, 2011, Lamar Media was permitted under the terms of its outstanding senior subordinated notes to make transfers to Lamar Advertising in the form of cash dividends, loans or advances in amounts up to $1,619,927 and $1,641,856, respectively. Transfers to Lamar Advertising are subject to additional restrictions if, (i) under Lamar Media's senior credit facility and as defined therein, (x) the total holdings debt ratio is greater than 5.75 to 1 or (y) the senior debt ratio is greater than 3.25 to 1.0, and (ii) if under the indenture for Lamar Media's 9 3/4% senior notes and as defined therein, its senior leverage ratio is greater than or equal to 3.0 to 1. As of September 30, 2012, the total holdings debt ratio was less than 5.75 to 1 and Lamar Media's senior debt ratio was less than 3.25 to 1 and its senior leverage ratio was less than 3.0 to 1; therefore, transfers to Lamar Advertising were not subject to any additional restrictions under the senior credit facility or pursuant to the indenture governing the 9 3/4% senior notes.

8. Earnings Per Share

The calculation of basic earnings per share excludes any dilutive effect of stock options, while diluted earnings per share includes the dilutive effect of options. For the nine months ended September 30, 2012 and 2011 there were no dilutive shares excluded from this calculation resulting from the antidilutive effect of options.

9. Long-term Debt

Long-term debt consists of the following at September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011
Senior Credit Facility	$ 702,164	$ 595,477
7 7/8% Senior Subordinated Notes	400,000	400,000
6 5/8% Senior Subordinated Notes	—	381,290
6 5/8% Senior Subordinated Notes — Series B	35,068	191,544
6 5/8% Senior Subordinated Notes — Series C	98,837	256,040
5 7/8% Senior Subordinated Notes	500,000	—
9 3/4% Senior Notes	337,140	331,553
Other notes with various rates and terms	2,399	2,624
	2,075,608	2,158,528
Less current maturities	(35,653)	(17,310)
Long-term debt, excluding current maturities	$ 2,039,955	$2,141,218

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In thousands, except share and per share data)

6 5/8% Senior Subordinated Notes

On August 16, 2005, Lamar Media Corp., issued $400,000 aggregate principal amount of 6 5/8% Senior Subordinated Notes due 2015. These notes are unsecured senior subordinated obligations and will be subordinated to all of Lamar Media's existing and future senior debt, rank equally with all of Lamar Media's existing and future senior subordinated debt and rank senior to all of our existing and any future subordinated debt of Lamar Media. These notes are redeemable at the company's option anytime on or after August 15, 2010 in whole or part, in cash at redemption prices specified in the notes. The net proceeds for this issuance were used to reduce borrowings under Lamar Media's senior credit facility.

On August 17, 2006, Lamar Media Corp. issued $216,000 aggregate principal amount of 6 5/8% Senior Subordinated Notes due 2015-Series B. These notes are unsecured senior subordinated obligations and will be subordinated to all of Lamar Media's existing and future senior debt, rank equally with all of Lamar Media's existing and future senior subordinated debt and rank senior to all of our existing and any future subordinated debt of Lamar Media. These notes are redeemable at the company's option anytime on or after August 15, 2010 in whole or part, in cash at redemption prices specified in the notes. The net proceeds from this issuance were used to reduce borrowings under Lamar Media's senior credit facility and repurchase the Company's Class A common stock pursuant to its repurchase plan.

On October 11, 2007, Lamar Media Corp. issued $275,000 aggregate principal amount of 6 5/8% Senior Subordinated Notes due 2015—Series C. These notes are unsecured senior subordinated obligations and will be subordinated to all of Lamar Media's existing and future senior debt, rank equally with all of Lamar Media's existing and future senior subordinated debt and rank senior to all of the existing and any future subordinated debt of Lamar Media. These notes are redeemable at the company's option anytime on or after August 15, 2010 in whole or part, in cash at redemption prices specified in the notes. A portion of the net proceeds from this issuance was used to repay a portion of the amounts outstanding under Lamar Media's revolving senior credit facility.

On January 26, 2012, Lamar Media commenced a tender offer to purchase for cash, up to $700,000 in aggregate principal amount of its outstanding 6 5/8% Senior Subordinated Notes due 2015, 6 5/8% Senior Subordinated Notes due 2015—Series B and 6 5/8% Senior Subordinated Notes due 2015—Series C (collectively, "the 6 5/8% Notes"). On February 9, 2012, Lamar Media accepted tenders for approximately $483,655 in aggregate principal amount of the 6 5/8% Notes, out of approximately $582,903 tendered, in connection with the early settlement date of the tender offer. On February 27, 2012, Lamar Media accepted tenders for approximately $99,248 previously tendered and not accepted for payment and an additional $220 tendered following the early settlement date. Lamar Media made aggregate cash payments (including early tender consideration and accrued but unpaid interest) in connection with the tender offer of approximately $613,887.

On July 30, 2012, Lamar Media provided notice of its intent to redeem in full all $122,760 of its 6 5/8% Senior Subordinated notes due 2015 at a redemption price equal to 101.104% of the principal amount outstanding, plus accrued and unpaid interest to, but not including, the redemption date of August 29, 2012. The Company used cash on hand and borrowings under its senior credit facility to fund the redemption. Following the redemption, Lamar Media had approximately $137,217 in aggregate principal amount of its 6 5/8% Senior Subordinated Notes due 2015—Series B and 6 5/8% Senior Subordinated Notes due 2015—Series C outstanding.

For the nine months ended September 30, 2012, the Company recognized a loss of $31,956 in connection with the repurchase of a portion of its 6 5/8% Notes.

9 3/4% Senior Notes

On March 27, 2009, Lamar Media issued $350,000 in aggregate principal amount ($314,927 gross proceeds) of 9 3/4% Senior Notes due 2014. The institutional private placement resulted in net proceeds to Lamar Media of approximately $307,489. The senior notes mature on April 1, 2014 and have 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 senior 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.

At any time prior to April 1, 2014, Lamar Media may redeem some or all of the senior 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 senior notes at a price equal to 101% of the principal amount of the senior notes, plus accrued and unpaid interest (including additional interest, if any), up to but not including the repurchase date.

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7 7/8% Senior Subordinated Notes

On April 22, 2010, Lamar Media issued $400,000 in aggregate principal amount of 7 7/8% Senior Subordinated Notes due 2018 (the “7 7/8% Notes”). The institutional private placement resulted in net proceeds to Lamar Media of approximately $392,000.

Lamar Media may redeem up to 35% of the aggregate principal amount of the 7 7/8% Notes, at any time and from time to time, at a price equal to 107.875% 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 15, 2013, provided that following the redemption at least 65% of the 7 7/8% Notes that were originally issued remain outstanding. At any time prior to April 15, 2014, Lamar Media may redeem some or all of the 7 7/8% Notes at a price equal to 100% of the principal amount plus a make-whole premium. On or after April 15, 2014, Lamar Media may redeem the 7 7/8% Notes, in whole or part, in cash at redemption prices specified in the 7 7/8% Notes.

5 7/8% Senior Subordinated Notes

On February 9, 2012, Lamar Media completed an institutional private placement of $500,000 aggregate principal amount of 5 7/8% Senior Subordinated Notes, due 2022 (the “5 7/8% Notes”). The institutional private placement resulted in net proceeds to Lamar Media of approximately $489,000.

Lamar Media may redeem up to 35% of the aggregate principal amount of the 5 7/8% Notes, at any time and from time to time, at a price equal to 105.875% of the aggregate principal amount so redeemed, plus accrued and unpaid interest thereon, with the net cash proceeds of certain public equity offerings completed before February 1, 2015, provided that following the redemption, at least 65% of the 5 7/8% Notes that were originally issued remain outstanding. At any time prior to February 1, 2017, Lamar Media may redeem some or all of the 5 7/8% Notes at a price equal to 100% of the aggregate principal amount plus a make-whole premium. On or after February 1, 2017, Lamar Media may redeem the 5 7/8% Notes, in whole or in part, in cash at redemption prices specified in the 5 7/8% Notes. 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 5 7/8% Notes at a price equal to 101% of the principal amount of the 5 7/8% Notes, plus accrued and unpaid interest, up to but not including the repurchase date.

The Company used the proceeds of this offering, after payment and fees, to repurchase its tendered and accepted 6 5/8% Notes.

2010 Senior Credit Facility

On February 9, 2012, Lamar Media entered into a restatement agreement with respect to its existing senior credit facility in order to fund a new $100,000 Term loan A facility and to make certain covenant changes to the senior credit facility, which was entered into on April 28, 2010, as amended on June 11, 2010, November 18, 2010 and February 9, 2012 (the “senior credit facility”), for which JPMorgan Chase Bank, N.A. serves as administrative agent. The senior credit facility consists of a $250,000 revolving credit facility, a $270,000 term loan A-1 facility, a $30,000 term loan A-2 facility, a $100,000 term loan A-3 facility, a $575,000 term loan B facility and a $300,000 incremental facility, which may be increased by up to an additional $200,000 based upon our satisfaction of a senior debt ratio test (as described below), of less than or equal to 3.25 to 1. Lamar Media is the borrower under the senior credit facility, except with respect to the $30,000 term loan A-2 facility for which Lamar Media’s wholly owned subsidiary, Lamar Advertising of Puerto Rico, Inc. is the borrower. We may also from time to time designate additional wholly owned subsidiaries as subsidiary borrowers under the incremental loan facility that can borrow up to $110,000 of the incremental facility. Incremental loans may be in the form of additional term loan tranches or increases in the revolving credit facility. Our lenders have no obligation to make additional loans to us, or any designated subsidiary borrower, under the incremental facility, but may enter into such commitments in their sole discretion.

The remaining quarterly amortizations of the Term facilities as of September 30, 2012 is as follows:

	Term A-1	Term A-2	Term A-3	Term B
December 31, 2012	$ 6,750	$ 750	$ —	$ 813.2
March 31, 2013 — March 31, 2014	$ 6,750	$ 750	$ 625	$ 813.2
June 30, 2014 — December 31, 2014	$13,500	$ 1,500	$ 625	$ 813.2
March 31, 2015	$13,500	$ 1,500	$ 1,250	$ 813.2
June 30, 2015 — September 30, 2015	$37,125	$ 4,125	$ 1,250	$ 813.2
December 31, 2015	$74,250	$ 8,250	$ 1,250	$ 813.2
March 31, 2016 — September 30, 2016	$ —	$ —	$ 1,250	$ 813.2
December 31, 2016	$ —	$ —	$ 1,250	$304,151.9
March 31, 2017— June 30, 2017	$ —	$ —	$21,250	$ —
August 9, 2017	$ —	$ —	$42,500	$ —

LAMAR ADVERTISING COMPANY
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(Unaudited)
(In thousands, except share and per share data)

In addition to the amortizations of our Term facilities, Lamar Media may be required to make certain mandatory prepayments on loans outstanding under the senior credit facility that would be applied first to any outstanding term loans. These payments, if any, will be calculated based on a percentage of Consolidated Excess Cash Flow (as defined in the senior credit facility) at the end of each fiscal year. For fiscal years ending or after December 31, 2012, this percentage is subject to reduction to 0% if the total holdings debt ratio (as defined in the senior credit facility) is less than or equal to 5.00 to 1.00 as of the last day of such fiscal year.

As of September 30, 2012, there was $15,000 outstanding under the revolving senior facility. The revolving facility terminates April 28, 2015. Availability under the revolving facility is reduced by the amount of any letters of credit outstanding. Lamar Media had $7,701 letters of credit outstanding as of September 30, 2012 resulting in $227,299 of availability under its revolving facility. Revolving credit loans may be requested under the revolving credit facility at any time prior to maturity. The loans bear interest, at Lamar Media's option, at the LIBOR Rate or JPMorgan Chase Prime Rate plus applicable margins, such margins being set from time to time based on Lamar Media's ratio of debt to trailing twelve month EBITDA, as defined in the senior credit facility.

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

- dispose of assets;
- incur or repay debt;
- create liens;
- make investments; and
- pay dividends.

Lamar Media's ability to make distributions to Lamar Advertising is also restricted under the terms of these agreements. Under Lamar Media's senior credit facility the Company must maintain specified financial ratios and levels including:

- a fixed charges ratio;
- a senior debt ratio; and
- a total holdings debt ratio.

Lamar Advertising and Lamar Media were in compliance with all of the terms of their indentures and the applicable senior credit agreement provisions during the periods presented.

10. Fair Value of Financial Instruments

At September 30, 2012 and December 31, 2011, the Company's financial instruments included cash and cash equivalents, marketable securities, accounts receivable, investments, accounts payable and borrowings. 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 are reported at fair values. Fair values for investments held at cost are not readily available, but are estimated to approximate fair value. The estimated fair value of the Company's long term debt (including current maturities) was $2,209,366, which exceeded both the gross and carrying amounts of $2,091,780 and $2,075,608, respectively, as of September 30, 2012.

11. Non-Cash Financing and Investing Activities

For the period ended September 30, 2012 and 2011, the Company had non-cash investing activity of $3,098 and $4,000 related to an acquisition of outdoor advertising assets and deposits paid in prior periods for the purchase of an aircraft, respectively.

Also, during the period ended September 30, 2011, the Company had non-cash financing activity of $9,463 for the net repurchase of the 6 5/8% Notes at 99.3% of their aggregate principal amount. These notes were under agreement for repurchase as of September 30, 2011 and pending settlement, which settled in October 2011.

LAMAR ADVERTISING COMPANY
AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)
(In thousands, except share and per share data)

12. Subsequent Events

On October 9, 2012, Lamar Media provided notice of its intent to redeem on November 8, 2012, an aggregate amount of approximately $66,099 of its 6 5/8% Senior Subordinated Notes due 2015 consisting of $36,099 of its 6 5/8% Senior Subordinated Notes due 2015—Series B and $30,000 of its 6 5/8% Senior Subordinated Notes due 2015—Series C at a redemption price equal to 101.104% of the principal amount of outstanding notes plus accrued and unpaid interest up to but not including the redemption date.

On October 30, 2012, Lamar Media provided notice of its intent to redeem in full on November 29, 2012, the remaining $71,118 in aggregate principal amount outstanding of its 6 5/8% Senior Subordinated Notes due 2018—Series C at a redemption price equal to 101.104% of the principal amount of outstanding Notes plus accrued and unpaid interest up to but not including the redemption date.

On October 30, 2012 the Company completed a private placement of $535,000 5.0% Senior Subordinated Notes due 2023 (“the Notes”). Lamar Media intends to use the proceeds of this offering, after the payment of fees and expenses, (i) to redeem $137,217 in aggregate principal amount outstanding of Lamar Media’s 6 5/8% Senior Subordinated Notes due 2015—Series B and Lamar Media’s 6 5/8% Senior Subordinated Notes due 2015—Series C, (ii) to fund the acquisition of NextMedia Outdoor, Inc. (see below) and potential acquisitions that are currently being evaluated by Lamar or that it may pursue in the future or, to the extent not used to fund potential future acquisitions, to repay a portion of the indebtedness outstanding under Lamar Media’s senior credit facility and (iii) for general corporate purposes.

On October 31, 2012, the Company purchased all of the outstanding common stock of NextMedia Outdoor, Inc. for $145,000 in cash.

LAMAR MEDIA CORP.
AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	September 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,948	$ 33,377
Receivables, net of allowance for doubtful accounts of $8,100 and $7,500 in 2012 and 2011, respectively.	164,747	147,436
Prepaid expenses	55,428	39,514
Deferred income tax assets	10,783	9,812
Other current assets	27,925	26,578
Total current assets	296,831	256,717
Property, plant and equipment	2,911,267	2,860,592
Less accumulated depreciation and amortization	(1,765,716)	(1,666,975)
Net property, plant and equipment	1,145,551	1,193,617
Goodwill	1,424,959	1,416,696
Intangible assets	437,069	476,376
Deferred financing costs net of accumulated amortization of $18,039 and $18,899 in 2012 and 2011, respectively	35,174	32,455
Other assets	35,456	33,689
Total assets	$ 3,375,040	$ 3,409,550
LIABILITIES AND STOCKHOLDER’S EQUITY		
Current liabilities:		
Trade accounts payable	$ 13,353	$ 12,663
Current maturities of long-term debt	35,653	17,310
Accrued expenses	97,788	93,315
Deferred income	47,246	36,717
Total current liabilities	194,040	160,005
Long-term debt	2,039,955	2,141,218
Deferred income tax liabilities	128,652	125,462
Asset retirement obligation	185,841	180,662
Other liabilities	14,808	12,814
Total liabilities	2,563,296	2,620,161
Stockholder’s equity:		
Common stock, par value $.01, 3,000 shares authorized, 100 shares issued and outstanding at 2012 and 2011	—	—
Additional paid-in-capital	2,598,986	2,579,318
Accumulated comprehensive income	6,374	5,326
Accumulated deficit	(1,793,616)	(1,795,255)
Stockholder’s equity	811,744	789,389
Total liabilities and stockholder’s equity	$ 3,375,040	$ 3,409,550

See accompanying note to condensed consolidated financial statements.

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LAMAR MEDIA CORP.
AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)
(In thousands, except share and per share data)

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Net revenues	$ 306,286	$ 296,701	$ 877,396	$ 845,248
Operating expenses (income)				
Direct advertising expenses (exclusive of depreciation and amortization)	103,845	103,200	312,339	305,809
General and administrative expenses (exclusive of depreciation and amortization)	52,153	51,866	157,275	151,505
Corporate expenses (exclusive of depreciation and amortization)	13,516	11,570	39,763	33,720
Depreciation and amortization	73,915	75,171	219,283	221,454
Gain on disposition of assets	(739)	(609)	(5,309)	(7,967)
	242,690	241,198	723,351	704,521
Operating income	63,596	55,503	154,045	140,727
Other expense (income)				
Loss on extinguishment of debt	1,984	451	31,956	451
Interest income	(147)	(428)	(270)	(511)
Interest expense	38,534	42,530	117,081	129,457
	40,371	42,553	148,767	129,397
Income before income tax expense	23,225	12,950	5,278	11,330
Income tax expense	11,640	8,835	2,526	8,943
Net income	$ 11,585	$ 4,115	$ 2,752	$ 2,387
Statement of Comprehensive Income				
Net income	$ 11,585	$ 4,115	$ 2,752	$ 2,387
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	1,152	(1,704)	1,048	(1,303)
Comprehensive income	$ 12,737	$ 2,411	$ 3,800	$ 1,084

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, 2012	Nine months ended September 30, 2011
Cash flows from operating activities:		
Net income	$ 2,752	$ 2,387
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	219,283	221,454
Non-cash equity based compensation	10,902	7,338
Amortization included in interest expense	13,101	13,820
Gain on disposition of assets	(5,309)	(7,967)
Loss on extinguishment of debt	31,956	451
Deferred tax expense	1,221	7,101
Provision for doubtful accounts	4,308	4,546
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(20,674)	(26,485)
Prepaid expenses	(14,325)	(16,128)
Other assets	(1,048)	4,593
Increase (decrease) in:		
Trade accounts payable	8	(1,356)
Accrued expenses	4,312	4,015
Other liabilities	(3,644)	4,314
Net cash provided by operating activities	242,843	218,083
Cash flows from investing activities:		
Acquisitions	(54,738)	(15,164)
Capital expenditures	(77,747)	(83,182)
Proceeds from disposition of assets	5,023	10,175
Payment received on notes receivable	118	179
Net cash used in investing activities	(127,344)	(87,992)
Cash flows from financing activities:		
Principal payments on long-term debt	(8,381)	(168,488)
Payment on senior subordinated notes	(722,296)	(15,835)
Proceeds received from note offering	500,000	—
Proceeds received from senior credit agreement term loan	100,000	—
Net proceeds received under revolving credit facility	15,000	—
Debt issuance costs	(14,328)	—
Contributions from parent	19,668	10,987
Dividend to parent	(1,113)	(3,481)
Net cash used in financing activities	(111,450)	(176,817)
Effect of exchange rate changes in cash and cash equivalents	522	(449)
Net increase (decrease) in cash and cash equivalents	4,571	(47,175)
Cash and cash equivalents at beginning of period	33,377	88,565
Cash and cash equivalents at end of period	$ 37,948	$ 41,390
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 102,334	$ 113,400
Cash paid for foreign, state and federal income taxes	$ 1,906	$ 1,368

See accompanying note to condensed consolidated financial statements.

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 2011 Combined Form 10-K.

Certain notes are not provided for the accompanying condensed consolidated financial statements as the information in notes 1, 2, 3, 4, 5, 6, 7, 9, 10, 11 and 12 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.

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 2011 Combined Form 10-K filed on February 27, 2012, as supplemented by any risk factors contained in our combined Quarterly Reports on Form 10-Q. You should carefully consider each of these risks and uncertainties in evaluating the Company's and Lamar Media's financial condition 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, 2012 and 2011. This discussion should be read in conjunction with the consolidated financial statements of the Company and the related notes thereto.

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

Historically, the Company made strategic acquisitions of outdoor advertising assets to increase the number of outdoor advertising displays it operates in existing and new markets. While the Company has significantly reduced its acquisition activity over the last three years, it will continue to evaluate and pursue strategic acquisition opportunities as they arise. The Company has financed its historical acquisitions and intends to finance any future acquisition activity from available cash, borrowings under its senior credit facility or the issuance of debt or equity securities. See "Liquidity and Capital Resources" below. During the ten months ended October 31, 2012, the Company completed acquisitions for a total purchase price of approximately $200 million, which included the purchase of NextMedia Outdoor, Inc. that closed October 31, 2012.

The Company's business requires expenditures for maintenance and capitalized costs associated with the construction of new billboard displays, the entrance into and renewal of logo sign and transit contracts, and the purchase of real estate and operating equipment. The following table presents a breakdown of capitalized expenditures for the three months and nine months ended September 30, 2012 and 2011:

	Three months ended September 30, (in thousands)		Nine months ended September 30, (in thousands)	
	2012	2011	2012	2011
Billboard — traditional	$ 5,917	$ 7,609	$20,938	$24,911
Billboard — digital	12,272	11,983	32,334	32,081
Logos	2,267	2,777	5,547	7,457
Transit	26	168	110	640
Land and buildings	4,486	3,026	9,401	3,838
Operating equipment	3,237	2,966	9,417	14,255
Total capital expenditures	$28,205	$28,529	$77,747	$83,182

RESULTS OF OPERATIONS

Nine Months ended September 30, 2012 compared to Nine Months ended September 30, 2011

Net revenues increased $32.1 million or 3.8% to $877.4 million for the nine months ended September 30, 2012 from $845.2 million for the same period in 2011. This increase was attributable primarily to an increase in billboard net revenues of $24.9 million or 3.3% over the prior period, an increase in logo sign revenue of $2.8 million, which represents an increase of 6.6% over the prior period, and a $4.4 million increase in transit revenue, which represents an increase of 10.0% over the prior period.

For the nine months ended September 30, 2012, there was a $27.1 million increase in net revenues as compared to acquisition-adjusted net revenue for the nine months ended September 30, 2011. The $27.1 million increase in revenue primarily consists of a $21.2 million increase in billboard revenue, a $1.9 million increase in logo revenue and a $4.0 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2011. This increase in revenue represents an increase of 3.2% over the comparable period in 2011. See “Reconciliations” below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $18.3 million or 3.7% to $509.7 million for the nine months ended September 30, 2012 from $491.3 million for the same period in 2011. There was a $12.3 million increase in operating expenses related to the operations of our outdoor advertising assets and a $6.0 million increase in corporate expenses.

Depreciation and amortization expense decreased $2.2 million for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011, primarily due to a reduction in the number of non-performing structures that were dismantled during the period as compared to the nine months ended September 30, 2011.

The Company recorded a gain on disposition of assets of $5.3 million for the nine months ended September 30, 2012.

Due to the above factors, operating income increased $13.3 million to $153.8 million for the nine months ended September 30, 2012 compared to $140.5 million for the same period in 2011.

During the nine months ended September 30, 2012, the Company recognized a $32.0 million loss on debt extinguishment related to the settlement of the tender offer for Lamar Media’s 6 5/8% Notes. Approximately $15.0 million of the loss is a non-cash expense attributable to the write off of unamortized debt issuance fees and unamortized discounts associated with the tendered notes. See – “Uses of Cash – Tender Offers” for more information.

Interest expense decreased approximately $12.4 million from $129.5 million for the nine months ended September 30, 2011 to $117.1 million for the nine months ended September 30, 2012, due to the reduction in total debt outstanding as well as a decrease in interest rates resulting from the Company’s recent refinancing transactions. See – “Uses of Cash Tender Offers” for more information.

The increase in operating income and decrease in interest expense offset by the loss on extinguishment of debt discussed above resulted in a $6.0 million decrease in net income before income taxes. The Company recorded income tax expense of $2.4 million for the nine months ended September 30, 2012. The effective tax rate for the nine months ended September 30, 2012 was 48.0%, which is higher than the statutory rate due to permanent differences resulting from non-deductible expenses and amortization, primarily non-deductible compensation expense related to stock based compensation calculated in accordance with ASC718.

As a result of the above factors, the Company recognized net income for the nine months ended September 30, 2012 of $2.6 million, as compared to net income of $2.2 million for the same period in 2011.

Three Months ended September 30, 2012 compared to Three Months ended September 30, 2011

Net revenues increased $9.6 million or 3.2% to $306.3 million for the three months ended September 30, 2012 from $296.7 million for the same period in 2011. This increase was attributable primarily to an increase in billboard net revenues of $6.9 million or 2.6% over the prior period, an increase in logo revenue of $0.7 million or a 5.0% increase over the prior period and a $2.0 million increase in transit revenue over the prior period, which represents an increase of 12.0% over the prior period.

For the three months ended September 30, 2012, there was a $6.0 million increase in net revenues as compared to acquisition-adjusted net revenue for the three months ended September 30, 2011. The $6.0 million increase in revenue primarily consists of a $4.4 million increase in billboard revenue, a $0.3 million increase in logo revenue and a $1.3 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable periods in 2011. This increase in revenue represents an increase of 2.0% over the comparable period in 2011. See “Reconciliations” below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $2.9 million or 1.7% to $169.6 million for the three months ended September 30, 2012 from $166.7 million for the same period in 2011. There was a $0.9 million increase in operating expenses related to the operations of our outdoor advertising assets and a $1.9 million increase in corporate expenses.

Depreciation and amortization expense decreased $1.3 million for the three months ended September 30, 2012, as compared to the three months ended September 30, 2011, primarily due to the reduction in the number of non performing structures that were dismantled as compared to the same period ended in 2011.

Due to the above factors, operating income increased $8.1 million to $63.5 million for the three months ended September 30, 2012 compared to $55.4 million for the same period in 2011.

Interest expense decreased $4.0 million from $42.5 million for the three months ended September 30, 2011, to $38.5 million for the three months ended September 30, 2012, primarily due to a reduction in overall indebtedness over the comparable period in 2011.

The increase in operating income and decrease in interest expense described above resulted in a $10.3 million increase in net income before income taxes. This increase in net income resulted in an increase in income tax expense of $2.8 million for the three months ended September 30, 2012 over the same period in 2011. The effective tax rate for the three months ended September 30, 2012 was 50.3%, which is higher than the statutory rate due to permanent differences resulting from non-deductible expenses, primarily non-deductible compensation expense related to stock based compensation calculated in accordance with ASC718.

As a result of the above factors, the Company recognized net income for the three months ended September 30, 2012 of $11.5 million, as compared to net income of $4.0 million for the same period in 2011.

Reconciliations:

Because acquisitions occurring after December 31, 2010 (the “acquired assets”) have contributed to our net revenue results for the periods presented, we provide 2011 acquisition-adjusted net revenue, which adjusts our 2011 net revenue for the three and nine months ended September 30, 2011 by adding to it the net revenue generated by the acquired assets prior to our acquisition of these assets for the same time frame that those assets were owned in the three and nine months ended September 30, 2012. We provide this information as a supplement to net revenues to enable investors to compare periods in 2012 and 2011 on a more consistent basis without the effects of acquisitions. Management uses this comparison to assess how well we are performing within our existing assets.

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

Reconciliations of 2011 reported net revenue to 2011 acquisition-adjusted net revenue for each of the three and nine month periods ended September 30, as well as a comparison of 2011 acquisition-adjusted net revenue to 2012 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, 2011 (in thousands)	Nine months ended September 30, 2011 (in thousands)
Reported net revenue	$ 296,701	$ 845,248
Acquisition net revenue	3,633	5,026
Acquisition-adjusted net revenue	$ 300,334	$ 850,274

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(in thousands)		(in thousands)	
Reported net revenue	$306,286	$296,701	$877,396	$845,248
Acquisition net revenue	—	3,633	—	5,026
Adjusted totals	$306,286	$300,334	$877,396	$850,274

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

Sources of Cash

Total Liquidity at September 30, 2012. As of September 30, 2012 we had approximately $265.7 million of total liquidity, which is comprised of approximately $38.4 million in cash and cash equivalents and the ability to draw approximately $227.3 million under the revolving portion of Lamar Media's senior credit facility. We are currently in compliance with all applicable restrictive covenants under the senior credit facility and we would remain in compliance after giving effect to borrowing the full amount available to us under the revolving portion of the senior credit facility.

Cash Generated by Operations. For the nine months ended September 30, 2012 and 2011 our cash provided by operating activities was $253.3 million and $222.7 million, respectively. While our net income was approximately $2.6 million for the nine months ended September 30, 2012, we generated cash from operating activities of $253.3 million during that same period, primarily due to adjustments needed to reconcile net income to cash provided by operating activities of $275.3 million, which primarily consisted of depreciation and amortization of $219.3 million and loss on debt extinguishment of $32.0 million. In addition, there was an increase in working capital of $24.6 million. We expect to generate cash flows from operations during 2012 in excess of our cash needs for operations and capital expenditures as described herein. We expect to use this excess cash to reduce outstanding indebtedness or for funding potential acquisitions.

Credit Facilities. On February 9, 2012, Lamar Media entered into a restatement agreement with respect to its existing senior credit facility in order to fund a new $100 million Term loan A facility and to make certain covenant changes to the senior credit facility, which was entered into on April 28, 2010, as amended on June 11, 2010, November 18, 2010 and February 9, 2012 (the "senior credit facility"), for which JPMorgan Chase Bank, N.A. serves as administrative agent. The senior credit facility consists of a $250 million revolving credit facility, a $270 million term loan A-1 facility, a $30 million term loan A-2 facility, a $100 million term loan A-3 facility, a $575 million term loan B facility and a $300 million incremental facility, which may be increased by up to an additional $200 million, based upon our satisfaction of a senior debt ratio test (as described below), of less than or equal to 3.25 to 1. Lamar Media is the borrower under the senior credit facility, except with respect to the $30 million term loan A-2 facility for which Lamar Media's wholly owned subsidiary, Lamar Advertising of Puerto Rico, Inc. is the borrower. We may also from time to time designate additional wholly owned subsidiaries as subsidiary borrowers under the incremental loan facility that can borrow up to $110 million of the incremental facility. Incremental loans may be in the form of additional term loan tranches or increases in the revolving credit facility. Our lenders have no obligation to make additional loans to us, or any designated subsidiary borrower, under the incremental facility, but may enter into such commitments in their sole discretion.

As of September 30, 2012, Lamar Media had approximately $227.3 million of unused capacity under the revolving credit facility included in the senior credit facility and the aggregate balance outstanding under the senior credit facility was $702.2 million.

Note Offerings. On February 9, 2012, Lamar Media completed an institutional private placement of $500 million aggregate principal amount of 5 7/8% Senior Subordinated Notes, due 2022. The institutional private placement resulted in net proceeds to Lamar Media of approximately $489 million. The Company used the proceeds of this offering, after the payment of fees and expenses together with approximately $99 million of net proceeds from its term loan A-3 facility to repurchase $583.1 million of its outstanding 6 5/8% Notes, as described below under the heading " — Uses of Cash — Tender Offers".

In addition, on October 30, 2012, Lamar Media completed an institutional private placement of $535 million aggregate principal amount of 5% Senior Subordinated Notes due 2023. The institutional private placement resulted in net proceeds to Lamar Media, after the payment fees and expenses, of approximately $527.1 million. Lamar Media intends to use the proceeds of this offering to (i) repurchase in full its remaining 6 5/8% Senior Subordinated Notes due 2015 — Series B and remaining 6 5/8% Senior Subordinated Notes due 2015 — Series C and (ii) to fund the acquisition of NextMedia Outdoor, Inc., which closed on October 31, 2012 and other potential acquisitions that are currently being evaluated or that we may pursue in the future or to the extent not used to fund potential future acquisitions, to repay a portion of the indebtedness under our senior credit facility and (iii) for general corporate expenses.

Factors Affecting Sources of Liquidity

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

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

Restrictions Under Debt Securities. Lamar must comply with certain covenants and restrictions related to its outstanding debt securities. Currently Lamar Media has outstanding, in aggregate principal amount, approximately $36.1 million 6 5/8% Senior Subordinated Notes due 2015 — Series B issued in August 2006 (the "6 5/8% Series B Notes") and $101.1 million 6 5/8% Senior Subordinated Notes due 2015 — Series C issued in October 2007 (the "6 5/8% Series C Notes"), $350 million 9 3/4% Senior Notes due 2014 issued in March 2009 (the "9 3/4% Notes), $400 million 7 7/8% Senior Subordinated Notes due 2018 issued in April 2010 (the "7 7/8% Notes"), $500 million 5 7/8% Senior Subordinated Notes due 2022 issued in February 2012 (the "5 7/8% Notes") and $535 million 5% Senior Subordinated Notes due 2023 issued in October 2012 (the "5% Notes"). The indentures relating to Lamar Media's outstanding notes restrict its ability to incur additional indebtedness but permit the incurrence of indebtedness (including indebtedness under the senior credit facility), (i) if no default or event of default would result from such incurrence and (ii) if after giving effect to any such incurrence, the leverage ratio (defined as 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 9 3/4% Notes indenture, and (b) 7.0 to 1, pursuant to the indentures related to the 6 5/8% Series B Notes, 6 5/8% Series C Notes, 7 7/8% Notes, 5 7/8% Notes and 5% Notes. Currently, Lamar Media is in compliance with these tests.

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 the senior credit facility allowable under the indentures related to the 6 5/8% Series B Notes and 6 5/8% Series C Notes, up to $1.4 billion of indebtedness under the senior credit facility allowable under the 9 3/4% Notes indenture and $1.5 billion of indebtedness under the senior credit facility allowable under the indentures related to the 7 7/8% Notes, 5 7/8% Notes and 5% Notes;
- 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 $50 million or 5% of Lamar Media's net tangible assets; and
- additional debt not to exceed $50 million ($75 million under the indentures related to the 7 7/8% Notes, 5 7/8% Notes and 5% Notes).

Restrictions under Senior Credit Facility. Lamar Media is required to comply with certain covenants and restrictions under the senior credit facility. If the Company fails to comply with these tests, the long term debt payments may be accelerated. At September 30, 2012 and currently, Lamar Media was in compliance with all such tests. We must be in compliance with the following financial ratios under our senior credit facility:

- a total holdings debt ratio, defined as total consolidated debt of Lamar Advertising Company and its restricted subsidiaries as of any date to EBITDA, as defined below, for the most recent four fiscal quarters then ended as set forth below:

Period	Ratio
March 31, 2012 through and including March 30, 2013	6.25 to 1.00
From and after March 31, 2013	6.00 to 1.00

- a senior debt ratio, defined as total consolidated senior debt of Lamar Media and its restricted subsidiaries to EBITDA, as defined below, for the most recent four fiscal quarters then ended of less than or equal to 3.25 to 1.00 and
- a fixed charges coverage ratio, defined as the ratio of 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" under the senior credit facility is as follows: "EBITDA" means, for any period, operating income for the Company and its restricted subsidiaries (determined on a consolidated basis without duplication in accordance with GAAP) for such period (calculated before taxes, interest expense, depreciation, amortization and any other non-cash income or charges accrued for such period, one-time cash restructuring and cash severance changes in the fiscal year ending December 31, 2009 of up to $2,500,000 aggregate amount, charges and expenses in connection with the credit facility transactions and the repurchase or redemption of our 7 1/4% Senior Subordinated Notes due 2013 and (except to the extent received or paid in cash by us or any of our restricted subsidiaries) income or loss attributable to equity in affiliates for such period) excluding any extraordinary and unusual gains or losses during such period and excluding the proceeds of any casualty events whereby insurance or other proceeds are received and certain dispositions not in the ordinary course. For purposes of calculating EBITDA, the effect on such calculation of any adjustments required under Statement of Accounting Standards No. 141R is excluded.

Excess Cash Flow Payments. Lamar Media may be required to make certain mandatory prepayments on loans outstanding under the senior credit facility that would be applied first to any outstanding term loans, commencing with the year ended December 31, 2010. These payments, if any, are determined annually and are calculated based on a percentage of Consolidated Excess Cash Flow (as defined in the senior credit facility) at the end of each fiscal year. The percentage of Consolidated Excess Cash Flow that must be applied to repay outstanding loans was set at 50% for the fiscal year ended December 31, 2010. For fiscal years ending on or after December 31, 2012, this percentage is subject to reduction to 0% if the total holdings debt ratio, as described above, is less than or equal to 5.00 to 1.00 as of the last day of such fiscal year. At December 31, 2011, the Company was not required to make a mandatory prepayment since there was a consolidated cash flow deficit, in accordance with the calculation as defined in the senior credit facility and the total holdings debt ratio was less than 5.00 to 1.00.

The Company believes that its current level of cash on hand, availability under its senior credit facility and future cash flows from operations are sufficient to meet its operating needs through fiscal 2012. All debt obligations are reflected on the Company's balance sheet.

Uses of Cash

Capital Expenditures. Capital expenditures excluding acquisitions were approximately $77.7 million for the nine months ended September 30, 2012. We anticipate our 2012 total capital expenditures will be approximately $100 million.

Acquisitions. During the nine months ended September 30, 2012, the Company financed its acquisition activity of $54.7 million with cash on hand. In addition, on October 31, 2012, the Company completed the acquisition of all of the outstanding common stock of NextMedia Outdoor, Inc., for a cash purchase price of $145 million. In the future, the Company will continue to evaluate strategic acquisition opportunities as they arise.

Tender Offers. On January 26, 2012, Lamar Media commenced a tender offer to purchase for cash, up to $700 million in aggregate principal amount of its outstanding 6 5/8% Notes. On February 9, 2012, Lamar Media accepted tenders for approximately $483.7 million in aggregate principal amount of the 6 5/8% Notes, out of approximately $582.9 million tendered, in connection with the early settlement date of the tender offer. On February 27, 2012, Lamar Media accepted tenders for approximately $99.2 million previously tendered and not accepted for payment and an additional $0.2 million tendered following the early settlement date. The holders of the notes tendered on or before midnight on February 8, 2012 received a total consideration of $1,025.83 per $1,000 principal amount of the notes tendered; holders of notes tendered after such date received a total consideration of $1,005.83 per $1,000 principal amount of the notes tendered. The total cash payment to purchase the tendered 6 5/8% Notes on February 9, 2012, including accrued interest up to but excluding February 9, 2012 was approximately $511.6 million and the total cash payment to purchase the tendered notes on February 27, 2012, including accrued interest up to but excluding February 27, 2012 was approximately $102.3 million, resulting in an aggregate payment in respect of the 6 5/8% Notes tender offer of approximately $613.9 million.

Note Redemption. On July 30, 2012, Lamar Media provided notice of its intent to redeem in full all $122.76 million of its 6 5/8% Senior Subordinated Notes due 2015 at a redemption price equal to 101.104% of the principal amount outstanding, plus accrued and unpaid interest to, but not including, the redemption date of August 29, 2012. The redemption price will be due and payable on the redemption date upon surrender of the 6 5/8% Senior Subordinated Notes due 2015 in accordance with the terms of the indenture governing the notes. Lamar Media used cash on hand and borrowings under its senior credit facility to fund the redemption. Following the redemption, Lamar Media had approximately $137.2 million in aggregate principal amount of its 6 5/8% Senior Subordinated Notes due 2015—Series B and 6 5/8% Senior Subordinated Notes due 2015—Series C outstanding.

On October 9, 2012, Lamar Media provided notice of its intent to redeem on November 8, 2012, an aggregate amount of approximately $66.1 million of its 6 5/8% Senior Subordinated Notes due 2015 consisting of $36.1 million of its 6 5/8% Senior Subordinated Notes due 2015—Series B and $30 million of its 6 5/8% Senior Subordinated Notes due 2015—Series C at a redemption price equal to 101.104% of the principal amount of outstanding notes plus accrued and unpaid interest up to but not including the redemption date.

On October 30, 2012, Lamar Media provided notice of its intent to redeem in full on November 29, 2012, the remaining $71.1 million in aggregate principal amount outstanding of its 6 5/8% Senior Subordinated Notes due 2018—Series C at a redemption price equal to 101.104% of the principal amount of outstanding notes plus accrued and unpaid interest up to but not including the redemption date.

REIT Election

We are currently considering an election to real estate investment trust (REIT) status. In conjunction with our review regarding a potential REIT election, we intend to seek a private letter ruling from the Internal Revenue Service. If we proceed with a REIT election, we would likely make the election for the taxable year beginning January 1, 2014 during 2013, subject to the approval of our board of directors. There is no certainty as to the timing of a REIT election or whether we will ultimately decide to make a REIT election.

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, 2012 and 2011. This discussion should be read in conjunction with the consolidated financial statements of Lamar Media and the related notes thereto.

RESULTS OF OPERATIONS

Nine Months ended September 30, 2012 compared to Nine Months ended September 30, 2011

Net revenues increased $32.1 million or 3.8% to $877.4 million for the nine months ended September 30, 2012 from $845.2 million for the same period in 2011. This increase was attributable primarily to an increase in billboard net revenues of $24.9 million or 3.3% over the prior period, an increase in logo sign revenue of $2.8 million, which represents an increase of 6.6% over the prior period, and a $4.4 million increase in transit revenue, which represents an increase of 10.0% over the prior period.

For the nine months ended September 30, 2012, there was a $27.1 million increase in net revenues as compared to acquisition-adjusted net revenue for the nine months ended September 30, 2011. The $27.1 million increase in revenue primarily consists of a $21.2 million increase in billboard revenue, a $1.9 million increase in logo revenue and a $4.0 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable period in 2011. This increase in revenue represents an increase of 3.2% over the comparable period in 2011. See “Reconciliations” below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $18.3 million or 3.7% to $509.4 million for the nine months ended September 30, 2012 from $491.0 million for the same period in 2011. There was a $12.3 million increase in operating expenses related to the operations of our outdoor advertising assets and a $6.0 million increase in corporate expenses.

Depreciation and amortization expense decreased $2.2 million for the nine months ended September 30, 2012 as compared to the nine months ended September 30, 2011, primarily due to a reduction in the number of non-performing structures that were dismantled during the period as compared to the nine months ended September 30, 2011.

Lamar Media recorded a gain on disposition of assets of $5.3 million for the nine months ended September 30, 2012.

Due to the above factors, operating income increased $13.3 million to $154.0 million for the nine months ended September 30, 2012 compared to $140.7 million for the same period in 2011.

During the nine months ended September 30, 2012, Lamar Media recognized a $32.0 million loss on debt extinguishment related to the settlement of the tender offer for its 6 5/8% Notes. Approximately $15.0 million of the loss is a non-cash expense attributable to the write off of unamortized debt issuance fees and unamortized discounts associated with the tendered notes. See – “Uses of Cash – Tender Offers” for more information.

Interest expense decreased approximately $12.4 million from $129.5 million for the nine months ended September 30, 2011 to $117.1 million for the nine months ended September 30, 2012, due to the reduction in total debt outstanding as well as a decrease in interest rates resulting from Lamar Media’s recent refinancing transactions. See – “Uses of Cash Tender Offers” for more information.

The increase in operating income and decrease in interest expense offset by the loss on extinguishment of debt discussed above resulted in a $6.1 million decrease in net income before income taxes. Lamar Media recorded income tax expense of $2.5 million for the nine months ended September 30, 2012. The effective tax rate for the nine months ended September 30, 2012 was 47.9%, which is higher than the statutory rate due to permanent differences resulting from non-deductible expenses and amortization, primarily non-deductible compensation expense related to stock based compensation calculated in accordance with ASC 718.

As a result of the above factors, Lamar Media recognized net income for the nine months ended September 30, 2012 of $2.8 million, as compared to net income of $2.4 million for the same period in 2011.

Three Months ended September 30, 2012 compared to Three Months ended September 30, 2011

Net revenues increased $9.6 million or 3.2% to $306.3 million for the three months ended September 30, 2012 from $296.7 million for the same period in 2011. This increase was attributable primarily to an increase in billboard net revenues of $6.9 million or 2.6% over the prior period, an increase in logo revenue of $0.7 million or a 5.0% increase over the prior period and a $2.0 million increase in transit revenue over the prior period, which represents an increase of 12.0% over the prior period.

For the three months ended September 30, 2012, there was a $6.0 million increase in net revenues as compared to acquisition-adjusted net revenue for the three months ended September 30, 2011. The $6.0 million increase in revenue primarily consists of a $4.4 million increase in billboard revenue, a $0.3 million increase in logo revenue and a $1.3 million increase in transit revenue over the acquisition-adjusted net revenue for the comparable periods in 2011. This increase in revenue represents an increase of 2.0% over the comparable period in 2011. See "Reconciliations" below.

Operating expenses, exclusive of depreciation and amortization and gain on sale of assets, increased $2.9 million or 1.7% to $169.5 million for the three months ended September 30, 2012 from $166.6 million for the same period in 2011. There was a $0.9 million increase in operating expenses related to the operations of our outdoor advertising assets and a $2.0 million increase in corporate expenses.

Depreciation and amortization expense decreased $1.3 million for the three months ended September 30, 2012, as compared to the three months ended September 30, 2011, primarily due to a reduction in the number of non performing structures that were dismantled as compared to the same period ended in 2011.

Due to the above factors, operating income increased $8.1 million to $63.6 million for the three months ended September 30, 2012 compared to $55.5 million for the same period in 2011.

Interest expense decreased $4.0 million from $42.5 million for the three months ended September 30, 2011, to $38.5 million for the three months ended September 30, 2012, primarily due to a reduction in overall indebtedness over the comparable period in 2011.

The increase in operating income and decrease in interest expense described above resulted in a $10.3 million increase in net income before income taxes. This increase in net income resulted in an increase in income tax expense of $2.8 million for the three months ended September 30, 2012 over the same period in 2011. The effective tax rate for the three months ended September 30, 2012 was 50.1%, which is higher than the statutory rate due to permanent differences resulting from non-deductible expenses, primarily non-deductible compensation expense related to stock based compensation calculated in accordance with ASC 718.

As a result of the above factors, Lamar Media recognized net income for the three months ended September 30, 2012 of $11.6 million, as compared to net income of $4.1 million for the same period in 2011.

Reconciliations:

Because acquisitions occurring after December 31, 2010 (the "acquired assets") have contributed to our net revenue results for the periods presented, we provide 2011 acquisition-adjusted net revenue, which adjusts our 2011 net revenue for the three and nine months ended September 30, 2011 by adding to it the net revenue generated by the acquired assets prior to our acquisition of these assets for the same time frame that those assets were owned in the three and nine months ended September 30, 2012. We provide this information as a supplement to net revenues to enable investors to compare periods in 2012 and 2011 on a more consistent basis without the effects of acquisitions. Management uses this comparison to assess how well we are performing within our existing assets.

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

Reconciliations of 2011 reported net revenue to 2011 acquisition-adjusted net revenue for each of the three and nine month periods ended September 30, as well as a comparison of 2011 acquisition-adjusted net revenue to 2012 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, 2011 (in thousands)	Nine months ended September 30, 2011 (in thousands)
Reported net revenue	$ 296,701	$ 845,248
Acquisition net revenue	3,633	5,026
Acquisition-adjusted net revenue	$ 300,334	$ 850,274

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
	(in thousands)		(in thousands)	
Reported net revenue	$306,286	$296,701	$877,396	$845,248
Acquisition net revenue	—	3,633	—	5,026
Adjusted totals	$306,286	$300,334	$877,396	$850,274

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, 2012, and should be read in conjunction with Note 8 of the Notes to the Company's Consolidated Financial Statements in the 2011 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. 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, 2012, there was approximately $702.2 million of aggregate indebtedness outstanding under the senior credit facility, or approximately 33.8% 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, 2012 with respect to borrowings under the senior credit facility was $19.2 million, and the weighted average interest rate applicable to borrowings under this credit facility during the nine months ended September 30, 2012 was 3.3%. Assuming that the weighted average interest rate was 200-basis points higher (that is 5.3% rather than 3.3%), then the Company's nine months ended September 30, 2012 interest expense would have been approximately $10.4 million higher resulting in a $6.4 million decrease in the Company's nine months ended September 30, 2012 net income.

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

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 7, 2012	BY: /s/ KEITH A. ISTRE
	Chief Financial and Accounting Officer and Treasurer

LAMAR MEDIA CORP.

DATED: November 7, 2012	BY: /s/ KEITH A. ISTRE
	Chief Financial and Accounting Officer and Treasurer

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Lamar Advertising Company (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 Corp. ("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.
12(a)	Statement regarding computation of earnings to fixed charges for the Company. Filed herewith.
12(b)	Statement regarding computation of earnings to fixed charges for Lamar Media. Filed herewith.
31.1	Certification of the Chief Executive Officer of the 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 the 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.
101	The following materials from the combined Quarterly Report of the Company and Lamar Media on Form 10-Q for the quarter ended September 30, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets as of September 30, 2012 and December 31, 2011 of the Company and Lamar Media, (ii) Condensed Consolidated Statements of Operations for the three months and nine months ended September 30, 2012 and 2011 of the Company and Lamar Media, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011 of the Company and Lamar Media, and (iv) Notes to Condensed Consolidated Financial Statements of the Company and Lamar Media.

Exhibit 12(a)

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES(1)

The following table sets forth Lamar Advertising's ratio of earnings to fixed charges for the periods indicated.

	YEARS ENDED DECEMBER 31,					SEPTEMBER 30,	
(dollars in thousands)	2007	2008	2009(2)	2010(2)	2011	2012	2011
Net income (loss)	$ 40,982	$ 2,162	$ (58,038)	$ (40,102)	$ 8,550	$ 2,602	$ 2,178
Income tax expense (benefit)	33,901	9,349	(36,101)	(23,469)	6,623	2,403	8,876
Fixed charges	232,691	242,877	268,441	254,098	239,842	169,484	180,894
Earnings	307,574	254,388	174,302	190,527	255,015	174,489	191,948
Interest expense, Net	166,003	169,150	196,520	185,681	170,524	116,811	128,946
Rents under leases representative of an interest factor (1/3)	66,323	73,362	71,556	68,052	68,953	52,400	51,675
Preferred dividends	365	365	365	365	365	273	273
Fixed Charges	232,691	242,877	268,441	254,098	239,842	169,484	180,894
Ratio of earnings to fixed charges	1.3x	1.0x	0.6x	0.7x	1.1x	1.0x	1.1x

(1) The ratio of earnings to fixed charges is defined as earnings divided by fixed charges. For purposes of this ratio, earnings is defined as net income (loss) before income taxes and cumulative effect of a change in accounting principle and fixed charges. Fixed charges is defined as the sum of interest expense, preferred stock dividends and the component of rental expense that we believe to be representative of the interest factor for those amounts.

(2) For the years ended December 31, 2010 and 2009, earnings were insufficient to cover fixed charges by $63.6 million and $94.1 million, respectively.

Exhibit 12(b)

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES[(1)]

The following table sets forth Lamar Media's ratio of earnings to fixed charges for the periods indicated.

(dollars in thousands)	YEARS ENDED DECEMBER 31, 2007	2008	2009[(2)]	2010[(2)]	2011	SEPTEMBER 30, 2012	2011
Net income (loss)	$ 45,551	$ 10,360	$ (55,823)	$ (40,198)	$ 8,612	$ 2,752	$ 2,387
Income tax expense (benefit)	37,283	14,487	(36,146)	(23,213)	6,919	2,526	8,943
Fixed charges	224,932	230,078	263,011	253,569	239,477	169,211	180,621
Earnings	307,766	254,925	171,042	190,158	255,008	174,489	191,951
Interest expense, net	158,609	156,716	191,455	185,517	170,524	116,811	128,946
Rent under leases representative of an interest factor (1/3)	66,323	73,362	71,556	68,052	68,953	52,400	51,675
Preferred dividends	0	0	0	0	0	0	0
Fixed Charges	224,932	230,078	263,011	253,569	239,477	169,211	180,621
Ratio of earnings to fixed charges	1.4x	1.1x	0.7x	0.7x	1.1x	1.0x	1.1x

(1) The ratio of earnings to fixed charges is defined as earnings divided by fixed charges. For purposes of this ratio, earnings is defined as net income (loss) before income taxes and cumulative effect of a change in accounting principle and fixed charges. Fixed charges is defined as the sum of interest expenses, preferred stock dividends and the component of rental expense that we believe to be representative of the interest factor for those amounts.

(2) For the years ended December 31, 2010, earnings were insufficient to cover fixed charges by $63.4 million $92.0 million, respectively.

CERTIFICATION

I, Sean E. Reilly, certify that:

1. I have reviewed this combined quarterly report on Form 10-Q of Lamar Advertising Company and Lamar Media Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this report;
4. The registrants' other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the registrants' most recent fiscal quarter (the registrants' fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrants' internal control over financial reporting; and
5. The registrants' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants' abilities to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Date: November 7, 2012

/s/ Sean E. Reilly
Sean E. Reilly
Chief Executive Officer, Lamar Advertising Company
Chief Executive Officer, Lamar Media Corp.

CERTIFICATION

I, Keith A. Istre, certify that:

1. I have reviewed this combined quarterly report on Form 10-Q of Lamar Advertising Company and Lamar Media Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this report;
4. The registrants' other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the registrants' most recent fiscal quarter (the registrants' fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrants' internal control over financial reporting; and
5. The registrants' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrants' abilities to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Date: November 7, 2012

/s/ Keith A. Istre

Keith A. Istre
Chief Financial Officer, Lamar Advertising Company
Chief Financial Officer, Lamar Media Corp.

Exhibit 32.1

LAMAR ADVERTISING COMPANY
LAMAR MEDIA CORP.

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Each of the undersigned officers of Lamar Advertising Company ("Lamar") and Lamar Media Corp. ("Media") certifies, to his knowledge and solely for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the combined Quarterly Report on Form 10-Q of Lamar and Media for the nine months ended September 30, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the combined Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Lamar and Media.

Dated: November 7, 2012

By: /s/ Sean E. Reilly
Sean E. Reilly
Chief Executive Officer, Lamar Advertising Company
Chief Executive Officer, Lamar Media Corp.

Dated: November 7, 2012

By: /s/ Keith A. Istre
Keith A. Istre
Chief Financial Officer, Lamar Advertising Company
Chief Financial Officer, Lamar Media Corp.