

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the period ended June 30, 2004

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
Delaware
(State or other jurisdiction of incorporation or
organization)
5551 Corporate Blvd., Baton Rouge, LA
(Address of principle executive offices)

72-1449411
72-1205791
(I.R.S Employer
Identification No.)
70808
(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 (X) No ()

Indicate by check mark whether Lamar Advertising Company is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act: Yes (X) No ()

Indicate by check mark whether Lamar Media Corp. is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act: Yes () No (X)

The number of shares of Lamar Advertising Company's Class A common stock outstanding as of August 2, 2004: 88,594,472

The number of shares of the Lamar Advertising Company's Class B common stock outstanding as of August 2, 2004: 15,672,527

The number of shares of Lamar Media Corp. common stock outstanding as of August 2, 2004: 100

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

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This combined Quarterly Report on Form 10-Q of Lamar Advertising Company (the “Company”) and Lamar Media Corp. (“Lamar Media”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These are statements that relate to future periods and include statements about the Company’s and Lamar Media’s:

- expected operating results;
- market opportunities;
- acquisition opportunities;
- ability to compete; and
- stock price.

Generally, the words anticipates, believes, expects, intends, estimates, projects, plans and similar expressions identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Company’s and Lamar Media’s actual results, performance or achievements or industry results to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other important factors include, among others:

- risks and uncertainties relating to the Company’s significant indebtedness;
- the demand for outdoor advertising;
- the performance of the U.S. economy generally and the level of expenditures on outdoor advertising particularly;
- the Company’s ability to renew expiring contracts at favorable rates;
- the integration of companies that the Company acquires and its ability to recognize cost savings or operating efficiencies as a result of these acquisitions;
- the Company’s need for and ability to obtain additional funding for acquisitions or operations; and
- the regulation of the outdoor advertising industry by federal, state and local governments.

For a further description of these and other risks and uncertainties, the Company encourages you to read carefully the portion of the combined Annual Report on Form 10-K for the year ended December 31, 2003 of the Company and Lamar Media (the “2003 Combined Form 10-K”) under the caption “Factors Affecting Future Operating Results” in Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations filed with the SEC on March 10, 2004.

The forward-looking statements contained in this combined Quarterly Report on Form 10-Q speak only as of the date of this combined report. Lamar Advertising Company and Lamar Media Corp. expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this combined Quarterly Report to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based, except as may be required by law.

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[Certification Pursuant to Section 906](#)

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)**

	June 30, 2004	December 31, 2003
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,775	\$ 7,797
Receivables, net of allowance for doubtful accounts of \$5,000 and \$4,914 in 2004 and 2003, respectively	101,575	90,072
Prepaid expenses	46,731	32,377
Deferred income tax assets	6,166	6,051
Other current assets	6,685	7,820
Total current assets	178,932	144,117
Property, plant and equipment	1,959,219	1,933,003
Less accumulated depreciation and amortization	(733,109)	(679,205)
Net property, plant and equipment	1,226,110	1,253,798
Goodwill	1,252,749	1,240,275
Intangible assets	929,354	966,998
Other assets	31,191	32,159
Total assets	<u>\$3,618,336</u>	<u>\$3,637,347</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 8,810	\$ 8,813
Current maturities of long-term debt	37,924	5,044
Accrued expenses	35,866	45,986
Deferred income	12,073	14,372
Total current liabilities	94,673	74,215
Long-term debt	1,623,444	1,699,819
Deferred income tax liabilities	93,427	94,542
Asset retirement obligation	40,393	36,857
Other liabilities	8,549	9,109
Total liabilities	1,860,486	1,914,542
Stockholders' equity:		
Series AA preferred stock, par value \$.001, \$63.80 cumulative dividends, authorized 5,720 shares; 5,719 shares issued and outstanding at 2004 and 2003	—	—
Class A preferred stock, par value \$638, \$63.80 cumulative dividends, 10,000 shares authorized; 0 shares issued and outstanding at 2004 and 2003	—	—
Class A common stock, par value \$.001, 175,000,000 shares authorized, 88,594,472 and 87,266,763 shares issued and outstanding at 2004 and 2003, respectively	89	87
Class B common stock, par value \$.001, 37,500,000 shares authorized, 15,672,527 and 16,147,073 shares issued and outstanding at 2004 and 2003, respectively	16	16
Additional paid-in capital	2,126,362	2,097,555
Accumulated deficit	(368,617)	(374,853)
Stockholders' equity	1,757,850	1,722,805
Total liabilities and stockholders' equity	<u>\$3,618,336</u>	<u>\$3,637,347</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net revenues	\$ 226,915	\$ 208,178	\$ 427,891	\$ 392,399
Operating expenses (income)				
Direct advertising expenses	74,362	73,361	148,153	144,918
General and administrative expenses	38,437	35,216	76,713	71,517
Corporate expenses	7,214	5,364	14,373	11,910
Depreciation and amortization	71,519	69,560	140,839	137,073
Loss (gain) on disposition of assets	3,461	(828)	2,532	(858)
	<u>194,993</u>	<u>182,673</u>	<u>382,610</u>	<u>364,560</u>
Operating income	31,922	25,505	45,281	27,839
Other expense (income)				
Loss on extinguishment of debt	—	5,754	—	16,927
Interest income	(62)	(66)	(121)	(184)
Interest expense	16,833	22,587	34,403	46,347
	<u>16,771</u>	<u>28,275</u>	<u>34,282</u>	<u>63,090</u>
Income (loss) before income tax expense (benefit) and cumulative effect of a change in accounting principle	15,151	(2,770)	10,999	(35,251)
Income tax expense (benefit)	<u>6,286</u>	<u>(569)</u>	<u>4,581</u>	<u>(12,457)</u>
Income (loss) before cumulative effect of a change in accounting principle	8,865	(2,201)	6,418	(22,794)
Cumulative effect of a change in accounting principle, net of tax	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,679</u>
Net income (loss)	8,865	(2,201)	6,418	(34,473)
Preferred stock dividends	91	91	182	182
Net income (loss) applicable to common stock	<u>\$ 8,774</u>	<u>\$ (2,292)</u>	<u>\$ 6,236</u>	<u>\$ (34,655)</u>
Earnings (loss) per share:				
Basic:				
Before cumulative effect of a change in accounting principle	\$ 0.08	\$ (0.02)	\$ 0.06	\$ (0.23)
Cumulative effect of a change in accounting principle	<u>—</u>	<u>—</u>	<u>—</u>	<u>(0.11)</u>
Basic earnings (loss) per share	<u>\$ 0.08</u>	<u>\$ (0.02)</u>	<u>\$ 0.06</u>	<u>\$ (0.34)</u>
Diluted:				
Before cumulative effect of a change in accounting principle	\$ 0.08	\$ (0.02)	\$ 0.06	\$ (0.23)
Cumulative effect of a change in accounting principle	<u>—</u>	<u>—</u>	<u>—</u>	<u>(0.11)</u>
Diluted earnings (loss) per share	<u>\$ 0.08</u>	<u>\$ (0.02)</u>	<u>\$ 0.06</u>	<u>\$ (0.34)</u>
Weighted average common shares used in computing earnings (loss) per share:				
Basic	103,902,268	102,481,555	103,754,925	102,076,725
Incremental common shares	592,146	—	519,641	—
Diluted	<u>104,494,414</u>	<u>102,481,555</u>	<u>104,274,566</u>	<u>102,076,725</u>

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2004	2003
Cash flows from operating activities:		
Net income (loss)	\$ 6,418	\$ (34,473)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	140,839	137,073
Loss (gain) on disposition of assets	2,532	(858)
Deferred tax expense (benefit)	3,759	(12,197)
Provision for doubtful accounts	3,460	4,268
Loss on debt extinguishment	—	16,927
Cumulative effect of a change in accounting principle, net of tax	—	11,679
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(14,455)	(10,293)
Prepaid expenses	(14,550)	(13,038)
Other assets	1,715	(4,776)
Increase (decrease) in:		
Trade accounts payable	(2)	370
Accrued expenses	(10,186)	4,646
Other liabilities	(2,299)	(1,014)
Net cash provided by operating activities	<u>117,231</u>	<u>98,314</u>
Cash flows from investing activities:		
Acquisition of new markets	(50,541)	(102,804)
Capital expenditures	(35,075)	(40,767)
Proceeds from disposition of assets	3,526	2,448
Net cash used in investing activities	<u>(82,090)</u>	<u>(141,123)</u>
Cash flows from financing activities:		
Debt issuance costs	(1,036)	(9,050)
Net proceeds from issuance of common stock	19,549	4,303
Principal payments on long-term debt	(3,494)	(370,939)
Net (payments) borrowings under credit agreements	(40,000)	40,000
Cash from deposits for debt extinguishment	—	266,657
Deposits for debt extinguishment	—	(301,198)
Net proceeds from note offerings and new note payable	—	408,300
Dividends	(182)	(182)
Net cash (used in) provided by financing activities	<u>(25,163)</u>	<u>37,891</u>
Net increase (decrease) in cash and cash equivalents	9,978	(4,918)
Cash and cash equivalents at beginning of period	7,797	15,610
Cash and cash equivalents at end of period	<u>\$ 17,775</u>	<u>\$ 10,692</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 37,671</u>	<u>\$ 36,422</u>
Cash paid for state and federal income taxes	<u>\$ 423</u>	<u>\$ 291</u>
Common stock issuance related to acquisitions	<u>\$ 4,270</u>	<u>\$ 50,630</u>

See accompanying notes to condensed consolidated financial statements.

LAMAR ADVERTISING COMPANY AND
SUBSIDIARIESNOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(IN THOUSANDS, EXCEPT FOR 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 condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and the notes thereto included in the 2003 Combined Form 10-K.

Certain amounts in the prior year's condensed consolidated financial statements have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported results of operations.

2. Acquisitions

On January 8, 2004, the Company purchased the assets of Advantage Advertising, LLC valued at approximately \$7,158. The purchase price consisted of approximately \$5,728 cash at closing and the exercise of an option agreement previously entered into, valued at approximately \$1,430.

On January 30, 2004, the Company purchased the assets of Action Advertising, Inc. for a cash purchase price of approximately \$8,610.

On June 25, 2004, the Company purchased the assets of Pinnacle Media, LLC for a cash purchase price of approximately \$10,338.

During the six months ended June 30, 2004, the Company completed additional acquisitions of outdoor advertising assets for a total purchase price of approximately \$30,135, which consisted of the issuance of 68,986 shares of Lamar Advertising Class A common stock valued at \$2,476, warrants valued at \$1,794 and \$25,865 in cash.

Each of these acquisitions was accounted for under the purchase 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 fair market value at the dates of acquisition. The following is a summary of the preliminary allocation of the acquisition costs in the above transactions.

	<u>Advantage Adv., LLC</u>	<u>Action Adv., Inc.</u>	<u>Pinnacle Media, LLC</u>	<u>Other</u>	<u>Total</u>
Current assets	\$ —	110	207	—	317
Property, plant and equipment	855	2,208	1,699	9,782	14,544
Goodwill	2,854	—	643	8,977	12,474
Site locations	2,806	5,064	6,386	8,622	22,878
Non-competition agreements	—	40	—	215	255
Customer lists and contracts	643	1,188	1,463	2,896	6,190
Current liabilities	—	—	60	357	417
	<u>\$7,158</u>	<u>8,610</u>	<u>10,338</u>	<u>30,135</u>	<u>56,241</u>

LAMAR ADVERTISING COMPANY AND
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(UNAUDITED)
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Summarized below are certain unaudited pro forma statements of operations data for the three months and six months ended June 30, 2004 and June 30, 2003 as if each of the above acquisitions and the acquisitions occurring in 2003, which were fully described in the 2003 Combined Form 10-K, had been consummated as of January 1, 2003. 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 June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net revenues	\$227,443	\$211,153	\$429,341	\$401,660
Net income (loss) applicable to common stock	\$ 9,065	\$ (2,032)	\$ 6,954	\$ (34,364)
Net loss per common share - basic	\$ 0.09	\$ (0.02)	\$ 0.07	\$ (0.33)
Net loss per common share - diluted	\$ 0.09	\$ (0.02)	\$ 0.07	\$ (0.33)

3. Goodwill and Other Intangible Assets

The following is a summary of intangible assets at June 30, 2004 and December 31, 2003.

	Estimated Life (Years)	June 30, 2004		December 31, 2003	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable Intangible Assets:					
Debt issuance costs and fees	7 - 10	\$ 50,174	\$ 23,415	\$ 49,138	\$ 20,783
Customer lists and contracts	7 - 10	394,981	274,013	388,791	248,617
Non-competition agreements	3 - 15	57,919	49,371	57,664	46,197
Site locations	15	1,043,915	277,595	1,021,037	243,170
Other	5 - 15	13,611	6,852	17,578	8,443
		1,560,600	631,246	1,534,208	567,210
Unamortizable Intangible Assets:					
Goodwill		\$1,506,384	\$253,635	\$1,493,910	\$253,635

The changes in the gross carrying amount of goodwill for the six months ended June 30, 2004 are as follows:

Balance as of December 31, 2003	\$1,493,910
Goodwill acquired during the six months ending June 30, 2004	12,474
Impairment losses	—
Balance as of June 30, 2004	\$1,506,384

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

4. Long-Term Debt

On February 6, 2004, Lamar Media amended its credit agreement dated March 7, 2003 whereby it changed its \$975,000 term facility to include a \$425,000 Tranche A and a \$550,000 Tranche C facility. The proceeds were used to pay off the Tranche B facility and the total debt outstanding remained unchanged.

5. Asset Retirement Obligation

Effective January 1, 2003, the Company adopted Statement of Financial Accounting Standard 143, "Accounting for Asset Retirement Obligations" (Statement 143), and recorded a loss of \$11,679 as the cumulative effect of a change in accounting principle, which is net of an income tax benefit of \$7,467. Prior to its adoption of Statement 143, the Company expensed these costs at the date of retirement.

All of the Company's asset retirement obligations relate to the Company's structure inventory that it considers would be retired upon dismantlement of the advertising structure. The following table reflects information related to our asset retirement obligations:

Balance at December 31, 2003	\$36,857
Additions to asset retirement obligations	3,053
Accretion expense	1,355
Liabilities settled	(872)
Balance at June 30, 2004	<u>\$40,393</u>

6. Stock-Based Compensation

The Company accounts for its stock option plan under the intrinsic value method in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure an amendment of FASB Statement No. 123" permit entities to recognize as an expense over the vesting period, the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in SFAS No. 123 has been applied.

The following table illustrates the effect on net income (loss) and income (loss) per common share as if we had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Net income (loss) applicable to common stock, as reported	\$ 8,774	\$(2,292)	\$ 6,236	\$(34,655)
Deduct: Total stock based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(2,023)	(967)	(5,884)	(1,978)
Pro forma net income (loss) applicable to common stock	<u>6,751</u>	<u>(3,259)</u>	<u>352</u>	<u>(36,633)</u>
Net income (loss) per common share – basic and diluted				
Net income (loss), as reported	\$ 0.08	\$ (0.02)	\$ 0.06	\$ (0.34)
Net income (loss), pro forma	\$ 0.06	\$ (0.03)	\$ —	\$ (0.36)

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

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 subsidiary that is not a guarantor is considered to be minor. Lamar Media's ability to make distributions to Lamar Advertising is restricted under the terms of its bank credit facility and the indenture relating to Lamar Media's outstanding notes. As of June 30, 2004 and December 31, 2003, the net assets restricted as to transfers from Lamar Media Corp. to Lamar Advertising Company in the form of cash dividends, loans or advances were \$1,962,069 and \$1,937,244, respectively.

8. Earnings Per Share

Earnings per share are computed in accordance with SFAS No. 128, "Earnings Per Share." Basic earnings per share are computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if the Company's convertible debt, options and warrants were converted to common stock. The number of potentially dilutive shares excluded from the calculation because of their antidilutive effect is 5,581,755 and 7,513,583 for the three months ended June 30, 2004 and 2003 and 5,581,755 and 7,033,955 for the six months ended June 30, 2004 and 2003, respectively.

The following table reconciles the net income (loss) and common shares outstanding used in the calculations of basic and diluted earnings per share for the three month and six month periods ended June 30, 2004 and 2003.

	Three months ended June 30, 2004			Six months ended June 30, 2004		
	Net Income Available to Common Stockholders	Weighted Average Common Shares Outstanding	Earnings Per Share	Net Income Available to Common Stockholders	Weighted Average Common Shares Outstanding	Earnings Per Share
Basic	\$ 8,774	103,902,268	\$ 0.08	\$ 6,236	103,754,925	\$ 0.06
Effect of dilutive securities:						
Preferred stock	—	—		—	—	
Stock options	—	585,166		—	514,043	
Warrants	—	6,980		—	5,598	
Diluted	<u>\$ 8,774</u>	<u>104,494,414</u>	<u>\$ 0.08</u>	<u>\$ 6,236</u>	<u>104,274,566</u>	<u>\$ 0.06</u>
	Three months ended June 30, 2003			Six months ended June 30, 2003		
	Net Loss Available to Common Stockholders	Weighted Average Common Shares Outstanding	Loss Per Share	Net Loss Available to Common Stockholders	Weighted Average Common Shares Outstanding	Loss Per Share
Basic	\$ (2,292)	102,481,555	\$ (0.02)	\$ (34,655)	102,076,725	\$ (0.34)
Effect of dilutive securities:						
Preferred stock	—	—		—	—	
Stock options	—	—		—	—	
Warrants	—	—		—	—	
Diluted	<u>\$ (2,292)</u>	<u>102,481,555</u>	<u>\$ (0.02)</u>	<u>\$ (34,655)</u>	<u>102,076,725</u>	<u>\$ (0.34)</u>

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

9. Accounting Pronouncements

In December 2003, the FASB issued Interpretation No. 46R, "Consolidation of Variable Interest Entities, (revised December 2003) an interpretation of ARB No. 51." This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003 and existing variable interest entities at the end of the period ending after March 15, 2004. The application of this Interpretation did not have an effect on the Company's financial statements as the Company has no interest in variable interest entities.

On March 31, 2004, the FASB published an Exposure Draft, "Share-Based Payment, an Amendment of FASB Statement No. 123 and APB No. 25." The proposed change in accounting would replace the existing requirements under FAS No. 123 and APB No. 25. Under the proposal, all forms of share-based payments to employees, including employee stock options and employee stock purchase plans, would be treated the same as other forms of compensation by recognizing the related cost in the statement of income. This proposed Statement would eliminate the ability to account for stock-based compensation transactions using the intrinsic value methods of APB No. 25 and generally would require that such transactions be accounted for using a fair-value based method, with binomial or lattice model preferred to the Black-Scholes valuation model. The comment period for the exposure draft ended June 30, 2004. We are currently analyzing what impact the adoption of the exposure draft will have on our financial position and results of operations.

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

	June 30, 2004	December 31, 2003
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,775	\$ 7,797
Receivables, net of allowance for doubtful accounts of \$5,000 and 4,914 in 2004 and 2003, respectively	101,575	90,072
Prepaid expenses	46,731	32,377
Deferred income tax asset	6,166	6,051
Other current assets	5,998	7,665
Total current assets	178,245	143,962
Property, plant and equipment	1,959,219	1,933,003
Less accumulated depreciation and amortization	(733,109)	(679,205)
Net property, plant and equipment	1,226,110	1,253,798
Goodwill	1,245,233	1,232,857
Intangible assets	916,121	952,347
Other assets	35,929	50,744
Total assets	<u>\$3,601,638</u>	<u>\$3,633,708</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Trade accounts payable	\$ 8,810	\$ 8,813
Current maturities of long-term debt	37,924	5,044
Accrued expenses	28,507	38,068
Deferred income	12,073	14,372
Total current liabilities	87,314	66,297
Long-term debt	1,335,944	1,412,319
Deferred income tax liabilities	122,711	121,440
Asset retirement obligation	40,393	36,857
Other liabilities	8,549	9,109
Total liabilities	1,594,911	1,646,022
Stockholder's equity:		
Common stock, \$0.01 par value, authorized 3,000 shares; 100 shares issued and outstanding at June 30, 2004 and December 31, 2003	—	—
Additional paid-in capital	2,343,210	2,333,951
Accumulated deficit	(336,483)	(346,265)
Stockholder's equity	2,006,727	1,987,686
Total liabilities and stockholder's equity	<u>\$3,601,638</u>	<u>\$3,633,708</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net revenues	\$226,915	\$208,178	\$427,891	\$392,399
Operating expenses				
Direct advertising expenses	74,362	73,361	148,153	144,918
General and administrative expenses	38,437	35,216	76,713	71,517
Corporate expenses	7,128	5,226	14,203	11,745
Depreciation and amortization	70,604	68,654	139,392	135,336
Loss (gain) on disposition of assets	3,461	(828)	2,532	(858)
	<u>193,992</u>	<u>181,629</u>	<u>380,993</u>	<u>362,658</u>
Operating income	32,923	26,549	46,898	29,741
Other expense (income)				
Loss on debt extinguishment	—	5,754	—	16,927
Interest income	(62)	(66)	(121)	(184)
Interest expense	14,767	18,470	30,271	38,456
	<u>14,705</u>	<u>24,158</u>	<u>30,150</u>	<u>55,199</u>
Income (loss) before income tax expense (benefit) and cumulative effect of a change in accounting principle	18,218	2,391	16,748	(25,458)
Income tax expense (benefit)	7,570	1,455	6,966	(8,628)
Income (loss) before cumulative effect of a change in accounting principle	10,648	936	9,782	(16,830)
Cumulative effect of a change in accounting principle, net of tax	—	—	—	(11,679)
Net income (loss)	<u>\$ 10,648</u>	<u>\$ 936</u>	<u>\$ 9,782</u>	<u>\$ (28,509)</u>

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2004	2003
Cash flows from operating activities:		
Net income (loss)	\$ 9,782	\$ (28,509)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	139,392	135,336
Loss (gain) on disposition of assets	2,532	(858)
Deferred tax expense (benefit)	6,144	(8,368)
Provision for doubtful accounts	3,460	4,268
Loss on debt extinguishment	—	16,927
Cumulative effect of a change in accounting principle, net of tax	—	11,679
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables	(13,922)	(10,165)
Prepaid expenses	(14,550)	(13,038)
Other assets	15,561	(15,922)
Increase (decrease) in:		
Trade accounts payable	(2)	370
Accrued expenses	(9,626)	5,451
Other liabilities	(2,299)	(1,014)
Net cash provided by operating activities	<u>136,472</u>	<u>96,157</u>
Cash flows from investing activities:		
Acquisition of new markets	(50,541)	(101,599)
Capital expenditures	(34,949)	(40,767)
Proceeds from disposition of assets	3,526	2,448
Net cash used in investing activities	<u>(81,964)</u>	<u>(139,918)</u>
Cash flows from financing activities:		
Debt issuance costs	(1,036)	(9,050)
Dividend	—	(15,813)
Principal payments on long-term debt	(3,494)	(370,939)
Net (payments) borrowings under credit agreements	(40,000)	40,000
Cash from deposits for debt extinguishment	—	266,657
Net proceeds from note offering and new note payable	—	127,988
Net cash (used in) provided by financing activities	<u>(44,530)</u>	<u>38,843</u>
Net increase (decrease) in cash and cash equivalents	9,978	(4,918)
Cash and cash equivalents at beginning of period	7,797	15,610
Cash and cash equivalents at end of period	<u>\$ 17,775</u>	<u>\$ 10,692</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 33,538</u>	<u>\$ 28,875</u>
Cash paid for state and federal income taxes	<u>\$ 423</u>	<u>\$ 291</u>
Parent company stock contributed for acquisitions	<u>\$ 4,270</u>	<u>\$ 50,630</u>

See accompanying notes 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 condensed consolidated financial statements should be read in conjunction with Lamar Media's consolidated financial statements and the notes thereto included in the 2003 Combined Form 10-K.

Certain amounts in the prior year's condensed consolidated financial statements have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported results of operations.

Certain notes are not provided for the accompanying consolidated financial statements as the information in notes 2, 3, 4, 5, 7 and 9 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 Lamar Advertising 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 report on Form 10-Q entitled "Note Regarding Forward-Looking Statements" and in the 2003 Combined Form 10-K under the caption "Factors Affecting Future Operating Results." You should carefully consider each of these risks and uncertainties in evaluating the Company's and Lamar Media's financial conditions and results of operations. Investors are cautioned not to place undue reliance on the forward-looking statements contained in this document. These statements speak only as of the date of this document, and the Company undertakes no obligation to update or revise the statements, except as may be required by law.

Lamar Advertising Company

The following is a discussion of the consolidated financial condition and results of operations of the Company for the six months and three months ended June 30, 2004 and 2003. This discussion should be read in conjunction with the consolidated financial statements of the Company and the related notes.

OVERVIEW

The Company's net revenues, which represent gross revenues less commissions paid to advertising agencies that contract for the use of advertising displays on behalf of advertisers, are derived primarily from the sale of advertising on outdoor advertising displays owned and operated by the Company. The Company relies on sales of advertising space for its revenues, and its operating results are therefore affected by general economic conditions, as well as trends in the advertising industry. Advertising spending is particularly sensitive to changes in general economic conditions.

Since December 31, 2001, the Company has increased the number of outdoor advertising displays it operates by approximately 3% by completing over 190 strategic acquisitions of outdoor advertising and transit assets for an aggregate purchase price of approximately \$378.2 million, which included the issuance of 3,024,545 shares of Lamar Advertising Company Class A common stock valued at the time of issuance of approximately \$109.2 million and warrants valued at the time of issuance of approximately \$1.8 million. The Company has financed its recent acquisitions and intends to finance its future acquisition activity from available cash, borrowings under its bank credit agreement, as amended, and the issuance of Class A common stock. See "Liquidity and Capital Resources" below. As a result of acquisitions, the operating performance of individual markets and of the Company as a whole are not necessarily comparable on a year-to-year basis. The Company expects to continue to pursue acquisitions that complement the Company's existing operations.

Growth of the Company's business requires expenditures for maintenance and capitalized costs associated with new billboard displays, 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 and six months ended June 30, 2004 and 2003:

	Three months ended June 30, (in thousands)		Six months ended June 30, (in thousands)	
	2004	2003	2004	2003
Billboard	\$14,067	\$15,121	\$24,185	\$25,221
Logos	475	1,550	1,152	4,068
Transit	444	221	775	931
Land and buildings	2,462	3,030	5,765	5,919
Other PP&E	1,736	3,037	3,198	4,628
Total capital expenditures	<u>\$19,184</u>	<u>\$22,959</u>	<u>\$35,075</u>	<u>\$40,767</u>

RESULTS OF OPERATIONS**Six Months ended June 30, 2004 compared to Six Months ended June 30, 2003**

Net revenues increased \$35.5 million or 9.0% to \$427.9 million for the six months ended June 30, 2004 from \$392.4 million for the same period in 2003. This increase was attributable primarily to (i) an increase in billboard net revenues of \$34.3 million or 9.3%, (ii) a \$0.8 million increase in logo sign revenue, which represents an increase of 4.3% over the prior period, and (iii) a \$0.7 million increase in transit revenue, which represents a 16.8% increase over the prior period.

The increase in billboard net revenues of \$34.3 million was due to both acquisition activity and internal growth generated by increases in both billboard occupancy and rates while the increase in logo sign revenue of \$0.8 million and transit revenue growth of \$0.7 million was generated by internal growth across various markets within the logo sign and transit programs. Net revenues for the six months ended June 30, 2004 as compared to adjusted net revenue⁽¹⁾ for the six months ended June 30, 2003, which includes adjustments for acquisitions and divestitures for the same time frame as actually owned in 2004, increased \$27.3 million or 6.8% as a result of net revenue internal growth.

Operating expenses, exclusive of depreciation and amortization and gain (loss) on sale of assets, increased \$10.9 million or 4.8% to \$239.2 million for the six months ended June 30, 2004 from \$228.3 million for the same period in 2003. There was an \$8.4 million increase as a result of additional operating expenses related to the operations of acquired outdoor advertising assets and increases in costs in operating the Company's core assets and a \$2.5 million increase in corporate expenses. The increase in corporate expenses is primarily related to the new national sales department established in 2004 at the corporate headquarters and a \$1.0 million reduction in our legal reserve, which was recorded as a reduction of corporate expenses in the second quarter of 2003.

Depreciation and amortization expense increased \$3.7 million or 2.7% from \$137.1 million for the six months ended June 30, 2003 to \$140.8 million for the six months ended June 30, 2004.

Due to the above factors, operating income increased \$17.5 million to \$45.3 million for six months ended June 30, 2004 compared to \$27.8 million for the same period in 2003.

In the first quarter of 2003, the Company recorded approximately \$11.2 million as a loss on extinguishment of debt related to the prepayment of the 9 5/8% Senior Subordinated Notes due 2006 and the write-off of related debt issuance costs. In the second quarter of 2003, the Company recorded a loss on extinguishment of debt of \$5.8 million, related to the prepayment of \$100 million in principal amount of its 8 5/8% Senior Subordinated Notes due 2007. During the six months ended June 30, 2004, there were no refinancing activities resulting in a loss on extinguishment of debt.

As a result of our refinancing activities and lower interest rates, interest expense decreased \$11.9 million from \$46.3 million for the six months ended June 30, 2003 to \$34.4 million for the six months ended June 30, 2004.

The increase in operating income, the absence of a loss on extinguishment of debt and the decrease in interest expense described above resulted in a \$46.3 million increase in income before income taxes and cumulative effect of a change in accounting principle. This increase in income resulted in an increase in the income tax expense of \$17.0 million for the six months ended June 30, 2004 over the same period in 2003. The effective tax rate for the six months ended June 30, 2004 was 41.6%.

Due to the adoption of SFAS No. 143, the Company recorded a cumulative effect of a change in accounting principle, net of tax, of \$11.7 million during the six months ended June 30, 2003.

As a result of the above factors, the Company recognized net income for the six months ended June 30, 2004 of \$6.4 million, as compared to a net loss of \$34.5 million for the same period in 2003.

(1) Reconciliation of Reported Net Revenue to Adjusted Net Revenue:

	Six months ended June 30, (in thousands)	
	2004	2003
Reported net revenue	\$427,891	\$392,399
Acquisition net revenue, net of divestitures	—	8,162
Adjusted net revenue	<u>\$427,891</u>	<u>\$400,561</u>

The Company's management believes that adjusted net revenue is useful in evaluating the Company's performance and provides investors and financial analysts a better understanding of the Company's core operating results. The acquisition adjustments are intended to provide information that may be useful for investors when assessing period to period results. Our presentations of this measure, however, may not be comparable to similarly titled measures used by other companies.

Three Months ended June 30, 2004 compared to Three Months ended June 30, 2003

Net revenues increased \$18.7 million or 9.0% to \$226.9 million for the three months ended June 30, 2004 from \$208.2 million for the same period in 2003. This increase was attributable primarily to an increase in billboard net revenues of \$17.7 million or 9.1% over the prior period. The increase in billboard net revenues of \$17.7 million was due to both acquisition activity and internal growth generated by increases in both billboard occupancy and rates. Net revenues for the three months ended June 30, 2004 as compared to adjusted net revenue⁽²⁾ for the three months ended June 30, 2003, which includes adjustments for acquisitions and divestitures for the same time frame as actually owned in 2004, increased \$16.2 million or 7.7% as a result of net revenue internal growth.

Operating expenses, exclusive of depreciation and amortization and gain (loss) on sale of assets, increased \$6.1 million or 5.4% to \$120.0 million for the three months ended June 30, 2004 from \$113.9 million for the same period in 2003. There was a \$4.2 million increase as a result of additional operating expenses related to the operations of acquired outdoor advertising assets and increases in costs in operating the Company's core assets and a \$1.9 million increase in corporate expenses. The increase in corporate expenses is primarily related to the new national sales department established in 2004 at the corporate headquarters and a \$1.0 million reduction in our legal reserve, which was recorded as a reduction of corporate expenses in the second quarter of 2003.

Depreciation and amortization expense increased \$1.9 million or 2.7% from \$69.6 million for the three months ended June 30, 2003 to \$71.5 million for the three months ended June 30, 2004, due to continued acquisition activity and capital expenditures.

Due to the above factors, operating income increased \$6.4 million to \$31.9 million for the three months ended June 30, 2004 compared to \$25.5 million for the same period in 2003.

In the second quarter of 2003, the Company recorded a loss on extinguishment of debt of \$5.8 million, related to the prepayment of \$100 million in principal amount of its 8 5/8% Senior Subordinated Notes due 2007. During the three months ended June 30, 2004, there were no refinancing activities resulting in a loss on extinguishment of debt.

As a result of our refinancing activities and lower interest rates, interest expense decreased \$5.8 million from \$22.6 million for the three months ended June 30, 2003 to \$16.8 million for the three months ended June 30, 2004.

The increase in operating income, the absence of the loss on extinguishment of debt and the decrease in interest expense described above resulted in a \$17.9 million increase in income before income taxes and cumulative effect of a change in accounting principle. There was an increase in income tax expense of \$6.9 million for the three months ended June 30, 2004 over the same period in 2003. The effective tax rate for the three months ended June 30, 2004 was 41.5%.

As a result of the above factors, the Company recognized net income for the three months ended June 30, 2004 of \$8.9 million, as compared to a net loss of \$2.2 million for the same period in 2003.

LIQUIDITY AND CAPITAL RESOURCES

The Company has historically satisfied its working capital requirements with cash from operations and borrowings under its bank credit facility. The Company's wholly owned subsidiary, Lamar Media Corp., is the borrower under the bank credit facility and maintains all corporate cash balances. Any cash requirements of Lamar Advertising, therefore, must be funded by distributions from Lamar Media. The Company's acquisitions have been financed primarily with funds borrowed under the bank credit facility and issuance of its Class A common stock and debt securities. If an acquisition is made by one of the Company's subsidiaries using the Company's Class A common stock, a permanent contribution of additional paid-in-capital of Class A common stock is distributed to that subsidiary.

(2) Reconciliation of Reported Net Revenue to Adjusted Net Revenue:

	Three months ended June 30, (in thousands)	
	2004	2003
Reported net revenue	\$226,915	\$208,178
Acquisition net revenue, net of divestitures	—	2,541
Adjusted net revenue	<u>\$226,915</u>	<u>\$210,719</u>

The Company's management believes that adjusted net revenue is useful in evaluating the Company's performance and provides investors and financial analysts a better understanding of the Company's core operating results. The acquisition adjustments are intended to provide information that may be useful for investors when assessing period to period results. Our presentations of this measure, however, may not be comparable to similarly titled measures used by other companies.

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The Company's cash flows provided by operating activities increased by \$18.9 million for the six months ended June 30, 2004. The increase was due primarily to a change in net income (loss) of \$40.9 million offset by a decrease in adjustments to reconcile net loss to cash provided by operating activities of \$6.3 million, which primarily includes a decrease in the loss on extinguishment of debt of \$16.9 million; a decrease in the cumulative effect of a change in accounting principle of \$11.7 million offset by a decrease in deferred income tax benefit of \$16.0 million; and an increase in depreciation and amortization of \$3.7 million and an increase in loss (gain) on disposition of assets of \$3.4 million. In addition, as compared to the same period in 2003, there were increases in the change in receivables of \$4.1 million and prepaid expenses of \$1.6 million, and decreases in other liabilities of \$1.3 million, trade accounts payable of \$0.3 million and in accrued expenses of \$14.9 million offset by a decrease in other assets of \$6.5 million.

Cash flows used in investing activities decreased \$59.0 million from \$141.1 million in 2003 to \$82.1 million in 2004 primarily due to the decreases in cash used in acquisition activity of \$52.3 million and capital expenditures of \$5.7 million and an increase in proceeds from disposition of assets of \$1.0 million.

Cash flows used in financing activities decreased by \$63.1 million for the six months ended June 30, 2004 due to decreases in cash from deposits for debt extinguishment of \$266.7 million and net proceeds from note offerings and new notes payable of \$408.3 million offset by decreases of \$287.4 million in principal payments of long-term debt and deposits for debt extinguishment of \$301.2 million related to the Company's refinancing activity in 2003. In addition, there was a \$15.2 million increase in proceeds from issuance of the Company's Class A common stock related to option activity, and an \$8.1 million decrease in debt issuance costs.

During the six months ended June 30, 2004, the Company financed its acquisition activity of approximately \$54.8 million with borrowings under Lamar Media's revolving credit facility and cash on hand totaling \$50.5 million as well as the issuance of the Company's Class A common stock and warrants valued at the time of issuance at approximately \$4.3 million.

The Company's wholly owned subsidiary, Lamar Media Corp., amended its bank credit facility in February 2004 whereby it changed its \$975.0 million term facility, which included a \$300.0 million Tranche A facility and a \$675.0 million Tranche B facility, to a \$425.0 million Tranche A and a \$550.0 million Tranche C facility. The bank credit facility is comprised of a \$225.0 million revolving bank credit facility and a \$975.0 million term facility. The bank credit facility also includes a \$500.0 million incremental facility, which permits Lamar Media to request that its lenders enter into commitments to make additional term loans to it, up to a maximum aggregate amount of \$500.0 million. The lenders have no obligation to make additional term loans to Lamar Media under the incremental facility, but may enter into such commitments in their sole discretion. At June 30, 2004, Lamar Media had \$216.6 million available under its revolving bank credit facility.

In the future, Lamar Media has principal reduction obligations and revolver commitment reductions under its bank credit agreement. In addition it has fixed commercial commitments. These commitments were detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2003, which was filed on March 10, 2004, and there have been no material changes during the six months ended June 30, 2004.

Currently Lamar Media has outstanding approximately \$385.0 million 7 1/4% Senior Subordinated Notes due 2013 issued in December 2002 and June 2003. The indenture relating to Lamar Media's outstanding notes restrict its ability to incur indebtedness other than:

- up to \$1.3 billion of indebtedness under its bank credit facility;
- currently outstanding indebtedness or debt incurred to refinance outstanding debt;
- inter-company debt between Lamar Media and its subsidiaries or between subsidiaries;
- certain purchase money indebtedness and capitalized lease obligations to acquire or lease property in the ordinary course of business that cannot exceed the greater of \$20 million or 5% of Lamar Media's net tangible assets; and
- additional debt not to exceed \$40 million.

Lamar Media is required to comply with certain covenants and restrictions under its bank credit agreement. If the Company fails to comply with these tests, the payments due under the bank credit agreement may be accelerated. At June 30, 2004 and currently Lamar Media is in compliance with all such tests.

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Lamar Media cannot exceed the following financial ratios under its bank credit facility:

- a total debt ratio, defined as total consolidated debt to EBITDA, as defined below, for the most recent four fiscal quarters, of 6.00 to 1 (through December 30, 2004) and 5.75 to 1 (after December 30, 2004); and
- a senior debt ratio, defined as total consolidated senior debt to EBITDA, as defined below, for the most recent four fiscal quarters, of 4.00 to 1 (through December 30, 2004) and 3.75 to 1 (after December 30, 2004).

In addition, the bank credit facility requires that Lamar Media must maintain the following financial ratios:

- an interest coverage ratio defined as the ratio of EBITDA, as defined below, for the most recent four fiscal quarters to total consolidated accrued interest expense for that period, of at least 2.25 to 1; 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, (2) capital expenditures made during such period and (3) income and franchise tax payments made during such period, of at least 1.05 to 1.

As defined under Lamar Media's bank credit facility, EBITDA is, for any period, operating income for Lamar Media 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 and (except to the extent received or paid in cash by Lamar Media or any of its restricted subsidiaries) income or loss attributable to equity in affiliates for such period) excluding any extraordinary and unusual gains or losses during such period and excluding the proceeds of any casualty events whereby insurance or other proceeds are received and certain dispositions not in the ordinary course. Any dividend payment made by Lamar Media or any of its restricted subsidiaries to Lamar Advertising Company during any period to enable Lamar Advertising Company to pay certain qualified expenses on behalf of Lamar Media and its subsidiaries shall be treated as operating expenses of Lamar Media for the purposes of calculating EBITDA for such period. EBITDA under the bank credit agreement is also adjusted to reflect certain acquisitions or dispositions as if such acquisitions or dispositions were made on the first day of such period.

The Company believes that its current level of cash on hand, availability under its bank credit agreement and future cash flows from operations are sufficient to meet its operating needs through the year 2004. All debt obligations are on the Company's balance sheet.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2003, the FASB issued Interpretation No. 46R, "Consolidation of Variable Interest Entities, (revised December 2003) an interpretation of ARB No. 51." This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interests in variable interest entities created after January 31, 2003 and existing variable interest entities at the end of the period ending after March 15, 2004. The application of this Interpretation did not have an effect on the Company's financial statements as the Company has no interest in variable interest entities.

On March 31, 2004, the FASB published an Exposure Draft, "Share-Based Payment, an Amendment of FASB Statement No. 123 and APB No. 25." The proposed change in accounting would replace the existing requirements under FAS No. 123 and APB No. 25. Under the proposal, all forms of share-based payments to employees, including employee stock options and employee stock purchase plans, would be treated the same as other forms of compensation by recognizing the related cost in the statement of income. This proposed Statement would eliminate the ability to account for stock-based compensation transactions using the intrinsic value methods of APB No. 25 and generally would require that such transactions be accounted for using a fair-value based method, with binomial or lattice models preferred to the Black-Scholes valuation model. The comment period for the exposure draft ended June 30, 2004. We are currently analyzing what impact, if any, the adoption of the exposure draft, if issued as a final standard, will have on our financial position and results of operations.

Lamar Media Corp.

The following is a discussion of the consolidated financial condition and results of operations of Lamar Media for the six months and the three months ended June 30, 2004 and 2003. This discussion should be read in conjunction with the consolidated financial statements of Lamar Media and the related notes.

Six Months ended June 30, 2004 compared to Six Months ended June 30, 2003

Net revenues increased \$35.5 million or 9.0% to \$427.9 million for the six months ended June 30, 2004 from \$392.4 million for the same period in 2003. This increase was attributable primarily to (i) an increase in billboard net revenues of \$34.3 million or 9.3% over the prior period, (ii) a \$0.8 million increase in logo sign revenue, which represents an increase of 4.3% over the prior period and (iii) a \$0.7 million increase in transit revenue, which represents a 16.8% increase over the prior period.

The increase in billboard net revenues of \$34.3 million was due to both acquisition activity and internal growth generated by increases in both billboard occupancy and rates while the increase in logo sign revenue of \$0.8 million and transit revenue growth of \$0.7 million was generated by internal growth across various markets within the logo sign and transit programs. Net revenues for the six months ended June 30, 2004 as compared to adjusted net revenue⁽³⁾ for the six months ended June 30, 2003, which includes adjustments for acquisitions and divestitures for the same time frame as actually owned in 2004, increased \$27.3 million or 6.8% as a result of net revenue internal growth.

Operating expenses, exclusive of depreciation and amortization and gain (loss) on sale of assets, increased \$10.9 million or 4.8% to \$239.1 million for the six months ended June 30, 2004 from \$228.2 million for the same period in 2003. There was a \$8.4 million increase as a result of additional operating expenses related to the operations of acquired outdoor advertising assets and increases in costs in operating the Company's core assets and a \$2.5 million increase in corporate expenses. The increase in corporate expenses is primarily related to the new national sales department established in 2004 at the corporate headquarters and a \$1.0 million reduction in our legal reserve, which was recorded as a reduction of corporate expenses in the second quarter of 2003.

Depreciation and amortization expense increased \$4.1 million or 3.0% from \$135.3 million for the six months ended June 30, 2003 to \$139.4 million for the six months ended June 30, 2004.

Due to the above factors, operating income increased \$17.2 million to \$46.9 million for six months ended June 30, 2004 compared to \$29.7 million for the same period in 2003.

In the first quarter of 2003, the Company recorded approximately \$11.2 million as a loss on extinguishment of debt related to the prepayment of the 9 5/8% Senior Subordinated Notes due 2006 and the write-off of related debt issuance costs. In the second quarter of 2003, the Company recorded a loss on extinguishment of debt of \$5.8 million, related to the prepayment of \$100 million in principal amount of its 8 5/8% Senior Subordinated Notes due 2007. During the six months ended June 30, 2004, there were no refinancing activities resulting in a loss on extinguishment of debt.

As a result of our refinancing activities and lower interest rates, interest expense decreased \$8.2 million from \$38.5 million for the six months ended June 30, 2003 to \$30.3 million for the six months ended June 30, 2004.

The increase in operating income, the absence of a loss on extinguishment of debt and the decrease in interest expense described above resulted in a \$42.2 million increase in income before income taxes and cumulative effect of a change in accounting principle. This increase in income resulted in an increase in the income tax expense of \$15.6 million for the six months ended June 30, 2004 over the same period in 2003. The effective tax rate for the six months ended June 30, 2004 was 41.6%.

(3) Reconciliation of Reported Net Revenue to Adjusted Net Revenue:

	Six months ended June 30, (in thousands)	
	2004	2003
Reported net revenue	\$427,891	\$392,399
Acquisition net revenue, net of divestitures	—	8,162
Adjusted net revenue	\$427,891	\$400,561

The Company's management believes that adjusted net revenue is useful in evaluating the Company's performance and provides investors and financial analysts a better understanding of the Company's core operating results. The acquisition adjustments are intended to provide information that may be useful for investors when assessing period to period results. Our presentations of this measure, however, may not be comparable to similarly titled measures used by other companies.

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Due to the adoption of SFAS No. 143, the Company recorded a cumulative effect of a change in accounting principle, net of tax, of \$11.7 million during the six months ended June 30, 2003.

As a result of the above factors, the Company recognized net income for the six months ended June 30, 2004 of \$9.8 million, as compared to a net loss of \$28.5 million for the same period in 2003.

Three Months ended June 30, 2004 compared to Three Months ended June 30, 2003

Net revenues increased \$18.7 million or 9.0% to \$226.9 million for the three months ended June 30, 2004 from \$208.2 million for the same period in 2003. This increase was attributable primarily to an increase in billboard net revenues of \$17.7 million or 9.1% over the prior period. The increase in billboard net revenues of \$17.7 million was due to both acquisition activity and internal growth generated by increases in both billboard occupancy and rates. Net revenues for the three months ended June 30, 2004 as compared to adjusted net revenue⁽⁴⁾ for the three months ended June 30, 2003, which includes adjustments for acquisitions and divestitures for the same time frame as actually owned in 2004, increased \$16.2 million or 7.7% as a result of net revenue internal growth.

Operating expenses, exclusive of depreciation and amortization and gain (loss) on sale of assets, increased \$6.1 million or 5.4% to \$119.9 million for the three months ended June 30, 2004 from \$113.8 million for the same period in 2003. There was a \$4.2 million increase as a result of additional operating expenses related to the operations of acquired outdoor advertising assets and increases in costs in operating the Company's core assets and a \$1.9 million increase in corporate expenses. The increase in corporate expenses is primarily related to the new national sales department established in 2004 at the corporate headquarters and a \$1.0 million reduction in our legal reserve which, was recorded as a reduction of corporate expenses in the second quarter of 2003.

Depreciation and amortization expense increased \$1.9 million or 2.8% from \$68.7 million for the three months ended June 30, 2003 to \$70.6 million for the three months ended June 30, 2004, due to continued acquisition activity and capital expenditures.

Due to the above factors, operating income increased \$6.4 million to \$32.9 million for the three months ended June 30, 2004 compared to \$26.5 million for the same period in 2003.

In the second quarter of 2003, the Company recorded a loss on extinguishment of debt of \$5.8 million, related to the prepayment of \$100 million in principal amount of its 8 5/8% Senior Subordinated Notes due 2007. During the three months ended June 30, 2004, there were no refinancing activities resulting in a loss on extinguishment of debt.

As a result of our refinancing activities and lower interest rates, interest expense decreased \$3.7 million from \$18.5 million for the three months ended June 30, 2003 to \$14.8 million for the three months ended June 30, 2004.

The increase in operating income, the absence of the loss on extinguishment of debt and the decrease in interest expense described above resulted in a \$15.8 million increase in income before income taxes and cumulative effect of a change in accounting principle. There was an increase in income tax expense of \$6.1 million for the three months ended June 30, 2004 over the same period in 2003. The effective tax rate for the three months ended June 30, 2004 was 41.6%.

As a result of the above factors, the Company recognized net income for the three months ended June 30, 2004 of \$10.6 million, as compared to net income of \$0.9 million for the same period in 2003.

(4) Reconciliation of Reported Net Revenue to Adjusted Net Revenue:

	Three months ended June 30, (in thousands)	
	2004	2003
Reported net revenue	\$226,915	\$208,178
Acquisition net revenue, net of divestitures	—	2,541
Adjusted net revenue	\$226,915	\$210,719

The Company's management believes that adjusted net revenue is useful in evaluating the Company's performance and provides investors and financial analysts a better understanding of the Company's core operating results. The acquisition adjustments are intended to provide information that may be useful for investors when assessing period to period results. Our presentations of this measure, however, may not be comparable to similarly titled measures used by other companies.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Lamar Advertising Company and Lamar Media Corp.

Lamar Advertising Company is exposed to interest rate risk in connection with variable rate debt instruments issued by its wholly owned subsidiary Lamar Media Corp. The information below summarizes the Company's interest rate risk associated with its principal variable rate debt instruments outstanding at June 30, 2004, and should be read in conjunction with Note 8 of the Notes to the Company's Consolidated Financial Statements in its Annual Report on Form 10-K for the year ended December 31, 2003, which was filed on March 10, 2004.

Loans under Lamar Media Corp.'s bank credit agreement 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 bank credit agreement. Increases in the interest rates applicable to borrowings under the bank credit agreement would result in increased interest expense and a reduction in the Company's net income.

At June 30, 2004, there was approximately \$975.0 million of aggregate indebtedness outstanding under the bank credit agreement, or approximately 60.1% of the Company's outstanding long-term debt on that date, bearing interest at variable rates. The aggregate interest expense for the six months ended June 30, 2004 with respect to borrowings under the bank credit agreement was \$16.2 million, and the weighted average interest rate applicable to borrowings under this credit facility during the six months ended June 30, 2004 was 3.0%. Assuming that the weighted average interest rate was 200-basis points higher (that is 5.0% rather than 3.0%), then the Company's six months ended June 30, 2004 interest expense would have been approximately \$10.3 million higher resulting in a \$6.0 million decrease in the Company's six months ended June 30, 2004 net income.

The Company has attempted to mitigate the interest rate, risk resulting from its variable interest rate, long-term debt instruments by issuing fixed rate, long-term debt instruments and maintaining a balance over time between the amount of the Company's variable rate and fixed rate indebtedness. In addition, the Company has the capability under the bank credit agreement 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, 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) Evaluation 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) 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 Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the requisite time periods.

b) Changes in internal controls.

There was no change in the internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

The Company held its annual meeting of stockholders on Thursday, May 27, 2004. Kevin P. Reilly, Jr., Charles W. Lamar, III, Anna Reilly Cullinan, Stephen P. Mumbrow, John Maxwell Hamilton, Thomas Reifenheiser and Robert Jelenic were elected as directors of the Company, each to hold office until the next annual meeting of stockholders or until his or her successor has been elected and qualified. The stockholders also approved an amendment to the Company's 1996 Equity Incentive Plan to increase the number of shares of the Company's Class A common stock available for issuance from 8,000,000 to 10,000,000 shares.

The results of voting at the Company's annual meeting of stockholders were as follows:

Proposal No. 1 Election of Directors

<u>Nominee</u>	<u>VOTES FOR</u>	<u>VOTES WITHHELD</u>
Kevin P. Reilly, Jr.	239,033,483	376,866
Charles W. Lamar, III	238,595,883	814,466
Anna Reilly Cullinan	239,033,483	376,866
Stephen P. Mumbrow	238,585,533	824,816
John Maxwell Hamilton	239,033,483	376,866
Thomas V. Reifenheiser	239,033,483	376,866
Robert M. Jelenic	239,195,363	214,986

Proposal No. 2. Amendment of the Company's 1996 Equity Incentive Plan

<u>VOTES FOR</u>	<u>VOTES AGAINST</u>	<u>VOTES ABSTAIN</u>	<u>BROKER NON-VOTES</u>
201,803,772	30,884,463	3,627	6,718,487

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) 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.

(b) Reports on Form 8-K

On May 6, 2004, Lamar Advertising Company filed a Current Report on Form 8-K (Item 12) in order to furnish to the Commission its earnings press release for the quarter ended March 31, 2004.*

* Information furnished under Item 9 or Item 12 of Form 8-K is not incorporated by reference, is not deemed filed and is not subject to liability under Section 11 of the Securities Act of 1933 or Section 18 of the Securities exchange Act of 1934.

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: August 5, 2004

BY: /s/ Keith A. Istre
Chief Financial and Accounting Officer and Treasurer

LAMAR MEDIA CORP.

DATED: August 5, 2004

BY: /s/ Keith A. Istre
Chief Financial and Accounting Officer and Treasurer

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
2.1	Agreement and Plan of Merger dated as of July 20, 1999 among Lamar Media Corp., Lamar New Holding Co. and Lamar Holdings Merge Co. Previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 22, 1999 (File No. 0-30242) and incorporated herein by reference.
3.1	Certificate of Incorporation of Lamar New Holding Co. Previously filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 0-20833) filed on August 16, 1999 and incorporated herein by reference.
3.2	Certificate of Amendment of Certificate of Incorporation of Lamar New Holding Co. (whereby the name of Lamar New Holding Co. was changed to Lamar Advertising Company). Previously filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 0-20833) filed on August 16, 1999 and incorporated herein by reference.
3.3	Certificate of Amendment of Certificate of Incorporation of Lamar Advertising Company. Previously filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2000 (File No. 0-30242) filed on August 11, 2000 and incorporated herein by reference.
3.4	Certificate of Correction of Certificate of Incorporation of Lamar Advertising Company. Previously filed as Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2000 (File No. 0-30242) filed on November 14, 2000 and incorporated herein by reference.
3.5	Bylaws of the Lamar Advertising Company. Previously filed as Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1999 (File No. 0-20833) filed on August 16, 1999 and incorporated herein by reference.
3.6	Amended and Restated Bylaws of Lamar Media Corp. 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.
4.1	Supplemental Indenture to the Indenture dated December 23, 2002 among Lamar Media Corp., Lamar Canadian Outdoor Company and Wachovia Bank of Delaware, National Association, as Trustee, dated April 5, 2004. Filed herewith.
10.1	Joinder Agreement dated as of April 19, 2004 to Credit Agreement dated as of March 7, 2003 between Lamar Media Corp. and Lamar Canadian Outdoor Company, the Lenders party thereto and JPMorgan Chase Bank, as Administrative Agent. Filed herewith.
10.2	1996 Equity Incentive Plan, as amended. Filed herewith.
31.1	Certification of the Chief Executive Officer of Lamar Advertising Company and Lamar Media Corp. pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002. Filed herewith.
31.2	Certification of the Chief Financial Officer of Lamar Advertising Company and Lamar Media Corp. 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	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. Filed herewith.

SUPPLEMENTAL INDENTURE

TO INDENTURE DATED DECEMBER 23, 2002

THIS SUPPLEMENTAL INDENTURE dated as of April 5, 2004, is delivered pursuant to Section 4.18 of the Indenture dated as of December 23, 2002 (as heretofore or hereafter modified and supplemented and in effect from time to time, the "2002 Indenture") among LAMAR MEDIA CORP., a Delaware corporation, certain of its subsidiaries ("Guarantors") and WACHOVIA BANK OF DELAWARE, NATIONAL ASSOCIATION, a national banking corporation, as Trustee ("Trustee") (all terms used herein without definition having the meanings ascribed to them in the 2002 Indenture).

The undersigned hereby agree that:

1. The undersigned is a Guarantor under the 2002 Indenture with all of the rights and obligations of Guarantors thereunder.
2. The undersigned has granted, ratified and confirmed, in the form and substance of Exhibit B to the 2002 Indenture, the Guarantee provided for by Article 10 of the 2002 Indenture.
3. The undersigned hereby represents and warrants that the representations and warranties set forth in the 2002 Indenture, to the extent relating to the undersigned as Guarantor, are correct on and as of the date hereof.
4. All notices, requests and other communications provided for in the 2002 Indenture should be delivered to the undersigned at the following address:

Keith A. Istre
Vice President - Finance and
Chief Financial Officer
Lamar Media Corp. and its Subsidiaries
5551 Corporate Blvd.
Baton Rouge, LA 70808
5. A counterpart of this Supplemental Indenture may be attached to any counterpart of the 2002 Indenture.
6. This Supplemental Indenture shall be governed by and construed in accordance with the internal laws of the State of New York.

IN WITNESS WHEREOF, the undersigned has caused this Supplemental Indenture to be duly executed as of the day and year first above written.

Guarantor:

Lamar Canadian Outdoor Company,
a Nova Scotia unlimited liability company

By: /s/ Kevin P. Reilly, Jr.

Kevin P. Reilly, Jr., President

Attest:

By: /s/ James R. McIlwain

James R. McIlwain, Secretary

Accepted:

WACHOVIA BANK OF DELAWARE
NATIONAL ASSOCIATION, as Trustee

By: /s/ Brian K. Justice

Title: Vice President

JOINDER AGREEMENT

JOINDER AGREEMENT dated as of April 19, 2004, by the undersigned, Lamar Canadian Outdoor Company, (the "Additional Subsidiary Guarantor"), in favor of JP Morgan Chase Bank, as administrative agent for the Lenders party to the Credit Agreement referred to below (in such capacity, together with its successors in such capacity, the "Administrative Agent").

Lamar Media Corp. (formerly Lamar Advertising Company), a Delaware corporation (the "Borrower"), and certain of its subsidiaries (collectively, the "Existing Subsidiary Guarantors" and, together with the Borrower, the "Securing Parties") are parties to a Credit Agreement dated March 7, 2003 (as modified and supplemented and in effect from time to time, the "Credit Agreement", providing, subject to the terms and conditions thereof, for extensions of credit (by means of loans and letters of credit) to be made by the lenders therein (collectively, together with any entity that becomes a "Lender" party to the Credit Agreement after the date hereof as provided therein, the "Lenders" and, together with Administrative Agent and any successors or assigns of any of the foregoing, the "Secured Parties") to the Borrower in an aggregate principal or face amount not exceeding \$1,200,000,000 (which, in the circumstances contemplated by Section 2.01(d) thereof, may be increased to \$1,700,000,000). In addition, the Borrower may from time to time be obligated to one or more of the Lenders under the Credit Agreement in respect of one or more Swap Agreements under and as defined in the Credit Agreement (collectively, the "Swap Agreements").

In connection with the Credit Agreement, the Borrower, the Existing Subsidiary Guarantors and the Administrative Agent are parties to the Pledge Agreement dated March 7, 2003 (the "Pledge Agreement") pursuant to which the Securing Parties have, inter alia, granted a security interest in the Collateral (as defined in the Pledge Agreement) as collateral security for the Secured Obligations (as so defined). Terms defined in the Pledge Agreement are used herein as defined therein.

To induce the Secured Parties to enter into the Credit Agreement, and to extend credit thereunder and to extend credit to the Borrower under Swap Agreements, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Additional Subsidiary Guarantor has agreed to become a party to the Credit Agreement and the Pledge Agreement as a "Subsidiary Guarantor" thereunder, and to pledge and grant a security interest in the Collateral (as defined in the Pledge Agreement).

Accordingly, the parties hereto agree as follows:

Section 1. Definitions. Terms defined in the Credit Agreement are used herein as defined therein.

Section 2. Joinder to Agreements. Effective upon the execution and delivery hereof, the Additional Subsidiary Guarantor hereby agrees that it shall become a "Subsidiary Guarantor" under

and for all purposes of the Credit Agreement and the Pledge Agreement with all the rights and obligations of a Subsidiary Guarantor thereunder. Without limiting the generality of the foregoing, the Additional Subsidiary Guarantor hereby:

(i) jointly and severally with the other Subsidiary Guarantors party to the Credit Agreement guarantees to each Secured Party and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of all Guaranteed Obligations in the same manner and to the same extent as is provided in Article III of the Credit Agreement;

(ii) pledges and grants the security interests in all right, title and interest of the Additional Subsidiary Guarantor in all Collateral (as defined in the Pledge Agreement) now owned or hereafter acquired by the Additional Subsidiary Guarantor and whether now existing or hereafter coming into existence provided for by Article III of the Pledge Agreement as collateral security for the Secured Obligations and agrees that Annex 1 thereof shall be supplemented as provided in Appendix A hereto;

(iii) makes the representations and warranties set forth in Article IV of the Credit Agreement and in Article II of the Pledge Agreement, to the extent relating to the Additional Subsidiary Guarantor or to the Pledged Equity evidenced by the certificates, if any, identified in Appendix A hereto; and

(iv) submits to the jurisdiction of the courts, and waives jury trial, as provided in Sections 10.09 and 10.10 of the Credit Agreement.

The Additional Subsidiary Guarantor hereby instructs its counsel to deliver the opinions referred to in Section 6.10(a)(iii) of the Credit Agreement to the Secured Parties.

IN WITNESS WHEREOF, the Additional Subsidiary Guarantor has caused this Joinder Agreement to be duly executed and delivered as of the day and year first above written.

Lamar Canadian Outdoor Company
a Nova Scotia unlimited liability company

By: /s/ Kevin P. Reilly

Kevin P. Reilly
President

Attested:

By: James R. McIlwain

James R. McIlwain, Secretary

Accepted and agreed:

JP MORGAN CHASE BANK,
as Administrative Agent

By: /s/ Joan M. Fitzgibbon

Title: Managing Director

The undersigned hereby respectively pledges and grants a security interest in the Pledged Equity and evidenced by the certificate listed in Appendix A hereto and agrees that Annex 1 of the above-referenced Pledge Agreement is hereby supplemented by adding thereto the information listed on Appendix A.

Lamar Media Corp., Issuee

By: /s/ Keith A. Istre

Keith A. Istre

Title: Vice President of Finance,

Treasurer & CFO

Appendix A to Joinder Agreement

Pledgor Ownership	Issuer	No. Shares	Cert. No.	%
Lamar Media Corp.	Lamar Canadian Outdoor Company	1,300,000 shares of Common stock, no par value	3	65

LAMAR ADVERTISING COMPANY

1996 EQUITY INCENTIVE PLAN
(AS AMENDED THROUGH FEBRUARY 2004)

1. PURPOSE

The purpose of the Lamar Advertising Company 1996 Equity Incentive Plan (the "Plan") is to attract and retain directors, key employees and consultants of the Company and its Affiliates, to provide an incentive for them to achieve long-range performance goals, and to enable them to participate in the long-term growth of the Company by granting Awards with respect to the Company's Class A Common Stock (the "Common Stock"). Certain capitalized terms used herein are defined in Section 9 below.

2. ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall select the Participants to receive Awards and shall determine the terms and conditions of the Awards. The Committee shall have authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the operation of the Plan as it shall from time to time consider advisable, and to interpret the provisions of the Plan. The Committee's decisions shall be final and binding. To the extent permitted by applicable law, the Committee may delegate to one or more executive officers of the Company the power to make Awards to Participants who are not Reporting Persons or Covered Employees and all determinations under the Plan with respect thereto, provided that the Committee shall fix the maximum amount of such Awards for all such Participants and a maximum for any one Participant.

3. ELIGIBILITY

All directors, employees and consultants of the Company or any Affiliate capable of contributing significantly to the successful performance of the Company, other than a person who has irrevocably elected not to be eligible, are eligible to be Participants in the Plan. Incentive Stock Options may be granted only to persons eligible to receive such Options under the Code.

4. STOCK AVAILABLE FOR AWARDS

(a) AMOUNT. Subject to adjustment under subsection (b), Awards may be made under the Plan for up to 10,000,000 shares of Common Stock. If any Award expires or is terminated unexercised or is forfeited or settled in a manner that results in fewer shares outstanding than were awarded, the shares subject to such Award, to the extent of such expiration, termination, forfeiture or decrease, shall again be available for award under the Plan. Common Stock issued through the assumption or substitution of outstanding grants from an acquired company shall not

reduce the shares available for Awards under the Plan. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(b) ADJUSTMENT. In the event that the Committee determines that any stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, exchange of shares or other transaction affects the Common Stock such that an adjustment is required in order to preserve the benefits intended to be provided by the Plan, then the Committee (subject in the case of Incentive Stock Options to any limitation required under the Code) shall equitably adjust any or all of (i) the number and kind of shares in respect of which Awards may be made under the Plan, (ii) the number and kind of shares subject to outstanding Awards and (iii) the exercise price with respect to any of the foregoing, and if considered appropriate, the Committee may make provision for a cash payment with respect to an outstanding Award, provided that the number of shares subject to any Award shall always be a whole number.

(c) LIMIT ON INDIVIDUAL GRANTS. The maximum number of shares of Common Stock subject to Options and Stock Appreciation Rights that may be granted to any Participant in the aggregate in any calendar year shall not exceed 300,000 shares and the maximum number of shares of Common Stock that may be granted as Restricted Stock or Unrestricted Stock Awards, with respect to which performance goals apply under Section 7 below, to any Participant in the aggregate in any calendar year shall not exceed 300,000, subject to adjustment under subsection (b).

5. STOCK OPTIONS

(a) GRANT OF OPTIONS. Subject to the provisions of the Plan, the Committee may grant options ("Options") to purchase shares of Common Stock (i) complying with the requirements of Section 422 of the Code or any successor provision and any regulations thereunder ("Incentive Stock Options") and (ii) not intended to comply with such requirements ("Nonstatutory Stock Options"). The Committee shall determine the number of shares subject to each Option and the exercise price therefor, which shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant with respect to Incentive Stock Options. Nonstatutory Stock Options may be granted at such prices as the Committee may determine. No Incentive Stock Options may be granted hereunder more than ten years after the effective date of the Plan.

(b) TERMS AND CONDITIONS. Each Option shall be exercisable at such times and subject to such terms and conditions as the Committee may specify in the applicable grant or thereafter. The Committee may impose such conditions with respect to the exercise of Options, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable.

(c) PAYMENT. No shares shall be delivered pursuant to any exercise of an Option until payment in full of the exercise price therefor is received by the Company. Such payment may be made in whole or in part in cash or, to the extent permitted by the Committee at or after the grant of the Option, by delivery of a note or other commitment satisfactory to the Committee or shares of Common Stock owned by the optionee, including Restricted Stock, or by retaining shares otherwise issuable pursuant to the Option, in each case valued at their Fair Market Value on

the date of delivery or retention, or such other lawful consideration as the Committee may determine.

6. STOCK APPRECIATION RIGHTS

(a) GRANT OF SARS. Subject to the provisions of the Plan, the Committee may grant rights to receive any excess in value of shares of Common Stock over the exercise price ("Stock Appreciation Rights" or "SARs") in tandem with an Option (at or after the award of the Option), or alone and unrelated to an Option. SARs in tandem with an Option shall terminate to the extent that the related Option is exercised, and the related Option shall terminate to the extent that the tandem SARs are exercised. The Committee shall determine at the time of grant or thereafter whether SARs are settled in cash, Common Stock or other securities of the Company, Awards or other property, and may define the manner of determining the excess in value of the shares of Common Stock.

(b) EXERCISE PRICE. The Committee shall fix the exercise price of each SAR or specify the manner in which the price shall be determined. An SAR granted in tandem with an Option shall have an exercise price not less than the exercise price of the related Option. SARs granted alone and unrelated to an Option may be granted at such exercise prices as the Committee may determine.

7. STOCK AWARDS

(a) GRANT OF RESTRICTED OR UNRESTRICTED STOCK. Subject to the provisions of the Plan, the Committee may grant shares of Common Stock subject to forfeiture ("Restricted Stock") and determine the duration of the period (the "Restricted Period") during which, and the conditions under which, the shares may be forfeited to the Company and the other terms and conditions of such Awards. Shares of Restricted Stock may be issued for no cash consideration, such minimum consideration as may be required by applicable law or such other consideration as the Committee may determine. Shares of Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered, except as permitted by the Committee, during the Restricted Period. Shares of Restricted Stock shall be evidenced in such manner as the Committee may determine. Any certificates issued in respect of shares of Restricted Stock shall be registered in the name of the Participant and unless otherwise determined by the Committee, deposited by the Participant, together with a stock power endorsed in blank, with the Company. At the expiration of the Restricted Period, the Company shall deliver such certificates to the Participant or if the Participant has died, to the Participant's Designated Beneficiary. The Committee also may make Awards of shares of Common Stock that are not subject to restrictions or forfeiture, on such terms and conditions as the Committee may determine from time to time ("Unrestricted Stock").

(b) PERFORMANCE GOALS. The Committee may establish performance goals for the granting of Restricted Stock or Unrestricted Stock Awards or the lapse of risk of forfeiture of Restricted Stock. Such performance goals may be based on earnings per share, revenues, sales or expense targets of the Company or any subsidiary or division thereof, stock price, or such other business criteria as the Committee may determine. The achievement of the performance goals shall be determined by the Committee. Shares of Restricted Stock or Unrestricted Stock

may be issued for no cash consideration, such minimum consideration as may be required by applicable law or such other consideration as the Committee may determine.

8. GENERAL PROVISIONS APPLICABLE TO AWARDS

(a) DOCUMENTATION. Each Award under the Plan shall be evidenced by a writing delivered to the Participant or agreement executed by the Participant specifying the terms and conditions thereof and containing such other terms and conditions not inconsistent with the provisions of the Plan as the Committee considers necessary or advisable to achieve the purposes of the Plan or to comply with applicable tax and regulatory laws and accounting principles.

(b) COMMITTEE DISCRETION. Each type of Award may be made alone, in addition to or in relation to any other Award. The terms of each type of Award need not be identical, and the Committee need not treat Participants uniformly. Except as otherwise provided by the Plan or a particular Award, any determination with respect to an Award may be made by the Committee at the time of grant or at any time thereafter.

(c) DIVIDENDS AND CASH AWARDS. In the discretion of the Committee, any Award under the Plan may provide the Participant with (i) dividends or dividend equivalents payable (in cash or in the form of Awards under the Plan) currently or deferred with or without interest and (ii) cash payments in lieu of or in addition to an Award.

(d) TERMINATION OF EMPLOYMENT. The Committee shall determine the effect on an Award of the disability, death, retirement or other termination of employment of a Participant and the extent to which, and the period during which, the Participant's legal representative, guardian or Designated Beneficiary may receive payment of an Award or exercise rights thereunder.

(e) CHANGE IN CONTROL. In order to preserve a Participant's rights under an Award in the event of a change in control of the Company (as defined by the Committee), the Committee in its discretion may, at the time an Award is made or at any time thereafter, take one or more of the following actions: (i) provide for the acceleration of any time period relating to the exercise or payment of the Award, (ii) provide for payment to the Participant of cash or other property with a Fair Market Value equal to the amount that would have been received upon the exercise or payment of the Award had the Award been exercised or paid upon the change in control, (iii) adjust the terms of the Award in a manner determined by the Committee to reflect the change in control, (iv) cause the Award to be assumed, or new rights substituted therefor, by another entity, or (v) make such other provision as the Committee may consider equitable to Participants and in the best interests of the Company.

(f) TRANSFERABILITY. In the discretion of the Committee, any Award may be made transferable upon such terms and conditions and to such extent as the Committee determines, provided that Incentive Stock Options may be transferable only to the extent permitted by the Code. The Committee may in its discretion waive any restriction on transferability.

(g) LOANS. The Committee may authorize the making of loans or cash payments to Participants in connection with the grant or exercise any Award under the Plan, which loans may be secured by any security, including Common Stock, underlying or related to such Award

(provided that the loan shall not exceed the Fair Market Value of the security subject to such Award), and which may be forgiven upon such terms and conditions as the Committee may establish at the time of such loan or at any time thereafter.

(h) WITHHOLDING TAXES. The Participant shall pay to the Company, or make provision satisfactory to the Committee for payment of, any taxes required by law to be withheld in respect of Awards under the Plan no later than the date of the event creating the tax liability. The Company and its Affiliates may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to the Participant hereunder or otherwise. In the Committee's discretion, the minimum tax obligations required by law to be withheld in respect of Awards may be paid in whole or in part in shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value on the date of delivery.

(i) FOREIGN NATIONALS. Awards may be made to Participants who are foreign nationals or employed outside the United States on such terms and conditions different from those specified in the Plan as the Committee considers necessary or advisable to achieve the purposes of the Plan or to comply with applicable laws.

(j) AMENDMENT OF AWARD. The Committee may amend, modify or terminate any outstanding Award, including substituting therefor another Award of the same or a different type, changing the date of exercise or realization and converting an Incentive Stock Option to a Nonstatutory Stock Option. Any such action shall require the Participant's consent unless:

(i) In the case of a termination of, or a reduction in the number of shares issuable under, an Option, any time period relating to the exercise of such Option or the eliminated portion, as the case may be, is waived or accelerated before such termination or reduction (and in such case the Committee may provide for the Participant to receive cash or other property equal to the net value that would have been received upon exercise of the terminated Option or the eliminated portion, as the case may be); or

(ii) In any other case, the Committee determines that the action, taking into account any related action, would not materially and adversely affect the Participant.

9. CERTAIN DEFINITIONS

"Affiliate" means any business entity in which the Company owns directly or indirectly 50% or more of the total voting power or has a significant financial interest as determined by the Committee.

"Award" means any Option, Stock Appreciation Right, Restricted Stock or Unrestricted Stock granted under the Plan.

"Board" means the Board of Directors of the Company.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor law.

"Committee" means one or more committees each comprised of not less than two members of the Board appointed by the Board to administer the Plan or a specified portion thereof. Unless otherwise determined by the Board, if a Committee is authorized to grant Awards to a Reporting Person or a Covered Employee, each member shall be a "non-employee director" or the equivalent within the meaning of applicable Rule 16b-3 under the Exchange Act or an "outside director" within the meaning of Section 162(m) of the Code, respectively.

"Common Stock" or "Stock" means the Class A Common Stock, \$0.001 par value, of the Company.

"Company" means Lamar Advertising Company, a Delaware corporation.

"Covered Employee" means a "covered employee" within the meaning of Section 162(m) of the Code.

"Designated Beneficiary" means the beneficiary designated by a Participant, in a manner determined by the Committee, to receive amounts due or exercise rights of the Participant in the event of the Participant's death. In the absence of an effective designation by a Participant, "Designated Beneficiary" means the Participant's estate.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor law.

"Fair Market Value" means, with respect to Common Stock or any other property, the fair market value of such property as determined by the Committee in good faith or in the manner established by the Committee from time to time.

"Participant" means a person selected by the Committee to receive an Award under the Plan.

"Reporting Person" means a person subject to Section 16 of the Exchange Act.

10. MISCELLANEOUS

(a) NO RIGHT TO EMPLOYMENT. No person shall have any claim or right to be granted an Award. Neither the adoption, maintenance, nor operation of the Plan nor any Award hereunder shall confer upon any employee or consultant of the Company or of any Affiliate any right with respect to the continuance of his/her employment by or other service with the Company or any such Affiliate nor shall they interfere with the rights of the Company (or Affiliate) to terminate any employee at any time or otherwise change the terms of employment, including, without limitation, the right to promote, demote or otherwise re-assign any employee from one position to another within the Company or any Affiliate.

(b) NO RIGHTS AS STOCKHOLDER. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed under the Plan until he or she becomes the holder thereof. A Participant to whom Restricted Stock or Unrestricted Stock is awarded shall be

considered a stockholder of the Company at the time of the Award except as otherwise provided in the applicable Award.

(c) EFFECTIVE DATE. Subject to the approval of the stockholders of the Company, the Plan shall be effective on July 24, 1996.

(d) AMENDMENT OF PLAN. The Board may amend, suspend or terminate the Plan or any portion thereof at any time, subject to such stockholder approval as the Board determines to be necessary or advisable.

(e) GOVERNING LAW. The provisions of the Plan shall be governed by and interpreted in accordance with the laws of Delaware.

CERTIFICATIONS

I, Kevin P. Reilly, Jr., 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)) for the registrants and we 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) 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
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrants' most recent fiscal quarter 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' ability 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 registrant's internal control over financial reporting.

DATED: August 5, 2004

BY: /s/ Kevin P. Reilly, Jr.

Kevin P. Reilly, Jr.

Chief Executive Officer, Lamar Advertising Company

Chief Executive Officer, Lamar Media Corp.

CERTIFICATIONS

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)) for the registrants and we 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) 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
 - c) Disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the registrants' most recent fiscal quarter 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 registrant's 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' ability 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.

DATED: August 5, 2004

BY: /s/ Keith A. Istre

Keith A. Istre

Chief Financial Officer, Lamar Advertising Company
Chief Financial Officer, Lamar Media Corp.

LAMAR ADVERTISING COMPANY

LAMAR MEDIA CORP.

Certification of Periodic Financial Report

Pursuant to 18 U.S.C. Section 1350

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 quarter ended June 30, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in that combined Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Lamar and Media.

Dated: August 5, 2004

By: /s/ Kevin P. Reilly, Jr.
Kevin P. Reilly, Jr.
Chief Executive Officer, Lamar Advertising Company Chief
Executive Officer, Lamar Media Corp.

Dated: August 5, 2004

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