

TREVENA INC
Form 10-Q
May 03, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended March 31, 2018

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 001-36193

Trevena, Inc.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

26-1469215
(I.R.S. Employer
Identification No.)

955 Chesterbrook Boulevard, Suite 200
Chesterbrook, PA 19087
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (610) 354-8840

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, \$0.001 par value Shares outstanding as of April 27, 2018: 67,968,713

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Quarterly Report”) contains forward-looking statements that involve substantial risks and uncertainties. The forward-looking statements are contained principally in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” but also are contained elsewhere in this Quarterly Report, as well as in sections such as “Risk Factors” that are incorporated by reference into this Quarterly Report from our most recent Annual Report on Form 10-K (the “Annual Report”). In some cases, you can identify forward-looking statements by the words “may,” “might,” “will,” “could,” “would,” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “potential,” “continue” and “ongoing,” or the negative of those terms, or other comparable terminology intended to identify statements about the future. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain. Forward-looking statements include statements about:

- our plans to develop and potentially commercialize our product candidates;
- our ability to fund future operating expenses and capital expenditures with our current cash resources or to secure additional funding in the future;
- our planned preclinical studies and clinical trials for our product candidates;
- the timing and likelihood of obtaining and maintaining regulatory approvals for our product candidates;
- the extent of clinical trials potentially required by the FDA for our product candidates;
- the clinical utility and market acceptance of our product candidates, particularly in light of existing and future competition;
- our sales, marketing, and manufacturing capabilities and strategy;
- our intellectual property position; and
-

our ability to identify additional product candidates with significant commercial potential that are consistent with our commercial objectives.

You should refer to the “Risk Factors” section of the Annual Report for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. As a result of these factors, we cannot assure you that the forward-looking statements in this Quarterly Report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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PART I

ITEM 1. FINANCIAL STATEMENTS

TREVENA, INC.

Balance Sheets

(in thousands, except share and per share data)

	March 31, 2018 (unaudited)	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,146	\$ 16,557
Marketable securities	43,445	49,543
Prepaid expenses and other current assets	1,847	1,393
Total current assets	63,438	67,493
Restricted cash	1,413	1,413
Property and equipment, net	3,779	3,805
Intangible asset, net	11	11
Total assets	\$ 68,641	\$ 72,722
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 1,387	\$ 1,424
Accrued expenses and other current liabilities	1,519	4,303
Current portion of loans payable, net	12,460	12,425
Deferred rent	63	61
Total current liabilities	15,429	18,213
Loans payable, net	12,595	15,725
Capital leases, net of current portion	28	31
Deferred rent, net of current portion	2,992	3,006
Warrant liability	10	10
Other long term liabilities	1,270	1,104
Total liabilities	32,324	38,089
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock—\$0.001 par value; 100,000,000 shares authorized, 67,603,736 and 62,310,795 shares issued and	68	Within the Company's bank credit facilities agreements is a provision that requires the Company to reimburse lenders for any increased costs that they may incur in an event of a change in law, rule or

outstanding at March 31, 2018
and December 31, 2017,
respectively

regulation resulting in their reduced returns from any change in capital requirements. In addition to not being able to estimate the potential amount of any future payment under this provision, the Company is not able to predict if such event will ever occur.

The Company currently has guarantees that provide protection to its international subsidiaries banking institutions related to overdraft lines and credit card charge-back transactions up to approximately \$66.2 million. As of September 30, 2004, no amounts were outstanding under these agreements.

As of September 30, 2004, the Company has outstanding commercial standby letters of credit and surety bonds of \$166.3 million and \$39.3 million, respectively, that primarily expire during 2005. These letters of credit and surety bonds relate to various operational matters including insurance, bid and performance bonds as well as other items. These letters of credit are included in the Company's calculation of its leverage ratio covenant under the bank credit facilities. The surety bonds are not considered borrowings under the Company's bank credit facilities.

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Note 8: OTHER

Capital Market Transactions

On February 25, 2004, the Company redeemed 454.4 million of its 6.5% senior notes due July 7, 2005, for 477.7 million plus accrued interest. As a result of this redemption, the Company recorded a pre-tax loss of \$31.6 million on the early extinguishment of debt. After this redemption, 195.6 million of the 6.5% senior notes remain outstanding.

On July 13, 2004, the Company entered into a new five-year, multi-currency revolving credit facility in the amount of \$1.75 billion. The facility can be used for general working capital purposes including commercial paper support as well as to fund capital expenditures, share repurchases, acquisitions and the refinancing of public debt securities. The Company's existing \$1.5 billion five-year multi-currency revolving credit facility was repaid in its entirety and terminated at the same time the new facility was entered into.

On September 15, the Company completed a debt offering of \$750.0 million 5.5% notes due September 15, 2014. Interest is payable on March 15 and September 15. The aggregate net proceeds of approximately \$743.1 million were used to repay borrowings outstanding under our reducing revolving credit facility and for general corporate purposes.

Marketable Security Transaction

During the first nine months of 2004, the Company received \$627.5 million of proceeds primarily related to the sale of its remaining investment in Univision Communications, Inc. As a result, the Company recorded a gain of \$48.4 million in Gain (loss) on marketable securities .

Sale of Operating Assets

During the first nine months of 2004, the Company recorded a gain of \$20.3 million on the sale of radio assets and a loss of \$11.7 million on the sale of entertainment assets.

Income Taxes

The Company's current tax expense for the three months ended September 30, 2004 includes a benefit of \$18.1 million related to the reversal of an accrual associated with the resolution of a tax issue. The benefit resulted in an effective tax rate of 36.1% for the three months ended September 30, 2004. The Company's effective tax rate for the three months ended September 30, 2003 was 40.5%.

Note 9: SEGMENT DATA

The Company has three reportable segments, which it believes best reflects how the Company is currently managed radio broadcasting, outdoor advertising and live entertainment. The category other includes television broadcasting, sports representation and media representation. Revenue and expenses earned and charged between segments are recorded at fair value and eliminated in consolidation.

<i>(In thousands)</i>	Radio	Outdoor	Live	Other	Corporate	Eliminations	Consolidated
	Broadcasting	Advertising	Entertainment	Other	Corporate	Eliminations	Consolidated
	_____	_____	_____	_____	_____	_____	_____
	<u>Nine Months Ended September 30, 2004</u>						

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Revenue	\$ 2,789,834	\$ 1,761,308	\$ 2,223,114	\$ 429,591	\$	\$(100,374)	\$ 7,103,473
Divisional operating expenses	1,603,276	1,277,110	2,069,432	347,781		(100,374)	5,197,225
Non-cash compensation	714					1,905	2,619
Depreciation and amortization	113,653	288,810	45,577	47,358	15,664		511,062
Corporate expenses					142,590		142,590
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating income (loss)	\$ 1,072,191	\$ 195,388	\$ 108,105	\$ 34,452	\$(160,159)	\$	\$ 1,249,977
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Intersegment revenues	\$ 43,221	\$ 9,701	\$ 497	\$ 46,955	\$	\$	\$ 100,374
Identifiable assets	\$ 19,740,902	\$ 4,804,175	\$ 1,506,654	\$ 1,425,597	\$ 299,398	\$	\$ 27,776,726
Capital expenditures	\$ 44,976	\$ 116,507	\$ 62,008	\$ 18,393	\$ 775	\$	\$ 242,659

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<i>(In thousands)</i>	Radio Broadcasting	Outdoor Advertising	Live Entertainment	Other	Corporate	Eliminations	Consolidated
<u>Three Months Ended September 30, 2004</u>							
Revenue	\$ 960,066	\$ 600,166	\$ 974,675	\$ 147,313	\$	\$ (33,347)	\$ 2,648,873
Divisional operating expenses	538,179	431,383	883,645	117,334		(33,347)	1,937,194
Non-cash compensation	221				565		786
Depreciation and amortization	37,887	96,254	15,134	15,774	5,101		170,150
Corporate expenses					46,645		46,645
Operating income (loss)	<u>\$ 383,779</u>	<u>\$ 72,529</u>	<u>\$ 75,896</u>	<u>\$ 14,205</u>	<u>\$ (52,311)</u>	<u>\$</u>	<u>\$ 494,098</u>
Intersegment revenues	\$ 14,181	\$ 2,446	\$ 30	\$ 16,690	\$	\$	\$ 33,347
<u>Nine Months Ended September 30, 2003</u>							
Revenue	\$ 2,729,234	\$ 1,559,791	\$ 2,050,015	\$ 403,961	\$	\$ (102,163)	\$ 6,640,838
Divisional operating expenses	1,568,487	1,170,047	1,879,818	329,120		(102,163)	4,845,309
Non-cash compensation	1,326				2,132		3,458
Depreciation and amortization	114,525	272,306	44,659	38,470	17,364		487,324
Corporate expenses					129,288		129,288
Operating income (loss)	<u>\$ 1,044,896</u>	<u>\$ 117,438</u>	<u>\$ 125,538</u>	<u>\$ 36,371</u>	<u>\$ (148,784)</u>	<u>\$</u>	<u>\$ 1,175,459</u>
Intersegment revenues	\$ 41,011	\$ 12,596	\$ 2,732	\$ 45,824	\$	\$	\$ 102,163
Identifiable assets	\$ 19,789,121	\$ 4,784,424	\$ 1,377,791	\$ 1,762,611	\$ 451,429	\$	\$ 28,165,376
Capital expenditures	\$ 39,214	\$ 127,863	\$ 48,234	\$ 12,997	\$ 2,861	\$	\$ 231,169
<u>Three Months Ended September 30, 2003</u>							
Revenue	\$ 963,635	\$ 540,089	\$ 936,213	\$ 139,238	\$	\$ (35,029)	\$ 2,544,146

Divisional operating expenses	536,495	391,004	839,402	110,457		(35,029)	1,842,329
Non-cash compensation	310					570	880
Depreciation and amortization	38,449	93,869	14,914	13,394	5,256		165,882
Corporate expenses					44,050		44,050
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating income (loss)	\$ 388,381	\$ 55,216	\$ 81,897	\$ 15,387	\$ (49,876)	\$	\$ 491,005
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Intersegment revenues \$ 13,978 \$ 3,019 \$ 1,537 \$ 16,495 \$ \$ \$ 35,029

Net revenue of \$1.6 billion and \$579.2 million for the nine and three months ended September 30, 2004, respectively, and \$1.3 billion and \$486.7 million for the nine and three months ended September 30, 2003, respectively, and identifiable assets of \$2.5 billion and \$2.4 billion as of September 30, 2004 and 2003, respectively, are included in the data above and are derived from the Company's foreign operations.

Note 10: SUBSEQUENT EVENTS

On October 20, 2004, the Company's Board of Directors declared a quarterly cash dividend of \$0.125 per share on the Company's Common Stock. The dividend is payable on January 15, 2005 to shareholders of record at the close of business on December 31, 2004.

From October 1, 2004 through November 4, 2004, 6.2 million shares had been repurchased for an aggregate purchase price of \$191.4 million, including commission and fees. At November 4, 2004, there was \$380.5 million remaining available for repurchase through the Company's repurchase program.

On November 4, 2004, the Company retired 45.0 million of its shares held in treasury, which were valued at \$1.6 billion.

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

Overview

Management's discussion and analysis of our results of operations and financial condition should be read in conjunction with the consolidated financial statements and related footnotes. Our discussion is presented on both a consolidated and segment basis. Our reportable operating segments are Radio Broadcasting, which includes our national syndication business, Outdoor Advertising and Live Entertainment. Included in the other segment are television broadcasting, sports representation and our media representation business, Katz Media.

We manage our operating segments primarily on their operating income. Therefore, our discussion of the results of operations of our operating segments focuses on their operating income. Corporate expenses, Interest expense, Gain (loss) on sale of marketable securities, Equity in earnings of nonconsolidated affiliates, Other income (expense) net, and Income tax benefit (expense) are managed on a total company basis and are, therefore, reflected only in our discussion of consolidated results.

Radio Broadcasting

Our local radio markets are run predominantly by local management teams who control the formats selected for their programming. The formats are designed to reach audiences with targeted demographic characteristics that appeal to our advertisers. Our advertising rates are principally based on how many people in a targeted audience are listening to our stations, as measured by an independent ratings service. The size of the market influences rates as well, with larger markets typically receiving higher rates than smaller markets. Also, our advertising rates are influenced by the time of day the advertisement airs, with morning and evening drive-time hours typically the highest. We sell a certain number of radio advertising spots per hour to our advertisers. Radio advertising contracts are typically less than one year.

Due to the geographic diversity and autonomy of our markets, we have a multitude of market specific advertising rates and audience demographics. Therefore, our discussion of the results of operations of our radio broadcasting segment focuses on the macro level indicators that management monitors to assess our radio segment's financial condition and results of operations.

Management looks at our radio operations' overall revenues as one of its main performance metrics. Management also looks at local advertising, which is sold predominately in a station's local market, and national advertising, which is sold across multiple markets. Local advertising is sold by our local radio stations' sales staff while national advertising is sold, for the most part, through our national representation firm.

Local and national advertising revenues are tracked separately because these revenue streams have different sales forces, respond differently to changes in the economic environment and because local advertising is the primary driver of our radio revenues. During the third quarter of 2004, growth in our local advertising revenue outpaced the growth in our national advertising revenue.

Management also looks at radio revenue by market size, as defined by Arbitron. Typically, larger markets can reach bigger audiences with wider demographics than smaller markets. Over half of our radio revenue and divisional operating expenses comes from our 50 largest markets.

Additionally, management reviews our share of listeners in target demographics listening to the radio in an average quarter hour. This metric gauges how well our formats are doing attracting and keeping listeners.

A significant portion of our radio segment's expenses vary in connection with changes in revenue. These variable expenses primarily relate to costs in our sales department, such as salaries, commissions, and bad debt. Our programming and general and administrative departments incur most of our fixed costs, such as talent costs, rights fees, utilities and office salaries. Lastly, our highly discretionary costs are in our marketing and promotions department, which we primarily incur to maintain and/or increase our audience and market share.

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Outdoor Advertising

Our outdoor advertising revenues are generated from selling advertisements on our display faces, which include bulletins, posters and transit displays as well as street furniture panels. Our advertising rates are based on a particular display's impressions in relation to the demographics of a particular market and its location within a market. Our outdoor advertising contracts are typically based on the number of months or weeks the advertisement is displayed.

To monitor the health of our outdoor business, management reviews average rates, average occupancy and inventory levels of each of our display faces by market. In addition, because a significant portion of our outdoor advertising is conducted in foreign markets, principally Europe, management looks at revenues from our foreign operations on a constant dollar basis. A constant dollar basis allows for comparison of operations independent of foreign exchange movements. Our outdoor advertising revenue and divisional operating expenses increased in the third quarter of 2004 as compared to the third quarter of 2003 by approximately \$26.1 million and \$22.8 million, respectively, as a result of fluctuations in foreign currency exchange rates.

Our significant outdoor expenses include production expenses, revenue sharing or minimum guarantees on our transit and street furniture contracts and site lease expenses, primarily for land under our advertising displays. Our site lease terms vary from monthly to yearly, can be for terms of 20 years or longer and typically provide for renewal options. Our street furniture contracts are usually won in a competitive bid and generally have terms of between 10 and 20 years.

Live Entertainment

We derive live entertainment revenues primarily from promoting or producing music and theater events. Revenues from these events are mainly from ticket sales, rental income, corporate sponsorships, concessions and merchandise. We typically receive either all the ticket sales or just a fixed fee for each event we host. We also receive fees representing a percentage of total concession sales from vendors and total merchandise sales from the performer or tour producer.

We generally receive higher music profits when an event is at a venue we own rather than a venue we rent. The higher music profits are due to our ability to share in a percentage of the revenues received from concession and merchandise sales as well as the opportunity to sell sponsorships for venue naming rights and signage.

To judge the health of our music business, management monitors the number of shows, average paid attendance, talent cost as a percent of revenue, sponsorship dollars and ticket revenues. In addition, because a significant portion of our live entertainment business is conducted in foreign markets, management looks at revenues from our foreign operations on a constant dollar basis. A constant dollar basis allows for comparison of operations independent of foreign exchange movements. Our live entertainment revenue and divisional operating expenses increased in the third quarter of 2004 as compared to the third quarter of 2003 by approximately \$23.8 million and \$21.9 million, respectively, as a result of fluctuations in foreign currency exchange rates.

The primary expense driver for live entertainment is talent cost. Talent cost is the amount we pay to a musical artist or theatrical production to perform at an event. This is a negotiated amount primarily driven by what the artist or production requires to cover their direct costs and the value of their time. These fees are typically agreed to at a set minimum amount with the potential for additional profit sharing if the event exceeds set revenue targets.

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The comparison of Three and Nine Months Ended September 30, 2004 to Three and Nine Months Ended September 30, 2003 is as follows:

Consolidated

<i>(In thousands)</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2004	2003	% Change	2004	2003	% Change
Revenue	\$2,648,873	\$2,544,146	4%	\$7,103,473	\$6,640,838	7%
Operating expenses:						
Divisional operating expenses (excludes non-cash compensation expenses of \$221, \$310, \$714 and \$1,326, for the three and nine months ended September 30, 2004 and 2003, respectively)	1,937,194	1,842,329	5%	5,197,225	4,845,309	7%
Non-cash compensation expense	786	880	(11%)	2,619	3,458	(24%)
Depreciation and amortization	170,150	165,882	3%	511,062	487,324	5%
Corporate expenses (excludes non-cash compensation expenses of \$565, \$570, \$1,905 and \$2,132 for the three and nine months ended September 30, 2004 and 2003, respectively)	46,645	44,050	6%	142,590	129,288	10%
Operating income	494,098	491,005	1%	1,249,977	1,175,459	6%
Interest expense	91,607	98,192		266,815	294,455	
Gain (loss) on marketable securities	3,485	675,027		47,705	680,400	
Equity in earnings of nonconsolidated affiliates	3,194	2,957		20,504	12,005	
Other income (expense) net	(622)	(1,840)		(20,586)	37,304	
Income before income taxes	408,548	1,068,957		1,030,785	1,610,713	
Income tax (expense) benefit:						
Current	(44,072)	(159,051)		(296,945)	(199,377)	
Deferred	(103,242)	(273,877)		(102,376)	(452,961)	
Net income	\$ 261,234	\$ 636,029		\$ 631,464	\$ 958,375	

Consolidated Revenue

Three Months

Revenue increased \$104.7 million for the three months ended September 30, 2004 as compared to the same quarter of 2003. Outdoor and live entertainment's contributions to the increase were \$60.1 million and \$38.5 million, respectively, which was partially offset by a decrease of \$3.6 million in radio. Outdoor's revenue growth was driven by improvements in bulletin and poster revenues, as well as international street furniture revenues. Live entertainment's revenue grew as a result of an increase in ticket revenues, while the decrease in radio's revenue was primarily due to a decline in national advertising, partially offset by improved local advertising. Included in the revenue increase was approximately \$49.9 million resulting from fluctuations in foreign exchange rates.

Nine Months

Revenue increased \$462.6 million for the nine months ended September 30, 2004 as compared to the same period of 2003. Outdoor, live entertainment and radio's contributions to the increase were \$201.5 million, \$173.1 million and \$60.6 million, respectively. Outdoor's revenue grew due to improvements in bulletin and poster revenues, as well as international billboards and street furniture revenues and the consolidation of a joint venture in Australia during the second quarter of 2003, which had previously been accounted for under the equity method. Live entertainment's revenue growth again was driven by an increase in ticket revenues, while radio's growth was driven predominantly from local advertising, offset by a slight decrease in national advertising. Included in the revenue increase was approximately \$148.7 million resulting from fluctuations in foreign exchange rates.

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Divisional operating expenses increased \$94.9 million for the three months ended September 30, 2004 as compared to the same period of 2003. Live entertainment contributed \$44.2 million to the increase mainly from higher artist costs associated with guaranteed artist payments as well as higher production costs. Outdoor contributed \$40.4 million to the increase from higher site lease expenses and radio contributed \$1.7 million to the increase principally from increased promotional expenses. Included in the divisional operating expenses increase was approximately \$44.7 million from fluctuations in foreign exchange rates.

Nine Months

Divisional operating expenses increased \$351.9 million for the nine months ended September 30, 2004 as compared to the same period of 2003. Live entertainment contributed \$189.6 million to the increase which, like the third quarter, was mainly from increased artist costs associated with guaranteed artist payments as well as higher production costs. Outdoor contributed \$107.1 million to the increase from higher site lease expenses and the consolidation of an investment that had previously been accounted for under the equity method and radio contributed \$34.8 million to the increase principally from increased programming and promotional expenses. Included in the divisional operating expenses increase was approximately \$131.2 million from fluctuations in foreign exchange rates.

Depreciation and Amortization

Depreciation and amortization expense increased \$4.3 million and \$23.7 million for the three and nine months ended September 30, 2004, respectively, as compared to the same periods of 2003. The increases were primarily attributable to fluctuations in foreign exchange rates in our outdoor advertising segment of \$3.8 million and \$11.8 million for the third quarter and year to date of 2004, respectively, compared to the same periods of 2003. Additionally, we recorded impairments of approximately \$3.0 million on some of our billboards as a result of the hurricanes that swept through Florida and the Gulf Coast during the third quarter of 2004.

Corporate Expenses

Corporate expenses increased \$2.6 million and \$13.3 million for the three and nine months ended September 30, 2004, respectively, as compared to the same periods of 2003. The increase was primarily the result of additional outside professional services.

Interest Expense

Interest expense decreased \$6.6 million and \$27.6 million for the three and nine months ended September 30, 2004, respectively, as compared to the same periods of 2003. The decreases were primarily attributable to lower average debt outstanding throughout the three and nine months ended September 30, 2004 as compared to the same periods of 2003. Our debt balances at each balance sheet date in 2004 as compared to 2003 were:

<i>(In millions)</i>	2004	2003
March 31,	6,285.1	8,634.1
June 30,	6,676.6	7,973.9
September 30,	7,247.5	7,327.9

Gain (loss) on Marketable Securities

Gain (loss) on marketable securities decreased \$671.5 million for the three months ended September 30, 2004 as compared to the same period of 2003. The gain on marketable securities during the third quarter of 2003 related primarily to a \$657.3 million gain recorded on the exchange of our Hispanic Broadcasting Corporation shares for Univision Communications Inc. shares as a result of the merger between Hispanic and Univision. The \$3.5 million recorded in the third quarter of 2004 relates to changes in the fair value of certain investment securities that are classified as trading and a related secured forward exchange contract associated with those securities.

Gain (loss) on marketable securities decreased \$632.7 million for the nine months ended September 30, 2004 compared to the same period of 2003. The decrease is primarily related to the gain recognized during 2003 on the Hispanic and Univision merger, partially offset by a \$47.0 million gain recorded during the first quarter of 2004 on the sale of our remaining investment in the common stock of Univision Communications Inc.

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Equity in earnings of nonconsolidated affiliates increased \$.2 million for the three months ended September 30, 2004 as compared to the same period of 2003. The increase was primarily the result of an increase of \$4.3 million in our international outdoor equity investments, partially offset by decreases of \$4.1 million in our international radio and entertainment equity investments.

Equity in earnings of nonconsolidated affiliates increased \$8.5 million for the nine months ended September 30, 2004 compared to the same period of 2003. The increase was primarily the result of an \$11.0 million increase in our international outdoor equity investments, a \$3.3 million increase in our Australian and New Zealand radio investments, and a \$2.2 million increase in our live entertainment equity investments, all of which were partially offset by a decline of \$8.0 million from our Mexican radio equity investment.

Other Income (Expense) Net

Other income (expense) net increased \$1.2 million during the third quarter of 2004 as compared to the same period of 2003. The growth was principally the result of gains recognized in the third quarter of 2004 on asset divestitures.

Other income (expense) net decreased \$57.9 million during the nine months ended September 30, 2004 as compared to the same period of 2003. The principal components of other income (expense) were:

<i>(In millions)</i>	Nine Months Ended September 30,	
	2004	2003
Gain (loss) on early extinguishment of debt	\$ (31.6)	\$ 41.3
Gain (loss) on sale of radio operating assets	20.3	(7.6)
Gain (loss) on sale of entertainment operating assets	(11.7)	.3
Other, net	2.4	3.3
	<hr/>	<hr/>
Other income (expense) net	\$ (20.6)	\$ 37.3
	<hr/>	<hr/>

Income Tax Benefit (Expense)

For the three months ended September 30, 2004 current tax expense decreased \$115.0 million as compared to the three months ended September 30, 2003. The decrease related to a \$105.6 million current tax expense recognized in the third quarter of 2003 on the sale of a portion of our Univision investment. In addition, during the three months ended September 30, 2004, current tax expense was reduced by \$18.1 million related to the reversal of an accrual associated with a tax issue that was resolved. As a result, our effective tax rate for the third quarter of 2004 was 36.1% as compared to 40.5% during the third quarter of 2003. For the nine months ended September 30, 2004, current tax expense increased \$97.6 million as compared to the nine months ended September 30, 2003 primarily due to the sale of our remaining investment in Univision, partially offset by a tax loss on our early extinguishment of debt, both in the first quarter of 2004. This increase was partially offset by the \$18.1 million accrual reversal previously discussed. For

the nine months ended September 30, 2004, the effective tax rate was 38.7% compared to 40.5% for the same period of 2003.

Deferred tax expense for the three months ended September 30, 2004 decreased \$170.6 million as compared to the same period of 2003 primarily due to \$158.0 million recorded in the third quarter of 2003 related to the conversion of our Hispanic shares to Univision shares. Deferred tax expense decreased from \$453.0 million for the nine months ended September 30, 2003 to a deferred tax expense of \$102.4 million for the nine months ended September 30, 2004 primarily due to the sale of our remaining investment in Univision in the first quarter of 2004.

Segment Revenue and Divisional Operating Expenses

Radio Broadcasting

<i>(In thousands)</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2004	2003	% Change	2004	2003	% Change
Revenue	\$ 960,066	\$ 963,635	(0%)	\$ 2,789,834	\$ 2,729,234	2%
Divisional operating expenses	538,179	536,495	0%	1,603,276	1,568,487	2%
Non-cash compensation	221	310	(29%)	714	1,326	(46%)
Depreciation and amortization	37,887	38,449	(1%)	113,653	114,525	(1%)
Operating income	\$ 383,779	\$ 388,381	(1%)	\$ 1,072,191	\$ 1,044,896	3%

Table of Contents**Three Months**

Our radio broadcasting revenue decreased \$3.6 million to \$960.1 million during the three months ended September 30, 2004 as compared to the same quarter of 2003. The decrease in revenue was lead by a decline in national advertising, partially offset by increases in local advertising, as well as traffic reporting and syndicated network programming revenues. The decline in national revenue was primarily due to weakness in automotive and telecom advertising. We generated revenue growth during the quarter in our small to mid-size markets, which we define as markets outside our top 25. This growth was offset by a revenue decline in our large markets.

Divisional operating expenses increased \$1.7 million to \$538.2 million during the three months ended September 30, 2004 as compared to the same quarter of 2003. The primary driver of the increase was advertising and promotional expenses.

Nine Months

Our radio broadcasting revenue increased \$60.6 million to \$2.8 billion during the nine months ended September 30, 2004 as compared to the same period of 2003. Growth was lead by local advertising revenues, with traffic reporting and syndicated network programming revenues contributing to a lesser extent. National advertising revenue was down year to date compared to the same period of the prior year. Revenue in our small to mid-size markets, which we define as markets outside our top 25, grew at a faster rate than our large markets. We attribute this difference to the impact that national advertising has on our larger markets.

Divisional operating expenses increased \$34.8 million to \$1.6 billion during the nine months ended September 30, 2004 as compared to the same period of 2003. The primary drivers of the increase were an increase in compensation costs related to program talent salaries and sales commissions, an increase related to advertising and promoting our radio stations, and an increase in the cost of employee healthcare benefits.

Outdoor Advertising

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2004	2003	% Change	2004	2003	% Change
<i>(In thousands)</i>						
Revenue	\$ 600,166	\$ 540,089	11%	\$ 1,761,308	\$ 1,559,791	13%
Divisional operating expenses	431,383	391,004	10%	1,277,110	1,170,047	9%
Depreciation and amortization	96,254	93,869	3%	288,810	272,306	6%
Operating income	\$ 72,529	\$ 55,216	31%	\$ 195,388	\$ 117,438	66%

Three Months

Our outdoor advertising revenue increased \$60.1 million to \$600.2 million during the three months ended September 30, 2004 as compared to the same quarter of 2003. Domestic revenue growth came from our bulletin and

poster inventory as well as airport advertising, while international revenue growth was paced by an increase in street furniture revenues. For the three months ended September 30, 2004, revenue included increases of approximately \$26.1 million from movements in foreign exchange rates.

The increase in bulletin revenues was primarily attributable to an increase in rates, while both rates and occupancy on our poster inventory were up for the quarter. Domestically, revenue growth occurred across a wide range of markets, with San Francisco, San Antonio, Seattle, Tampa and Phoenix performing well. Strong domestic advertising categories for the third quarter included automotive, telecom, retail and consumer and business services. The increase in international street furniture revenues was driven by growth in both the number of displays and revenue per display as compared to the same quarter of the prior year. Ireland, Australia/New Zealand, Italy and Latin America all performed well during the quarter; however, their performance was tempered by decreased billboard revenues in the U.K. and France.

Divisional operating expenses increased \$40.4 million to \$431.4 million during the three months ended September 30, 2004 as compared to the same quarter of 2003. The increase includes approximately \$22.8 million from fluctuations in foreign exchange rates. The remainder of the increase is primarily attributable to an increase in site lease expenses associated with revenue sharing lease agreements.

Depreciation and amortization increased \$2.4 million during the three months ended September 30, 2004 as compared to the same quarter of 2003 primarily related to foreign exchange fluctuations and billboard impairments related to the hurricanes that swept through Florida and the Gulf Coast during the third quarter of 2004. These increases were partially offset by higher depreciation expense in the prior year related to accelerated depreciation on display takedowns.

Table of Contents**Nine Months**

Our outdoor advertising revenue increased \$201.5 million to \$1.8 billion during the nine months ended September 30, 2004 as compared to the same period of 2003. The increase was lead by domestic bulletins and posters and international billboards and street furniture revenues. Also contributing to the increase was \$10.4 million from the purchase and consolidation of our outdoor advertising joint venture in Australia during the second quarter of 2003, which we had previously accounted for as an equity method investment. For the nine months ended September 30, 2004, revenue included increases of approximately \$92.6 million from movements in foreign exchange rates.

The growth in domestic bulletin and poster revenues was driven by increased rates, with occupancy slightly down. Growth occurred across a wide range of markets, including Portland, Seattle, Phoenix, Indianapolis, San Antonio, Tampa, and Washington/Baltimore. Strong domestic advertising categories for the nine months included automotive, telecom and retail. Growth in our international outdoor revenues was lead by increased revenue per street furniture display, with the number street furniture displays up during the nine months ended September 30, 2004 as compared to the same period of 2003.

Divisional operating expenses increased \$107.1 million to \$1.3 billion during the nine months ended September 30, 2004 as compared to the same period of 2003. The increase includes approximately \$79.0 million from fluctuations in foreign exchange rates. Also contributing to the increase was \$8.8 million from the purchase and consolidation of our outdoor advertising joint venture in Australia during the second quarter of 2003, which we had previously accounted for as an equity method investment. Additionally, we recorded a restructuring charge of approximately \$11.0 million related to our operations in France in the second quarter of 2003. The remaining increase is primarily from an increase in site lease expenses.

Depreciation and amortization increased \$16.5 million for nine months ended September 30, 2004 as compared to the same period of 2003. The increase was primarily attributable to \$11.8 million resulting from fluctuations in foreign exchange rates and billboard impairments related to hurricane damage for the year to date 2004 compared to the same period of 2003.

Live Entertainment

<i>(In thousands)</i>	Three Months Ended September 30,			Nine Months Ended September 30,		
	2004	2003	% Change	2004	2003	% Change
Revenue	\$ 974,675	\$ 936,213	4%	\$ 2,223,114	\$ 2,050,015	8%
Divisional operating expenses	883,645	839,402	5%	2,069,432	1,879,818	10%
Depreciation and amortization	15,134	14,914	1%	45,577	44,659	2%
Operating income	\$ 75,896	\$ 81,897	(7%)	\$ 108,105	\$ 125,538	(14%)

Three Months

Our live entertainment revenue increased \$38.5 million for the three months ended September 30, 2004 as compared to the same quarter of 2003 due to increases in ticket and sponsorship revenue. The revenue growth during

the quarter was attributed to strong international promotion business and the timing of a major music festival. Also contributing to the increase was growth in sponsorship revenues. This growth was partially offset by a decline in the number of events at our amphitheaters principally from show cancellations. Revenue growth includes increases of approximately \$23.8 million from movements in foreign exchange rates during the three months ended September 30, 2004.

Divisional operating expenses increased \$44.2 million during the three months ended September 30, 2004 compared to the same period of 2003. Driving the increase was talent costs, primarily from higher artist guarantees and production costs in the current quarter as compared to the third quarter of 2003. The increase includes approximately \$21.9 million from fluctuations in foreign exchange rates.

Nine Months

Our live entertainment revenue increased \$173.1 million for the nine months ended September 30, 2004 as compared to the same period of 2003. An increase in ticket and sponsorship revenues drove the growth. We also had large music tours in the current year that helped drive revenues higher. Revenue growth includes increases of approximately \$56.1 million from movements in foreign exchange rates during the nine months ended September 30, 2004.

Divisional operating expenses increased \$189.6 million during the nine months ended September 30, 2004 compared to the same period of 2003. Driving the increase was talent costs, primarily from higher artist guarantees and production costs in the current nine month period compared to the prior nine month period. The increase includes approximately \$52.2 million from fluctuations in foreign exchange rates.

Table of Contents**Reconciliation of Segment Operating Income to Consolidated Operating Income**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
<i>(In thousands)</i>				
Radio Broadcasting	\$ 383,779	\$ 388,381	\$ 1,072,191	\$ 1,044,896
Outdoor Advertising	72,529	55,216	195,388	117,438
Live Entertainment	75,896	81,897	108,105	125,538
Other	14,205	15,387	34,452	36,371
Corporate	(52,311)	(49,876)	(160,159)	(148,784)
Consolidated Operating Income	\$ 494,098	\$ 491,005	\$ 1,249,977	\$ 1,175,459

LIQUIDITY AND CAPITAL RESOURCES**Cash Flow****Operating Activities**

Net cash flow from operating activities of \$1.3 billion for the nine months ended September 30, 2004 principally reflects a net income of \$631.5 million plus depreciation and amortization of \$511.1 million. Cash flow from operating activities was negatively impacted during the nine months ended September 30, 2004 by \$150.0 million primarily related to the taxes paid on the gain from the sale of our remaining shares of Univision, which was partially offset by the tax loss related to the partial redemption of our Euro denominated debt. Cash flow from operations also reflects a negative change in other operating assets and liabilities, net of effects of acquisitions of approximately \$8.2 million.

Net cash flow from operating activities of \$1.3 billion for the nine months ended September 30, 2003 principally reflects a net income of \$958.4 million plus depreciation and amortization of \$487.3 million. Cash flow from operations also reflects a \$195.4 million increase in taxes payable, partially offset by increases in accounts receivable and prepaid expenses. The increase in taxes payable is associated with our sale of a portion of our Univision investment and other marketable securities. The proceeds from these transactions are included in investing activities.

Investing Activities

Net cash provided by investing activities of \$250.7 million for the nine months ended September 30, 2004 includes proceeds of \$627.5 million related to the sale of investments, primarily the sale of our Univision shares. These proceeds were partially offset by capital expenditures of \$242.7 million related to purchases of property, plant and equipment and \$137.9 million related to acquisitions of operating assets. Net cash provided by investing activities of \$59.3 million for the nine months ended September 30, 2003 principally reflect proceeds from the sale of investments of \$344.2 million, partially offset by capital expenditures of \$231.2 million related to purchases of property, plant and equipment and \$55.4 million related to acquisitions of operating assets.

Financing Activities

Financing activities for the nine months ended September 30, 2004 principally reflect the proceeds, net of payments on debt of \$146.3 million, repurchases of our stock totaling \$1.4 billion and dividends paid of \$183.5 million. Financing activities for the nine months ended September 30, 2003 principally reflect proceeds, net of payments on debt of \$1.5 billion, proceeds from a secured forward exchange contract of \$83.5 million and proceeds of \$42.0 million related to the exercise of stock options.

We expect to fund anticipated cash requirements (including payments of principal and interest on outstanding indebtedness and commitments, acquisitions, anticipated capital expenditures, dividends and share repurchases) for the foreseeable future with cash flows from operations and various externally generated funds.

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Table of Contents**SOURCES OF CAPITAL**

As of September 30, 2004 and December 31, 2003 we had the following debt outstanding:

<i>(In millions)</i>	September 30, 2004	December 31, 2003
Credit facilities – domestic	\$ 724.5	\$ 660.5
Credit facility – international		50.1
Long-term bonds (a)	6,337.9	6,159.4
Other borrowings	185.1	195.0
	<hr/>	<hr/>
Total Debt	7,247.5	7,065.0
Less: Cash and cash equivalents	230.6	123.3
	<hr/>	<hr/>
	\$7,016.9	\$6,941.7
	<hr/>	<hr/>

(a) Includes \$14.5 million and \$16.8 million in unamortized fair value purchase accounting adjustment premiums related to the merger with AMFM Inc. at September 30, 2004 and December 31, 2003, respectively. Also includes \$16.7 million and \$7.0 million at September 30, 2004 and December 31, 2003, respectively, related to fair value adjustments for interest rate swap agreements.

Domestic Credit Facilities

As of September 30, 2004, we had two separate domestic credit facilities.

The first credit facility is a reducing revolving credit facility, originally in the amount of \$2.0 billion. At September 30, 2004, \$85.0 million was outstanding and \$536.9 million was available for future borrowings. The amount available for future borrowings under this credit facility began reducing on September 30, 2000, with quarterly reductions to continue through the last business day of June 2005. The reductions in amounts available for future borrowings total \$109.4 million per quarter in 2004, \$131.3 million in the first quarter of 2005 and \$381.3 million in the second quarter of 2005.

On July 13, 2004, we entered into the second facility, which is a five-year, multi-currency revolving credit facility in the amount of \$1.75 billion. This facility can be used for general working capital purposes including commercial paper support as well as to fund capital expenditures, share repurchases, acquisitions and the refinancing of public debt securities. Our prior \$1.5 billion five-year multi-currency revolving credit facility was repaid in its entirety and terminated at the same time we entered into this new facility. At September 30, 2004, the outstanding balance on this facility was \$639.5 million and, taking into account letters of credit of \$164.4 million, \$946.1 million was available for future borrowings, with the entire balance to be repaid on July 12, 2009.

During the nine months ended September 30, 2004, we made principal payments totaling \$3.7 billion and drew down \$3.7 billion on the credit facilities. As of November 4, 2004, the credit facilities' aggregate outstanding balance was \$876.3 million and, taking into account outstanding letters of credit, \$1.3 billion was available for future borrowings.

International Credit Facility

On July 30, 2004, our \$150.0 million five-year revolving credit facility with a group of international banks was paid in full through borrowings under our new \$1.75 billion five-year, multi-currency revolving credit facility. The \$150.0 million five-year revolving credit facility was then terminated on August 6, 2004.

Long-Term Bonds

On September 15, 2004, we completed a debt offering of \$750.0 million 5.5% notes due September 15, 2014. Interest is payable on March 15 and September 15. The aggregate net proceeds of approximately \$743.1 million were used to repay borrowings outstanding under our bank credit facilities and for general corporate purposes.

Sale of Investments

During the nine months ended September 30, 2004, we received \$627.5 million of proceeds primarily related to the sale of our remaining investment in Univision as well as other various investments.

Shelf Registration

On April 22, 2004, we filed a Registration Statement on Form S-3/A covering a combined \$3.0 billion of debt securities, junior subordinated debt securities, preferred stock, common stock, warrants, stock purchase contracts and stock purchase units (the

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shelf registration statement). The shelf registration statement also covers preferred securities that may be issued from time to time by our three Delaware statutory business trusts and guarantees of such preferred securities by us. The SEC declared this shelf registration statement effective on April 26, 2004. After the debt offering of September 15, 2004, \$2.25 billion remains available from this shelf registration statement.

Debt Covenants

Our only significant covenants on our reducing revolving credit facility relate to leverage and interest coverage contained and defined in the credit facility. The leverage ratio covenant requires us to maintain a ratio of total debt to EBITDA (as defined by the credit facility) of less than 5.00x. The interest coverage covenant requires us to maintain a minimum ratio of EBITDA (as defined by the credit facility) to interest expense of 2.00x. In the event that we do not meet these covenants, we are considered to be in default on the credit facility at which time the credit facility may become immediately due. At September 30 2004, our leverage and interest coverage ratios were 3.12x and 6.6x, respectively. Including our cash and cash equivalents recorded at September 30, 2004, our leverage on a net debt basis was 3.02x. This credit facility contains cross default provisions that would be triggered if we were to default on any other indebtedness greater than \$25.0 million.

The significant covenants on our new \$1.75 billion five-year, multi-currency revolving credit facility also relate to leverage and interest coverage contained and defined in the credit facility. The leverage ratio covenant requires us to maintain a ratio of total debt to EBITDA (as defined by the credit facility) of less than 5.25x. The interest coverage covenant requires us to maintain a minimum ratio of EBITDA (as defined by the credit facility) to interest expense of 2.50x. In the event that we do not meet these covenants, we are considered to be in default on the credit facility at which time the credit facility may become immediately due. This credit facility contains a cross default provision that would be triggered if we were to default on any other indebtedness greater than \$200.0 million.

Our other indebtedness does not contain such provisions that would make it a default if we were to default on one of our credit facilities.

The fees we pay on our new \$1.75 billion, five-year multi-currency revolving credit facility depend on our long-term debt ratings. Based on our current ratings level of BBB-/Baa3, our fees are 17.5 basis points on the total \$1.75 billion facility and a 45.0 basis point spread to LIBOR on borrowings. In the event our ratings improve, the fee on borrowings and facility fee decline gradually to 9.0 basis points and 20.0 basis points, respectively, at ratings of A/A3 or better. In the event that our ratings decline, the fee on borrowings and facility fee increase gradually to 30.0 basis points and 120.0 basis points, respectively, at ratings of BB/Ba2 or lower.

We believe there are no other agreements that contain provisions that trigger an event of default upon a change in long-term debt ratings that would have a material impact to our financial statements.

Additionally, the AMFM long-term bonds contain certain restrictive covenants that limit the ability of AMFM Operating Inc., a wholly-owned subsidiary of Clear Channel, to incur additional indebtedness, enter into certain transactions with affiliates, pay dividends, consolidate, or effect certain asset sales.

At September 30, 2004, we were in compliance with all debt covenants. We expect to remain in compliance throughout 2004.

USES OF CAPITAL

Long-Term Bonds

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On February 25, 2004, we redeemed 454.4 million of our 6.5% senior notes due July 7, 2005, for 477.7 million plus accrued interest. As a result of this redemption we recorded a pre-tax loss of \$31.6 million on the early extinguishment of debt. After this redemption, 195.6 million of the 6.5% senior notes remain outstanding.

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Table of Contents**Dividends**

Our Board of Directors declared quarterly cash dividends as follows:

(In millions, except per share data)

Declaration Date	Amount per Common Share	Record Date	Payment Date	Total Payment
October 23, 2003	\$ 0.10	December 31, 2003	January 15, 2004	\$ 61.6
February 19, 2004	0.10	March 31, 2004	April 15, 2004	61.7
April 28, 2004	0.10	June 30, 2004	July 15, 2004	60.2
July 21, 2004	0.125	September 30, 2004	October 15, 2004	72.5

Additionally, on October 20, 2004 our Board of Directors declared a quarterly cash dividend of \$.125 per share of our Common Stock to be paid on January 15, 2005 to shareholders of record on December 31, 2004.

Acquisitions

During the nine months ended September 30, 2004 we acquired radio stations for \$59.4 million in cash and \$35.7 million in restricted cash. We also acquired outdoor display faces for \$53.4 million in cash and acquired equity interests in international outdoor companies for \$1.9 million in cash. Our live entertainment segment made cash payments of \$11.9 million, primarily related to business acquisitions and various earn-outs and deferred purchase price consideration on prior year acquisitions. Also, we acquired a television station for \$4.2 million in restricted cash and our national representation business acquired new contracts for a total of \$11.3 million in cash.

Capital Expenditures

Capital expenditures were \$242.7 million and \$231.2 million in the nine months ended September 30, 2004 and 2003, respectively.

Nine Months Ended September 30, 2004 Capital Expenditures

(In millions)

	Radio	Outdoor	Entertainment	Corporate and Other	Total
Non-revenue producing	\$45.0	\$ 44.5	\$ 19.5	\$ 19.2	\$128.2
Revenue producing		72.0	42.5		114.5
	\$45.0	\$116.5	\$ 62.0	\$ 19.2	\$242.7

Company Share Repurchase Program

As of November 4, 2004, 45.0 million shares had been repurchased for an aggregate purchase price of \$1.6 billion, including commission and fees, under our share repurchase programs.

Commitments, Contingencies and Guarantees

In accordance with generally accepted accounting principles in the United States, we do not record the following transactions on our balance sheet:

Commitments and Contingencies

We were among the defendants in a lawsuit filed on June 12, 2002 in the United States District Court for the Southern District of Florida by Spanish Broadcasting System. The plaintiffs alleged that we were in violation of Section One and Section Two of the Sherman Antitrust Act as well as various other claims, such as unfair trade practices and defamation, among other counts. This case was dismissed with prejudice on January 31, 2003. The plaintiffs filed an appeal with the 11th Circuit Court of Appeals. On June 30, 2004, the 11th Circuit Court of Appeals upheld the dismissal. SBS had the opportunity to seek review by the Supreme Court of the United States on or before September 28, 2004. We have not received notice of an appeal filed by SBS to the Supreme Court.

There are various other lawsuits and claims pending against us. We believe that any ultimate liability resulting from those actions or claims will not have a material adverse effect on our results of operations, financial position or liquidity.

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Certain agreements relating to acquisitions provide for purchase price adjustments and other future contingent payments based on the financial performance of the acquired companies generally over a one to five year period. We will continue to accrue additional amounts related to such contingent payments if and when it is determinable that the applicable financial performance targets will be met. The aggregate of these contingent payments, if performance targets are met, would not significantly impact our financial position or results of operations.

Guarantees

As of September 30, 2004, we guaranteed the debt of third parties of approximately \$13.7 million primarily related to long-term operating contracts. The third parties' associated operating assets secure a substantial portion of these obligations.

Market Risk

Interest Rate Risk

At September 30, 2004, approximately 30% of our debt, including fixed-rate debt on which we have entered into interest rate swap agreements, bears interest at variable rates. Accordingly, our earnings are affected by changes in interest rates. Assuming the current level of borrowings at variable rates and assuming a two percentage point change in the year's average interest rate under these borrowings, it is estimated that our interest expense would have changed by \$32.6 million and that our net income would have changed by \$20.2 million during the nine months ended September 30, 2004. In the event of an adverse change in interest rates, management may take actions to further mitigate our exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, the analysis assumes no such actions. Further the analysis does not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

At September 30, 2004, we had entered into interest rate swap agreements with a \$1.3 billion aggregate notional amount that effectively float interest at rates based upon LIBOR. These agreements expire from February 2007 to March 2012. The fair value of these agreements at September 30, 2004 was \$16.7 million.

Equity Price Risk

At September 30, 2004, the carrying value of our available-for-sale and trading equity securities was \$272.4 million and \$30.8 million, respectively. These investments are affected by changes in their quoted market prices. It is estimated that a 20% change in the market prices of these securities would change their carrying value at September 30, 2004 by \$60.6 million and would change accumulated comprehensive income (loss) and net income (loss) by \$33.8 million and \$3.8 million, respectively. At September 30, 2004, we also held \$19.5 million of investments that do not have a quoted market price, but are subject to fluctuations in their value.

We maintain derivative instruments on certain of our available-for-sale and trading equity securities to limit our exposure to and benefit from price fluctuations on those securities.

Foreign Currency

We have operations in countries throughout the world. Foreign operations are measured in their local currencies except in hyper-inflationary countries in which we operate. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we have operations. To mitigate a portion of the exposure to risk of international currency fluctuations, we maintain a natural hedge through borrowings in currencies other than the U.S. dollar. In addition, we have a U.S.

dollar Euro cross currency swap which is also designated as a hedge of our net investment in foreign denominated assets. These hedge positions are reviewed monthly. Our foreign operations reported a net loss of \$21.7 million for the nine months ended September 30, 2004. It is estimated that a 10% change in the value of the U.S. dollar to foreign currencies would change net loss for the nine months ended September 30, 2004 by \$2.2 million.

Our earnings are also affected by fluctuations in the value of the U.S. dollar as compared to foreign currencies as a result of our investments in various countries, all of which are accounted for under the equity method. It is estimated that the result of a 10% fluctuation in the value of the dollar relative to these foreign currencies at September 30, 2004 would change our equity in earnings of nonconsolidated affiliates by \$2.1 million and would change our net income for the nine months ended September 30, 2004 by approximately \$1.3 million. This analysis does not consider the implications that such fluctuations could have on the overall economic activity that could exist in such an environment in the U.S. or the foreign countries or on the results of operations of these foreign entities.

Table of Contents**Recent Accounting Pronouncements**

On January 1, 2004, we adopted Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities*. The Interpretation addresses consolidation of business enterprises of variable interest. The adoption of FIN 46 did not have a material impact on our financial position or results of operations.

Inflation

Inflation has affected our performance in terms of higher costs for wages, salaries and equipment. Although the exact impact of inflation is indeterminable, we believe we have offset these higher costs in various manners.

Ratio of Earnings to Fixed Charges

The ratio of earnings to fixed charges is as follows:

Nine Months ended September 30,		Year Ended December 31,				
2004	2003	2003	2002	2001	2000	1999
2.85	3.98	3.62	2.62	*	2.20	2.04

* For the year ended December 31, 2001, fixed charges exceeded earnings before income taxes and fixed charges by \$1.3 billion.

The ratio of earnings to fixed charges was computed on a total enterprise basis. Earnings represent income from continuing operations before income taxes less equity in undistributed net income (loss) of unconsolidated affiliates plus fixed charges. Fixed charges represent interest, amortization of debt discount and expense, and the estimated interest portion of rental charges. We had no preferred stock outstanding for any period presented.

Risks Regarding Forward Looking Statements

Except for the historical information, this report contains various forward-looking statements that represent our expectations or beliefs concerning future events, including the future levels of cash flow from operations. Management believes that all statements that express expectations and projections with respect to future matters, including the strategic fit of radio assets, expansion of market share, our ability to capitalize on synergies between the live entertainment and radio broadcasting businesses, the availability of capital resources, and expected changes in advertising revenues, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. We caution that these forward-looking statements involve a number of risks and uncertainties and are subject to many variables that could have an adverse effect upon our financial performance. These statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and business performance. There can be no assurance, however, that management's expectations will necessarily come to pass.

A wide range of factors could materially affect future developments and performance, including:

- the impact of general economic conditions in the U.S. and in other countries in which we currently do business, including those resulting from recessions, political events and acts or threats of terrorism or military conflicts;
- the impact of the geopolitical environment;

the effect of leverage on our financial position and earnings;
our ability to integrate the operations of recently acquired companies;
shifts in population and other demographics;
industry conditions, including competition;
fluctuations in operating costs;
technological changes and innovations;
changes in labor conditions;
fluctuations in exchange rates and currency values;
capital expenditure requirements;
the outcome of pending and future litigation;
legislative or regulatory requirements;
interest rates;
the effect of leverage on our financial position and earnings;
taxes;

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the pending indecency legislation;
access to capital markets; and
certain other factors set forth in our SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2003.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Required information is within Item 2

ITEM 4. CONTROLS AND PROCEDURES

Our principal executive and financial officers have concluded, based on their evaluation as of the end of the period covered by this Form 10-Q, that our disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, are effective to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

Subsequent to our evaluation, there were no significant changes in internal controls or other factors that could significantly affect these internal controls.

Table of Contents**Part II OTHER INFORMATION****Item 1. Legal Proceedings**

We were among the defendants in a lawsuit filed on June 12, 2002 in the United States District Court for the Southern District of Florida by Spanish Broadcasting System. The plaintiffs alleged that we were in violation of Section One and Section Two of the Sherman Antitrust Act as well as various other claims, such as unfair trade practices and defamation, among other counts. This case was dismissed with prejudice on January 31, 2003. The plaintiffs filed an appeal with the 11th Circuit Court of Appeals. On June 30, 2004, the 11th Circuit Court of Appeals upheld the dismissal. SBS had the opportunity to seek review by the Supreme Court of the United States on or before September 28, 2004. We have not received notice of an appeal filed by SBS to the Supreme Court

There are various other lawsuits and claims pending against us. We believe that any ultimate liability resulting from those actions or claims will not have a material adverse effect on our results of operations, financial position or liquidity.

We are currently involved in certain legal proceedings and, as required, have accrued our estimate of the probable costs for the resolution of these claims. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**(c) Purchases of Equity Securities by the Issuer and Affiliated Purchases.**

On March 30, 2004, and then again on July 21, 2004, we publicly announced that our Board of Directors authorized share repurchase programs each up to \$1.0 billion effective immediately. The March 30, 2004 was program completed at August 2, 2004 upon the repurchase of \$1.0 billion in our shares. The second share repurchase program will expire one year from the date of authorization, although prior to such time the program may be discontinued or suspended at any time. During the three months ended September 30, 2004, we repurchased the following shares:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs
July 1 through July 31	9,915,100	\$35.64	9,915,100	\$ 1,020,616,432
August 1 through August 31	7,846,000	\$35.64	7,846,000	\$ 740,960,488
September 1 through September 30	5,044,500	\$33.51	5,044,500	\$ 571,897,248
Total	22,805,600		22,805,600	

Item 6. Exhibits

See Exhibit Index on Page 30

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Signatures

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

CLEAR CHANNEL
COMMUNICATIONS, INC.

November 4, 2004

/s/ Randall T. Mays

Randall T. Mays
Executive Vice President and
Chief Financial Officer

November 4, 2004

/s/ Herbert W. Hill, Jr.

Herbert W. Hill, Jr.
Senior Vice President and
Chief Accounting Officer

Table of Contents**INDEX TO EXHIBITS**

Exhibit Number	Description
2.1	Agreement and Plan of Merger dated as of October 2, 1999, among Clear Channel, CCU Merger Sub, Inc. and AMFM Inc. (incorporated by reference to the exhibits of Clear Channel's Current Report on Form 8-K filed October 5, 1999).
2.2	Agreement and Plan of Merger dated as of February 28, 2000, among Clear Channel, CCU II Merger Sub, Inc. and SFX Entertainment, Inc. (incorporated by reference to the exhibits of Clear Channel's Current Report on Form 8-K filed February 29, 2000).
2.3	Agreement and Plan of Merger dated as of October 5, 2001, by and among Clear Channel, CCMM Sub, Inc. and The Ackerley Group, Inc. (incorporated by reference to the exhibits of Clear Channel's Current Report on Form 8-K filed October 9, 2001).
3.1	Current Articles of Incorporation of the Company (incorporated by reference to the exhibits of the Company's Registration Statement on Form S-3 (Reg. No. 333-33371) dated September 9, 1997).
3.2	Third Amended and Restated Bylaws of the Company (incorporated by reference to the exhibits of the Company's Registration Statement on Form S-4 (Reg. No. 333-74196) dated November 29, 2001).
3.3	Amendment to the Company's Articles of Incorporation (incorporated by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
3.4	Second Amendment to Clear Channel's Articles of Incorporation (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999).
3.5	Third Amendment to Clear Channel's Articles of Incorporation (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended May 31, 2000).
4.1	Agreement Concerning Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays, B.J. McCombs, John M Schaefer and John W. Barger, dated August 3, 1998 (incorporated by reference to the exhibits to Clear Channel's Schedules 13-D/A, dated October 10, 2002).
4.2	Waiver and Second Agreement Concerning Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays and B.J. McCombs, dated August 17, 1998 (incorporated by reference to the exhibits to Clear Channel's Schedule 13-D/A, dated October 10, 2002).
4.3	Waiver and Third Agreement Concerning Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays and B.J. McCombs, dated July 26, 2002 (incorporated by reference to the exhibits to Clear Channel's Schedule 13-D/A, dated October 10, 2002).
4.4	Waiver and Fourth Agreement Concerning Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays and B.J. McCombs, dated September 27, 2002 (incorporated by reference to the exhibits to Clear Channel's Schedule 13-D/A, dated October 10, 2002).

- 4.5 Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays, B. J. McCombs, John M. Schaefer and John W. Barger, dated May 31, 1977 (incorporated by reference to the exhibits of the Company's Registration Statement on Form S-1 (Reg. No. 33-289161) dated April 19, 1984).
- 4.6 Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York as Trustee (incorporated by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
- 4.7 First Supplemental Indenture dated March 30, 1998 to Senior Indenture dated October 1, 1997, by and between the Company and The Bank of New York, as Trustee (incorporated by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).

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Exhibit Number	Description
4.8	Second Supplemental Indenture dated June 16, 1998 to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and the Bank of New York, as Trustee (incorporated by reference to the exhibits to the Company's Current Report on Form 8-K dated August 27, 1998).
4.9	Third Supplemental Indenture dated June 16, 1998 to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and the Bank of New York, as Trustee (incorporated by reference to the exhibits to the Company's Current Report on Form 8-K dated August 27, 1998).
4.10	Fourth Supplement Indenture dated November 24, 1999 to Senior Indenture dated October 1, 1997, by and between Clear Channel and The Bank of New York as Trustee (incorporated by reference to the exhibits of the Company's Annual Report on Form 10-K for the year ended December 31, 1999).
4.11	Fifth Supplemental Indenture dated June 21, 2000, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits of Clear Channel's registration statement on Form S-3 (Reg. No. 333-42028) dated July 21, 2000).
4.12	Sixth Supplemental Indenture dated June 21, 2000, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits of Clear Channel's registration statement on Form S-3 (Reg. No. 333-42028) dated July 21, 2000).
4.13	Seventh Supplemental Indenture dated July 7, 2000, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits of Clear Channel's registration statement on Form S-3 (Reg. No. 333-42028) dated July 21, 2000).
4.14	Eighth Supplemental Indenture dated September 12, 2000, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
4.15	Ninth Supplemental Indenture dated September 12, 2000, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
4.16	Tenth Supplemental Indenture dated October 26, 2001, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).
4.17	

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Eleventh Supplemental Indenture dated January 9, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York as Trustee (incorporated by reference to the exhibits to Clear Channel's Annual Report on Form 10-K for the year ended December 31, 2002).

4.18 Twelfth Supplemental Indenture dated March 17, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated March 18, 2003).

4.19 Thirteenth Supplemental Indenture dated May 1, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated May 2, 2003).

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Exhibit Number	Description
4.20	Fourteenth Supplemental Indenture dated May 21, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated May 22, 2003).
4.21	Fifteenth Supplemental Indenture dated November 5, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated November 14, 2003).
4.22	Sixteenth Supplemental Indenture dated December 9, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated December 10, 2003).
4.23	Seventeenth Supplemental Indenture dated September 15, 2004, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated September 21, 2004).
4.24	Termination Agreement by and among Clear Channel Communications, Inc., L. Lowry Mays, Thomas O. Hicks and certain other shareholders affiliated with Mr. Hicks dated March 10, 2004, terminating that certain Shareholders Agreement dated October 2, 1999 (incorporated by reference to the exhibits of Clear Channel's Annual Report on Form 10-K for the year ended December 31, 2003).
4.25	Shareholder's Agreement by and between Clear Channel Communications, Inc. and L. Lowry Mays dated March 10, 2004 (incorporated by reference to the exhibits of Clear Channel's Annual Report on Form 10-K for the year ended December 31, 2003).
4.26	Shareholders' Agreement by and among Clear Channel Communications, Inc., Thomas O. Hicks and certain other shareholders affiliated with Mr. Hicks dated March 10, 2004 (incorporated by reference to the exhibits of Clear Channel's Annual Report on Form 10-K for the year ended December 31, 2003).
10.1	Credit Agreement among Clear Channel Communications, Inc., Bank of America, N.A., as Administrative Agent, Offshore Sub-Administrative Agent, Swing Line Lender and L/C Issuer, JPMorgan Chase Bank, as Syndication Agent, and certain other lenders dated July 13, 2004 (incorporated by reference to the exhibit to Clear Channel's Current Report on Form 8-K dated September 17, 2004.)
11	Statement re: Computation of Per Share Earnings.
12	Statement re: Computation of Ratios.

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- 31.1 Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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