

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

AMEN PROPERTIES INC  
Form 10QSB  
November 07, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities  
Exchange Act of 1934 For the Period Ended September 30, 2003

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 000-22847

AMEN Properties, Inc.  
-----

(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware  
-----

54-1831588  
-----

(State or Other Jurisdiction of  
Incorporation or Organization)

(I.R.S. Employer  
Identification No.)

303 W. Wall Street, Suite 1700  
Midland, TX 79701

-----  
(Address of Principal Executive Offices)

(432-684-3821)  
-----

(Issuer's Telephone Number, Including Area Code)

-----  
(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Last Report)

Check whether the issuer (1) 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 periods 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  
-----                                  -----

Applicable Only to Corporate Issuers

State the number of shares outstanding of each of the issuer's classes of  
common equity, as of the latest practical date: Common Stock, \$ .01 Par Value:  
2,201,356 shares outstanding as of October 21, 2003

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Transitional Small Business Disclosure Format (check one):

Yes ----- No X -----

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AMEN Properties, Inc. and Subsidiaries  
CONSOLIDATED BALANCE SHEET  
September 30, 2003  
(Unaudited)

CURRENT ASSETS

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Cash and cash equivalents (notes A3 and D)	\$	1,898,788
Accounts receivable net of allowance of \$91,066 (note A6)		81,532
Short-term investments (notes A4 and D)		989,631
		-----
Total current assets		
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$722,999 (notes A7 and A8)		
LONG-TERM INVESTMENTS (notes A4 and D)		
OTHER ASSETS		
Note receivable (note E)		259,661
Deferred costs		157,707
Rents receivable (notes A6 and A12)		74,276
		-----
Total other assets		
TOTAL ASSETS		
CURRENT LIABILITIES		
Current portion of long-term obligations	\$	183,991
Accounts payable		97,742
Accrued liabilities (note F)		718,624
Deferred revenue (note G)		35,596
Other liabilities		139,384
		-----
Total current liabilities		
LONG-TERM OBLIGATIONS		
Deferred revenue (note G)		188,875
Long-term debt, less current portion (note H)		8,945,907
		-----
Total long-term liabilities		
MINORITY INTEREST (note A11)		
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (note J)		
Preferred stock, \$.001 par value, 5,000,000 shares authorized; 80,000 Series "A" shares issued and outstanding		80
80,000 Series "B" shares issued and outstanding		80
Common stock, \$.01 par value, 20,000,000 shares authorized; 2,201,356 shares issued and outstanding		22,014
Common stock warrants		127,660
Additional paid-in capital		42,481,507
Accumulated deficit		(38,760,134)
Accumulated other comprehensive income		14,236
		-----
Total stockholders' equity		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		

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The accompanying footnotes are an integral part of these consolidated financial statements

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## AMEN Properties, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	For the Three Months Ended September 30,		For the Se
	2003	2002	2003
Rental revenue	\$ 1,091,741	\$ -	\$3,251,17
Operating Expense			
Sales and marketing	1,728	-	5,67
General and administrative	128,610	20,671	413,93
Depreciation and amortization	103,027	-	303,59
Utilities	230,426	-	609,35
Building maintenance	148,364	-	458,97
Office expense	124,487	-	349,08
Taxes, except income	52,170	-	151,24
	788,812	20,671	2,291,86
Net income (loss) from operations	302,929	(20,671)	959,31
Other income (expense)			
Interest income	7,700	-	19,35
Interest expense	(153,562)	(42,000)	(500,82)
Other income	42,004	-	111,83
	(103,858)	(42,000)	(369,63
Net income (loss) before income taxes, minority interest and discontinued operations	199,071	(62,671)	589,67
Income taxes (note A10)	-	-	
Minority interest	(102,191)	-	(341,37
	96,880	(62,671)	248,30
Income (loss) from continuing operations			
Loss from discontinued operations (note B)	-	(1,956,513)	
NET INCOME (LOSS)	\$ 96,880	\$ (2,019,184)	\$ 248,30
Net income (loss) per common share - basic (note A13)			
Income (loss) from continuing operations	\$ .04	\$ (.03)	\$ .1
Loss from discontinued operations	-	(.98)	

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Net income (loss)	\$ .04	\$ (1.01)	\$ .1
	=====	=====	=====
Weighted average number of common shares outstanding - basic	2,201,356	1,992,055	2,081,31
	=====	=====	=====
Net income (loss) per common share - diluted (note A13)			
Income (loss) from continuing operations	\$ .03	\$ (.03)	\$ .0
Loss from discontinued operations	-	(.98)	
	-----	-----	-----
Net income (loss)	\$ .03	\$ (1.01)	\$ .0
	=====	=====	=====
Weighted average number of common shares outstanding - diluted	3,051,079	1,992,055	2,931,03
	=====	=====	=====

The accompanying footnotes are an integral part of these consolidated financial statements.

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AMEN Properties, Inc. and Subsidiaries  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the Ni Se
Increase (Decrease) in Cash and Cash Equivalents	2003
	-----
Cash flows from operating activities:	
Net income (loss)	\$ 248,302
Adjustments to reconcile net income (loss) to net cash provided by / (used in) operating activities:	
Net (gain) / loss on investments	(4,001)
Allowance for doubtful accounts	29,241
Depreciation and amortization	303,591
Depreciation, amortization and impairment - discontinued operations	-
Minority interest	341,376
Loss on sale of fixed asset	3,946
Changes in operating assets and liabilities:	
Accounts receivable	63,314
Notes receivable from former officers	-
Deposits and other assets	840
Deferred costs	(47,000)
Accounts payable	(117,113)
Accrued and other liabilities	(123,191)
Deferred revenue	115,542
	-----
Net cash provided by / (used in) operating activities	814,847
	-----
Cash flows from investing activities:	
Purchases of property and equipment	(99,405)
Proceeds from sale of property and equipment	5,170

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Sales and maturity of investments	1,448,690
Purchase of investments	(1,623,989)
	-----
Net cash (used in) / provided by investing activities	(269,534)
	-----
Cash flows from financing activities:	
Net proceeds from issuance of preferred stock	-
Net proceeds from issuance of common stock	-
Minority interest distributions	(13,967)
Repayments of notes payable	(163,746)
Repayments of capitalized leases	(9,995)
	-----
Net cash (used in) / provided by financing activities	(187,708)
	-----
Net increase / (decrease) in cash and cash equivalents	357,605
Cash and cash equivalents at beginning of period	1,541,183
	-----
Cash and cash equivalents at end of period	\$ 1,898,788
	=====

The accompanying footnotes are an integral part of these consolidated financial s

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AMEN Properties, Inc. and Subsidiaries  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 September 30, 2003 and 2002  
 (Unaudited)

NOTE A - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT  
 ACCOUNTING POLICIES

1. Organization

Pursuant to actions of the stockholders on September 19, 2002, Crosswalk.com, Inc. changed its name to AMEN Properties, Inc., a Delaware corporation ("AMEN"). Effective October 2002, AMEN formed NEMA Properties, LLC ("NEMA"), a Nevada limited liability company; AMEN Minerals, LP ("Minerals"), a Delaware limited partnership; and AMEN Delaware, LP ("Delaware"), a Delaware limited partnership, to pursue acquisitions as authorized by stockholders on September 19, 2002. AMEN Properties, Inc. and its Subsidiaries are collectively referred to as the "Company".

The Company's business purpose, according to the business plan approved by the stockholders, is to acquire investments in commercial real estate, oil and gas royalties and stabilized cash flowing businesses or assets. As of September 30, 2003, the Company, through Delaware's investment in a limited partnership, has a commercial real estate portfolio consisting of majority ownership in two office properties located in Midland and Lubbock, Texas comprising an aggregate of approximately 539,837 square feet of gross leasable area ("GLA"). The investment was obtained through Delaware's acquisition of an approximate

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64.9% partnership interest in TCTB Partners, Ltd. ("TCTB"), a Texas limited partnership. Through its investment in Minerals, AMEN has acquired an investment interest in an oil and gas royalty trust. The operations of the Company are primarily conducted through Delaware of which AMEN is the sole general partner and beneficial owner of the outstanding limited partnership interest.

### 2. Basis of Presentation

The accompanying unaudited consolidated financial statements as of September 30, 2003 and 2002 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. They do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the consolidated financial statements for the year ended December 31, 2002 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission ("SEC"). This report should be read in conjunction with Company's Annual Report on Form 10-KSB for the year ended December 31, 2002. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position and the results of its operations for the interim periods presented have been included. The results of operations for the three months and nine months ended September 30, 2003 are not necessarily indicative of the results to be expected for any subsequent quarter or for the entire fiscal year ending December 31, 2003.

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The consolidated financial statements include the accounts of AMEN and its majority-owned/controlled subsidiaries. Intercompany balances and transactions have been eliminated. Management uses estimates and assumptions in preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses in the consolidated financial statements, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

### 3. Cash Equivalents

The Company considers cash on hand, cash on deposit in banks, money market mutual funds and highly liquid debt instruments purchased with a maturity of three months or less to be a cash and cash equivalent. The Company maintains cash and cash equivalents at several financial institutions which at times may not be federally insured or may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on such accounts.

### 4. Short and Long-Term Investments

The Company invests in U.S. government bonds and treasury notes, municipal bonds, and corporate bonds. Investments with current maturities greater than three months but less than twelve months from the balance sheet date are short-term investments. Those investments with current maturities greater than twelve months from the balance sheet date are long-term investments.

The Company's marketable securities are classified as available-for-sale as of the balance sheet date, and are reported at fair value with unrealized gains and

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losses, net of tax, recorded in stockholders' equity. Realized gains or losses and permanent declines in value, if any, on available-for-sale investments are reported in other income or expense as incurred.

### 5. Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, investments and accounts receivable approximate fair value because of the relatively short maturity of these instruments.

### 6. Tenant Accounts Receivable

Management regularly reviews accounts receivable and estimates the necessary amounts to be recorded as an allowance for uncollectibility. These reserves are established on a tenant-specific basis and are based upon, among other factors, the period of time an amount is past due and the financial condition of the obligor.

### 7. Depreciation and Amortization

Property, plant and equipment are stated at cost. Depreciation is determined using the straight-line method over the estimated useful lives ranging from three to forty years. Leasehold improvements are amortized over the shorter of the life of the asset or the remaining lease term. Intangible assets are amortized over the useful lives of five to ten years using the straight-line method. Costs for the repair and maintenance of property and equipment are expensed as incurred.

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### 8. Impairment of Long-Lived Assets

The Company periodically evaluates the recoverability of the carrying value of its long-lived assets and identifiable intangibles and whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Examples of events or changes in circumstances that indicate that the recoverability of the carrying amount of an asset should be assessed include but are not limited to the following: a significant decrease in the market value of an asset, a significant change in the extent or matter in which an asset is used or a significant physical change in an asset, a significant adverse change in legal factors or in the business climate that could affect the value of an asset or an adverse action or assessment by a regulator, an accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset, and/or a current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with an asset used for the purpose of producing revenue.

The Company considers historical performance and anticipated future results in its evaluation of potential impairment. Accordingly, when indicators or impairment are present, the Company evaluates the carrying value of these assets in reaction to the operating performance of the business and future discounted and non-discounted cash flows expected to result from the use of these assets. Impairment losses are recognized when the sum of expected future cash flows are less than the assets' carrying value.

### 9. Deferred Costs

Deferred costs primarily consist of deferred financing costs, prepaid insurance, leasing commissions, and investor relations costs. Deferred financing costs are



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amortized as interest expense over the life of the related debt. Insurance costs are amortized over the life of the policy. Leasing commissions are amortized over the life of the lease. Investor relations costs are amortized ratably over the term of service, generally one year.

### 10. Income Taxes

The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

### 11. Minority Interest

Minority interest represents the interest of unit holders of TCTB, other than the Company, in the net earnings and net equity of TCTB. The unit holder minority interest is adjusted at the end of each period to reflect the ownership at that time. The unit holder minority interest in TCTB was approximately 35.1% at September 30, 2003.

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### 12. Revenue recognition

Leases with tenants are accounted for as operating leases. Minimum annual rentals are recognized on a straight-line basis over the terms of the respective leases. As a result of recording rental revenue on a straight-line basis, accounts receivable include \$74,276 of tenant receivables at September 30, 2003, which is expected to be collected over the remaining lives of the leases.

### 13. Earnings per Share

Income/(loss) from continuing operations has been decreased/(increased) by preferred stock dividends of approximately \$42,000 for the three months ended March 31, 2003 and 2002, respectively. Beginning April 1, 2003 preferred stock dividends have been suspended. See discussion in Note J.

The effects of Series A and B convertible Preferred Stock are included in the computation of diluted earnings per share for the three months and nine months ended September 30, 2003 as the Company reported positive net income. The effects are not included in the three months and nine months ending September 30, 2002, as their effect is antidilutive.

Disclosures regarding shares and share price have been adjusted to reflect the 1-for-4 reverse stock split dated February 3, 2003 in accordance with generally accepted accounting principles in the United States of America. See note J.

### 14. Environmental

The Company is subject to extensive federal, state and local environmental laws and regulations. These laws regulate asbestos in buildings that require the Company to remove or mitigate the environmental effects of the disposal of the asbestos at the buildings.

Environmental costs that relate to current operations are expensed or capitalized as appropriate. Costs are expensed when they relate to an existing condition caused by past operations and will not contribute to current or future

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revenue generation. Liabilities related to environmental assessments and/or remedial efforts are accrued when property or services are provided or can be reasonably estimated.

### 15. New Accounting Pronouncements

In September 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). This Statement improves financial reporting by requiring that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. The accounting for similar events and circumstances will be the same, thereby improving the comparability and representation faithfulness of reported financial information. The provisions of this Statement are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged.

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In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure, an amendment of FASB Statement No. 123. This Statement amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement No. 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities. The objective of this interpretation is to provide guidance on how to identify a variable interest entity (VIE) and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate the entity if the company's interest in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the entity's expected residual returns, if they occur. FIN 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The provisions of this interpretation became effective upon issuance.

In July 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities.

Management does not believe the new pronouncements will have a material impact on its financial statements.

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### 16. Reclassifications

Certain reclassifications of prior period amounts have been made to conform to the 2003 presentation.

#### NOTE B - DISCONTINUED OPERATIONS

Through September 2002, the business of the Company consisted of the development and aggregation of Internet content and services; advertising and royalty sales; and through the third quarter of 2000, the resale of products specifically designed to meet the needs of Christian users of the Internet and the World Wide Web. This was accomplished through the platform of the website Crosswalk.com, which was created and developed by the Company (the "Online Business"). In addition, the Company generated advertising revenue through the issuance of mailers called "card decks." Six times annually, the Company distributed these card decks bringing awareness of over fifty ad clients' products to 225,000 churches in each mailing (the "Offline Business").

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The Offline Business, which employed a staff of three, included a proprietary database of about 140,000 churches. Additional lists were rented to meet the remaining distribution commitment.

In September 2002, the Company's stockholders approved the sale of the Crosswalk.com website to Salem Communications, Inc. for approximately \$4.1 million in cash. The sale closed October 4, 2002. The operation of the Online Business terminated at that time. The Company incurred legal and consulting fees, contract termination costs and severance costs approximating \$1,043,000. These costs were incurred as part of the Company's exit of the Online Business activities and relocating corporate headquarters to Midland, Texas.

On December 12, 2002, the assets related to the Offline Business were sold to Blue Hill Media, Inc. for a note receivable in the amount of \$275,000 and a 3.5% net profits interest in the Offline Business' future gross margin. The operation of the Offline Business ceased upon the date of the sale. Therefore, except for expenses related to continuing operations, all income and expense related to the Online and Offline business have been reclassified and summarized into loss from discontinued operations.

#### NOTE C - BUSINESS COMBINATIONS

Effective October 1, 2002, Delaware completed the acquisition of approximately 64.9% of a limited partnership interest in TCTB for an aggregate consideration of approximately \$4,375,000, including approximately \$1,946,000 of cash paid. This acquisition has been accounted for under the purchase method of accounting. The purchase price has been preliminarily allocated based on the estimated fair values of the approximate 64.9% acquired interest at the acquisition date.

#### NOTE D - CASH AND CASH EQUIVALENTS, SHORT AND LONG-TERM INVESTMENTS

The Company invests in cash in banks, U.S. government bonds, oil and gas royalty trust funds and various other investments. All highly liquid instruments with current maturities of three months or less are considered cash equivalents; those with current maturities greater than three months but less than twelve months from the balance sheet date are considered short-term investments; and those with maturities greater than twelve months from the balance sheet date are considered long-term investments. The Company's marketable securities are

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classified as available-for-sale as of the balance sheet date and are reported at fair value, with unrealized gains and losses, net of tax, recorded in stockholders' equity. Realized gains and losses and permanent declines in value, if any, on available-for-sale securities are reported in other income or expense as incurred. The cost of securities sold is determined by the specific identification method.

At September 30, 2003, all of the \$1,898,788 of cash and cash equivalents was cash in banks.

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Investments in the accompanying balance sheet at September 30, 2003 total \$1,096,581. The aggregate market value, cost basis, and unrealized gains and losses of securities available-for-sale, by major security type as of September 30, 2003 are as follows:

	Market Value	Cost Basis
	-----	-----
U.S. Government Debt Securities	\$ 406,980	400,632
Oil and Gas Royalty Trust Fund	44,600	38,107
Oil and Gas Royalty	253,185	253,185
Other	391,816	391,816
	-----	-----
Total	\$ 1,096,581	1,083,740
	=====	=====

The current and long-term portions are as follows:

	Market Value	Cost Basis
	-----	-----
Short-term investments	\$ 989,631	\$ 983,283
Long-term investments	106,950	100,457
	-----	-----
	\$ 1,096,581	\$ 1,083,740
	=====	=====

### NOTE E - NOTE RECEIVABLE

On December 13, 2002, the Company received a note receivable in the amount of \$275,000, with an annual interest rate of 6.00%, from a third-party for the sale of substantially all assets associated with the Offline Business (see note B). The note receivable is due in quarterly installments, beginning April 10, 2003, equal to 20% of the gross margin of the Offline Business operations for the prior calendar quarter period, with all remaining unpaid principal and interest due on January 10, 2010. Subsequent to the end of the current quarter, the Company received the third installment payment on the note of \$12,500, including principal and interest.

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NOTE F - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at September 30, 2003:

Contract payable - short sale of investments	\$	508,560
Accrued property taxes		154,800
Other liabilities		55,264
		-----
	\$	718,624
		=====

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NOTE G - DEFERRED REVENUE

In April 2003, the Company received a one time cash payment of \$238,871 from a tenant in the Lubbock building. This represents a prepayment of a buildout loan between the tenant and TCTB, which was structured and recognized as additional rent. The payment was deferred and is being amortized over the term of the lease, approximately seven years.

NOTE H - LONG-TERM OBLIGATIONS

On June 5, 2002, TCTB entered into a loan agreement with Wells Fargo Bank Texas, N.A. for a term note of \$6,800,000 and a revolving line of credit which expired in May 2003. The term note bears interest at a fixed rate per annum of 7.23%. Commencing on June 30, 2002, TCTB began making monthly payments of principal and interest in the amount of \$53,663 for the term note until maturity of the note on May 31, 2009. The loan agreement is secured by substantially all of the assets of TCTB. The loan agreement restricts cash distributions to TCTB's owners. TCTB shall not declare or pay any distributions in excess of tax liability due annually (but in any event, no more than 40% of net income), either in cash or any property to any owners. The loan agreement also contains other customary conditions and events of default, the failure to comply with, or occurrence of, would prevent any further borrowings and would generally require the repayment of any outstanding borrowings along with accrued interest under the loan agreement. Such events of default include (a) non-payment of loan agreement debt and interest thereon, (b) non-compliance with the terms of the credit agreement covenants, (c) cross-default with other debt in certain circumstances, (d) bankruptcy and (e) a final judgment or order for the payment of money in excess of \$100,000.

Delaware entered into nine promissory notes, in an aggregate amount of \$2,789,087, to purchase the 64.9% ownership interest in TCTB (see note C). The notes are due in annual payments of principal and interest beginning April 1, 2005 with a final maturity of May 31, 2009. The interest rate is equal to the Wall Street Journal Prime Lending Rate plus 15 basis points. The annual payments are equal to a set percentage, ranging from 1% to 16%, of the future net operating loss benefit of the Company. The net operating loss benefits are calculated as the dollar value of the federal income tax benefit to the Company of the net operating loss calculated in accordance with the Internal Revenue Code, for the calendar year preceding the date of each annual payment.

NOTE I - RELATED PARTY TRANSACTIONS

At September 30, 2003, related parties leased approximately 37,000 square feet of approximately 539,837 square feet of GLA. TCTB received rental income from these related parties of approximately \$69,067 during the quarter ended

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September 30, 2003 and \$207,699 for the nine months ended September 30, 2003.

### NOTE J - STOCKHOLDERS' EQUITY

At a special meeting held January 30, 2003, the Company's stockholders approved a 1-for-4 reverse stock split, which became effective on February 3, 2003. This action brought the closing bid price of AMEN's common stock over the \$1.00 per share criteria required before the February 14, 2003 deadline issued by the Nasdaq Listing Panel. Disclosures regarding shares and share price have been adjusted to reflect the 1-for-4 reverse stock split in accordance with generally accepted accounting principles in the United States of America.

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The Company entered into agreements effective May 30, 2003 with its Series A and Series B Preferred Shareholders pursuant to which the Preferred Shareholders agreed to the suspension of the accrual of dividends on the Series A and Series B Preferred Stock from and after April 1, 2003. Additionally, the Company agreed to declare and pay the accrued and unpaid dividends of \$360,000 on the Preferred Stock through March 31, 2003 in shares of the Company's common stock. As a result, the Company issued 209,300 unregistered shares of common stock of the Company to satisfy the accrued dividend as of March 31, 2003. In addition, the Preferred Shareholders agreed to amend the designations to effect the terms of the agreement.

### ITEM 2. Management's Discussion and Analysis or Plan of Operation

The following discussion should be read in conjunction with the Company's audited consolidated financial statements and related footnotes included in the Annual Report on Form 10-KSB.

#### Forward Looking Statements

Certain information in this section may contain "forward-looking statements" within the meaning of Section 21e of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are "forward-looking statements" for purposes of these provisions, including, but not limited to, any projections of earnings, revenues or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, and any statement of assumptions underlying any of the foregoing. In some cases, "forward-looking statements" can be identified by the use of terminology such as "may," "will," "expects," "believes," "plans," "anticipates," "estimates," "potential," or "continue," or the negative thereof or other comparable terminology. Although the Company believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurance that such expectations or any of its "forward-looking statements" will prove to be correct, and actual results could differ materially from those projected or assumed in the Company's "forward-looking statements." Our financial condition and results, as well as any other "forward-looking statements," are subject to inherent risks and uncertainties, including but not limited to those risk factors disclosed in the Company's definitive Schedule 14A dated August 27, 2002 and year end December 31, 2002 Annual Report on Form 10-KSB.

#### Background

Through the third quarter ended September 30, 2002, AMEN Properties, Inc. and

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its subsidiaries ("AMEN" or "the Company") consisted primarily of the operations of crosswalk.com(TM), an interactive website, which provided information and resources that the Company believed generally appeal to the English speaking Christian and family-friendly community (the "Online Business"). The Company primarily generated advertising revenue from this service.

Through December 12, 2002, the Company also provided direct mail advertising services (the "Offline Business") whereby six times per year the Company mailed packets of advertiser product information (the "card deck") to approximately 225,000 churches per mailing. In support of this business, the Company maintained a proprietary database of about 140,000 churches and rented lists to meet the remaining distribution commitment. The Company generated advertising revenue from this service.

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The Company sold substantially all of the assets used, required, useful, or otherwise relating to the ownership, development and operations of the Online Business to Salem Communications Corporation ("Salem") for approximately \$4.1 million in cash (the "Asset Sale"). The Asset Sale closed on October 4, 2002. In addition, on December 12, 2002 the Company divested the Offline Business to Blue Hill Media, Inc. and received a \$275,000 note receivable bearing 6% interest and a 3.5% net profits interest in the business's gross margin.

Taking into consideration the Company's material remaining value of approximately \$4.1 million in cash from the asset sale, a public company foundation, and a net operating tax loss carryforward (NOL) in excess of \$29 million, the Company presented to shareholders a business plan (the "Business Plan") to grow the Company and exploit the NOL through the judicious acquisition of cash generating assets, consisting primarily of office buildings in secondary stagnant markets, office buildings in out of favor growth markets and oil and gas royalties. In addition, management intends to pursue other types of property and business endeavors, including but not limited to, real estate investment trusts and partnership interests, for which there is a reasonable degree of accuracy in ascertaining the risks associated with their future. In particular, we are interested in existing businesses with management in place that have stable cash flow history. On September 19, 2002, the shareholders approved this Business Plan, and immediately thereafter, the board of directors appointed current directors Eric Oliver and Jon Morgan as Chairman and Chief Executive Officer, and President and Chief Operating Officer, respectively. Effective October 9, 2002, the name of the Company was changed from Crosswalk.com, Inc. to AMEN Properties, Inc., and the Company relocated its headquarters from Chantilly, Virginia to Midland, Texas.

The first step in the new Business Plan was completed on October 31, 2002 when the Company entered into an Agreement with certain limited partners ("the Selling Partners") of TCTB Partners, Ltd. ("TCTB") to purchase 64.86248% of the LP Interest in TCTB effective October 1, 2002. The assets of TCTB are two secondary office market properties in Midland and Lubbock, Texas, collectively referred to as "the Properties". These properties are described further in the Company's Annual Report on Form 10-KSB as of December 31, 2002.

The Company makes available, free of charge, its Annual Report on Form 10-K or 10-KSB, Quarterly Reports on Form 10-Q or 10-QSB, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file or furnish them to the Securities Exchange Commission. These reports may also be obtained directly from the SEC via an Internet site (<http://www.sec.gov>) and at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the

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operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

### Results of Operations

For the quarter ended September 30, 2003, the Company reported net income of \$96,880 as compared to a net loss of \$2,019,184 the same quarter in 2002. This significant increase was the result of the sale of the unprofitable Online Business and the acquisition of approximately 65% of the limited partnership interest in TCTB, which is discussed in the financial statements located in Item 1 of this report.

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The loss from discontinued operations, recorded in accordance with SFAS 144, for the three months and nine months ended September 30, 2002 amounted to \$1,956,513 and \$3,435,325 respectively. This represents the loss associated with the Online and Offline assets, which were sold effective October 1, 2002 and December 13, 2002, respectively.

Total rental revenue for the quarter ending September 30, 2003, was \$1,091,741 with no comparison for the same quarter of 2002. The revenue represents rental income from tenants occupying the commercial real estate buildings owned by TCTB.

General and administrative expenses were \$128,610 during the third quarter of 2003. The increase of \$107,939 over the same period in 2002 is primarily a result of additional expenses in 2003 from TCTB. The 2003 expenses are representative of the type of expenses that are incurred in current operations.

The remainder of the operating costs relate to the expenses incurred at TCTB to operate the buildings. Interest expense of \$153,562 is comprised \$117,689 of interest paid on the Wells Fargo Bank Texas, N.A. note and approximately \$35,873 of accrued interest on the notes payable to the selling Partners of TCTB. Other income of \$42,004 primarily represents distributions received from the Company's royalty trust investments and approximately \$6,000 in recoveries on previously written off receivables.

Comparison of net income for the three months ended June 30, 2003 to the net income for the three months then ended September 30, 2003 shows an increase of \$51,939. The increase is primarily a result of approximately \$16,000 of non-recurring legal expense reported during the second quarter and a decrease in operations expenses during the third quarter. The operations expense decrease is largely due to a decline in contracted accounting work.

### Liquidity and Capital Resources

During the nine months ending September 30, 2003 and 2002, net cash provided by / (used in) operating activities, including discontinued operations, was \$814,847 and \$(1,031,276) respectively. The Company's positive operating cash flow for the period ending September 30, 2003 includes the effect of a one time cash payment \$238,871 received from a tenant (see Note G to the Financial Statements for further discussion).

Net cash used in investing activities was \$269,534 for the nine months ending September 30, 2003 compared to \$32,570 provided by for the same period of 2002. For the nine months ending September 30, 2003 purchases of property and equipment mainly consist of tenant improvements at TCTB, and purchases and sales of investments relates to the Company's Royalty Trust investments. Beginning in September 2003 management began selling short a portion of the Company's Royalty Trust investments. The consummation of the sale was not completed by the end of



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the third quarter and the short sale is shown as an accrued liability at September 30, 2003.

Net cash used in financing activities for the nine months ended September 30, 2003 was \$187,708 which primarily consists of repayments of notes payable at TCTB. Net cash provided by financing activities in 2002 of \$296,529 was primarily a result of the issuance of the Series B Convertible Preferred stock in 2002.

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Management is actively seeking acquisition opportunities that meet our criteria in accordance with the Business Plan. Should an acquisition be made, expenditures and required resources could change significantly. The Company's ability to raise funds is somewhat hindered as we are limited in our ability to issue new equity due to IRC Section 382 restrictions on utilization of the NOL. However, if an opportunity presents itself that would be more valuable to the shareholders than the present value we have assigned the NOL, we will strongly consider pursuing the deal and would consider issuing equity to do so. Absent this, we intend on using certain limited partnership structures and traditional bank borrowings to implement the Business Plan and meet our growth targets. No assurances can be made that such financing will be available on terms considered acceptable to the Company.

### ITEM 3. Controls and Procedures

The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of October 17, 2003 before the filing date of this quarterly report. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to their evaluation.

## PART II. OTHER INFORMATION

### ITEM 1. Legal Proceedings

None to report.

### ITEM 2. Change in Securities

None to report.

### ITEM 3. Defaults Upon Senior Securities

None to report.

### ITEM 4. Submission of Matters to a Vote of Security Holders

None to report.

### ITEM 5. Other Information

None to report.

### ITEM 6. Exhibits, List and Reports on Form 8-K

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(a) EXHIBITS:

Exhibit

Number	Description
11.	Computation of Earnings Per Share
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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(b) Reports on Form 8-K

On August 30, 2003 Eric Boyt tendered his resignation as Chief Financial Officer and Corporate Secretary of the Company. With a unanimous vote, the Board of Directors accepted Mr. Boyt's resignation on September 1, 2003, and appointed John M. James as the new Chief Financial Officer and Corporate Secretary. This transition was anticipated since Mr. James employment as Controller of the Company in April 2003. Mr. Boyt will continue to advise the company in future business development opportunities.

SIGNATURES

In accordance with the requirements of Securities Act of 1934, AMEN Properties, Inc., the registrant, has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMEN Properties, Inc.

November 4, 2003

By: /s/ Eric L. Oliver

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Eric L. Oliver  
Chairman and Chief Executive Officer

November 4, 2003

By: /s/ John M. James

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John M. James  
Chief Financial Officer and Secretary

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