

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

AMEN PROPERTIES INC  
Form 10QSB  
August 16, 2004

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 June 30, 2004

or

Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 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 July 31, 2004

Transitional Small Business Disclosure Format (check one):

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

Yes \_\_\_\_\_ No X \_\_\_\_\_

INDEX

Part I. FINANCIAL INFORMATION

- Item 1. Consolidated Financial Statements  
Consolidated Balance Sheet at June 30, 2004 (Unaudited)  
  
Consolidated Statement of Operations--for the three and six months ended  
June 30, 2004 and 2003 (Unaudited)  
  
Consolidated Statement of Cash Flows--for the six months ended  
June 30, 2004 and 2003 (Unaudited)  
  
Notes to Consolidated Financial Statements (Unaudited)

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

Item 3. Controls and Procedures

Part II. OTHER INFORMATION

Items 1-6 Exhibits and Reports on Form 8-K

Signatures

Exhibits

- 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

AMEN Properties, Inc. and Subsidiaries  
CONSOLIDATED BALANCE SHEET  
June 30, 2004  
(Unaudited)

CURRENT ASSETS

Cash and cash equivalents (notes A3 and D) \$ 2,548,716

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

Accounts receivable net of allowance of \$91,066 (notes A6 and A12)		54,589
		-----
Total current assets		
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$1,023,833 (notes A7 and A8)		
ROYALTY INTERESTS, at cost net of accumulated amortization of \$4,347 (notes A7 and C)		
INVESTMENTS (notes A4 and D)		
OTHER ASSETS		
Note receivable (note E)		249,555
Deferred costs (note A9)		214,791
Rents receivable (notes A6 and A12)		77,311
		-----
Total other assets		
TOTAL ASSETS		
CURRENT LIABILITIES		
Current portion of long-term obligations (note H)	\$	234,185
Accounts payable		205,032
Accrued liabilities (note F)		133,822
Deferred revenue (note G)		33,356
Other liabilities		223,180
		-----
Total current liabilities		
LONG-TERM OBLIGATIONS		
Deferred revenue (note G)		163,876
Long-term debt, less current portion (note H)		9,000,087
		-----
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		(38,494,909)
		-----
Total stockholders' equity		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		

# Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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

1

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

	For the Three Months Ended June 30,		For the Si Ju
	2004	2003	2004
Rental revenue	\$ 1,073,582	\$ 1,088,162	\$ 2,147,88
Operating Expense			
Sales and marketing	664	2,765	1,89
General and administrative	142,956	145,222	257,31
Depreciation and amortization	111,048	94,701	217,50
Insurance	24,856	22,907	47,89
Travel and entertainment	-	450	35
Utilities	215,843	232,536	436,12
Building maintenance	181,973	161,332	337,16
Office expense	102,314	119,292	207,28
Taxes, except income	59,520	47,478	119,43
Total operating expenses	839,174	826,683	1,624,97
Net income (loss) from operations	234,408	261,479	522,90
Other income (expense)			
Interest income	2,603	5,736	6,05
Interest expense	(147,183)	(154,264)	(280,59
Other income	15,685	28,539	32,56
Total other income (expense)	(128,895)	(119,989)	(241,970
Net income (loss) before income taxes and minority			
Interest	105,513	141,490	280,93
Income taxes (note A10)	-	-	
Minority interest	(76,420)	(96,549)	(159,235
	(76,420)	(96,549)	(159,235
NET INCOME (LOSS)	\$ 29,093	\$ 44,941	\$ 121,69

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

Net income per common share (basic)	\$	.01	\$	.02	\$	.0
Net income per common share (diluted)	\$	.01	\$	.02	\$	.0
Weighted average number of common shares outstanding - basic		2,201,356		2,047,256		2,201,356
Weighted average number of common shares outstanding - diluted		3,051,079		2,896,979		3,051,079

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

2

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

		For the Six Months 2004
		----
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities:		
Net income	\$	121,699
Adjustments to reconcile net income to net cash provided by operating activities:		
Allowance for doubtful accounts		-
Depreciation, amortization and depletion		217,501
Loss on sale of investments		520
Minority interest		159,235
Loss on sale of fixed asset		-
Changes in operating assets and liabilities:		
Accounts receivable		(2,614)
Deposits and other assets		-
Deferred costs		(63,715)
Accounts payable		27,852
Accrued and other liabilities		(91,924)
Deferred revenue		(17,773)
Net cash provided by operating activities		350,781

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

Cash flows from investing activities:	
Purchases of property and equipment	(114,728)
Proceeds from sale of property and equipment	-
Sales and maturity of investments	50,000
Purchase of royalty interests	(162,854)
Purchase of investments	-
Acquisition of limited partnership interest	(99,296)
Repayments of notes receivable	14,216
	-----
Net cash used in investing activities	(312,662)
	-----
Cash flows from financing activities:	
Minority interest distributions	(129,905)
Repayments of notes payable	(101,025)
Repayments of capitalized leases	-
	-----
Net cash used in financing activities	(230,930)
	-----
Net (decrease) / increase in cash and cash equivalents	(192,811)
Cash and cash equivalents at beginning of period	2,741,527
	-----
Cash and cash equivalents at end of period	\$ 2,548,716
	=====

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

3

AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

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

1. Organization

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 Subsidiaries and affiliates (collectively referred to as the "Company") is a self-administered and self-managed Delaware corporation.

The Company's business purpose is to acquire investments in commercial real estate, oil and gas royalties and stabilized cash flowing businesses or assets. As of June 30, 2004, the Company, through Delaware's investment in a limited partnership, has a

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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 acquisitions of a partnership interest in TCTB Partners, Ltd. ("TCTB") a Texas limited partnership, totaling approximately 71.3%. Through its investment in Minerals, AMEN has acquired an investment interest in an oil and gas royalty trust and other oil and gas royalties. The operations of the Company are primarily conducted through Delaware of which AMEN is the sole general partner.

### 2. Basis of Presentation

The consolidated financial statements include the accounts of the Company and its majority-owned/controlled subsidiaries and affiliates. 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 equivalent.

4

### 4. Investments

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

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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, Amortization and Depletion

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. Royalty acquisitions are stated at cost. Depletion is determined using the units-of-production method based on the estimated oil and gas reserves.

### 8. Impairment of Long-Lived Assets

The Company periodically evaluates the recoverability of the carrying value of its long-lived assets and identifiable intangibles by monitoring and evaluating changes in circumstances that may 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.

5

The Company considers historical performance and anticipated future results in its evaluation of potential impairment. Accordingly, when indicators or impairments are present, the Company evaluates the carrying value of these assets in reaction to the operating performance of the business and future discounted and nondiscounted 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. Deferred financing costs are amortized as interest expense over the life of the related debt.

### 10. Income Taxes



## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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 28.7% at June 30, 2004.

### 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 \$77,311 of tenant receivables at June 30, 2004, which is expected to be collected over the remaining lives of the leases.

### 13. Earnings Per Share

The effects of Series "A" and "B" convertible Preferred Stock are not included in the computation of diluted earnings per share for any periods in which 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 accounting principles generally accepted in the United States of America.

### 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.

6

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 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)

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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.

In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation--Transition and Disclosure, an amendment of SFAS No. 123, Accounting for Stock-Based Compensation. This Statement amends SFAS No. 123, 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 SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

In December 2003, the FASB issued a revised Interpretation No. 46, Consolidation of Variable Interest Entities, replacing the original Interpretation issued in January 2003. The revised Interpretation provides guidance on when certain entities should be consolidated or the interests in those entities should be disclosed by enterprises that do not control them through majority voting interest. Under the revised Interpretation, entities are required to be consolidated by enterprises that lack majority voting interest when equity investors of those entities have insignificant capital at risk or they lack voting rights, the obligation to absorb expected losses, or the right to receive expected returns. Entities identified with these characteristics are called variable interest entities and the interests that enterprises have in these entities are called variable interests. These interests can derive from certain guarantees, leases, loans or other arrangements that result in risks and rewards that are disproportionate to the voting interests in the entities. The provisions of the revised Interpretation must be immediately applied for variable interest entities created after January 31, 2003 and for variable interests in entities commonly referred to as "special purpose entities." For all other variable interest entities, implementation is required by March 31, 2004.

In July 2003, the FASB issued SFAS No. 149, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 149 improves financial reporting of derivatives by requiring contracts with comparable characteristics be accounted for similarly. This Statement also incorporates clarifications of the definition of a derivative. SFAS No. 149 is effective for contracts entered into

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

or modified after June 30, 2003. Management will consider the impact of this Statement on its financial statements for future periods.

7

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within its scope as a liability. Many of those instruments were previously classified as equity such as common or preferred shares that are mandatorily redeemable—that embody an unconditional obligation requiring the issuer to redeem the shares by transferring its assets at a specified date or upon an event that is certain to occur. The provisions of this Statement shall be effective for the first fiscal period beginning after December 15, 2004.

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

### 16. Reclassifications

Certain reclassifications of prior period amounts have been made to conform to the 2004 presentation.

### NOTE B - BUSINESS COMBINATIONS

Effective January 1, 2004, Delaware completed the acquisition of approximately 6.5% of additional limited partnership interest in TCTB for an aggregate consideration of approximately \$459,124 including approximately \$208,346 of cash paid. This acquisition has been accounted for under the purchase method of accounting. The purchase price has been allocated based on the estimated fair values of the approximate 6.5% acquired interest at the acquisition date as follows:

Fair value of assets acquired	\$	1,028,255
Liabilities assumed		(448,277)
Notes payable to sellers		(250,778)
Minority interest		(120,854)
		-----
Cash used for the acquisition		208,346
Less: cash acquired		109,050
		-----
Net cash paid	\$	99,296
		=====

For purposes of financial reporting, the Company has accounted for the acquisition as if it occurred on January 1, 2004, the effective date of the transaction. Management considers this acquisition to be immaterial to the financial statements taken as a whole.

### NOTE C - ROYALTY INTERESTS

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

During the quarter ended June 30, 2004, the Company completed the acquisition of two separate royalty interests, one in the state of Texas and one in the state of Oklahoma. The total consideration paid by the Company for the royalty interests was \$162,854. Under accounting principles generally accepted in the United States of America, revenues and expenses are recognized on an accrual basis. Royalty income is generally received one to two months following the month of production and the Company uses estimates to accrue royalty income for the quarter ended June 30, 2004.

8

NOTE D - CASH, CASH EQUIVALENTS AND 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 original maturities of three months or less are considered cash equivalents; those with original maturities greater than three months but less than twelve months from the balance sheet date are considered short-term investments; and those with original maturities greater than twelve months from the balance sheet date are considered 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 losses, net of tax, recorded shareholders' 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 June 30, 2004 the Company's cash and cash equivalents consist of the following:

Cash in banks	\$ 2,548,716
	=====

Securities available-for-sale in the accompanying balance sheet at June 30, 2004 total \$62,350. The aggregate market value, cost basis, and unrealized gains and losses of securities available-for-sale, by major security type as of June 30, 2004 are as follows:

	Market Value -----	Cost Basis -----
Oil and Gas Royalty Trust Fund	\$ 62,350	62,350
	-----	-----
Total	\$ 62,350	62,350
	=====	=====

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

### 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 line. 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. As of June 30, 2004, the outstanding principal balance on the note receivable was \$249,555. Because the current maturities are not reasonably estimable at June 30, 2004, the entire principal balance is reported as non-current.

### NOTE F - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at June 30, 2004:

9

Accrued property taxes	\$	124,351
Other liabilities		9,471
		-----
	\$	133,822
		=====

### 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 a financial institution for a term note of \$6,800,000. The term note bears interest at a fixed rate per annum of 7.23%. TCTB was required to start 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

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

the credit agreement covenants, (c) cross-default with other debt in certain circumstances, (d) bankruptcy and (c) 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. 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 1.5%. 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.

Delaware entered into a promissory note in the amount of \$250,778 to purchase approximately 6.5% additional ownership interest in TCTB. The note is due in quarterly installments of principal and interest beginning on April 1, 2004 with a final maturity of October 1, 2009. The term note bears interest at a fixed rate per annum of 5%.

### NOTE I - RELATED PARTY TRANSACTIONS

At June 30, 2004, related parties leased approximately 29,000 square feet. TCTB received rental income from these related parties of approximately \$65,361 and \$132,617 during the quarter and six months ended June 30, 2004, respectfully.

Prior to Amen Properties, Inc. acquiring a limited partnership interest in TCTB, TCTB Partnership had entered into an agreement with Priority Power Management, Ltd to provide aggregation and consulting services in the management of TCTB Partnership's electricity use and costs. This agreement is due to expire December 31, 2004 and is scheduled to be renegotiated prior to the expiration date. The Company's Chief Operating Officer has an indirect 18% ownership in Priority Power Management, Ltd.

10

During the quarter ended June 30, 2004 the Company purchased a percentage of certain royalty interests with related parties, individually, purchasing the remaining interest.

### 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. 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

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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. Further, the Company received shareholder approval at the 2004 annual stockholder meeting, and filed a Certificate of Amendment of Certificate of Incorporation of Amen Properties, Inc. on May 28, 2004 to amend the Series A and Series B Preferred Stock Designations. The amendment effectuates the elimination of the Preferred A and Preferred B Shareholders dividend other than for dividends with respect to the common stock of the Company.

### NOTE K - SUBSEQUENT EVENTS

On July 30, 2004, TCTB purchased a multi-tenant office building in Midland, Texas. This building has a net rental area of approximately 99,244 and is currently 40% occupied. The building was built during 1979 and renovated in 1990 and the purchase price of the acquired building was \$436,500.

On August 1, 2004, the Company created W Power and Light, LP. The new limited partnership's sole limited partner is NEMA, LLC and the sole general partner is Amen Properties, Inc. The creation of this partnership is to provide a subsidiary in which the Company can move into the Retail Electricity Provider (REP) market in the state of Texas.

11

### 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

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

31, 2003 Annual Report on Form 10-KSB.

### Background

Amen Properties, Inc. (formerly Crosswalk.com) consisted primarily of the operation of crosswalk.com(TM) (the "Online Business") and a direct mail advertising service (the "Offline Business") prior to the end of 2002. During the last quarter of 2002, the Company sold substantially all of the assets used, required, useful, or otherwise relating to the operations of both the Online and Offline Business. The Company then changed its name to Amen Properties, Inc. effective February 3, 2003. Following shareholder approval of a new business plan the Company initially acquired 64.86% of a limited partnership interest in TCTB Partnership (TCTB) and in early 2004 the Company acquired an additional 6.485533% interest in TCTB. This additional interest purchased combined with the initial limited partnership interest purchased in 2002 gives the Company a total of 71.348013% limited partnership interest in TCTB.

During 2003, the Company reported net income for the first time in the Company's history. Both of our buildings in TCTB performed well. We fully anticipate that 2004 operations will mirror 2003 for both buildings in TCTB. The Company's investments during 2003 in two royalty trust performed well. Amen Properties, Inc. liquidated one royalty trust position in late 2003 and currently still maintains a position in another royalty trust.

Although 2003 was not a breakout year for AMEN, it did serve to establish a baseline operating history in which future performance of our fully transitioned Company can be measured. During 2003, the Company pursued numerous acquisition opportunities. None of the acquisitions were consummated due to not meeting our four acquisition criteria, as stated in our 2003 annual 10-KSB.

Management continues to assess opportunities to add value for our shareholders. We are focusing our efforts on value-added oil and gas properties, royalty trusts and commercial real estate. On July 30, 2004 the Company was able to acquire an additional multi-tenant office building in downtown Midland. This building is synergistic in that it is located across the street from our current Midland building and will allow the Company to utilize our current building management team in its operation. The Company is further pursuing opportunities for its shareholders by trying to enter into the Retail Electric Provider (REP) market in Texas. On August 1, 2004 the Company created W Power and Light, LP, a Delaware limited partnership with Amen Properties being the sole general partner and NEMA, LLC being the sole limited partner. The creation of W Power and Light, LP will allow the Company to enter a new market created when the Texas legislature, in June 1999, adopted the Texas Electric Choice Plan, which significantly changed the regulatory structure governing electric utilities in Texas. The Company recently released an 8-K discussing the creation of W Power and Light, LP.

12

In addition, management intends to pursue other types of cash generating assets, consisting primarily of office buildings in secondary stagnant markets, office building in out of favor growth markets and oil and gas royalties. Management also 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 a stable cash flow history.

The Company makes available, free of charge, its Annual Report on Form 10-K



## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

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

### Results of Operations

For the three-months and six-months ended June 30, 2004 and 2003 the Company had a net decrease in net income of \$15,848 and \$29,724, respectfully. For the first time in the Company's history the Company tithed approximately \$40,000 to two separate National Christian Organizations, Young Life and Campus Crusade for Christ, during the three months ended June 30, 2004. The Company's By-Laws state the Company will tithe an amount that will approximate 10% of net income. Additionally the company experienced an increase in building maintenance and an increase in the amount of insurance expense during the six months ended June 30, 2004 as compared the six months ending June 30, 2003.

For the three months and six months ended June 30, 2004 and 2003, rental revenue declined \$14,580 and \$11,551 respectfully. The decline is largely due to the decline of parking permits issued to tenants in the surrounding buildings in downtown Midland.

The remainder of the operating costs relate to expenses incurred at TCTB to operate the buildings. For the three-months ended June 30, 2004 and 2003 the decline in interest is mainly due to a decline in the interest rate on the Delaware notes (see note H to the Financial Statements for further discussion) from 4.9% to 4.15%. The notes are adjusted every October 1st to equal the prime rate plus 15 basis points. Also, during the six months ended June 30, 2003 the Company incurred approximately \$42,000 of accrued dividends on the Preferred A and B stock. The accrual of dividends on the Preferred A and B stock were suspended as of March 31, 2003 and effectively eliminated by shareholder vote at the 2004 annual stockholder meeting on May 18, 2004.

Other income primarily consists of royalty income and distributions received from the Company's royalty trust investments.

### Liquidity and Capital Resources

During the six months ended June 30, 2004 and 2003, net cash provided by operating activities was \$350,781 and \$514,102, respectfully. The net decrease

of approximately \$162,000 is mainly due to a decrease in deferred revenue and other accrued liabilities. In 2003, the Company received a one time cash payment of \$238,000 from a tenant (see Note G to the Financial Statements for further discussion). The Company does not anticipate this type of payment occurring during the year ending December 31, 2004. The net change in other accrued liabilities for the six months ending June 30, 2004 as compared to the net change in other accrued liabilities for the six months ending June 30, 2003 has declined in large part because of the non-reoccurring expenses accrued in 2003 related to the termination of previous employees related to the on-line business.

Net cash used in investing activities during the six months ended June 30,

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

2004 mainly consist of the additional 6.485533% limited partnership interest purchased from certain limited partners in TCTB (see note B to the Financial Statements for further discussion) and the purchase of two separate royalty interests (see note C to the Financial Statements for further discussion). During the period ending June 30, 2003, the Company's net cash used in investing activities mainly consisted of the purchase and sales of investments related to the Company's royalty trust investments.

Net cash used in financing activities for the six months ending 2004, mainly consist of partnership distributions and the repayment of notes payable. The partnership distributions are at TCTB and were paid during the first quarter of 2004 and 2003. The repayment of notes payable mainly consists of the repayment of the Wells Fargo note at TCTB.

Management is actively seeking acquisition opportunities that meet our criteria in accordance with the Business Plan. Should an acquisition be made, expenditure and required resources could change significantly. The Company's ability to raise funds by the issuance of new equity is limited 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 June 30, 2004 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.

### ITEM 2. Change in Securities

None to report.

### ITEM 3. Defaults Upon Senior Securities

14

None to report.

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

On May 18, 2004, the Company held its annual meeting of shareholders. At the meeting, the following proposals were voted upon by the Company's shareholders. At the record date, March 15, 2004, there were 2,201,356 shares of

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

common stock, 333,333 of Preferred A and 233,276 of Preferred B issued. A total of 2,767,965 voting shares and 2,270,755 (82.04%) of the shares, which represents the necessary quorum, voted on the proposals.

Proposal I: To elect the following nominees as directors:

It was proposed that six members be elected at the meeting to the Board of Directors.

Proposal I	For	Percentage of Votes Cast	Against	Percentage of Votes Cast
Eric Oliver	2,268,110	99.88%	2,645	.12%
Jon M. Morgan	2,268,110	99.88%	2,645	.12%
Bruce E. Edgington	2,268,110	99.88%	2,645	.12%
Earl E. Gjelde	2,268,110	99.88%	2,645	.12%
Donald M. Blake Jr.	2,268,110	99.88%	2,645	.12%
G. Randy Nicholson	2,268,110	99.88%	2,645	.12%

Proposal II: Amendment to the Certificate of Incorporation Effecting the Certificate of Designation of Series and Determination of Rights and Preferences of Series A and Series B Preferred Stock of Amen Properties, Inc.

	Total Voting Shares	For	Percentage of Votes Cast	Against	Percentage of Votes Cast
Proposal II	2,767,965	1,478,055	53.40%	9,524	.34%

ITEM 5. Other Information

None to report.

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

(a) EXHIBITS:

Exhibit Number	Description
-----	-----

## Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

- 11. Computation of Earnings Per Share.
- 31.1 Certification of Chief Executive Officer.
- 31.2 Certification of Chief Financial Officer.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 USCss. 1350.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 USCss.1350.

15

### (b) Reports on Form 8-K

On June 10, 2004, the Company filed an Item 5 Form 8-K to disclose that the Company filed a Certificate of Amendment of Certificate of Incorporation of Amen Properties, Inc. Pursuant to the agreements entered into between Amen Properties, Inc. and the Series A and Series B Preferred Shareholders, the Company, with shareholder approval received at the 2004 annual stockholder meeting, filed a Certificate of Amendment of Certificate of Incorporation of Amen Properties, Inc. on May 28, 2004 to amend the Series A and Series B Preferred Stock Designations. The amendment effectuates the elimination of the Preferred A and Preferred B shareholders dividend (except for dividends paid with respect to the common stock of the Company).

On August 13, 2004, the Company filed an Item 5 Form 8-K to disclose that the TCTB Limited Partnership purchased a twelve floor multi-tenant office building in downtown Midland known as Century Plaza at a negotiated purchase price of \$436,500. The Company also reported as an Item 5 on Form 8-K the creation of W Power and Light, LP (W Power). The Company was unsuccessful in an attempt to acquire a retail electric provider ("REP") entity earlier in the year and therefore initiated the formation of the new entity. W Power is a wholly owned subsidiary of the Company and was created in order for the Company to enter the retail electricity market in Texas. W Power and Light LP entered into an employment agreement with Mr. Kevin Yung effective July 1, 2004. Mr. Yung is responsible for the oversight of operations including initial licensing and approvals necessary from the Public Utility Commission of the State of Texas (PUCT) and Electrical Reliability Council of Texas (ERCOT) to become a REP in the State of Texas. The Company anticipates licensing requirements to be finalized by year end. As a REP, W Power will sell electricity and provide the related billing, customer service, collection and remittance services to both residential and commercial customers. The Texas regulatory structure permits independent REPs to procure and sell electricity at unregulated prices and pay the local transmission and distribution utilities a regulated tariff rate for delivering electricity to the customers. Since, January 1, 2002, Texas electricity users have had the option to purchase electricity at competitive pricing from REPs.

16

### 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.

Edgar Filing: AMEN PROPERTIES INC - Form 10QSB

August 13, 2004

By: /s/ Eric Oliver  
-----

Eric Oliver  
Chairman and Chief Executive Officer

August 13, 2004

By: /s/ John M. James  
-----

John M. James  
Chief Financial Officer and Secretary

17

INDEX TO EXHIBITS

Exhibit Number -----	Description -----
11.	Computation of Earnings Per Share.
31.1	Certification of Chief Executive Officer.
31.2	Certification of Chief Financial Officer.
32.1	Certification of Chief Executive Officer Pursuant to 18 USCss. 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 USCss.1350.

18