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AMEN PROPERTIES INC  
Form 10QSB  
May 14, 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 March 31, 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 (I.R.S. Employer  
Incorporation or Organization) 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 May 3, 2004

Transitional Small Business Disclosure Format (check one):

Yes No X

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AMEN Properties, Inc. and Subsidiaries  
CONSOLIDATED BALANCE SHEET  
March 31, 2004  
(Unaudited)

ASSETS

CURRENT ASSETS	
Cash and cash equivalents (notes A3 and C)	\$ 2,370,984
Accounts receivable (notes A6 and A12), net of allowance of \$91,066	36,096
	-----
Total current assets	
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$922,944 (notes A7 and A8)	
LONG-TERM INVESTMENTS (notes A4 and C)	

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OTHER ASSETS		
Note receivable (note D)		249,555
Deferred costs (note A9)		175,262
Rents receivable (notes A6 and A12)		76,300
		-----
Total other assets		
	TOTAL ASSETS	\$
		-----
	LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES		
Current portion of long-term obligations (note G)	\$	228,955
Accounts payable		141,111
Accrued liabilities (note E)		71,645
Deferred revenue (note F)		33,356
Other liabilities		194,323
		-----
Total current liabilities		
LONG-TERM OBLIGATIONS, less current portion (note G)		
DEFERRED REVENUE (note F)		
MINORITY INTEREST (note A11)		
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (note I)		
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		(38,524,000)
Accumulated other comprehensive (loss) income		-
		-----
Total stockholders' equity		
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$
		-----

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements.

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	2004	2003
Rental revenue	\$ 1,074,301	1,071,271
Operating expenses:		
Property operating	80,138	88,999
Sales and marketing	1,231	1,177
General and administrative	34,217	27,517
Depreciation and amortization	106,453	105,863
Insurance	23,039	-
Travel and entertainment	359	227
Utilities	220,276	146,397
Building maintenance	155,195	149,281
Office expense	104,975	105,306
Taxes, except income	59,920	51,600
Total operating expenses	785,803	676,367
Net income from operations	288,498	394,904
Other income (expense):		
Interest income	7,548	5,917
Interest expense	(133,409)	(193,000)
Other income	12,785	41,297
Total other income (expense)	(113,076)	(145,786)
Net income before income taxes and minority interest	175,422	249,118
Income taxes (note A10)	-	-
Minority interest	(82,815)	(142,636)
	(82,815)	(142,636)
NET INCOME	\$ 92,607	106,482
Net income per common share (basic)	\$ .04	.05
Net income per common share (diluted)	\$ .03	.04
Weighted average number of common shares outstanding - basic	2,201,356	1,992,056
Weighted average number of common shares outstanding - diluted	3,051,079	2,841,779

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements.

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For the Three Months Ended March 31,  
(Unaudited)

	2004	2003
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities:		
Net income	\$ 92,607	106,482
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	106,453	105,863
Loss on sale of fixed assets	-	3,946
Loss on sale of investments	520	-
Minority interest	82,815	142,636
Changes in operating assets and liabilities:		
Accounts receivable	16,891	76,264
Deposits and other assets	-	-
Deferred costs	(18,375)	(45,499)
Accounts payable	(36,069)	(35,656)
Accrued and other liabilities	(182,958)	(300,244)
Deferred revenue	(9,440)	(98,785)
	52,444	(44,993)
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(109,282)	(57,972)
Proceeds from sale of property and equipment	-	5,170
Sales and maturity of investments	50,000	20,000
Purchase of investments	(102,519)	(191,506)
Acquisition of limited partnership interest (note B)	(99,296)	-
Repayments of notes receivable	14,216	-
	(246,881)	(224,308)
Net cash used in investing activities		
Cash flows from financing activities:		
Repayments of notes payable	(46,201)	(54,567)
Repayments of capitalized leases	-	(9,995)
Partner distributions	(129,905)	-
	(176,106)	(64,562)
Net cash used in financing activities		
Net decrease in cash and cash equivalents	\$ (370,543)	(333,863)
Cash and cash equivalents at beginning of period	2,741,527	1,541,183

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Cash and cash equivalents at end of period	\$	2,370,984	1,207,320
		=====	=====

The accompanying summary of accounting policies and footnotes are an integral part of these consolidated financial statements.

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2004  
(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. ("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 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 March 31, 2004, 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 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.

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### 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.

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
(Unaudited)

### 4. Short and Long-Term 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 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.

### 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

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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

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
(Unaudited)

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 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

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 March 31, 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 \$76,300 of tenant



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receivables at March 31, 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.

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
(Unaudited)

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.

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) 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

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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

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
(Unaudited)

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

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

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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

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
(Unaudited)

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 - 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 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.

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At March 31, 2004 the Company's cash and cash equivalents consist of the following:

Cash in banks	\$	2,370,984
Short-term investments		-
		-----
	\$	2,370,984
		=====

Securities available-for-sale in the accompanying balance sheet at March 31, 2004 total \$164,868. The aggregate market value, cost basis, and unrealized gains and losses of securities available-for-sale, by major security type as of March 31, 2004 are as follows:

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AMEN Properties, Inc. and Subsidiaries  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
 March 31, 2004  
 (Unaudited)

	Market Value	Cost Basis	Gross Unrealized Gains
	-----	-----	-----
Oil and Gas Royalty Trust Fund	\$ 62,350	62,350	-
Oil and Gas Royalty	102,518	102,518	-
	-----	-----	-----
Total	\$ 164,868	164,868	-
	=====	=====	=====

The current and long-term portions at March 31, 2004 are as follows:

	Market Value	Cost Basis	Gross Unrealized Gains
	-----	-----	-----
Short-term investments	\$ -	-	-
Long-term investments	164,868	164,868	-
	-----	-----	-----
	\$ 164,868	164,868	-
	=====	=====	=====

### NOTE D - 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 (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. As of March 31, 2004, the outstanding principal balance on the note receivable was \$249,555. Because the current

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maturities are not reasonably estimable at March 31, 2004, the entire principal balance is reported as non-current.

### NOTE E - ACCRUED LIABILITIES

Accrued liabilities consisted of the following at March 31, 2004:

Accrued property taxes	\$	62,174
Other liabilities		9,471
		-----
	\$	71,645
		=====

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
(Unaudited)

### NOTE F - 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 G - 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 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 (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 1.5%. The annual payments are equal to a set percentage, ranging

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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%.

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AMEN Properties, Inc. and Subsidiaries  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
March 31, 2004  
(Unaudited)

### NOTE H - RELATED PARTY TRANSACTIONS

At March 31, 2004, related parties leased approximately 29,000 square feet. TCTB received rental income from these related parties of approximately \$67,256 during the quarter ended March 31, 2004.

### NOTE I - 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 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.

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### 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, 2003 Annual Report on Form 10-KSB.

#### Background

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

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

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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. Effective January 1, 2004 the Company entered into an agreement with certain limited partners of TCTB in which the Company acquired an additional 6.485533% limited partnership 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. 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, 2003.

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

### Results of Operations

For the quarter ended March 31, 2004, the Company reported net income of \$92,607 as compared to \$106,482 during the same quarter in 2003. The net decrease of \$13,875 is mainly due to the sale of the Company's oil and gas royalty trust investment in 2003. Due to the sale of the investment the Company did not receive comparative investment income for the period ending March 31, 2004.

Total rental revenue was \$1,074,301 and \$1,071,271 for the quarter ending March 31, 2004 and 2003, respectively. The revenue represents rental income from tenants occupying the commercial real estate buildings owned by TCTB.

Total operating expenses were \$785,803 and \$676,367 during the first quarter of 2004 and 2003, respectively. The increase of \$109,436 is mainly due to the

increase of reported utility and insurance expense during the first quarter of 2004 as compared to the same period in 2003. Both the utility and insurance expenses for 2004 are expected to be comparative to 2003 on an annual basis.



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General and administrative expenses were \$34,217 and \$27,517 during the first quarter of 2004 and 2003, respectively. The increase of \$6,700 over the same period in 2003 is primarily a result of an additional expense in 2004 in TCTB related to the preparation of the 2003 tax return.

Total interest expense was \$133,409 and \$193,000 for the quarters ending March 31, 2004 and 2003. The decrease of approximately \$60,000 is mainly comprised of the suspension of the Preferred A and Preferred B dividend accrual. On May 30, 2003 the Company entered into agreements 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.

### Liquidity and Capital Resources

During the three months ending March 31, 2004 and 2003, net cash provided by / (used in) operating activities, was \$52,444 and (\$44,993), respectively. Included in the amount for the quarter ending March 31, 2004 and 2003 was approximately \$ 248,000 and \$220,000, respectively, of property taxes paid in the first quarter that related to 2003 and 2002 taxes on the TCTB buildings.

Net cash used by investing activities was \$246,881 for the first three months of 2004, and \$224,308 for the same period of 2003. During the first three months of 2004 the Company used approximately \$99,296 in the purchase of the additional 6.485533% of TCTB limited partnership interest. Additionally the company used approximately \$102,000 during the first quarter of 2004 in the purchase of investments as compared to approximately \$191,000 during the same period in 2003.

Net cash used by financing activities for the three months ended March 31, 2004 was \$176,106 and \$64,562 in 2003. The difference of \$111,544 is mainly due to the partnership distributions at TCTB paid during the first quarter of 2003 totaling \$129,905.

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 March 31, 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.

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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

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

##### (a) 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.

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

On February 24 2004, the Company filed an Item 2 Form 8-K to disclose that the Company and certain other limited partners of TCTB Partnership, Ltd ("TCTB") entered into an Agreement and Transfer of Limited Partnership Interest, subject to a back-in interest to Anthem Oil and Gas, Inc, with a selling partner of TCTB. Pursuant to the Agreement the Selling Partner agreed to sell his limited partnership interest (the "LP Interest") in TCTB to the Company and certain other limited partners effective January 1, 2004, resulting in the Company acquiring an additional 6.485533% of TCTB. The Company funded the acquisition with \$208,346.20 in cash and \$250,778.27 by a Promissory Note (the "Note"). The note is payable in quarterly installments over the next five years and bears an interest rate of 5%. The first quarterly installment is due April 1, 2004.

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## 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.

May 7, 2004

By: /s/ Eric Oliver  
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Eric Oliver  
Chairman and Chief Executive Officer

May 7, 2004

By: /s/ John M. James  
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John M. James  
Chief Financial Officer and Secretary

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## INDEX TO EXHIBITS

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