AMREIT
Form S-11/A
August 07, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 7, 2003

REGISTRATION NO. 333-104652

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
AMENDMEND NO. 1
TO
FORM S-11
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

AMREIT
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS GOVERNING INSTRUMENT)

8 GREENWAY PLAZA, SUITE 824
HOUSTON, TEXAS 77046
(713) 850-1400
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

H. KERR TAYLOR
CHIEF EXECUTIVE OFFICER
AMREIT
8 GREENWAY PLAZA, SUITE 824
HOUSTON, TEXAS 77046
(713) 850-1400
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

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2200 ROSS AVENUE, SUITE 2200
DALLAS, TEXAS 75201-6776
(214) 740-8000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If this form is filed to register additional Securities for offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. |_| ___________________

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.
|_| ____________________

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.
|_| _____________________

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. |_|

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	P OF
Class C Common Shares of Beneficial Interest, $.01 par value	4,400,000	$10.00	

(1) Estimated solely for the purposes of calculating the registration fee pursuant to Rule 457(o), promulgated under the Securities Act of 1933, as amended.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SEC, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

SUBJECT TO COMPLETION, DATED AUGUST ___, 2003

AMREIT

UP TO 4,400,000 CLASS C COMMON SHARES OFFERED TO THE PUBLIC

AmREIT is a fully integrated real estate company that operates as a real estate investment trust (REIT) under the federal income tax laws. AmREIT acquires, owns and manages a diversified portfolio of single-tenant freestanding and multi-tenant commercial frontage properties leased to national, regional and local tenants with a focus on general retail, banking and financial institutions, restaurant and medical sectors. As of the date of this prospectus, AmREIT owned directly, or through joint ventures, interests in 50 properties located in 20 states that are leased to a total of 27 different tenants and that contain an aggregate of approximately 380 thousand square feet of gross leaseable area. The proceeds from the sale of the class C common shares being offered by us pursuant to this prospectus will be invested in these types of real estate properties. We are offering and selling to the public up to 4,000,000 class C common shares of beneficial interest for $10.00 per share and up to 400,000 shares to be issued pursuant to our dividend reinvestment plan at a purchase price of $10.00 per share.

This prospectus gives you detailed information about the class C common shares. You are encouraged to read this document carefully. IN

PARTICULAR, YOU SHOULD READ THE "RISK FACTORS" SECTION BEGINNING ON PAGE ___ FOR A DESCRIPTION OF VARIOUS RISKS YOU SHOULD CONSIDER IN EVALUATING AN INVESTMENT IN THE SHARES, INCLUDING THE FOLLOWING:

- the lack of a public trading market for the class C common shares,
- the speculative nature of an investment in the class C common shares,
- the shareholders cannot evaluate property acquisitions ahead of time,
- the potential dilution of your interest should we issue additional shares,
- the ability of AmREIT to increase its current debt levels,
- the subordination of distributions on the class C common shares to payments of our debt.
- the ability of AmREIT to maintain its REIT status, and
- the fact that AmREIT depends on few major tenants.

The Offering:

- The shares will be offered on a best efforts basis to investors at $10.00 per share.
- We will pay selling commissions to broker-dealers of 7.5% and a dealer manager fee of 2.5% out of the offering proceeds raised.
- We will invest approximately 88% of the offering proceeds raised in real estate properties or to pay down existing debt, and the balance will be used to pay fees and expenses.
- This offering will terminate on or before August __, 2004 unless we decide to extend the offering until not later than August __, 2005, in any state that allows us to extend the offering.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION, THE ATTORNEY GENERAL OF THE STATE OF NEW YORK NOR ANY OTHER STATE SECURITIES REGULATOR HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. IT IS A CRIMINAL OFFENSE IF SOMEONE TELLS YOU OTHERWISE. THE USE OF PROJECTIONS OR FORECASTS, OTHER THAN THOSE PRESENTED HEREIN, OR SPECIFICALLY AUTHORIZED BY THE COMPANY, IS PROHIBITED. NO ONE IS PERMITTED TO MAKE ANY ORAL OR WRITTEN PREDICTIONS ABOUT THE CASH BENEFITS OR TAX CONSEQUENCES YOU WILL RECEIVE FROM YOUR INVESTMENT.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN OR INCORPORATED BY REFERENCE INTO THIS PROSPECTUS IN CONNECTION WITH THE OFFERING OF THE CLASS C COMMON SHARES MADE HEREBY AND, IF GIVEN OR MADE, THAT INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO PURCHASE, ANY SECURITIES IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION OF AN OFFER.

August ______, 2003

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QUESTIONS AND ANSWERS ABOUT THE OFFERING

BELOW WE HAVE PROVIDED SOME OF THE MORE FREQUENTLY ASKED QUESTIONS AND ANSWERS RELATING TO AN OFFERING OF THIS TYPE. PLEASE SEE "SUMMARY OF THE OFFERING" AND THE REMAINDER OF THIS PROSPECTUS FOR MORE DETAILED INFORMATION ABOUT THIS OFFERING. THESE QUESTIONS AND ANSWERS DO NOT, AND ARE NOT INTENDED TO, ADDRESS ALL THE QUESTIONS THAT MAY BE IMPORTANT TO YOU. PROSPECTIVE INVESTORS SHOULD CAREFULLY READ THE "SUMMARY OF THE OFFERING" SECTION AND THE REMAINDER OF THIS PROSPECTUS FOR MORE INFORMATION REGARDING THE OFFERING.

Q. WHAT IS A REIT?

A. In general, a REIT is a company that:

- combines the capital of many investors to acquire or provide financing for real estate properties;

- pays dividends to investors of at least 90% of its taxable income;

- avoids the "double taxation" treatment of income that may result from investments in a corporation because a REIT is not generally subject to federal corporate income taxes on its net income, provided certain income and distribution requirements are satisfied; and

- allows individual investors to invest in a large-scale diversified real estate portfolio through the purchase of interests, typically shares, in the REIT.

Q. WHAT IS AMREIT?

A. AmREIT is a fully integrated real estate company dedicated to the ownership, development and acquisition of commercial real estate specializing in general retail, financial services and banking, medical and restaurant sectors. In addition, AmREIT is a sponsor of real estate investment opportunities, available through the financial planning community. AmREIT, a Texas real estate investment trust, became the successor to AmREIT, Inc., a Maryland corporation (the "Predecessor Corporation"), in December, 2002, through the merger of the Predecessor Corporation with AmREIT. AmREIT has outstanding approximately 2.9 million class A common shares which are listed on the American Stock Exchange (AMEX)under the trading symbol "AMY", and approximately 2.4 million class B common shares that are not listed on an exchange, which may be converted into class A common shares, on a one-for-one basis at any time, at the holder's option.

Q. HOW MANY REAL ESTATE PROPERTIES DO YOU CURRENTLY OWN?

A. As of the date of this prospectus, AmREIT owns, directly or through joint venture, 50 real estate properties. These properties are located in 20 different states and include both single tenant free standing properties as well as multi-tenant shopping centers. Some of our tenants include Washington Mutual, Eckerd's, Radio Shack, IHOP, TGI Friday's, Sketchers, Texas Children's Pediatric Association, and Memorial Herman Hospital.

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Q. WHAT ARE THE TERMS OF THE CLASS C COMMON SHARES?

A. The AmREIT class C common shares will have the following terms:

- dividends, which are preferred to the class A common shares and rank equally to the class B common shares, will be in an amount per share equal to 7% of the issue price ($10.00 per share) per annum, payable monthly in advance of any dividends paid on the AmREIT class A common shares;
- can be converted into AmREIT class A common shares (which are currently publicly traded on the AMEX) with a 10% premium on original capital(i.e., $1,000 of class C common shares will convert to $1,100 of class A common shares), at any time following the seventh anniversary of the date of issuance of the shares; and
- can be called by AmREIT after three years following the date of issuance of the shares for either one class A common share or for cash at a price of $11.00 (representing a 10% premium over the issue price), at the holder's option.

The 10% premium that shareholders will receive upon conversion will, together with the dividends paid through the conversion date, provide a total return of approximately 8.5% per annum as of the end of the seven-year lock out period assuming all dividends to such date are paid in full. The total return would be higher if AmREIT redeems the shares prior to the end of the lock-out period. Although the class C common shares will not be listed on an exchange, they will be freely transferable by the holders and will be convertible into the class A common shares after the seven-year lock out period.

Q. IF I BUY SHARES, WILL I RECEIVE DIVIDENDS AND HOW OFTEN?

A. We have been making and intend to continue to make dividend distributions to our shareholders; however, the declaration of dividends is at the sole discretion of our board of trust managers and there can be no assurance that AmREIT will in fact declare and pay dividends. As a holder of class C common shares, you will be entitled to receive annual dividends in the amount of $0.70 per share, paid to shareholders of record on a monthly basis.

The amount of each dividend distribution to be paid to holders of class C common shares is determined by our board of trust managers and typically depends on the amount of distributable funds, current and projected cash requirements, tax considerations and other factors. Class C common share dividends will be payable prior to dividends payable to class A shareholders and concurrently with the dividends paid to class B shares. However, in order to remain qualified as a REIT, we must make distributions of at least 90% of our REIT taxable income.

Q. HOW DO YOU CALCULATE THE PAYMENT OF DIVIDENDS TO CLASS C SHAREHOLDERS?

A. We calculate our monthly dividends on a daily basis from the date the class C common shares are issued through the end of the fiscal month in which they were issued so your dividend benefits will begin to accrue immediately upon becoming a shareholder. Thereafter, dividends are determined on a monthly basis.

Q. How did you determine the price of the class C common shares?

A. The purchase price of the class C common shares was established on an arbitrary basis by our board of trust managers for administrative convenience, and the price bears no relationship to the underlying value of our assets or the trading price of our class A common shares.

Q. WILL THE DIVIDENDS I RECEIVE BE TAXABLE AS ORDINARY INCOME?

A. Yes and No. Generally, dividends that you receive will be taxed as ordinary income to the extent they are from current or accumulated earnings and profits. We expect that some portion of your dividends will not be subject to tax in the year in which they are received because depreciation and other non-cash expenses reduce the amount of taxable income but do not reduce cash available for distribution. The portion of your distribution which is not subject to tax immediately is considered a return of capital for tax purposes and will reduce the tax basis of your investment. This, in effect, defers a portion of your tax until your investment is sold or AmREIT is liquidated, at which time you will be taxed at capital gains rates. However, because each investor's tax considerations are different, we strongly recommend that you consult with your tax advisor. You should also review the section of the prospectus entitled "Federal Income Tax Consequences."

Q. WHAT WILL YOU DO WITH THE MONEY RAISED IN THIS OFFERING?

A. We will use the net proceeds of this offering to acquire properties similar to those currently owned by AmREIT or to pay down existing debt, which should provide increased liquidity to acquire additional properties as opportunities are available. We intend to invest a minimum of 88% of the proceeds from this offering to acquire real estate properties or to pay down debt, and the remaining proceeds will be used to pay fees and expenses of this offering and acquisition-related expenses. The payment of these fees and expenses will not reduce your invested capital. Your initial invested capital amount will remain $10.00 per share, and your dividend yield will be based on your $10.00 per share investment.

Until we invest the proceeds of this offering in real estate or pay down existing debt, we may invest in short-term, highly liquid or other authorized investments such as money market funds or commercial paper. Such short-term investments will not earn as high of a return as we expect to earn on our real estate investments, and we cannot guarantee how long it will take to fully invest the proceeds in real estate.

Q. WILL THE CLASS C COMMON SHARES BE LISTED ON A STOCK EXCHANGE?

A. No. We have no plans to list the class C common shares on a stock exchange. The AmREIT class A common shares into which the class C common shares will be convertible, are currently listed on the American Stock Exchange.

Q. DOES AMREIT USE ANY SPECIFIC CRITERIA WHEN SELECTING A POTENTIAL PROPERTY FOR ACQUISITION?

A. Yes. AmREIT and its predecessors have developed over their 18-year operating history a proprietary "AmREIT Decision Logic" system of analysis for projects that it reviews. There are 25 specific factors that are contained within this decision logic, including demographic studies, traffic flow review, environmental review, site planning and financial analysis. AmREIT will apply this model to each property it proposes to acquire. AmREIT focuses on buying, developing, and joint venturing commercial net lease properties located out in front of large traffic generators. The projects may be either single or multi tenant credit tenant properties leased primarily to credit quality parent companies.

Q. WHAT KIND OF OFFERING IS THIS?

A. We are offering the public up to 4,000,000 class C common shares on a "best efforts" basis. In addition, we are offering up to 400,000 class C common shares to investors who want to participate in our reinvestment plan.

Q. WHAT IS A "BEST EFFORTS" OFFERING?

A. When common shares are offered to the public on a "best efforts" basis, the brokers participating in the offering are only required to use their best efforts to sell the shares and have no firm commitment or obligation to purchase any of the shares.

Q. HOW LONG WILL THIS OFFERING LAST?

A. The offering will not last beyond August __, 2004, unless we decide to extend the offering until not later than August __, 2005, in any state that allows us to extend the offering.

Q. WHO CAN BUY CLASS C COMMON SHARES?

A. If you receive a copy of this prospectus, you may buy class C common shares provided that you have either (1) a net worth of at least $45,000 (excluding home, furnishings, and automobiles) and an annual gross income of at least $45,000, or (2) a net worth of at least $150,000 (excluding home, furnishings, and automobiles). These minimum levels may be higher in certain states, so you should carefully read the more detailed information set forth under the caption "Suitability Standards" in this prospectus.

Q. IS THERE ANY MINIMUM INVESTMENT REQUIRED?

A. Yes. You must invest at least $5,000 in a non-qualified account, or $3,000 in a qualified account. These minimum investment levels may be higher in certain states, so you should carefully read the more detailed description of the minimum investment requirements appearing later in the "Suitability Standards" section of this prospectus.

Q. HOW DO I SUBSCRIBE FOR SHARES?

A. If you choose to purchase shares in this offering, you will need to fill out a Subscription Agreement, like the one contained in this prospectus as Exhibit [__], for a specific number of shares and pay for the shares at the time you subscribe.

Q. IF I BUY SHARES IN THIS OFFERING, HOW MAY I LATER SELL THEM?

A. At the time you purchase the shares, they will not be listed for trading on any national securities exchange or over-the-counter market. In fact, we expect that there will not be any public market for the shares when you purchase them, and we cannot be sure if one will ever develop. As a result, you may find it difficult to find a buyer for your shares and realize a return on your investment. You may sell your shares to any buyer unless such sale would cause the buyer to own more than 9.0% of the outstanding shares. See "Description of AmREIT's Capital Shares-Ownership Limits and Restriction on Transfer."

The class C common shares are convertible into class A common shares at any time after the seventh anniversary of the acquisition of the shares. Upon conversion, you will be able to sell the class A common shares on the open market. The class A common shares are listed on the AMEX.

Q. WILL I BE NOTIFIED OF HOW MY INVESTMENT IS DOING?

A. Yes. You will receive periodic updates on the performance of your investment with us, including:

- Twelve monthly dividend statements;
- A mid-year update report;
- An annual report;

- SEC filed 10-KSBs and 10-QSBs;
- An annual IRS Form 1099;
- Supplements to the prospectus, as necessary; and
- Regular acquisition reports detailing our latest property acquisitions.

Q. DOES AMREIT USE LEVERAGE?

A. Yes. AmREIT believes the conservative use of debt is very advantageous to maximizing the monthly income to its shareholders. Our bylaws require AmREIT to limit the level of recourse debt to less than 55% of its gross asset value as determined by our board of trust managers.

Q. WHAT ARE THE ECONOMIC TERMS OF YOUR TYPICAL LEASES?

A. We seek to secure leases with creditworthy tenants prior to or at the time of the acquisition of a property. Our single tenant leases are primarily economically "triple-net" leases, which means that the tenant is responsible for the cost of repairs, maintenance, property taxes, utilities, insurance and other operating costs. Our mutli-tenant leases are generally "net leases", but generally require AmREIT to be responsible for certain capital improvements as well as the operating and common area costs for the tenants, which are reimbursable by the tenants on a monthly and annual basis.

Q. MAY I REINVEST MY DIVIDENDS IN ADDITIONAL CLASS C COMMON SHARES?

A. Yes. Holders of class C common shares will have the option of participating in our dividend reinvestment plan by checking the appropriate box on the subscription agreement or by filling out an enrollment form we will provide to you at your request. The purchase price for shares purchased under the dividend reinvestment plan is currently $10.00 per share.

Q. WHAT HAPPENS TO THE VALUE OF MY INVESTMENT IF THE VALUE OF AMREIT CLASS A COMMON SHARES DECLINES?

A. The value of the class C shares will not be affected by fluctuations in the value of the class A common shares. The conversion of class C shares into class A common shares is based upon the amount of capital invested. Class C investors will receive $1.10 of class A common shares for each $1.00 of invested capital regardless of the market price of the class A common shares. The calculation on the conversion date can be expressed as (capital invested x 1.10) / (stock price of class A). For example, after the seven year lock out period expires, if class A common shares are trading at $6.50 then class C investors will receive, upon conversion, 169.23 class A common shares for each $1,000 invested. If, after the seven year lock out period expires, class A shares are trading at $11.00 per share then class C investors will receive, upon conversion, 100.00 class A common shares for each $1,000 invested.

Q. WHAT KIND OF TAX INFORMATION WILL I RECEIVE?

A A Form 1099 will be placed in the mail by January 31st of each year.

Q. WHO CAN HELP ANSWER MY QUESTIONS?

A. If you have more questions about the offering or if you would like additional copies of this prospectus, you should contact your registered representative or contact:

Investor Services Department
AmREIT
8 Greenway Plaza, Suite 824
Houston, Texas 77046
800-888-4400

FOR CHANGE OF ADDRESS AND LOST CHECKS: EXTENSION 110

FOR OTHER QUESTIONS REGARDING YOUR INVESTMENT: EXTENSION 124

SUMMARY OF THE OFFERING

This prospectus summary highlights selected information contained elsewhere in this prospectus. It is not complete and does not contain all of the information that is important to your decision whether to invest in AmREIT. To understand this offering fully, you should read the entire prospectus carefully, including the "Risk Factors" section and the financial statements.

AMREIT

AmREIT is a fully integrated real estate company that operates as a real estate investment trust under the federal income tax laws. AmREIT, a Texas real estate investment trust, became the successor to AmREIT, Inc., a Maryland corporation (the "Predecessor Corporation"), on December 22, 2002, through the merger of the Predecessor Corporation and AmREIT. As of the date of this prospectus, AmREIT owned directly, or through joint ventures, interests in 50 properties. These properties are leased to a total of 27 different tenants and are located in 20 states and contain an aggregate of approximately 380 thousand square feet of gross leaseable area. AmREIT's principal executive offices are located at 8 Greenway Plaza, Suite 824, Houston, Texas, 77046, and its telephone number is (713) 850-1400.

SUMMARY RISK FACTORS

Following are the most significant risks relating to an investment in the class C shares:

- There is limited liquidity for the class C common shares. There is no public trading market for the class C shares. After a seven-year lock-out period, the class C shares are convertible into class A shares which are publicly traded on the AMEX. Tender offers and certain other changes of control may be discouraged due to the limitations on share ownership required to maintain our status as a REIT and provisions of Texas law. If you are able to sell your shares at all, you may have to sell them for substantially less than the price you paid for them in the offering.

- The acquisition of the class C shares is a speculative investment, as AmREIT's ability to make distributions on its shares depends on AmREIT's future business operations. The dividends on the class C common shares are non-cumulative, and there can be no guaranty that we will continue to make monthly dividend payments on such shares.

- Although AmREIT has an existing portfolio of 50 operating properties, shareholders will not be able to evaluate future properties prior to making an investment in AmREIT.

- There is no limitation on AmREIT's ability to issue additional common shares and such issuance could potentially dilute your interest in AmREIT.

- Although AmREIT has paid regular distributions since its organization, distribution payments are subordinate to payments on debt, so any future distributions to shareholders will be subject to this restriction. We may increase our leverage without shareholder approval, but our bylaws limit the amount of recourse indebtedness we may incur to not more than 55% of gross asset value as determined by our board of trust managers.

- AmREIT has elected to be taxed as a REIT, assuming that it meets certain financial and structural criteria. If AmREIT does not meet this criteria, or cannot maintain its REIT status, it may not qualify as a REIT under the Internal Revenue Code.

- AmREIT depends on few major tenants.

- We established the offering price on an arbitrary basis.

- Real estate investments are relatively illiquid and subject to general operating risks relating to economic conditions, changes in zoning or tax laws and the availability of financing.

- AmREIT's property leases may not be renewed and the cost of any improvements constructed on certain properties by AmREIT may not be recoverable.

- Single tenant leases account for 87% of AmREIT's total revenue and the failure of such a tenant could impact the viability of the property. Additionally, IHOP accounted for approximately 32% of

AmREIT's rental income for 2002 and the first quarter of 2003. The bankruptcy of IHOP or of another significant tenant could have a material adverse affect on AmREIT's operations.

- Net leases accounted for 100% of AmREIT's total rental income during the year ended December 31, 2002 and the first quarter of 2003. These leases frequently provide the tenant greater flexibility in using the leased property and provide for early termination under specified circumstances. In the event of a termination, AmREIT may not be able to lease the property for the same rent amount and may not be able to sell it without incurring a loss. Consequently, these leases may not result in fair market lease rates over time.

- Our involvement in joint ventures involve risks which may not otherwise be present, such as the failure of a partner to perform, the existence of conflicting business goals with a partner, or the possibility that it may not be able to agree with a partner as to a particular issue.

- Our properties may not be profitable, perform, or appreciate in value.

- AmREIT may provide purchaser financing which would delay receipt of the proceeds from a property sale. AmREIT may provide this financing where lenders are not willing to make loans secured by commercial real estate or may find it desirable where a purchaser is willing to pay a higher price for the property than it would without this financing. As a consequence, AmREIT will be subject to risks inherent in the business of lending.

- We may on occasion lease an investment property back to the seller. A default or any premature termination of the leaseback agreement could have an adverse effect on AmREIT's financial position. In the event of a default, AmREIT may not be able to find new tenants without incurring a loss.

- Our operating results will depend upon the availability of suitable investment opportunities, which in turn depends on the type of investment involved, the condition of the money market, the nature and geographical location of the property, competition and other factors, none of which can be predicted with certainty.

PROPERTIES TO BE ACQUIRED

We are authorized to purchase all types of commercial properties, including, without limitation, office buildings, shopping centers, business and industrial parks, manufacturing facilities, warehouses and distribution facilities and other similar real estate properties. Although no properties have been specifically identified for purchase with the proceeds of this offering, we are currently reviewing and analyzing opportunities whereby we will purchase properties which are newly constructed, under construction or have been constructed and have operating histories. Properties may be acquired, developed and operated by us either alone or jointly with another party. We anticipate that most of our properties will be leased to creditworthy tenants on a "net lease" basis. In other words, the tenant will pay as additional rent substantially all costs associated with the repair and maintenance of the building, real estate taxes, insurance and other similar costs associated with a building. Whenever possible, we intend to execute leases for our properties at or prior to the closing of the acquisition of such properties.

POSSIBLE LEVERAGE OF PROPERTIES

Our bylaws provide that we will not incur recourse indebtedness if, after giving effect to the incurrence thereof, aggregate recourse indebtedness, secured and unsecured, would exceed fifty-five percent (55%) of our gross asset value on a consolidated basis. For this purpose, the term "Gross Asset Value" means the value of our total assets (less intangibles) based on market capitalization rates and current year rental income, as determined by our board of trust managers, before deducting depreciation or other non-cash reserves, as calculated at the end of each quarter on a basis consistently applied.

ESTIMATED USE OF PROCEEDS OF OFFERING

We anticipate that we will invest approximately 88% of the proceeds of this offering in real estate or to pay down existing debt. We will use the remainder of offering proceeds to pay selling commissions and fees and expenses relating to the selection and acquisition of properties and the costs of the offering.

INVESTMENT OBJECTIVES

Our investment objectives are:

o to create dependable, monthly dividends to our investors;

o to preserve and protect your capital contribution; and

o to realize growth in the value of our properties and our publicly traded class A common shares.

PRIOR OFFERING SUMMARY

AmREIT's affiliates have previously sponsored three publicly offered and 11 privately placed real estate limited partnerships, all of which were on an unspecified property or "blind pool" basis. As of March 31, 2003, AmREIT and its affiliates have raised approximately $75 million from approximately 3,100 investors. The "Prior Performance Summary" on page ____ of this prospectus contains a discussion of the AmREIT programs sponsored to date.

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COMPENSATION TO AMREIT AND AFFILIATES

AmREIT's affiliates will receive compensation and fees for services relating to this offering and the investment and management of our assets. The most significant items of compensation are included in the following table:

Type of Compensation	Form of Compensation	Estimated for Maximum Off
Dealer Manager Fee	2.5% of gross offering proceeds	$
Offering Expenses	1.5% of gross offering proceeds	$

Nonetheless, AmREIT or its affiliates may not receive compensation in excess of the maximum amount permitted under the Statement of Policy Regarding Real Estate Programs of the North American Securities Administrators Association (NASAA Guidelines).

ERISA CONSIDERATIONS

The section of this prospectus entitled "Certain ERISA Considerations" describes the effect the purchase of shares will have on individual retirement accounts (IRAs) and retirement plans subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), and/or the Internal Revenue Code. ERISA is a federal law that regulates the operation of certain tax-advantaged retirement plans. Any retirement plan trustee or individual considering purchasing shares for a retirement plan or an IRA should read this section of the prospectus very carefully.

DESCRIPTION OF CLASS C COMMON SHARES

General

Your investment will be recorded on our books only. We will not issue stock certificates. If you wish to transfer your shares, you are required to send us an executed transfer form. We will provide you the required form upon request.

The AmREIT class C common shares will have the following terms:

- dividends, which are preferred to the class A common shares and rank equally with the class B common shares, will be in an amount per share equal to 7% of the issue price ($10.00 per share) per annum, payable monthly in advance of any dividends paid on the AmREIT class A common shares;

- can be converted into AmREIT class A common shares (which are currently publicly traded on the AMEX) with a 10% premium on original capital (i.e., $1,000 of class C common shares will convert to $1,100 of class A common shares), at any time following the seventh anniversary of the date of issuance of the shares; and

- can be called by AmREIT after three years following the date of issuance of the shares for either one class A common share or for cash at a price of $11.00 (representing a 10% premium over the issue price), at the holder's option.

Shareholder Voting Rights and Limitations

Holders of class C common shares will be entitled to vote on all matters submitted to shareholders of AmREIT for approval. In any matter on which the class C common shares vote, you will be entitled to one vote for each share you own and you will vote as a single class with the class A and class B common shares.

Restriction on Share Ownership

Our declaration of trust contains restrictions on ownership of the shares that prevents one person from owning more than 9.0% of the outstanding shares. These restrictions are designed to enable us to comply with share accumulation restrictions imposed on REITs by the Internal Revenue Code. See "Description of AmREIT's Capital Shares-Restriction on Ownership of Shares."

For a more complete description of the shares, including restrictions on the ownership of shares, please see the "Description of AmREIT's Capital Shares" section of this prospectus on page ____.

DIVIDEND REINVESTMENT PLAN

You may participate in our dividend reinvestment plan pursuant to which you may have the dividends you receive on your class C common shares reinvested in additional class C shares. If you participate, you will be taxed on your share of our taxable income even though you will not receive the cash from your dividends. As a result, you may have a tax liability without receiving cash dividends to pay such liability. We may terminate the dividend reinvestment plan at our discretion at any time upon 10 days' prior notice to you. See "Description of AmREIT's Capital Shares--Dividend Reinvestment Plan."

GLOSSARY

We have defined certain terms which have initial capital letters in the "Glossary" on page ______ of this prospectus.

RISK FACTORS

Before you decide to invest in AmREIT, you should be aware that your purchase of class C common shares involves a number of risks. In addition to the other information included in this prospectus, you should specifically consider the following risks before purchasing shares. The following information summarizes all material risks related to the acquisition of the class C common shares.

RISKS ASSOCIATED WITH AN INVESTMENT IN AMREIT

THERE IS NO PUBLIC TRADING MARKET FOR THE CLASS C COMMON SHARES.

There is no current public market for the class C common shares, nor do we expect a public market to develop for the class C common shares. It will, therefore, be difficult for you to sell your shares promptly. In addition, the price received for any shares sold is likely to be less than the proportionate value of the real estate we own. Therefore, you should purchase the shares only as a long-term investment. However, the shares are convertible, after a seven year lock out period into our class A common shares, which are listed on the AMEX.

THE ACQUISITION OF THE CLASS C COMMON SHARES IS A SPECULATIVE INVESTMENT.

The class C common shares are speculative investments because AmREIT's ability to make distributions on its class C common shares depends on AmREIT's future business operations. While management believes AmREIT's future operating results should be sufficient to be able to make these distributions and payments, AmREIT may not be able to do so. The dividends payable on the class C common shares are not cumulative, which means if we fail to pay you a dividend in any particular monthly dividend period, we will have no obligation to make payment on such dividend in the future and it is lost forever. Further, while we cannot presently make any monthly dividend payments on the class A common shares unless and until dividends on the class C common shares have been paid with respect to that monthly dividend period, we could alter the dividend policy on our class A common shares to make dividend payments quarterly, rather than monthly as is our present policy. While we have no present intention to do so, in such event, the class A common shares could receive full quarterly dividend payments provided that we make all dividend payments on the class C common shares for the current month only. AmREIT's future operating budgets are based on assumptions about the general economy and AmREIT's business operations. In general, budgets project inflation, interest rates and revenues, all of which depend substantially on factors beyond AmREIT's control. Interest rates and levels of economic activity have been particularly volatile in recent years, and any significant increase in interest rates or downturn in the level of economic activity, particularly in the real estate industry, would materially impair AmREIT's ability to achieve budgeted levels of operating income.

YOU CAN NOT EVALUATE PROPERTIES THAT WE HAVE NOT YET ACQUIRED OR IDENTIFIED FOR ACQUISITION.

We have established certain criteria for evaluating potential properties and tenants in which we may invest. We have not set fixed minimum standards relating to creditworthiness of tenants and therefore our board of trust managers and management have flexibility in assessing potential properties and tenants. As of July 31, 2003, we owned 50 properties, leased to 27 different tenants in 20 different states.

YOUR INTEREST IN AMREIT MAY BE DILUTED IF WE ISSUE ADDITIONAL SHARES.

Existing shareholders and potential investors in this offering do not have preemptive rights to any shares issued by AmREIT in the future. Therefore, existing shareholders and investors purchasing shares in this offering may experience dilution of their equity investment in the event that we:

- sell shares in this offering or sell additional common shares in the future, whether publicly or privately;
- sell securities that are convertible into common shares; or
- issue common shares upon the exercise of the options.

THE DEALER MANAGER HAS NOT MADE AN INDEPENDENT REVIEW OF THE COMPANY OR THE PROSPECTUS.

The dealer manager, AmREIT Securities Corp., is an affiliate of AmREIT and will not make an independent review of AmREIT or this offering. Accordingly, you do not have the benefit of an independent review of the terms of this offering.

THERE MAY BE DELAYS IN INVESTING THE PROCEEDS OF THIS OFFERING.

We may delay investing the proceeds from this offering and, therefore, delay the receipt of any returns from such investments, due to our inability to find suitable properties for investment. Until we invest in properties, our investment returns on offering proceeds will be limited to the rates of return available on short-term, highly liquid investments that provide appropriate safety of principal. We expect these rates of return, which affect the amount of cash available to make distributions to shareholders, to be lower than we would receive for property investments.

DISTRIBUTION PAYMENTS ARE SUBORDINATE TO PAYMENTS ON DEBT.

AmREIT has paid regular distributions since its organization. Distributions to shareholders of AmREIT are, however, subordinate to the payment of AmREIT's current debts and obligations. If AmREIT has insufficient funds to pay its debts and obligations, future distributions to shareholders will be suspended pending the payment of such debts and obligations.

AMREIT MAY INCREASE ITS LEVERAGE WITHOUT SHAREHOLDER APPROVAL.

Our bylaws provide that we will not incur recourse indebtedness if, after giving effect to the incurrence thereof, aggregate recourse indebtedness, secured and unsecured, would exceed fifty-five percent (55%) of our gross asset value on a consolidated basis. This additional debt could adversely affect AmREIT's ability to make shareholder distributions and would result in an increased risk of default on its obligations. AmREIT intends to borrow future funds through secured and/or unsecured credit facilities to finance property investments. These borrowings may require lump sum payments of principal and interest at maturity. Because of the significant cash requirements necessary to make those large payments, AmREIT's ability to make these payments may depend upon its ability to sell or refinance properties for amounts sufficient to repay such loans. In addition, increased debt service may adversely affect cash flow and share value.

At March 31, 2003, AmREIT had outstanding debt totaling $35.8 million of which $14.1 million was unsecured. This debt represented approximately 47% of AmREIT's total assets.

THERE MAY BE SIGNIFICANT FLUCTUATIONS IN OUR QUARTERLY RESULTS.

Our quarterly operating results will fluctuate based on a number of factors, including, among others:

- o Interest rate changes;
- o The volume and timing of our property acquisitions;
- o The recognitions of gains or losses on property sales;
- o The level of competition in our market; and

- o General economic conditions, especially those which effect the retail industries.

As a result of these factors, results for any quarter should not be relied upon as being indicative of performance in future quarters.

AMREIT DEPENDS ON A FEW MAJOR TENANTS.

There is no limit on the number of properties leased to a single tenant which we may acquire. However, under investment guidelines established by our board of trust managers, no single tenant may represent more than 15% of AmREIT's total annual rental income unless approved by our board of trust managers. The board of trust managers will review our properties and potential investments in terms of geographic and tenant diversification. IHOP, Corp. and Footstar, Inc. accounted for 32% and 13%, respectively, of AmREIT's total rental revenues for the year ended December 31, 2002 and the three months ended March 31, 2003. Because of this concentration, there is a risk that any adverse developments affecting these tenants or IHOP or Footstar generally could materially adversely affect our revenues (thereby affecting our ability to make distributions to shareholders). In addition, if in the future we concentrate our acquisitions on another single tenant, or in certain geographic areas or on certain product types, it will increase the risk that our financial condition will be adversely affected by the poor judgment of a particular tenant's management group, by poor performance of our tenants' brands, by a downturn in a particular market sub-segment or by market disfavor with a certain product type.

Our profitability and our ability to diversify our investments, both geographically and by type of properties purchased, will be limited by the amount of further funds at our disposal. If our assets become geographically concentrated, an economic downturn in one or more of the markets in which we have invested could have an adverse effect on our financial condition and our ability to make distributions. We do not know whether we will sell all of the shares being offered by this Prospectus. If we do not, it is possible that we will not have the money necessary to further diversify our investments or achieve the highest possible return on our investments. See "Prior Performance" on page __.

BANKRUPTCY OF A SIGNIFICANT TENANT WOULD ADVERSELY AFFECT AMREIT'S OPERATIONS.

The bankruptcy of a tenant could adversely affect AmREIT in the following ways:

- reduction or loss of lease payments related to the termination of the tenant's leases;
- reduction of revenue resulting from the restructuring the original tenant's leases;
- interruptions in the receipt of lease revenues from the tenant;
- increase in the costs associated with the maintenance and financing of vacant properties;
- increase in costs associated with litigation and the protection of the properties;
- increase in costs associated with improving and reletting the properties;
- reduction in the value of AmREIT's shares; and
- decrease in distributions to shareholders.

WE ESTABLISHED THE OFFERING PRICE ON AN ARBITRARY BASIS.

Our board of trust managers has arbitrarily determined the selling price of the class C common shares and such price bears no relationship to any established criteria for valuing issued or outstanding shares and does not relate in any way to the current trading price of the class A common shares.

THE CLASS A COMMON SHARES HAVE LIMITED LIQUIDITY.

The class A common shares, into which the class C common shares being offered by this prospectus are convertible on and after the seventh anniversary of the date of issuance of the shares, are currently traded on the AMEX. The class A common shares have only been traded since July 2002, and the historical average weekly trading volume is extremely small. As a result, the class A common shares currently have limited liquidity, and there can be no assurance that the market for the class A common shares will have improved or that the shares will be more liquid at the time the class C common shares are convertible.

AMREIT'S PLAN TO GROW THROUGH THE ACQUISITION AND DEVELOPMENT OF NEW PROPERTIES COULD BE ADVERSELY AFFECTED BY TRENDS IN THE REAL ESTATE AND FINANCING BUSINESSES, MAY NOT GENERATE INCOME OR MAY GENERATE INSUFFICIENT INCOME FROM OPERATIONS.

AmREIT's growth strategy is substantially based on the acquisition and development of additional properties. We cannot assure you that AmREIT will be able to do so successfully because AmREIT may have difficulty finding new properties, negotiating with new or existing tenants or securing acceptable financing. In addition, investing in additional properties is subject to many risks. If AmREIT does not generate enough income from future operations to pay distributions to shareholders, AmREIT may, as it has in the past, make distributions to its shareholders in amounts exceeding its net income.

IF AMREIT CANNOT MEET ITS REIT DISTRIBUTION REQUIREMENTS, IT MAY HAVE TO BORROW FUNDS OR LIQUIDATE ASSETS TO MAINTAIN ITS REIT STATUS.

REITs generally must distribute 90% of their taxable income annually. In the event that AmREIT does not have sufficient available cash to make these distributions, AmREIT's ability to acquire additional properties may be limited. Also, for the purposes of determining taxable income, AmREIT may be required to include interest payments, rent and other items it has not yet received and exclude payments attributable to expenses that are deductible in a different taxable year. As a result, AmREIT could have taxable income in excess of cash available for distribution. If this occurred, AmREIT would have to borrow funds or liquidate some of its assets in order to make sufficient distributions and maintain its status as a REIT.

LIMITATIONS ON SHARE OWNERSHIP REQUIRED TO MAINTAIN AMREIT'S REIT STATUS MAY DETER ATTRACTIVE TENDER OFFERS FOR AMREIT COMMON SHARES.

For the purposes of protecting its REIT status, AmREIT's declaration of trust limits the ownership by any single shareholder of AmREIT's common shares to 9.0% of the issued and outstanding common shares, unless the AmREIT board determines otherwise. These restrictions may discourage a change in control of AmREIT, deter any attractive tender offers for AmREIT common shares or limit the opportunity for you or other shareholders to receive a premium for your AmREIT common shares.

AMREIT'S CHARTER CONTAINS ANTI-TAKEOVER PROVISIONS

AmREIT's charter contains provisions which may make it more difficult to remove current management or delay or discourage an unsolicited takeover, which could have the effect of inhibiting a non-negotiated merger or other business combination involving AmREIT. These provisions include:

- The prohibition on any person owning, directly or indirectly, more than 9.0% of the outstanding common shares; and

- The provisions authorizing the issuance of preferred shares on terms that board members determine make it more difficult for an aggressor to obtain a controlling number of shares.

For AmREIT to continue to qualify as a REIT under the Internal Revenue Code, not more than 50% of its outstanding shares may be owned by five or fewer individuals during the last half of each year and outstanding shares must generally be owned by 100 or more persons during at least 335 days of a taxable year of 12 months. AmREIT's charter restricts the accumulation or transfer of common shares if any accumulation or transfer could result in any person beneficially owning in excess of 9.0% of the then outstanding common shares.

PROVISIONS OF OUR CHARTER, BYLAWS AND TEXAS LAW COULD RESTRICT CHANGE IN CONTROL.

AmREIT's declaration of trust and bylaws contain provisions that may inhibit or impede acquisition or attempted acquisition of control of AmREIT by means of a tender offer, a proxy contest or otherwise. These provisions are expected to discourage certain types of coercive takeover practices and inadequate bids and to encourage persons seeking to acquire control of AmREIT to negotiate first with the trust managers. AmREIT believes that these provisions increase the likelihood that proposals initially will be on more attractive terms than would be the case in their absence and increase the likelihood of negotiations, which might outweigh the potential disadvantages of discouraging such proposals because, among other things, negotiation of such proposals might result in improvement of terms. See "Certain Anti-Takeover Provisions of AmREIT's Declaration of Trust and Bylaws and Texas Law."

PROPERTY ACQUISITIONS MAY FAIL TO PERFORM IN ACCORDANCE WITH EXPECTATIONS AND ESTIMATES OF THE COSTS OF IMPROVEMENTS TO BRING AN ACQUIRED PROPERTY UP TO STANDARD MAY PROVE INACCURATE.

AmREIT anticipates that its new developments and acquisitions will be financed under lines of credit or other interim forms of secured or unsecured financing. Permanent financing for those newly developed or acquired projects may not be available or may be available only on disadvantageous terms. In addition, AmREIT's distribution requirements limit its ability to rely upon income from operations or cash flow from operations to finance new developments or acquisitions. As a result, if permanent financing is not available on acceptable terms, further development activities or acquisitions might be curtailed. In the case of an unsuccessful development or acquisition, AmREIT's loss could exceed its project investment.

WE WILL BE SUBJECT TO CONFLICTS OF INTEREST.

We will be subject to conflicts of interest arising out of our relationship with our affiliated investment funds, including certain material conflicts discussed below.

We will experience competition for properties. In evaluating property acquisitions, certain properties may be appropriate for AmREIT as well as its affiliated investment funds. You will not have the opportunity to evaluate the manner in which these conflicts of interest are resolved before making your investment. Generally, we will evaluate each property, considering the investment objectives, creditworthy nature of the tenant, expected holding period of the property, available capital and geographic and tenant concentration issues when determining the allocation of properties among AmREITand its affiliated funds.

There will be competing demands on our management and trust managers. Our management team and trust managers are not only responsible for AmREIT, but also for our affiliated investment funds, which include entities that may invest in the same types of assets in which AmREIT may invest. For this reason, the management team and trust managers will share their management time and services among those companies and AmREIT, will not devote all of their attention to AmREIT and could take actions that are more favorable to the other entities than to AmREIT.

We may invest along side our affiliated investment funds. We may invest in joint ventures, partnerships or limited liability companies for the purpose of owning or developing retail real estate projects. Therefore, the interest, investment objectives and timing of disposition may be different than that of our shareholders, and there are no assurances that your investment objectives will take priority.

THE BOARD OF TRUST MANAGERS CAN TAKE MANY ACTIONS WITHOUT SHAREHOLDER APPROVAL.

Our board of trust managers has overall authority to conduct our operations. This authority includes significant flexibility. For example, our board of trust managers can (1) prevent the ownership, transfer and/or accumulation of shares in order to protect our status as a REIT or for any other reason deemed to be in the best interests of the shareholders; (2) issue additional shares without obtaining shareholder approval, which could dilute your ownership; (3) direct our investments toward investments that will not appreciate over time, such as building only properties, with the land owned by a third party, and mortgage loans; and (4) change minimum creditworthiness standards with respect to tenants. Any of these actions could reduce the value of our assets without giving you, as a shareholder, the right to vote.

OUR OFFICERS AND TRUST MANAGERS HAVE LIMITED LIABILITY.

Our declaration of trust and bylaws provide that an officer or trust manager's liability for monetary damages to us, our shareholders or third parties may be limited. Generally, we are obligated under our declaration of trust and bylaws to indemnify our officers and trust managers against certain liabilities incurred in connection with their services. These provisions could limit our ability and the ability of our shareholders to effectively take action against our trust managers and officers arising from their service to us.

RISKS ASSOCIATED WITH AN INVESTMENT IN REAL ESTATE

REAL ESTATE INVESTMENTS ARE RELATIVELY ILLIQUID.

Real estate investments are relatively illiquid. Illiquidity limits the owner's ability to vary its portfolio promptly in response to changes in economic or other conditions. In addition, federal income tax provisions applicable to REITs may limit AmREIT's ability to sell properties at a time which would be in the best interest of its shareholders.

PROPERTIES ARE SUBJECT TO GENERAL REAL ESTATE OPERATING RISKS.

If you become a shareholder of AmREIT your investment will be subject to the risks of investing in real property. In general, a downturn in the national or local economy, changes in zoning or tax laws or the availability of financing could adversely affect occupancy or rental rates. In addition, increases in operating costs due to inflation and other factors may not be offset by increased rents. If operating expenses increase, the local rental market for properties similar to AmREIT's may limit the extent to which rents may be increased to meet increased expenses without decreasing occupancy rates. If any of the above occur, AmREIT's ability to make distributions to shareholders could be adversely affected.

AMREIT MAY CONSTRUCT IMPROVEMENTS, THE COST OF WHICH MAY NOT BE RECOVERABLE.

AmREIT may on occasion acquire properties and construct improvements or acquire properties under contract for development. Investment in properties to be developed or constructed is more risky than investment in fully developed and constructed properties with operating histories. In connection with the acquisition of these properties, AmREIT may advance, on an unsecured basis, a portion of the purchase price, either in the form of cash, a conditional letter of credit and/or promissory note. AmREIT will be dependent upon the seller or lessee of the property under construction to fulfill its obligations, including the return of advances and the completion of construction. This party's ability to carry out its obligations may be affected by financial and other conditions which are beyond the control of AmREIT.

If AmREIT acquires construction properties, the general contractors and the subcontractors may not be able to control the construction costs or build in conformity with plans, specifications and timetables. The failure of a contractor to perform may necessitate legal action by AmREIT to rescind its construction contract, to compel performance or to rescind its purchase contract. These legal actions may result in increased costs to AmREIT. Performance may also be affected or delayed by conditions beyond the contractor's control, such as building restrictions, clearances and environmental impact studies imposed or caused by governmental bodies, labor strikes, adverse weather, unavailability of materials or skilled labor and by financial insolvency of the general contractor or any subcontractors prior to completion of construction. These factors can result in increased project costs project and corresponding depletion of AmREIT's working capital and reserves, and in the loss of permanent mortgage loan commitments relied upon as a primary source for repayment of construction costs.

AmREIT may make periodic progress payments to the general contractors of properties prior to construction completion. By making these payments, AmREIT may incur substantial additional risks, including the possibility that the developer or contractor receiving these payments may not fully perform the construction obligations in accordance with the terms of his agreement with AmREIT and that AmREIT may be unable to enforce the contract or to recover the progress payments.

AMREIT LEASES TO SINGLE TENANTS WHO CAN FAIL.

Single tenant leases accounted for 87% of AmREIT's total revenue for the year ended December 31, 2002 and the three months ended March 31, 2003. In single tenant leases, the continued viability of the lease will depend directly on the continued financial viability of one tenant. If the tenant fails and the lease is terminated, AmREIT would incur a reduction in cash flow from the property and the value of the property would be decreased. Also, where two or more properties have the same tenant, or related tenants, the continued viability of each property would depend directly on the financial viability of a single tenant.

NET LEASES MAY NOT RESULT IN FAIR MARKET LEASE RATES OVER TIME.

Net leases accounted for 87% of AmREIT's total rental income for the year ended December 31, 2002 and the three months ended March 31, 2003. Net leases frequently provide the tenant greater discretion in using the leased property than ordinary property leases, such as the right to freely sublease the property, to make alterations in the leased premises and to early termination of the lease under specified circumstances. Further, net leases are typically for longer lease terms and, thus, there is an increased risk that any rental increase clauses in future years will fail to result in fair market rental rates during those years. The original leases on AmREIT's existing properties are for original terms ranging from 10 to 20 years.

In the event a lease is terminated, AmREIT may not be able to lease the property for the previous rent and may not be able to sell the property without incurring a loss. AmREIT could also experience delays in enforcing its rights against defaulting tenants. If a tenant does not pay rent, AmREIT may not only lose the net cash flow from the property but may also need to use cash flow generated by other properties to meet mortgage payments on the defaulted property.

AMREIT MAY INVEST IN JOINT VENTURES, WHICH ADDS ANOTHER LAYER OF RISK TO ITS BUSINESS.

Investments in joint ventures may involve risks which may not otherwise be present where investments are made directly by AmREIT in real property such as:

- the potential ability in AmREIT's joint venture partner to perform;
- the joint venture partner may have economic or business interests or goals which are inconsistent with or adverse to those of AmREIT;
- the joint venture partner may take actions contrary to the requests or instructions of AmREIT or contrary to AmREIT's objectives or policies; and
- the joint venturers may not be able to agree on matters relating to the property they jointly own. Although each joint owner will have a right of first refusal to purchase the other owner's interest, in the event a sale is desired, the joint owner may not have sufficient resources to exercise such right of first refusal.

AmREIT also may participate with other investors, including, possibly investment programs or other entities affiliated with management, in investments as tenants-in-common or in some other joint venture arrangement. The risks of such joint ownership may be similar to those mentioned above for joint ventures and, in the case of a tenancy-in-common, each co-tenant normally has the right, if an unresolvable dispute arises, to seek partition of the property, which partition might decrease the value of each portion of the divided property.

OUR PROPERTIES MAY BE SUBJECT TO ENVIRONMENTAL LIABILITIES.

Under various federal and state environmental laws and regulations, as an owner or operator of real estate, we may be required to investigate and clean up certain hazardous or toxic substances, asbestos-containing materials, or petroleum product releases at our properties. We may also be held liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by those parties in connection with the contamination. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs it incurs in connection with the contamination. The presence of contamination or the failure to remediate contaminations at any of our properties may adversely affect our ability to sell or lease the properties or to borrow using the properties as collateral. We could also be liable under common law to third parties for damages and injuries resulting from environmental contamination coming from our properties.

All of our properties will be acquired subject to satisfactory Phase I environmental assessments, which generally involve the inspection of site conditions without invasive testing such as sampling or analysis of soil, groundwater or other media or conditions; or satisfactory Phase II environmental assessments, which generally involve the testing of soil, groundwater or other media and conditions. Our board of trust managers may determine that we will acquire a property in which a Phase I or Phase II environmental assessment indicates that a problem exists and has not been resolved at the time the property is acquired, provided that (A) the seller has (1) agreed in writing to indemnify us and/or (2) established in escrow case funds equal to a predetermined amount greater than the estimated costs to remediate the problem; or (B) we have negotiated other comparable arrangements, including, without limitation, a reduction in the purchase price. We cannot be sure, however, that any seller will be able to pay under an indemnity we obtain or that the amount in escrow will be sufficient to pay all remediation costs. Further, we cannot be sure that all environmental liabilities have been identified or that no prior owner, operator or current occupant has created an environmental condition not known to us. Moreover, we cannot be sure that (1) future laws, ordinances or regulations will not impose any material environmental liability or (2) the current environmental condition of our properties will not be affected by tenants and occupants of the properties, by the condition of land or operations in the vicinity of the properties (such as the presence of underground storage tanks), or by third parties unrelated to us. Environmental liabilities that we may incur could have an adverse effect on our financial condition or results of operations.

ANTICIPATED BORROWING CREATES RISKS.

We may borrow money to acquire assets, to preserve our status as a REIT or for other corporate purposes. We may mortgage or put a lien on one or more of our assets in connection with any borrowing. We currently have a revolving line of credit in an aggregate amount of up to $20 million to provide financing for the acquisition of assets, of which approximately $14.1 million was outstanding as of March 31, 2003. We may repay the line of credit using equity offering proceeds, including proceeds from this offering, working capital, permanent financings or proceeds from the sale of assets. We may also obtain additional long-term, permanent financing. We anticipate that our debt obligations generally will not exceed 55% of our gross asset value. Borrowing may be risky if the cash flow from our real estate and other investments is insufficient to meet our debt obligations. In addition, our lenders may seek to impose restrictions on future borrowings, distributions and operating policies. If we mortgage or pledge assets as collateral and we cannot meet our debt obligations, the lender could take the collateral, and we would lose both the asset and the income we were deriving from it.

WE MAY NOT HAVE ADEQUATE INSURANCE

An uninsured loss or a loss in excess of insured limits could have a material adverse impact on our operating results and cash flows and returns to the shareholders could be reduced. Certain types of losses, such as from terrorist attacks, however, may be either uninsurable, too difficult to obtain or too expensive to justify insuring against. Furthermore, an insurance provider could elect to deny or limit coverage under a claim. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. Therefore, if we, as landlord, incur any liability which is not fully covered by insurance, we would be liable for the uninsured amounts, cash available for distributions to shareholders may be reduced and the value of our assets may decrease significantly. In addition, in such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property.

AMREIT'S PROPERTIES MAY NOT BE PROFITABLE, MAY NOT RESULT IN DISTRIBUTIONS AND/OR MAY DEPRECIATE.

While AmREIT will attempt to buy leased, income-producing properties at a price at or below the appraised value of such properties, properties acquired by AmREIT:

- may not operate at a profit,

- may not perform to AmREIT's expectations,

- may not appreciate in value,
- may depreciate in value,
- may not ever be sold at a profit and
- may result in the loss of a portion of AmREIT's investment.

The marketability and value of any properties will depend upon many factors beyond AmREIT's control. A ready market for AmREIT's properties may not exist or develop.

AMREIT MAY PROVIDE FINANCING TO PURCHASERS OF PROPERTIES.

AmREIT may provide purchaser financing which would delay receipt of the proceeds from the property sale. AmREIT may provide this financing where lenders are not willing to make loans secured by commercial real estate or where a purchaser is willing to pay a higher price for the property than it would without this financing.

In those circumstances, AmREIT will be subject to risks inherent in the business of lending, such as the risk of default of the borrower or bankruptcy of the borrower. Upon a default by a borrower, AmREIT may not be able to sell the property securing a mortgage loan at a price that would enable it to recover the balance of a defaulted mortgage loan. In addition, the mortgage loans could be subject to regulation by federal, state and local authorities which could interfere with AmREIT's administration of the mortgage loans and any collections upon a borrower's default. AmREIT will also be subject to interest rate risk that is associated with the business of making mortgage loans. Since AmREIT's primary source of financing its mortgage loans is expected to be through variable rate loans, any increase in interest rates will also increase AmREIT's borrowing costs. In addition, any interest rate increases after a loan's origination could also adversely affect the value of the loans when securitized.

AMREIT MAY ENGAGE IN SALE-LEASEBACK TRANSACTIONS.

AmREIT, on occasion, may lease an investment property back to the seller. When the seller/lessee leases space to tenants, the seller/lessee may be unable to meet its rental obligations to AmREIT if the tenants are unable to meet their lease payments to the seller/lessee. A default by the seller/lessee or other premature termination of the leaseback agreement could have an adverse effect on AmREIT's financial position. In the event of a default or termination, AmREIT may not be able to find new tenants without incurring a loss.

Additionally, a seller may attempt to include in the acquisition price all or some portion of the lease payments. If the seller is successful, AmREIT may pay a premium upon acquisition where a leaseback is involved.

AMREIT MUST COMPETE FOR ACCEPTABLE INVESTMENTS.

AmREIT's operating results will depend upon the availability of suitable investment opportunities, which in turn depends on the type of investment involved, the condition of the money markets, the nature and geographical location of the property, competition and other factors, none of which can be predicted with certainty. AmREIT will continue to compete for acceptable investments with other financial institutions, including insurance companies, pension funds and other institutions, real estate investment trusts and limited partnerships which have investment objectives similar to those of AmREIT. Many of these competitors may have greater resources than AmREIT.

AMREIT MAY BE UNABLE TO RENEW LEASES OR RELET SPACES.

AmREIT's property leases might not be renewed, the space might not be relet or the terms of renewal or reletting may be less favorable than current lease terms. AmREIT's cash flow and ability to make expected distributions to its shareholders may be adversely affected if: (1) it is unable to promptly relet or renew the leases, (2) the rental rate upon renewal or reletting is significantly lower than expected or (3) its reserves proved inadequate.

AMREIT'S PROPERTIES FACE COMPETING PROPERTIES.

All of AmREIT's properties are located in areas that include competing properties. The number of competitive properties could have a material adverse effect on both AmREIT's ability to lease space and the rents charged. AmREIT may be competing with other property owners that have greater resources. There is no dominant competitor in any of AmREIT's markets.

THE INABILITY OF A TENANT TO MAKE LEASE AND MORTGAGE PAYMENTS COULD HAVE AN ADVERSE EFFECT ON AMREIT.

AmREIT's business depends on the tenants' ability to pay their obligations to AmREIT with respect to AmREIT's real estate leases.The ability of the tenants to pay their obligations to AmREIT in a timely manner will depend on a number of factors, including the successful operation of their businesses. Various factors, many of which are beyond the control of any business, may adversely affect the economic viability of AmREIT's tenants, including but not limited to:

- national, regional and local economic conditions (which may be adversely affected by industry slowdowns, employer relocations, prevailing employment conditions and other factors), which may reduce consumer demand for the products offered by AmREIT's tenants;

- local real estate conditions;

- changes or weaknesses in specific industry segments;

- perceptions by prospective customers of the safety, convenience, services and attractiveness of AmREIT's tenants;

- changes in demographics, consumer tastes and traffic patterns;
- the ability to obtain and retain capable management;
- changes in laws, building codes, similar ordinances and other legal requirements, including laws increasing the potential liability for environmental conditions existing on properties;
- increases in operating expenses; and
- increases in minimum wages, taxes (including income, service, real estate and other taxes) or mandatory employee benefits.

AMREIT HAS PROPERTIES SPECIFICALLY SUITED TO FEW TENANTS.

AmREIT may acquire properties specifically suited to particular tenant needs, including retail or commercial facilities. The value of these properties would be adversely affected by the specific tenant's failure to renew or honor its lease. These properties would typically require extensive renovations to adapt them for new uses by new tenants. Also, AmREIT may experience difficulty selling special purpose properties to persons other than the tenant.

WE DO NOT HAVE CONTROL OVER MARKET AND BUSINESS CONDITIONS.

Changes in general or local economic or market conditions, such as increased costs of operations, cost of development, increased costs of insurance, increased costs of shortage in labor, competitive factors, quality of management, turnover in management, changing consumer habits, changing demographics, changing traffic patterns, environmental changes, regulatory changes and other factors beyond our control may reduce the value of properties that we currently own or those that we acquire in the future, the ability of tenants to pay rent on a timely basis, and therefore, the amount of dividends that we are able to pay to shareholders.

WE WILL HAVE NO ECONOMIC INTEREST IN GROUND LEASED PROPERTIES.

We currently own properties, and may acquire additional properties, in which we own only the leasehold interest, and do not own or control the underlying land. With respect to these ground leased properties, AmREIT will have no economic interest in the land at the expiration of the lease, and therefore may lose the right to the use of the properties at the end of the ground lease.

RISKS ASSOCIATED WITH FEDERAL INCOME TAXATION OF AMREIT

AMREIT'S FAILURE TO QUALIFY AS A REIT FOR TAX PURPOSES WOULD RESULT IN AMREIT'S TAXATION AS A CORPORATION AND THE REDUCTION OF FUNDS AVAILABLE FOR SHAREHOLDER DISTRIBUTION.

Although AmREIT's management believes that it is organized and is operating so as to qualify as a REIT, AmREIT may not be able to continue to remain so qualified. In addition REIT qualification tax laws may change. AmREIT is not aware, however, of any currently pending tax legislation that would adversely affect its ability to continue to qualify as a REIT.

For any taxable year that AmREIT fails to qualify as a REIT, it will be subject to federal income tax on its taxable income at corporate rates. In addition, unless entitled to relief under certain statutory provisions, AmREIT also will be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. This treatment would reduce the net earnings available for investment or distribution to shareholders because of the additional tax liability to AmREIT for the year or years involved. In addition, distributions no longer would qualify for the dividends paid deduction nor would there be any requirement that such distributions be made. To the extent that distributions to shareholders would have been made in anticipation of AmREIT qualifying as a REIT, AmREIT might be required to borrow funds or to liquidate certain of its investments to pay the applicable tax.

AMREIT MAY BE LIABLE FOR PROHIBITED TRANSACTION TAX AND/OR PENALTIES.

A violation of the REIT provisions, even where it does not cause failure to qualify as a REIT, may result in the imposition on AmREIT of substantial taxes, such as the 100% tax that applies to net income from a prohibited transaction if AmREIT is determined to be a dealer in real property. Because the question of whether that type of violation occurs may depend on the facts and circumstances underlying a given transaction, these violations could inadvertently occur. To reduce the possibility of an inadvertent violation, the trust managers intend to rely on the advice of legal counsel in situations where they perceive REIT provisions to be inconclusive or ambiguous.

CHANGES IN THE TAX LAW MAY ADVERSELY AFFECT AMREIT'S REIT STATUS.

The discussions of the federal income tax considerations are based on current tax laws. Changes in the tax laws, such as the proposed legislation under review by congress which may or may not have an impact on the taxability of corporate dividends, could result in tax treatment that differs materially and adversely from that described in this proxy statement.

INVESTMENT IN AMREIT MAY NOT BE SUITABLE UNDER ERISA AND IRA REQUIREMENTS.

Fiduciaries of a pension, profit sharing or other employee benefit plan subject to ERISA should consider whether the investment in AmREIT securities satisfies the ERISA diversification requirements of ERISA, whether the investment is prudent, whether the investment would be an improper delegation of responsibility for plan assets and whether such fiduciaries have authority to acquire such securities under the appropriate governing instrument and Title I of ERISA. Also, fiduciaries of an individual retirement account should consider that an IRA may only make investments that are authorized by the appropriate governing instrument.

SUITABILITY STANDARDS

An investment in AmREIT's class C common shares involves significant risks. Although the class C common shares are convertible into AmREIT class A common shares, subject to certain restrictions discussed herein, it may be difficult to resell the class C shares because no public market for the shares currently exists nor is one ever expected to develop. Investors who are able to sell their class C shares at all will likely be able to sell such shares only at a discount.

If the investor in AmREIT class C shares is an individual, including an individual beneficiary of a purchasing IRA, or if the investor is a fiduciary, such as a trustee of a trust or corporate pension or profit sharing plan, or other tax-exempt organization, or a custodian under a Uniform Gifts to Minors Act, that individual or fiduciary, as the case may be, must represent that he meets specific investment requirements. The requirements are set out in the Subscription Agreement attached as Exhibit __ to this prospectus, and include the following:

- that the individual, or, in the case of a fiduciary, that the fiduciary account or the donor who directly or indirectly supplies the funds to purchase the shares, has a minimum annual gross income of $45,000 and a net worth excluding home, furnishings and automobiles of not less than $45,000; or

- that the individual, or, in the case of a fiduciary, that the fiduciary account or the donor who directly or indirectly supplies the funds to purchase the shares, has a net worth excluding home, furnishings and automobiles of not less than $150,000.

Transferees will also be required to comply with applicable standards, except for transfers to family members and transfers made by gift, inheritance or divorce. In the case of purchases of shares by fiduciary accounts in California, the suitability standards must be met by the beneficiary of the account or, in those instances where the fiduciary directly or indirectly supplies the funds for the purchase of shares, by such fiduciary.

The minimum purchase is 500 shares ($5,000) for non-qualified accounts and 300 shares ($3,000) for qualified accounts, except in certain states as described below. You may not transfer less than the minimum required purchase or, except in very limited circumstances, transfer, fractionalize or subdivide the shares so as to retain less than such minimum number thereof. For purposes of satisfying the minimum investment requirement for retirement plans, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs, provided that they contribute in increments of at least $3,000. You should note, however, that an investment in AmREIT will not, in itself, create a retirement plan as defined in Section 401(a) of the Internal Revenue Code or an IRA as defined in Section 408(a) of the Internal Revenue Code for any investor and that, in order to create a retirement plan or an IRA, an investor must comply with all applicable provisions of the Internal Revenue Code.

We have listed the suitability standards in the following table for those states that have any requirements different from those set by AmREIT:

STATE	INCOME/NET WORTH REQUIREMENTS	MINIMUM PURCHASE	OT
Arizona	(1) Current annual gross income of $60,000 and net worth of $60,000, or (2) net worth of $225,000	500 shares ($ 5,000)	N/A
California	(1) Current annual gross income of $60,000, or (2) net worth of $225,000	500 shares ($ 5,000)	The fol be plac certifi unlawfu sale or securit interes receive therefo prior w the Com Corpora of the of Cali permitt Commiss
Florida	(1) Current annual gross income of $45,000 and net worth of $45,000, or (2) net worth of $150,000	500 shares ($ 5,000)	Shares reinves registe registr and suc purchas broker.
Iowa	(1) Current annual gross income of $45,000 and net worth of $45,000, or (2) net worth of $200,000	500 shares ($ 5,000)	Husband jointly separat minimum
Maine	(1) Current annual gross income of $50,000 and net worth of $50,000, or (2) net worth of $200,000	500 shares ($ 5,000)	Husband jointly separat minimum
Massachusetts	(1) Current annual gross income of $60,000 and net worth of $60,000, or (2) net worth of $225,000	500 shares ($ 5,000)	N/A
Michigan	(1) Current annual gross income of $45,000 and net worth of $45,000, or (2) net worth of $150,000	500 shares ($ 5,000)	Investo more th

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STATE	INCOME/NET WORTH REQUIREMENTS	MINIMUM PURCHASE	OT
Minnesota	(1) Current annual gross income of $45,000 and net worth of $45,000, or (2) net worth of $150,000	500 shares ($ 5,000); 250 shares ($ 2,500) for IRAs and qualified retirement plans	N/A
Mississippi	(1) Current annual gross income of $60,000 and net worth of $60,000, or (2) net worth of $225,000	500 shares ($ 5,000)	N/A
Missouri	(1) Current annual gross income of $60,000 and net worth of $60,000, or (2) net worth of $225,000	500 shares ($ 5,000)	Husband jointly separat minimum
Nebraska	(1) Current annual gross income of $60,000 and net worth of $60,000, or (2) net worth of $225,000	500 shares ($ 5,000) except for IRAs and qualified retirement plans	Investm shares reinves at leas made th broker.
New Hampshire	(1) Current annual gross income of $50,000 and net worth of $125,000, or (2) net worth of $250,000	500 shares ($ 5,000)	N/A
New York	(1) Current annual gross income of $50,000 and net worth of $50,000, or (2) net worth of $150,000	500 shares ($ 5,000) except for IRAs	No proc investo escrow raised
North Carolina	(1) Current annual gross income of $45,000 and net worth of $45,000, or (2) net worth of $150,000	500 shares ($ 5,000) except for IRAs	N/A
Ohio	(1) Current annual gross income of $45,000 and net	500 shares ($ 5,000) except for IRAs	Investo more th

	worth of $45,000, or (2) net worth of $150,000		
Oklahoma	(1) Current annual gross income of $45,000 and net worth of $45,000, or (2) net worth of $150,000	500 shares ($ 5,000)	Husband jointly separat minimum
Oregon	(1) Current annual gross income of $60,000 and net worth of $60,000, or (2) net worth of $225,000	500 shares ($ 5,000)	N/A

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STATE	INCOME/NET WORTH REQUIREMENTS	MINIMUM PURCHASE	OT
Pennsylvania	(1) Current annual gross income of $45,000 and net worth of $45,000, or (2) net worth of $150,000	500 shares ($ 5,000)	Investo worth o times a investm proceed proceed investo until $ from al proceed more th returne unless $2,500, reinves
South Carolina	(1) Net worth of $150,000, or (2) State and federal income subject to maximum rate of income tax	250 shares ($2,500) except IRAs and qualified retirement plans	N/A
South Dakota	(1) Current annual gross income of $60,000 and net worth of $60,000, or (2) net worth of $225,000	100 shares ($1,000)	N/A
Tennessee	(1) Current annual gross	100 shares ($1,000)	N/A

	income of $60,000 and net worth of $60,000, or (2) net worth of $225,000		
Texas	(1) Current annual gross income of $45,000 and net worth of $45,000, or (2) net worth of $150,000	100 shares ($1,000)	Investm reinves made th registe
Wisconsin	(1) Current annual gross income of $45,000 and net worth of $45,000, or (2) net worth of $150,000	100 shares ($1,000)	Husband jointly separat minimum

Net worth in all cases excludes home, furnishings and automobiles.

By executing the Subscription Agreement and Subscription Agreement Signature Page, which is attached as Exhibit __ to this prospectus, you represent that you meet the foregoing applicable suitability standards for the state in which you reside. We will not accept subscriptions from any person or entity that does not represent that it meets such standards. We have the unconditional right to accept or reject any subscription in whole or in part.

AmREIT and each person selling class C common shares on our behalf are required to:

- make reasonable efforts to assure that each person purchasing class C common shares is suitable in light of such person's age, educational level, knowledge of investments, financial means and other pertinent factors; and

- maintain records for at least six years of the information used to determine that an investment in class C common shares is suitable and appropriate for each investor.

The agreements with the selling broker-dealers require such broker-dealers to (1) make inquiries diligently as required by law of all prospective investors in order to ascertain whether a purchase of class C shares is suitable for the investor, and (2) transmit promptly to AmREIT all fully completed and duly executed Subscription Agreements.

BUSINESS AND PROPERTIES

GENERAL

AmREIT is a fully integrated real estate company dedicated to the ownership, development and acquisition of commercial real estate specializing in general retail, financial services and banking, medical and restaurant sectors, and is a sponsor of high quality real estate investment opportunities to the financial planning community. AmREIT, a Texas real estate investment trust, became the successor to Predecessor Corporation, in December 2002, through the merger of the Predecessor Corporation with AmREIT. The merger was structured to preserve unchanged the existing business, purpose, tax status, management, capitalization and assets, liabilities and net worth (other than due to the costs of the transaction) of the Predecessor Corporation, and the economic interests and voting rights of the shareholders of the Predecessor Corporation (who became the shareholders of AmREIT as a result of the merger). The board of trust managers and the executive officers of AmREIT are identical to, and have the same terms of office as, the board of directors and executive officers of the Predecessor Corporation. The term "AmREIT" includes, as the context requires, the Predecessor Corporation and the other subsidiaries of "AmREIT." AmREIT has outstanding approximately 2.9 million class A common shares, listed on the American Stock Exchange (AMEX:AMY), and approximately 2.4 million class B common shares, that are not listed on an exchange, which may be converted into class A common shares on a one-for-one basis at any time at the holder's option.

On July 23, 2002, the Predecessor Corporation successfully completed a merger with three of its affiliated partnerships, AAA Net Realty Fund IX, Ltd, AAA Net Realty Fund X, Ltd, and AAA Net Realty Fund XI, Ltd ("Funds IX, X and XI") and listed its class A common stock on the American Stock Exchange. The limited partners in Funds IX, X and XI received class B common stock of the Predecessor Corporation, which was not listed, had a preferred 8% distribution and was convertible one for one into the Class A common stock at the holder's option. Each share of the Predecessor Corporation's class A common stock and class B common stock was converted into one class A common share and class B common share, respectively, in the merger with AmREIT.

AmREIT and its predecessors have a proven track record over the past 18 years of completing over 200 transactions, including acquisitions, joint ventures, ground-up developments, sale/leaseback transactions and numerous dispositions. AmREIT and its management team have been active in the real estate markets and understand the dynamics of real estate transactions in these markets.

The Predecessor Corporation was formed in 1993 to continue and expand the business of its predecessor company, American Asset Advisers Trust, which was founded in 1985. We actively acquire, develop and manage high-quality commercial properties leased to creditworthy tenants under net-leases. Through a wholly owned subsidiary, we also provide advisory services to 14 real estate limited partnerships. As of July 31, 2003, AmREIT and its affiliated investment funds owned 63 properties (50 properties owned directly by AmREIT or a majority controlled subsidiary and 13 properties owned through affiliated investment funds). AmREIT currently has approximately 2,500 shareholders and 600 partners in the limited partnerships.

AmREIT is a synergistic combination of two complementary lines of business. For 18 years AmREIT (and its predecessors) has been an entrepreneurial real estate company and a sponsor of high quality real estate investment products. AmREIT's first line of business consists of the ownership of a quality portfolio of single tenant free standing credit tenant leased projects ("CTL") and multi-tenant frontage commercial projects ("FCP") located contiguous to major thoroughfares and traffic generators (real estate line of

business). Supporting this line of business is a wholly-owned subsidiary of AmREIT which is a full service operating company that provides a full range of real estate services, including development, construction management, property management, brokerage and leasing. AmREIT's real estate customer list includes some of the finest companies in the U.S.: Goodyear Tire, Washington Mutual, IHOP, McDonalds, Hermann Hospital, Radio Shack, Sprint, Coldwell Banker, Jack in the Box, Guaranty Federal, Bennigan's, Chili's, Texas Children's Hospital, Eckerd's and Discount Tire. AmREIT's second line of business consists of the sponsorship of high quality real estate investment products (sponsorship line of business) and is built upon an established track record and an outstanding group of selected financial planning and broker/dealer firms operating under licenses issued by the National Association of Securities Dealers, Inc. ("NASD").

AmREIT's real estate line of business includes a portfolio of freestanding CTL properties and FCP projects, primarily located at major intersections, lighted corners, primary interstates and roadways, and out in front of significant traffic generators such as a regional mall, super center or power center. This portfolio provides a stable base of rental income because the leases are normally guaranteed by creditworthy companies such as Radio Shack, Washington Mutual and IHOP which means that the monthly rent payments are supported by the financial strength and stability of the parent company, not just the individual location. It is our experience that CTL and FCP properties are among the most liquid type of commercial real estate because there is a deep and financially viable group of investors who desire this type of property and can afford to buy them. AmREIT has extensive experience in buying and selling these types of projects. This means AmREIT can frequently generate a substantial profit through the sale of the project which, in turn, can be reinvested in building AmREIT's lines of business or investing in new portfolio projects. In the sponsorship line of business, AmREIT sponsors investment funds that take advantage of the company's core competency. Capital is raised through the AmREIT's select group of financial planning and broker/dealer firms on an ongoing basis. These investment funds are the foundation of AmREIT's second line of business. As AmREIT invests this capital into its various real estate projects, it creates fees and "carried interests" for AmREIT and its shareholders. This line of business provides the proverbial "win-win" situation for the investors of these funds and for AmREIT. For the investors, they invest along side a stable, strong company that serves as the investment sponsor. The "win" for AmREIT is that it is able to leverage its relationships and core competency to generate fees and profits after certain investor performance hurdles to its investors have been met. AmREIT has raised capital consistently by sponsoring investment partnerships through the financial planning broker-dealer community since 1985. During this time period, AmREIT and its affiliates have raised approximately $70 million in equity to build, develop, or buy its real estate projects.

AmREIT's principal executive offices are located at 8 Greenway Plaza, Suite 824, Houston, Texas 77046, and its telephone number is (713) 850-1400.

PROPERTIES

DESCRIPTION. AmREIT currently own 50 properties consisting of single structure, single and multi-tenant retail properties. Each of AmREIT's properties is initially leased under a full-credit, long-term net lease, under which the tenant is responsible for the operating costs of the property, including taxes, insurance and maintenance costs. These 50 properties are leased to a total of 27 different tenants and are located in 20 states. AmREIT's properties contain an aggregate of approximately 380 thousand square feet of gross leaseable area. Information concerning the properties owned solely by AmREIT as of March 31, 2003, is presented in the following tables:

AMREIT WHOLLY-OWNED PROPERTY INFORMATION

PROPERTY (LOCATION)	DATE ACQUIRED	PURCHASE PRICE	LEASEABLE AREA	CURRENT ANNUAL RENT
Radio Shack (Dallas, Texas).........	06/15/94	$1,062,000	5,200	$108,900
Wherehouse Entertainment (Independence, MO)	11/14/94	1,550,000	14,047	187,655
Copperfield Medical Plaza (Houston, TX)	07/01/95	1,680,000	14,000	201,072
Wherehouse Entertainment (Wichita, KS)	09/12/95	1,700,000	15,158	206,833
FootStar, Inc. (Tucson, AZ)	09/11/96	3,351,000	19,550	419,026
Washington Mutual (The Woodlands, TX)	09/23/96	500,000	3,685	59,461
Washington Mutual (Houston, TX)	12/11/96	828,000	3,685	97,861
FootStar, Inc. (Baton Rouge, LA)	06/09/97	2,806,000	20,575	300,539
Hollywood Video (Lafayette, LA)	10/31/97	1,124,000	7,488	134,709
Hollywood Video (Ridgeland, MS)	12/30/97	1,208,000	7,488	138,453
OfficeMax (Dover, DE)	04/14/98	2,548,000	23,500	264,679
Woodlands Plaza (The Woodlands, TX).....	06/03/98	3,542,000	16,922	(1)
Sugar Land Plaza (Sugar Land, TX)	07/01/98	3,635,000	16,922	330,875
Dardin (Peachtree City, GA) ...	12/18/98	738,000	Land Lease	75,000
IHOP, Corp. (Sugarland, TX)	9/30/99	1,608,000	4,020	165,180
IHOP, Corp. (St. Peters, MO)	11/14/01	1,565,000	4,020	189,223

IHOP, Corp. (Topeka, KS)	9/30/99	1,335,000	4,020	137,340
Foodmaker (Dallas, TX)	7/23/02 (2)	715,100	2,238	68,998
Baptist Memorial Health (Memphis, TN)............	7/23/02 (2)	2,079,200	15,000	204,375
Payless Shoes (Austin, TX).............	7/23/02 (2)	698,300	4,000	82,000
Golden Corral (Houston, TX)............	7/23/02 (2)	1,811,800	12,000	182,994
Golden Corral (Houston, TX)............	7/23/02 (2)	1,843,400	12,000	181,688