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BNP RESIDENTIAL PROPERTIES INC

Form 8-K/A

June 13, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A
Amendment #1

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported) March 31, 2005

BNP RESIDENTIAL PROPERTIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland 1-9496 56-1574675

(State or Other Jurisdiction (Commission File Number) (I.R.S. Employer
of Incorporation) Identification No.)

301 S. College Street, Suite 3850
Charlotte, North Carolina 28202

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (704) 944-0100

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to
simultaneously satisfy the filing obligation of the registrant under any of the
following provisions (see General Instruction A.2. below):

- ___ Written communications pursuant to Rule 425 under the Securities
Act (17 CFR 230.425)
- ___ Soliciting material pursuant to Rule 14a-12 under the Exchange
Act (17 CFR 240.14a-12)
- ___ Pre-commencement communications pursuant to Rule 14d-2(b) under the
Exchange Act (17 CFR 240.14d-2(b))
- ___ Pre-commencement communications pursuant to Rule 13e-4(c) under the
Exchange Act (17 CFR 240.13e-4(c))

Total number of pages: 35

BNP Residential Properties, Inc. hereby amends its Current Report on

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Form 8-K dated March 31, 2005, and filed April 5, 2005, to provide required financial statements and pro forma financial information.

Item 2.01 Completion of Acquisition of Assets

Acquisition of Shugart properties effective March 31, 2005

Effective March 31, 2005, BNP Residential Properties, Inc. completed the acquisition of a portfolio of four apartment properties pursuant to exchange agreements entered into in December 2004. We initially reported completion of this acquisition in our Current Report on Form 8-K dated March 31, 2005 and filed April 5, 2005. We had previously reported entry into these agreements in our Current Report on Form 8-K dated December 7, 2004.

Each selling entity is an affiliate of Grover F. Shugart, Jr. and/or Brian D. Shugart, and we refer to the apartment properties collectively as the "Shugart properties." Prior to the acquisition, BNP provided third-party management services for these properties.

The four apartment properties are as follows:

- o Canterbury Apartments, located in Myrtle Beach, South Carolina - 630 apartment units;
- o Laurel Springs - Phase I Apartments, located in High Point, North Carolina - 240 apartment units;
- o Laurel Springs - Phase II Apartments, located in High Point, North Carolina - 96 apartment units; and
- o Salem Ridge Apartments, located in Winston-Salem, North Carolina - 120 apartment units.

We will operate Laurel Springs and Laurel Springs II Apartments as one community.

We acquired the apartment properties for an aggregate contract price of \$51.8 million, including issuance of 689,947 units in our operating partnership valued at \$9.3 million and assumption of \$42.8 million in debt. We also received approximately \$0.3 million in net operating assets, composed primarily of escrow funds held by lenders.

The preliminary allocation of the purchase price includes the following significant components (all amounts in thousands):

| Property | Contract Price of Real Estate Assets | Debt Assumed | Valu Opera Partnersh |
|------------------------------|---|--------------|----------------------------|
| Canterbury Apartments | \$ 25,750 | \$ 22,992 | \$ 3 |
| Laurel Springs Apartments | 14,610 | 11,320 | 3 |
| Laurel Springs II Apartments | 7,090 | 5,850 | 1 |
| Salem Ridge Apartments | 4,360 | 2,610 | 1 |
| | ----- | ----- | ----- |
| | \$ 51,810 | \$ 42,772 | \$ 9 |
| | ===== | ===== | ===== |

We issued 615,873 operating partnership units to the selling entities

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on March 31, 2005, subject to final settlement amounts for net operating assets in June 2005. We will issue the remaining 74,074 operating partnership units on March 31, 2006.

We included these assets and liabilities in our consolidated balance sheet included in our Current Report on Form 10-Q for the quarter ended March 31, 2005.

We have included statements of revenues and certain operating expenses for these properties, for the year ended December 31, 2004, and for the period January 1 through March 30, 2005, in this Current Report on Form 8-K/A, Amendment #1.

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Item 8.01 Other Events

Additional apartment property acquisitions subsequent to March 31, 2005

Subsequent to our acquisition of the Shugart properties, we acquired, in two separate transactions, two apartment properties located in the Charleston, South Carolina area:

o Waverly Place Apartments, located in North Charleston, South Carolina, effective April 21, 2005 - 240 units; and

o Paces Watch Apartments, located in Mount Pleasant, South Carolina, effective May 12, 2005 - 232 units.

Both of these transactions were cash purchases, which we funded primarily through issuance of mortgage notes payable and draws on an existing line of credit totaling \$7.8 million, as follows (all amounts in thousands):

| Property | Contract Price of Real Estate Assets | Mortgage Payable I |
|--------------------------|--------------------------------------|--------------------|
| Waverly Place Apartments | \$ 13,100 | \$ 10, |
| Paces Watch Apartments | 20,450 | 14, |

In conjunction with the issuance of these notes payable, we paid and recorded deferred loan costs totaling \$160,000.

We have included statements of revenue and certain operating expenses for Paces Watch Apartments for the year ended December 31, 2004, and for the three months ended March 31, 2005, in this Current Report on Form 8-K/A, Amendment #1.

Consolidation of limited partnerships effective January 2005

Effective January 26, 2005, we acquired Boddie Investment Company ("BIC") in exchange for shares of our common stock valued at \$8.2 million. As a result of this acquisition, in addition to other significant assets, we acquired certain economic interests in three limited partnerships. We described this acquisition in detail, along with detailed discussion of our accounting

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treatment for each of the limited partnerships, in our Current Report on Form 10-Q for the quarterly period ended March 31, 2005.

As a result of the BIC acquisition, we include the accounts of the Marina Shores Associates One Limited Partnership ("Marina Shores Partnership") and The Villages of Chapel Hill Limited Partnership ("Villages Partnership") in our consolidated financial statements effective January 26, 2005. Each of these partnerships owns and operates an apartment property:

- o Marina Shores Apartments, located in Virginia Beach, Virginia - 392 units - we own a 50% general partner interest; and
- o The Villages of Chapel Hill Apartments, located in Carrboro, North Carolina - 264 units - we own a 1% general partner interest.

We included the assets and liabilities of these partnerships and their respective apartment properties in our consolidated balance sheet included in our Current Report on Form 10-Q for the quarter ended March 31, 2005. Significant components of these balances, as reflected in our consolidated balance sheet as of March 31, 2005, were as follows (all amounts in thousands):

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| Property | Real Estate Investments, net of Depreciation | Deed of Notes Pa |
|--|--|---------------------|
| Marina Shores Apartments | \$ 26,074 | \$ 33, |
| The Villages of Chapel Hill Apartments | 14,063 | 12, |

We have included statements of revenue and certain operating expenses for these properties for the years ended December 31, 2004, 2003, and 2002, and for the period January 1 through January 25, 2005, in this Current Report on Form 8-K/A, Amendment #1.

Item 9.01 Financial Statements and Exhibits

- (a) Financial statements of businesses acquired. The following financial statements are included in this Amendment to Current Report on Form 8-K/A at the pages listed, and are filed herewith and incorporated herein by reference:

| Page | |
|------|--|
| 7 | Canterbury Apartments Statements of Revenue and Certain Operating Expenses for the year ended December 31, 2004, and for the period January 1 through March 30, 2005 (unaudited) |
| 10 | Laurel Springs Apartments Statements of Revenue and Certain Operating Expenses for the year ended December 31, 2004, and for the period January 1 through March 30, 2005 (unaudited) |
| 13 | Laurel Springs II Apartments Statements of Revenue and |

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Certain Operating Expenses for the year ended December 31, 2004, and for the period January 1 through March 30, 2005 (unaudited)

16 Salem Ridge Apartments Statements of Revenue and Certain Operating Expenses for the year ended December 31, 2004, and for the period January 1 through March 30, 2005 (unaudited)

19 Paces Watch Apartments Statements of Revenue and Certain Operating Expenses for the year ended December 31, 2004, and for the three months ended March 31, 2005 (unaudited)

22 Marina Shores Apartments Statements of Revenue and Certain Operating Expenses for the year ended December 31, 2004, 2003 and 2002, and for the period January 1 through January 25, 2005 (unaudited)

25 The Villages of Chapel Hill Apartments Statements of Revenue and Certain Operating Expenses for the year ended December 31, 2004, 2003 and 2002, and for the period January 1 through January 25, 2005 (unaudited)

(b) Pro forma financial information The following pro forma financial information is included in this Amendment to Current Report on Form 8-K/A at the pages listed, and is filed herewith and incorporated herein by reference:

Page

28 Introduction to Unaudited Pro Forma Financial Statements

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29 BNP Residential Properties, Inc., Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2005

30 BNP Residential Properties, Inc., Unaudited Pro Forma Condensed Consolidated Statement of Operations for the three months ended March 31, 2005

31 BNP Residential Properties, Inc., Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2004

32 BNP Residential Properties, Inc., Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

(c) Exhibits.

No.

23.1 Consent of Sharrard, McGee & Co., P.A.
23.2 Consent of Reznick Fedder & Silverman
23.3 Consent of Ernst & Young LLP

SIGNATURES

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

BNP Residential Properties, Inc.
(Registrant)

June 10, 2005

/s/ Pamela B. Bruno

Pamela B. Bruno
Vice President, Treasurer and
Chief Accounting Officer

Report of Independent Auditors

Board of Directors and Stockholders
BNP Residential Properties, Inc.

We have audited the accompanying statement of revenue and certain operating expenses of Canterbury Apartments for the year ended December 31, 2004. This statement is the responsibility of Canterbury Apartments' management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Apartments' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1, and is not intended to be a complete presentation of Canterbury Apartments' revenues and expenses.

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In our opinion, the statement of revenue and certain operating expenses referred to above presents fairly, in all material respects, the revenue and certain operating expenses described in Note 1 for Canterbury Apartments for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/ Sharrard, McGee & Co., P.A.

Greensboro, North Carolina
May 18, 2005

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Canterbury Apartments Statements of Revenue and Certain Operating Expenses

| | January 1 through March 30, 2005 | Year ended December 31, 2004 |
|---|---|------------------------------------|
| | ----- | ----- |
| | (Unaudited) | |
| Rental income | \$ 1,092,615 | \$ 4,067,519 |
| Certain operating expenses: | | |
| Property operations expense | 336,622 | 1,312,711 |
| Property insurance | 59,973 | 254,341 |
| Property taxes | 58,209 | 211,215 |
| | ----- | ----- |
| | 454,804 | 1,778,267 |
| | ----- | ----- |
| Revenue in excess of certain operating expenses | \$ 637,811 | \$ 2,289,252 |
| | ===== | ===== |

See accompanying notes.

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Canterbury Apartments Notes to Statements of Revenue and Certain Operating Expenses For the year ended December 31, 2004 and For the period January 1 through March 30, 2005 (Unaudited)

1. Summary of Significant Accounting Policies

Basis of presentation

These statements of revenue and certain operating expenses reflect the operations of an apartment property located in Myrtle Beach, South Carolina. Canterbury Apartments is not a legal entity; it is an apartment property

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acquired by BNP Residential Properties, Inc. in March, 2005. The 630-unit apartment property was built in 1997-1999.

We prepared these statements in accordance with Rule 3-14 of Regulation S-X. Accordingly, these statements exclude items such as interest, depreciation and amortization, and general and administrative expenses that are not comparable to the anticipated future on-site operations of the apartment property.

Revenue recognition

Canterbury Apartments leased its residential apartments under operating leases with monthly payments due in advance. The majority of the apartment leases were for terms of one year or less. Rental and other revenues were recorded as earned.

Advertising expense

Canterbury Apartments charged advertising costs to property operations expense as incurred. Advertising expense included in property operations expense totaled approximately \$21,000 for the year ended December 31, 2004 and approximately \$4,000 for the interim period in 2005.

Use of estimates

We are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes in order to prepare them in accordance with generally accepted accounting principles. Actual results could differ from those amounts.

Interim financial data

The unaudited financial statements for the period January 1 through March 30, 2005, include all adjustments that are, in management's opinion, necessary for a fair presentation of the revenues and certain operating expenses for this interim period. Operating results for the period January 1 through March 30, 2005, are not necessarily indicative of the results to be expected for the entire year ending December 31, 2005.

2. Environmental matters

Canterbury Apartments has been subjected to Phase I environmental reviews. These reviews did not reveal, nor is management aware of, any environmental liability that management believes would have a material adverse effect on the accompanying financial statements.

Report of Independent Auditors

Board of Directors and Stockholders
BNP Residential Properties, Inc.

We have audited the accompanying statement of revenue and certain operating expenses of Laurel Springs Apartments for the year ended December 31, 2004. This statement is the responsibility of Laurel Springs Apartments' management. Our responsibility is to express an opinion on this statement based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Apartments' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1, and is not intended to be a complete presentation of Laurel Springs Apartments' revenues and expenses.

In our opinion, the statement of revenue and certain operating expenses referred to above presents fairly, in all material respects, the revenue and certain operating expenses described in Note 1 for Laurel Springs Apartments for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/ Sharrard, McGee & Co., P.A.

Greensboro, North Carolina
May 18, 2005

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Laurel Springs Apartments Statements of Revenue and Certain Operating Expenses

| | January 1 through March 30, 2005 | Year ended December 31, 2004 |
|---|---|------------------------------------|
| | ----- | ----- |
| | (Unaudited) | |
| Rental income | \$433,253 | \$1,695,063 |
| Certain operating expenses: | | |
| Property operations expense | 141,213 | 459,308 |
| Property insurance | 6,310 | 25,131 |
| Property taxes | 33,045 | 123,009 |
| | ----- | ----- |
| | 180,568 | 607,448 |
| | ----- | ----- |
| Revenue in excess of certain operating expenses | \$252,685 | \$1,087,615 |
| | ===== | ===== |

See accompanying notes.

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Laurel Springs Apartments

Notes to Statements of Revenue and Certain Operating Expenses

For the year ended December 31, 2004 and

For the period January 1 through March 30, 2005 (Unaudited)

1. Summary of Significant Accounting Policies

Basis of presentation

These statements of revenue and certain operating expenses reflect the operations of an apartment property located in High Point, North Carolina. Laurel Springs Apartments is not a legal entity; it is an apartment property acquired by BNP Residential Properties, Inc. in March, 2005. The 240-unit apartment property was built in 2002.

We prepared these statements in accordance with Rule 3-14 of Regulation S-X. Accordingly, these statements exclude items such as interest, depreciation and amortization, and general and administrative expenses that are not comparable to the anticipated future on-site operations of the apartment property.

Revenue recognition

Laurel Springs Apartments leased its residential apartments under operating leases with monthly payments due in advance. The majority of the apartment leases were for terms of one year or less. Rental and other revenues were recorded as earned.

Advertising expense

Laurel Springs Apartments charged advertising costs to property operations expense as incurred. Advertising expense included in property operations expense totaled approximately \$21,000 for the year ended December 31, 2004 and approximately \$5,000 for the interim period in 2005.

Use of estimates

We are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes in order to prepare them in accordance with generally accepted accounting principles. Actual results could differ from those amounts.

Interim financial data

The unaudited financial statements for the period January 1 through March 30, 2005, include all adjustments that are, in management's opinion, necessary for a fair presentation of the revenues and certain operating expenses for this interim period. Operating results for the period January 1 through March 30, 2005, are not necessarily indicative of the results to be expected for the entire year ending December 31, 2005.

2.Environmental matters

Laurel Springs Apartments has been subjected to Phase I environmental reviews. These reviews did not reveal, nor is management aware of, any environmental liability that management believes would have a material adverse effect on the accompanying financial statements.

Report of Independent Auditors

Board of Directors and Stockholders
BNP Residential Properties, Inc.

We have audited the accompanying statement of revenue and certain operating expenses of Laurel Springs, II Apartments for the year ended December 31, 2004. This statement is the responsibility of Laurel Springs, II Apartments' management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Apartments' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1, and is not intended to be a complete presentation of Laurel Springs, II Apartments' revenues and expenses.

In our opinion, the statement of revenue and certain operating expenses referred to above presents fairly, in all material respects, the revenue and certain operating expenses described in Note 1 for Laurel Springs, II Apartments for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/ Sharrard, McGee & Co., P.A.

Greensboro, North Carolina
May 18, 2005

Laurel Springs II Apartments
Statements of Revenue and Certain Operating Expenses

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| | January 1 through March 30, 2005 | Year ended December 31, 2004 |
|---|---|------------------------------------|
| | ----- | |
| | (Unaudited) | |
| Rental income | \$208,012 | \$448,375 |
| Certain operating expenses: | | |
| Property operations expense | 65,225 | 186,291 |
| Property insurance | 5,510 | 6,617 |
| Property taxes | 16,361 | 64,406 |
| | ----- | ----- |
| | 87,096 | 257,314 |
| | ----- | ----- |
| Revenue in excess of certain operating expenses | \$120,916 | \$ 191,061 |
| | ===== | ===== |

See accompanying notes.

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Laurel Springs II Apartments

Notes to Statements of Revenue and Certain Operating Expenses

For the year ended December 31, 2004 and

For the period January 1 through March 30, 2005 (Unaudited)

1. Summary of Significant Accounting Policies

Basis of presentation

These statements of revenue and certain operating expenses reflect the operations of an apartment property located in High Point, North Carolina. Laurel Springs II Apartments is not a legal entity; it is an apartment property acquired by BNP Residential Properties, Inc. in March, 2005. Laurel Springs II Apartments is adjacent to and shares common areas and resident amenities with Laurel Springs Apartments. Construction of the 96-unit apartment property was completed in April 2004, and the property was in the initial lease-up stage throughout most of 2004.

We prepared these statements in accordance with Rule 3-14 of Regulation S-X. Accordingly, these statements exclude items such as interest, depreciation and amortization, and general and administrative expenses that are not comparable to the anticipated future on-site operations of the apartment property.

Revenue recognition

Laurel Springs II Apartments leased its residential apartments under operating leases with monthly payments due in advance. The majority of the apartment leases were for terms of one year or less. Rental and other revenues were recorded as earned.

Advertising expense

Laurel Springs II Apartments charged advertising costs to property operations expense as incurred. Advertising expense included in property operations expense totaled approximately \$12,000 for the year ended December 31, 2004 and approximately \$2,600 for the interim period in 2005.

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Use of estimates

We are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes in order to prepare them in accordance with generally accepted accounting principles. Actual results could differ from those amounts.

Interim financial data

The unaudited financial statements for the period January 1 through March 30, 2005, include all adjustments that are, in management's opinion, necessary for a fair presentation of the revenues and certain operating expenses for this interim period. Operating results for the period January 1 through March 30, 2005, are not necessarily indicative of the results to be expected for the entire year ending December 31, 2005.

2. Environmental matters

Laurel Springs II Apartments has been subjected to Phase I environmental reviews. These reviews did not reveal, nor is management aware of, any environmental liability that management believes would have a material adverse effect on the accompanying financial statements.

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Report of Independent Auditors

Board of Directors and Stockholders
BNP Residential Properties, Inc.

We have audited the accompanying statement of revenue and certain operating expenses of Salem Ridge Apartments for the year ended December 31, 2004. This statement is the responsibility of Salem Ridge Apartments' management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Apartments' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenue and certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1, and is not intended to be a complete presentation of Salem Ridge Apartments' revenues and expenses.

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In our opinion, the statement of revenue and certain operating expenses referred to above presents fairly, in all material respects, the revenue and certain operating expenses described in Note 1 for Salem Ridge Apartments for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/ Sharrard, McGee & Co., P.A.

Greensboro, North Carolina
May 18, 2005

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Salem Ridge Apartments Statements of Revenue and Certain Operating Expenses

| | January 1 through March 30, 2005 | Year ended December 31, 2004 |
|---|---|------------------------------------|
| | ----- | ----- |
| | (Unaudited) | |
| Rental income | \$ 187,948 | \$ 725,184 |
| Certain operating expenses: | | |
| Property operations expense | 78,226 | 307,132 |
| Property insurance | 2,227 | 8,573 |
| Property taxes | 12,379 | 50,769 |
| | ----- | ----- |
| | 92,832 | 366,474 |
| | ----- | ----- |
| Revenue in excess of certain operating expenses | \$ 95,116 | \$ 358,710 |
| | ===== | ===== |

See accompanying notes.

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Salem Ridge Apartments Notes to Statements of Revenue and Certain Operating Expenses For the year ended December 31, 2004 and For the period January 1 through March 30, 2005 (Unaudited)

1. Summary of Significant Accounting Policies

Basis of presentation

These statements of revenue and certain operating expenses reflect the operations of an apartment property located in Winston-Salem, North Carolina. Salem Ridge Apartments is not a legal entity; it is an apartment property

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acquired by BNP Residential Properties, Inc. in March, 2005. The 120-unit apartment property was built in 1984.

We prepared these statements in accordance with Rule 3-14 of Regulation S-X. Accordingly, these statements exclude items such as interest, depreciation and amortization, and general and administrative expenses that are not comparable to the anticipated future on-site operations of the apartment property.

Revenue recognition

Salem Ridge Apartments leased its residential apartments under operating leases with monthly payments due in advance. The majority of the apartment leases were for terms of one year or less. Rental and other revenues were recorded as earned.

Advertising expense

Salem Ridge Apartments charged advertising costs to property operations expense as incurred. Advertising expense included in property operations expense totaled approximately \$17,000 for the year ended December 31, 2004 and approximately \$3,500 for the interim period in 2005.

Use of estimates

We are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes in order to prepare them in accordance with generally accepted accounting principles. Actual results could differ from those amounts.

Interim financial data

The unaudited financial statements for the period January 1 through March 30, 2005, include all adjustments that are, in management's opinion, necessary for a fair presentation of the revenues and certain operating expenses for this interim period. Operating results for the period January 1 through March 30, 2005, are not necessarily indicative of the results to be expected for the entire year ending December 31, 2005.

2. Environmental matters

Management is not aware of any environmental liability that would have a material adverse effect on the accompanying financial statements.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
BNP Residential Properties, Inc.

We have audited the accompanying Statements of Revenue and Certain Operating Expenses ("Statements") of Paces Watch Apartments (the "Community") for the year ended December 31, 2004. These statements are the responsibility of the management of BNP Residential Properties, Inc. Our responsibility is to express an opinion on the Statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Account Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of

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the Statements. We believe that our audit provides a reasonable basis for our opinion.

The accompany Statements were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion in Form 8-K for BNP Residential Properties, Inc.) as described in Note A. This presentation is not intended to be a complete presentation of the Community's revenue and expenses.

In our opinion, the Statements referred to above present fairly, in all material respects, the revenue and certain expenses described in Note A of the Community for the year ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ Reznick Fedder & Silverman

Charlotte, North Carolina
June 8, 2005

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Paces Watch Apartments
Statements of Revenue and Certain Operating Expenses

| | Three months ended March 31, 2005 | Year ended December 31, 2004 |
|---|--|------------------------------------|
| | ----- | ----- |
| | (Unaudited) | |
| Rental income | \$ 521,489 | \$ 2,027,565 |
| Certain operating expenses: | | |
| Property operations expense | 112,101 | 523,748 |
| Property insurance | 15,301 | 61,205 |
| Property taxes | 39,918 | 158,845 |
| | ----- | ----- |
| | 167,320 | 743,798 |
| | ----- | ----- |
| Revenue in excess of certain operating expenses | \$ 354,169 | \$ 1,283,767 |
| | ===== | ===== |

See accompanying notes.

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Paces Watch Apartments
Notes to Statements of Revenue and Certain Operating Expenses
For the year ended December 31, 2004 and
For the three months ended March 31, 2005 (Unaudited)

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A. Summary of Significant Accounting Policies

Basis of presentation

These statements of revenue and certain operating expenses reflect the operations of an apartment property located in Charleston, South Carolina. Paces Watch Apartments is not a legal entity; it is an apartment property acquired by BNP Residential Properties, Inc. in May, 2005. The 232-unit apartment property was built in 1987.

We prepared these statements in accordance with Rule 3-14 of Regulation S-X. Accordingly, these statements exclude items such as interest, depreciation and amortization, and general and administrative expenses that are not comparable to the anticipated future on-site operations of the apartment property.

Revenue recognition

Paces Watch Apartments leased its residential apartments under operating leases with monthly payments due in advance. The majority of the apartment leases were for terms of one year or less. Rental and other revenues were recorded as earned.

Advertising expense

Paces Watch Apartments charged advertising costs to property operations expense as incurred. Advertising expense included in property operations expense totaled approximately \$22,000 for the year ended December 31, 2004 and approximately \$5,000 for the interim period in 2005.

Use of estimates

We are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes in order to prepare them in accordance with generally accepted accounting principles. Actual results could differ from those amounts.

Unaudited interim financial data

The financial statements for the three months ended March 31, 2005, include all adjustments that are, in management's opinion, necessary for a fair presentation of the revenues and certain operating expenses for this interim period. Operating results for the three months ended March 31, 2005, are not necessarily indicative of the results to be expected for the entire year ending December 31, 2005.

B. Environmental matters

Paces Watch Apartments has been subjected to Phase I environmental reviews. These reviews did not reveal, nor is management aware of, any environmental liability that management believes would have a material adverse effect on the accompanying financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
BNP Residential Properties, Inc.

We have audited the accompanying Statements of Revenue and Certain

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Operating Expenses ("Statements") of Marina Shores Apartments (the "Community") for the years ended December 31, 2004, 2003 and 2002. These statements are the responsibility of the management of BNP Residential Properties, Inc. Our responsibility is to express an opinion on the Statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Account Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statements. We believe that our audits provide a reasonable basis for our opinion.

The accompany Statements were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion in Form 8-K for BNP Residential Properties, Inc.) as described in Note A. This presentation is not intended to be a complete presentation of the Community's revenue and expenses.

In our opinion, the Statements referred to above present fairly, in all material respects, the revenue and certain expenses described in Note A of the Community for the years ended December 31, 2004, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ Reznick Fedder & Silverman

Charlotte, North Carolina
June 8, 2005

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Marina Shores Apartments Statements of Revenue and Certain Operating Expenses

| | January 1 through January 25, 2005 | 2004 | Years ended December 31 2003 | |
|-----------------------------|---|--------------|---------------------------------|----|
| (Unaudited) | | | | |
| Rental income | \$ 413,763 | \$ 5,073,434 | \$ 4,784,902 | \$ |
| Certain operating expenses: | | | | |
| Property operations expense | 79,597 | 1,033,714 | 959,324 | |
| Property insurance | 12,026 | 136,992 | 131,206 | |
| Property taxes | 32,711 | 440,278 | 386,142 | |
| | 124,334 | 1,610,984 | 1,476,672 | |
| | | | | |

Revenue in excess of

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| | | | | |
|----------------------------|------------|--------------|--------------|-------|
| certain operating expenses | \$ 289,429 | \$ 3,462,450 | \$ 3,308,230 | \$ |
| | ===== | ===== | ===== | ===== |

See accompanying notes.

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Marina Shores Apartments

Notes to Statements of Revenue and Certain Operating Expenses

For the years ended December 31, 2002, 2003, 2004 and

For the period January 1 through January 25, 2005 (Unaudited)

A. Summary of Significant Accounting Policies

Basis of presentation

These statements of revenue and certain operating expenses reflect the operations of an apartment property located in Virginia Beach, Virginia. Marina Shores Apartments is not a legal entity; it is an apartment property for which BNP Residential Properties, Inc. acquired a 50% general partner interest in January, 2005. The 392-unit apartment property was built in 1990.

We prepared these statements in accordance with Rule 3-14 of Regulation S-X. Accordingly, these statements exclude items such as interest, depreciation and amortization, and general and administrative expenses that are not comparable to the anticipated future on-site operations of the apartment property.

Revenue recognition

Marina Shores Apartments leased its residential apartments under operating leases with monthly payments due in advance. The majority of the apartment leases were for terms of one year or less. Rental and other revenues were recorded as earned.

Advertising expense

Marina Shores Apartments charged advertising costs to property operations expense as incurred. Advertising expense included in property operations expense totaled approximately \$25,000, \$29,000, and \$29,000 for the years ended December 31, 2002, 2003, and 2004 respectively and approximately \$3,000 for the interim period in 2005.

Use of estimates

We are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes in order to prepare them in accordance with generally accepted accounting principles. Actual results could differ from those amounts.

Interim financial data

The unaudited financial statements for the period January 1 through January 25, 2005, include all adjustments that are, in management's opinion, necessary for a fair presentation of the revenues and certain operating expenses for this interim period. Operating results for the period January 1 through January 25, 2005, are not necessarily indicative of the results to be expected for the entire year ending December 31, 2005.

B. Environmental matters

Marina Shores Apartments has been subjected to Phase I environmental reviews. These reviews did not reveal, nor is management aware of, any environmental

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liability that management believes would have a material adverse effect on the accompanying financial statements.

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Report of Independent Auditors

Board of Directors and Stockholders
BNP Residential Properties, Inc.

We have audited the accompanying statements of revenue and certain operating expenses of Villages of Chapel Hill Apartments for the years ended December 31, 2004, 2003, and 2002. These statements are the responsibility of Villages of Chapel Hill Apartments' management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Apartments' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements of revenue and certain operating expenses were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, as described in Note 1, and are not intended to be a complete presentation of Villages of Chapel Hill Apartments' revenues and expenses.

In our opinion, the statements of revenue and certain operating expenses referred to above present fairly, in all material respects, the revenue and certain operating expenses described in Note 1 for Villages of Chapel Hill Apartments for the years ended December 31, 2004, 2003, and 2002 in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Greenville, South Carolina
June 7, 2005

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The Villages of Chapel Hill Apartments
 Statements of Revenue and Certain Operating Expenses

| | January 1 through January 25 2005 | 2004 | Years ended December 31 2003 | |
|--|--|--------------|---------------------------------|-------|
| | ----- | | | |
| | (Unaudited) | | | |
| Rental income | \$ 177,717 | \$ 1,990,073 | \$ 2,004,042 | \$ 2 |
| Certain operating expenses: | | | | |
| Property operations expense | 56,720 | 645,728 | 699,735 | |
| Property insurance | 3,709 | 44,101 | 43,760 | |
| Property taxes | 18,762 | 238,334 | 219,415 | |
| | ----- | ----- | ----- | ----- |
| | 79,191 | 928,163 | 962,910 | |
| | ----- | ----- | ----- | ----- |
| Revenue in excess of certain operating expenses | \$ 98,526 | \$ 1,061,910 | \$ 1,041,132 | \$ 1 |
| | ===== | ===== | ===== | ===== |

See accompanying notes.

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The Villages of Chapel Hill Apartments
 Notes to Statements of Revenue and Certain Operating Expenses
 For the years ended December 31, 2002, 2003, 2004 and
 For the period January 1 through January 25, 2005 (Unaudited)

1. Summary of Significant Accounting Policies

Basis of presentation

These statements of revenue and certain operating expenses reflect the operations of an apartment property located in Carrboro, North Carolina. The Villages of Chapel Hill Apartments is not a legal entity; it is an apartment property for which BNP Residential Properties, Inc. acquired a 1% general partner interest in January, 2005. The 264-unit apartment property was built in 1975.

We prepared these statements in accordance with Rule 3-14 of Regulation S-X. Accordingly, these statements exclude items such as interest, depreciation and amortization, and general and administrative expenses that are not comparable to the anticipated future on-site operations of the apartment property.

Revenue recognition

The Villages of Chapel Hill Apartments leased its residential apartments under operating leases with monthly payments due in advance. The majority of the apartment leases were for terms of one year or less. Rental and other revenues were recorded as earned.

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Advertising expense

The Villages of Chapel Hill Apartments charged advertising costs to property operations expense as incurred. Advertising expense included in property operations expense totaled approximately \$38,000, \$34,000 and \$26,000 for the years ended December 31, 2002, 2003, and 2004 respectively and approximately \$2,000 for the interim period in 2005.

Use of estimates

We are required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes in order to prepare them in accordance with generally accepted accounting principles. Actual results could differ from those amounts.

Interim financial data

The unaudited financial statements for the period January 1 through January 25, 2005, include all adjustments that are, in management's opinion, necessary for a fair presentation of the revenues and certain operating expenses for this interim period. Operating results for the period January 1 through January 25, 2005, are not necessarily indicative of the results to be expected for the entire year ending December 31, 2005.

2. Environmental matters

The Villages of Chapel Hill Apartments has been subjected to Phase I environmental reviews. These reviews did not reveal, nor is management aware of, any environmental liability that management believes would have a material adverse effect on the accompanying financial statements.

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Introduction to Unaudited Pro Forma Financial Statements

You should read the following unaudited statements in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2004, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005. We believe the pro forma condensed consolidated financial information provides all adjustments necessary to reflect the effects of:

- o our acquisition of Canterbury Apartments, Laurel Springs Apartments, Laurel Springs II Apartments, and Salem Ridge Apartments (which we refer to collectively as the "Shugart properties") in March 2005;
- o our acquisitions of Waverly Place Apartments in April 2005 and Paces Watch Apartments in May 2005; and
- o our inclusion of the accounts of Marina Shores Associates One Limited Partnership ("Marina Shores Partnership") and The Villages of Chapel Hill Limited Partnership (the "Villages Partnership") in our consolidated financial statements effective late January 2005.

We have presented the unaudited pro forma condensed consolidated balance sheet as of March 31, 2005, as if we had acquired Waverly Place and Paces Watch Apartments as of March 31, 2005.

We have presented the unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 2005, as if we had acquired the Shugart properties, Waverly Place Apartments and Paces Watch Apartments as of January 1, 2005, and as if we had consolidated the accounts of Marina Shores Partnership and the Villages Partnership effective January 1,

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2005.

We have presented the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2004, as if we had acquired the Shugart properties, Waverly Place Apartments and Paces Watch Apartments as of January 1, 2004, and as if we had consolidated the accounts of Marina Shores Partnership and the Villages Partnership effective January 1, 2004.

No one has audited these pro forma condensed consolidated financial statements. These pro forma statements include pro forma allocations of the purchase prices for the Shugart Properties, Waverly Place and Paces Watch Apartments based on preliminary estimates of the fair value of the assets and liabilities acquired in connection with these acquisitions. These allocations may be adjusted in the future upon finalization of these preliminary estimates. These pro forma statements have been prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved if we had really acquired the properties as of the dates described above.

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BNP Residential Properties, Inc.

 Unaudited Pro Forma Condensed Consolidated Balance Sheet
 March 31 2005
 (in thousands)

| | Historical | Pro Forma Adj Waverly Place |
|---|-------------------|--------------------------------|
| | (A) | (B) |
| Assets | | |
| Real estate investments, net | \$ 450,979 | \$ 13,146 |
| Cash and cash equivalents | 2,583 | (132) |
| Other assets | 7,513 | 152 |
| Intangibles, net of amortization | 3,805 | 66 |
| Total assets | \$ 464,880 | \$ 13,232 |
| Liabilities and Shareholders' Equity | | |
| Deed of trust and other notes payable | \$ 373,269 | \$ 13,160 |
| Accounts payable and other current liabilities | 5,006 | 41 |
| Consideration due for acquisitions | 1,000 | - |
| Deferred revenue and security deposits | 1,940 | 31 |
| | 381,215 | 13,232 |
| Minority interests | 20,545 | - |
| Shareholders' equity | 63,120 | - |
| Total liabilities and shareholders' equity | \$ 464,880 | \$ 13,232 |

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See accompanying notes

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BNP Residential Properties, Inc.

 Unaudited Pro Forma Condensed Consolidated Statement of Operations
 For the three months ended March 31, 2005
 (in thousands, except per share data)

| | Historical | Consolidated Limited Partnerships |
|---|------------|---|
| | (A) | (C) |
| Revenues | | |
| Apartment rental income | \$ 14,093 | \$ 591 |
| Restaurant rental income | 957 | - |
| Management fee income | 115 | (31) |
| Interest and other income | 225 | (6) |
| | ----- | ----- |
| | 15,390 | 554 |
| Expenses | | |
| Apartment operations | 5,443 | 203 |
| Apartment and corporate administration | 1,558 | - |
| Interest expense and penalties paid at debt refinance | 5,090 | 199 |
| Depreciation | 3,522 | 174 |
| Amortization and write-off of loan costs | 267 | 5 |
| Deficit distributions to minority partners | 6,821 | - |
| | ----- | ----- |
| | 22,701 | 581 |
| | ----- | ----- |
| Income (loss) before minority interest | (7,311) | (27) |
| Minority interest in consolidated limited partnerships | (62) | (51) |
| Minority interest in operating partnership | (1,292) | - |
| | ----- | ----- |
| Net income (loss) | \$ (5,957) | \$ 24 |
| | ===== | ===== |
| Per share data: | | |
| Net loss - basic | \$ (0.66) | |
| Net loss - diluted | (0.67) | |
| Weighted average shares outstanding | | |
| Weighted average shares outstanding | 8,983 | 121 |
| Weighted average operating partnership minority units outstanding | 1,870 | - |

Pro Forma Adjustments

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| | Paces Watch (C) | Pro Forma |
|---|--------------------|------------|
| Revenues | | |
| Apartment rental income | \$ 521 | \$ 17,558 |
| Restaurant rental income | - | 957 |
| Management fee income | - | 8 |
| Interest and other income | - | 219 |
| | 521 | 18,742 |
| Expenses | | |
| Apartment operations | 167 | 6,803 |
| Apartment and corporate administration | - | 1,558 |
| Interest expense and penalties paid at debt refinance | 253 | 6,264 |
| Depreciation | 110 | 4,197 |
| Amortization and write-off of loan costs | 2 | 279 |
| Deficit distributions to minority partners | - | 6,821 |
| | 532 | 25,922 |
| Income (loss) before minority interest | (11) | (7,180) |
| Minority interest in consolidated limited partnerships | - | (113) |
| Minority interest in operating partnership | - | (1,566) |
| Net income (loss) | \$ (11) | \$ (5,501) |
| Per share data: | | |
| Net loss - basic | | \$ (0.60) |
| Net loss - diluted | | (0.61) |
| Weighted average shares outstanding | - | 9,104 |
| Weighted average operating partnership minority units outstanding | - | 2,479 |

See accompanying notes

BNP Residential Properties, Inc.

 Unaudited Pro Forma Condensed Consolidated Statement of Operations
 For the year ended December 31, 2004
 (in thousands, except per share data)

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| | Historical | Consolidated Limited Partnerships |
|---|------------|-----------------------------------|
| | (D) | (E) |
| Revenues | | |
| Apartment rental income | \$ 45,808 | \$ 7,063 |
| Restaurant rental income | 3,830 | - |
| Management fee income | 761 | (371) |
| Interest and other income | 466 | (71) |
| | 50,865 | 6,621 |
| Expenses | | |
| Apartment operations | 18,563 | 2,539 |
| Apartment and corporate administration | 4,519 | - |
| Interest expense and penalties paid at debt refinance | 14,608 | 2,362 |
| Depreciation | 11,660 | 2,146 |
| Amortization and write-off of loan costs | 460 | 69 |
| Deficit distributions to minority partners | - | 305 |
| | 49,810 | 7,421 |
| Income (loss) before minority interest | 1,055 | (800) |
| Minority interest in consolidated limited partnerships | - | (82) |
| Minority interest in operating partnership | 16 | - |
| Net income (loss) | \$ 1,039 | \$ (718) |
| Per share data: | | |
| Net income - basic | \$ 0.14 | |
| Net income - diluted | 0.11 | |
| Weighted average shares outstanding | 7,617 | 436 |
| Weighted average operating partnership minority units outstanding | 1,856 | - |

Pro Forma Adjustments

| | Paces Watch | Pro Forma |
|---------------------------|-------------|-----------|
| | (E) | |
| Revenues | | |
| Apartment rental income | \$ 2,028 | \$ 63,542 |
| Restaurant rental income | - | 3,830 |
| Management fee income | - | 107 |
| Interest and other income | - | 395 |
| | 2,028 | 67,874 |
| Expenses | | |

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| | | |
|---|----------|---------|
| Apartment operations | 744 | 25,619 |
| Apartment and corporate administration | - | 4,519 |
| Interest expense and penalties paid at debt refinance | 962 | 20,720 |
| Depreciation | 440 | 15,809 |
| Amortization and write-off of loan costs | 9 | 556 |
| Deficit distributions to minority partners | - | 305 |
| | 2,155 | 67,528 |
| Income (loss) before minority interest | (127) | 346 |
| Minority interest in consolidated limited partnerships | - | (82) |
| Minority interest in operating partnership | - | (134) |
| | \$ (127) | \$ 562 |
| Per share data: | | |
| Net income - basic | | \$ 0.07 |
| Net income - diluted | | 0.04 |
| Weighted average shares outstanding | - | 8,053 |
| Weighted average operating partnership minority units outstanding | - | 2,471 |

See accompanying notes

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BNP Residential Properties, Inc.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

(A) Reflects our historical consolidated balance sheet and consolidated statement of operations contained in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005. These financial statements reflect the acquisition of the Shugart properties effective March 31, 2005, and include the accounts of the consolidated limited partnerships effective January 26, 2005.

(B) Represents the acquisitions of Waverly Place Apartments and Paces Watch Apartments and related financing transactions, as if we had acquired these properties as of March 31, 2005.

(C) Represents the pro forma revenues and expenses for the three months ended March 31, 2005, as if we had acquired the Shugart properties, Waverly Place and Paces Watch Apartments as of January 1, 2005, and as if we had included the accounts of the consolidated limited partnerships effective January 1, 2005. Depreciation expense is calculated using the straight-line method and a composite 40-year life, applied to our preliminary allocation of purchase price to depreciable real estate assets. Amortization of deferred loan costs is calculated using the straight-line method over the lives of the related notes payable.

(D) Reflects our historical consolidated statement of operations contained in our Annual Report on Form 10-K for the year ended December 31, 2004.

(E) Represents the pro forma revenues and expenses for the year ended December 31, 2004, as if we had acquired the Shugart properties, Waverly Place and Paces Watch Apartments as of January 1, 2004, and as if we had included the accounts

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of the consolidated limited partnerships effective January 1, 2004. Depreciation expense is calculated using the straight-line method and a composite 40-year life, applied to our preliminary allocation of purchase price to depreciable real estate assets. Amortization of deferred loan costs is calculated using the straight-line method over the lives of the related notes payable.