

Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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.

2

### 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

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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):

3

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

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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
	4
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.

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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

7

### 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.

8

### 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

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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.



## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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

10

### 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.

11

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

Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

	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.

14

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.

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

### 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.

15

### 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.

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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

16

### 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.

17

### 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

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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.

18

## 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

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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

19

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.

20

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)



## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

### 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

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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

22

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

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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

See accompanying notes.

23

### 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

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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

24

### 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

25

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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.

26

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.

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

### 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.

27

## 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,

Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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.

28

BNP Residential Properties, Inc.

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

	Historical	Pro Forma Adj Waverly Place
	(A)	(B)
<b>Assets</b>		
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
<b>Total assets</b>	<b>\$ 464,880</b>	<b>\$ 13,232</b>
<b>Liabilities and Shareholders' Equity</b>		
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	-
<b>Total liabilities and shareholders' equity</b>	<b>\$ 464,880</b>	<b>\$ 13,232</b>

Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

See accompanying notes

29

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	8,983	121
Weighted average operating partnership minority units outstanding	1,870	-

Pro Forma Adjustments



Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

	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)

Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

	Historical	Consolidated Limited Partnerships
	(D)	(E)
<b>Revenues</b>		
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
<b>Expenses</b>		
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)
<b>Per share data:</b>		
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)	
<b>Revenues</b>		
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
<b>Expenses</b>		

Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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)
	-----	-----
Net income (loss)	\$ (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

31

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

## Edgar Filing: BNP RESIDENTIAL PROPERTIES INC - Form 8-K/A

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.