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BNP RESIDENTIAL PROPERTIES INC  
Form 10-Q  
May 10, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002  
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OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-9496  
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BNP RESIDENTIAL PROPERTIES, INC.  
(Exact name of Registrant as specified in its charter)

Maryland -----	56-1574675 -----
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

301 S. College Street, Suite 3850, Charlotte, NC 28202-6032  
-----  
(Address of principal executive offices) (Zip Code)

704/944-0100  
(Registrant's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No \_\_\_\_

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of May 9, 2002 (the latest practicable date).

Common Stock, \$.01 par value -----	5,766,693 -----
(Class)	(Number of shares)

Total number of pages: 19

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PART I - Financial Information

Item 1. Financial Statements.

BNP RESIDENTIAL PROPERTIES, INC.

Consolidated Balance Sheets

	March 31 2002	December 31 2001
	(Unaudited)	
Assets		
Real estate investments at cost:		
Apartment properties	\$221,762,565	\$221,762,565
Restaurant properties	39,529,527	39,529,527
	261,292,092	261,292,092
Less accumulated depreciation	(42,697,810)	(42,697,810)
	218,594,282	218,594,282
Cash and cash equivalents	548,574	548,574
Other current assets	2,512,107	2,512,107
Notes receivable, net of reserve	100,000	100,000
Intangible assets, net of accumulated amortization:		
Intangible related to acquisition of management operations	1,115,088	1,115,088
Deferred financing costs	1,008,806	1,008,806
	\$223,878,857	\$223,878,857
Total assets		

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Liabilities and Shareholders' Equity		
Mortgage and other notes payable	\$162,143,411	\$16
Accounts payable and accrued expenses	1,429,158	
Escrowed security deposits and deferred revenue	1,149,240	
Deferred credit for defeasance of interest, net of accumulated amortization	458,368	
Total liabilities	165,180,177	16
Minority interest in Operating Partnership	17,709,381	1
Shareholders' equity:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized, 227,273 shares issued and outstanding	2,500,000	
Common stock, \$.01 par value, 100,000,000 shares authorized; issued and outstanding shares-- 5,766,693 at March 31, 2002, 5,744,873 at December 31, 2001	57,667	
Additional paid-in capital	70,119,201	6
Dividend distributions in excess of net income	(31,687,569)	(3
Total shareholders' equity	40,989,299	4
Total liabilities and shareholders' equity	\$223,878,857	\$22

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BNP RESIDENTIAL PROPERTIES, INC.

Consolidated Statements of Operations  
(Unaudited)

	Three months end March 31 2002	
Revenues		
Apartment rental income	\$ 7,489,296	\$
Restaurant rental income	1,005,319	
Management fee income	294,188	
Interest and other income	37,199	
	8,826,002	
Expenses		
Apartment operations	2,692,276	
Apartment administration	325,434	
Corporate administration	593,394	
Depreciation	1,946,534	
Amortization of intangibles	47,925	
Interest	2,504,997	

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	8,110,560	
Income before minority interest and extraordinary item	715,442	
Minority interest in Operating Partnership	149,570	
Income before extraordinary item	565,872	
Extraordinary item - loss on early extinguishment of debt	73,297	
Net income	492,575	
Cumulative preferred dividend	61,644	
Income available to common shareholders	\$ 430,931	\$
Per common share:		
Basic earnings per share -		
Before extraordinary item	\$0.10	
Extraordinary item	(0.01)	
Available to shareholders	0.08	
Diluted earnings per share -		
Before extraordinary item	0.09	
Extraordinary item	(0.01)	
Available to shareholders	0.08	
Dividends declared	0.31	
Weighted average common shares outstanding	5,754,918	

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BNP RESIDENTIAL PROPERTIES, INC.

Consolidated Statement of Shareholders' Equity  
(Unaudited)

	Preferred Stock Shares	Amount	Common Stock Shares	Amount	Additional paid-in capital	Divid distribu in exce net in
Balance December 31, 2001	227,273	\$2,500,000	5,744,873	\$57,449	\$69,872,958	\$ (30,396)
Common stock issued	-	-	21,820	218	251,556	
Costs of preferred stock issue	-	-	-	-	(5,313)	
Dividends paid - preferred	-	-	-	-	-	(2)
Dividends paid - common	-	-	-	-	-	(1,780)
Net income	-	-	-	-	-	492
Balance March 31, 2002	227,273	\$2,500,000	5,766,693	\$57,667	\$70,119,201	\$ (31,687)

BNP RESIDENTIAL PROPERTIES, INC.

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Consolidated Statements of Cash Flows  
(Unaudited)

	Three months end March 31 2002	
	-----	-----
		(Ad
Operating activities:		
Net income	\$ 492,575	\$
Adjustments to reconcile net income to net cash provided by operations:		
Extraordinary item - loss on early extinguishment of debt	73,297	
Minority interest in Operating Partnership	149,570	
Depreciation and amortization of intangibles	1,994,459	
Amortization of defeasance credit	(41,664)	
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(803,842)	
Accounts payable and accrued expenses	431,390	
Security deposits and deferred revenue	(214,806)	
	-----	-----
Net cash provided by operating activities	2,080,979	
Investing activities:		
Additions to apartment properties, net	(544,315)	
Acquisition of minority interest in Management Company	-	
	-----	-----
Net cash used in investing activities	(544,315)	
Financing activities:		
Costs of issuance of preferred stock	(5,313)	
Issuance of common stock	188,589	
Distributions to Operating Partnership minority unitholders	(528,827)	
Dividends paid to preferred shareholder	(2,740)	
Dividends paid to common shareholders	(1,780,911)	
Proceeds from notes payable	13,870,000	
Principal payments on notes payable	(14,056,811)	
Payment of deferred financing costs	(89,693)	
	-----	-----
Net cash used in financing activities	(2,405,706)	
	-----	-----
Net (decrease) increase in cash and cash equivalents	(869,042)	
Cash and cash equivalents at beginning of period	1,417,616	
	-----	-----
Cash and cash equivalents at end of period	\$ 548,574	\$

BNP RESIDENTIAL PROPERTIES, INC.

Notes to Consolidated Financial Statements - March 31, 2002  
(Unaudited)

## Note 1. Interim financial statements

Our independent accountants have not audited the accompanying financial statements of BNP Residential Properties, Inc., except for the balance sheet at December 31, 2001. We derived the amounts in the balance sheet at December 31, 2001, from the financial statements included in our 2001 Annual Report on Form 10-K. We believe that we have included all adjustments (consisting of normal recurring accruals, except as discussed below) necessary for a fair presentation of the financial position and results of operations for the periods presented.

We have condensed or omitted certain notes and other information from the interim financial statements presented in this Quarterly Report on Form 10-Q. You should read these financial statements in conjunction with our 2001 Annual Report on Form 10-K.

We adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002. Under the new rules, goodwill and intangible assets deemed to have indefinite lives are no longer amortized after December 31, 2001, but are subject to annual impairment tests in accordance with the Statement. We determined that the intangible related to our 1994 acquisition of management operations, net of accumulated amortization, as of January 1, 2002, is not impaired, and we plan to perform future annual tests as of October 1 of each year. We have adjusted the 2001 comparative amounts in our consolidated financial statements to exclude this amortization expense and conform to the 2002 presentation as follows:

	2001 as Currently Presented	Adjustments	2002 Pro Rat
Revenues	\$8,957,270	\$ -	
Expenses	8,244,893	(101,550)	
Income before minority interest and extraordinary item	712,377	101,550	
Minority interest in Operating Partnership	164,054	23,386	
Income before extraordinary item	548,323	78,164	
Extraordinary item - loss on early extinguishment of debt	-	-	
Net income	\$ 548,323	\$ 78,164	

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### Note 2. Basis of Presentation

The consolidated financial statements include the accounts of BNP Residential Properties, Inc. (the "company") and BNP Residential Properties Limited Partnership (the "Operating Partnership"). The company is the general partner and owns a majority interest in the Operating Partnership. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

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Effective January 2001, the accounts of the Operating Partnership include BNP Management, Inc. (the "Management Company"). Prior to January 2001, the Operating Partnership had a 1% voting interest and 95% economic interest in the Management Company, and used the equity method to account for this investment. In January 2001, the Operating Partnership acquired the outstanding 99% voting interest and 5% economic interest in the Management Company. This transaction resulted in a net increase in cash included on our consolidated balance sheet of approximately \$373,000.

### Note 3. Long-term debt transactions

In January 2002, we applied a \$6.0 million draw on our line of credit secured by Latitudes Apartments to retire a note payable in the amount of \$6,094,000, secured by a deed of trust and assignment of rents of Oakbrook Apartments. In February 2002, we subsequently issued a note payable in the amount of \$7,870,000 secured by a deed of trust and assignment of rents of Oakbrook Apartments. The note provides for interest at an effective rate of 7.09% and monthly payments including principal and interest of approximately \$52,000, with maturity in February 2012. We applied the proceeds of the Oakbrook note to reduce our Latitudes line of credit.

In conjunction with the January retirement, we wrote off unamortized loan costs of approximately \$95,000. We have reflected this write-off, net of minority interests' share, in the financial statements as an extraordinary item. In conjunction with the February refinance transaction, we paid and recorded deferred loan costs of approximately \$90,000.

### Note 4. Shareholders' Equity

In February 2002, we issued 16,258 shares of our common stock through our Dividend Reinvestment and Stock Purchase Plan for proceeds of approximately \$189,000. In addition, we issued 5,562 shares of our common stock, in a non-cash transaction, to acquire the same number of Operating Partnership units from a former minority unitholder.

We calculated basic and diluted earnings per share using the following amounts:

Three months e  
March 31  
2002

#### Numerators:

Numerator for basic

earnings per share -

Income before

extraordinary item

\$565,872

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Extraordinary item	(73,297)
Cumulative preferred dividend	(61,644)
	-----
Income available to common shareholders	\$430,931
	=====
Numerator for diluted earnings per share - Income before extraordinary item (1)	\$715,442

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	Three months e March 31 2002
	-----
Extraordinary item (1)	(95,032)
	-----
Income available to common shareholders (1)	\$620,410
	=====
Denominators:	
Denominator for basic earnings per share - weighted average shares outstanding	5,754,918
Effect of dilutive securities:	
Convertible preferred shares	227,273
Convertible Operating Partnership units	1,703,981
Stock options (2)	9,115
	-----
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	7,965,287
	=====

## Note 5. Subsequent events

On April 18, 2002, the Board of Directors declared a regular quarterly cash dividend of \$0.31 per share to be paid on May 15, 2002, to shareholders of record on May 1, 2002. The Board of Directors also authorized the payment of dividends totaling \$61,644 to Series B Preferred shareholders in accordance with the investment agreement for those shares.



Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Quarterly Report contains forward-looking statements within the meaning of federal securities law. You can identify such statements by the use of forward-looking terminology, such as "may," "will," "expect," "anticipate," "estimate," "continue" or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other "forward-looking" information.

Although we believe that our plans, intentions, and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve our plans, intentions or expectations. When you consider such forward-looking statements, you should keep in mind the following important factors that could cause our actual results to differ materially from those contained in any forward-looking statement:

- o Our markets could suffer unexpected increases in the development of apartment, other rental, or competitive housing alternatives;
- o our markets could suffer unexpected declines in economic growth or an increase in unemployment rates;
- o general economic conditions could cause the financial condition of a large number of our tenants to deteriorate;
- o we may not be able to lease or re-lease apartments quickly or on as favorable terms as under existing leases;
- o revenues from our third-party apartment property management activities could decline, or we could incur unexpected costs in performing these activities;
- o we may have incorrectly assessed the environmental condition of our properties;
- o an unexpected increase in interest rates could increase our debt service costs;
- o we may not be able to meet our long-term liquidity requirements on favorable terms; and
- o we could lose key executive officers.

Given these uncertainties, we caution you not to place undue reliance on forward-looking statements. We undertake no obligation to publicly release the results of any revision to these forward-looking statements that may be made to reflect any future events or circumstances or to reflect the occurrence of unanticipated events.

You should read the discussion in conjunction with the financial statements and notes thereto included in this Quarterly Report and our Annual Report on Form 10-K.

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### Company Profile

BNP Residential Properties, Inc. is a self-administered and self-managed real estate investment trust with operations in North Carolina, South Carolina and Virginia. Our primary activity is the ownership and operation of apartment communities. We currently manage 31 multi-family communities containing 6,969 units. Of these, we own 15 apartment communities containing 3,681 units. Third parties own the remaining 16 communities, containing 3,288 units, and we manage them on a contract basis. In addition to our apartment communities, we own 42 restaurant properties that we lease to a third party under a master lease on a triple-net basis.

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We are structured as an UpREIT, or umbrella partnership real estate investment trust. The company is the sole general partner and owns a controlling interest in BNP Residential Properties Limited Partnership, through which we conduct all of our operations. We refer to this partnership as the Operating Partnership. We refer to the limited partners of the Operating Partnership as minority unitholders or as the minority interest.

Our executive offices are located at 301 South College Street, Suite 3850, Charlotte, North Carolina 28202-6032, telephone 704/944-0100.

### Results of Operations

#### Revenues

Total revenues in the first quarter of 2002 were \$8.8 million, a decrease of 1.5% compared to the first quarter of 2001. Apartment related income (apartment rental income plus income from apartment management and investment activities) accounted for 88.6% of total revenues in the first quarter of 2002 compared to 88.5% in the first quarter of 2001. Restaurant rental income was 11.4% of total revenues in the first quarter of 2002, compared to 11.5% in the first quarter of 2001.

Apartment rental income totaled \$7.5 million in the first quarter of 2002, a decrease of 3.3% compared to the first quarter of 2001. This decrease was the result of a 2.9% decline in average economic occupancy. For the first quarter, average economic occupancy for all apartments was 92.3% in 2002 compared to 95.2% in 2001. Average monthly revenue per occupied unit for all apartments was essentially flat for the first quarter, at \$735 in 2002 compared to \$736 in 2001. All of our apartment properties were operating for the full periods in both 2002 and 2001.

Summary amounts for our apartment communities' occupancy and revenue per occupied unit for the first quarter of 2002 follow:

	Number of apartment units	Average physical occupancy	Average economic occupancy	Average monthly revenue per occupied unit
Abbingtion Place	360	92.3%	92.4%	\$784
Allerton Place	228	93.6%	93.3%	772
Chason Ridge	252	96.7%	96.2%	702
Harris Hill	184	89.1%	90.8%	697
Latitudes	448	96.2%	96.5%	801
Madison Hall	128	93.4%	95.2%	584

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Oakbrook	162	92.8%	92.4%	785
Oak Hollow	461	90.3%	90.4%	634
Paces Commons	336	87.5%	87.9%	681
Paces Village	198	87.2%	85.0%	683
Pepperstone	108	92.5%	92.6%	695
Savannah Place	172	94.2%	94.0%	718
Summerlyn Place	140	95.5%	95.9%	795
Waterford Place	240	92.1%	92.5%	858
Woods Edge	264	92.4%	91.5%	773

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	Number of apartment units	Average physical occupancy	Average economic occupancy	Average monthly revenue per occupied unit
	-----	-----	-----	-----
All apartments	3,681			
- 2002		92.1%	92.3%	735
- 2001		94.2%	95.2%	736

Overall, our apartment markets remain weak. A slow economy combined with the impact of extensive overbuilding has resulted in lower economic occupancy and stagnant rental rates at our apartment communities. While a number of factors such as a slowing of new construction activity and signs of an improving economy indicate that the current situation may be improving, we do not believe there will be any significant improvement in our apartment markets until late 2002 at the earliest. In the meantime, we remain confident in the long-term prospects for our apartment communities and our markets. We own a portfolio of high-quality, well-maintained, well-located apartment communities. We believe that the best course of action for us at this time is to work diligently to improve occupancy and to continue to maintain and improve our apartment properties to ensure that they are as competitive as possible.

Restaurant rental income was \$1.0 million in the first quarter of 2002, a 2.3% decrease compared to the first quarter of 2001. This decrease was the result of the sale of one restaurant property in the second quarter of 2001. Restaurant rental income for both 2002 and 2001 was the minimum rent. "Same store" sales at our restaurant properties decreased by 2.6% in the first quarter of 2002 compared to 2001.

Through March 31, 2002, we have sold five of the original 47 restaurants to Boddie-Noell Enterprises, Inc. ("Enterprises"), the lessee, under the non-economic clause of the agreement which allows Enterprises to close up to seven restaurants and buy them back for no less than net carrying value. Under our master lease with Enterprises, restaurant rental income payments are the greater of a specified minimum rent or 9.875% of food sales. The minimum rent is reduced by approximately \$8,000 per month, or \$96,000 per year, for each restaurant that is sold.

Management fee income totaled \$294,000 in the first quarter of 2002, compared to \$113,000 in the first quarter of 2001. This increase is primarily attributable to the addition of 13 managed properties in the fourth quarter of 2001 and early 2002.

### Expenses

Total expenses, including non-cash charges for depreciation and

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amortization, were \$8.1 million in the first quarter of 2002, a decrease of 1.6% compared to the first quarter of 2001.

Effective January 1, 2002, in accordance with current accounting guidance, we no longer amortize the intangible related to our 1994 acquisition of management operations. We have adjusted the 2001 comparative amounts to exclude this amortization expense and conform to the 2002 presentation in our financial statements. This adjustment decreases our first quarter 2001 amortization expense by approximately \$102,000.

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Apartment operations expense (the direct costs of on-site operations at our apartment communities) in the first quarter of 2002 totaled \$2.7 million, an increase of 4.7% compared to the first quarter of 2001. This increase reflects a significant increase in property insurance, as well as higher costs associated with marketing, maintenance and resident turnover. Apartment operations expense represented 35.9% of related apartment rental income in the first quarter of 2002 compared to 33.2% in the first quarter of 2001.

Operating expenses for restaurant properties are insignificant because the triple-net lease arrangement requires the lessee to pay virtually all of the expenses associated with the restaurant properties.

Apartment administration expense (the costs associated with oversight, accounting and support of our apartment management activities for both owned and third party properties) was \$325,000 in the first quarter of 2002, compared to \$215,000 in the first quarter of 2001. This increase was primarily attributable to the addition of 13 managed properties to our management portfolio in the fourth quarter of 2001 and early 2002.

Corporate administration expense was \$593,000 in the first quarter of 2002, an increase of 13.3% compared to the first quarter of 2001. This increase was primarily attributable to the timing of certain expenses and an increase in compensation expense.

Depreciation expense totaled \$1.9 million in the first quarter of 2002, a 2.1% increase compared to the first quarter of 2001. Amortization expense (of deferred loan costs) was \$48,000 in the first quarter of 2002, compared to \$43,000 in the first quarter of 2001. As discussed above, we no longer amortize the intangible related to acquisition of management operations, and we have adjusted the 2001 comparative financial statements to exclude this amortization.

Interest expense totaled \$2.5 million in the first quarter of 2002, a 16.0% decrease compared to the first quarter of 2001. The decrease in interest expense was the result of the combined effect of lower interest rates on our lines of credit and the impact of refinancing two fixed-rate loans at lower rates during 2001. Variable interest rates have declined approximately 3.3% since March of 2001. Overall, weighted average interest rates were 6.2% for the first quarter of 2002, compared to 7.3% for the first quarter of 2001.

During the first quarter of 2002, we refinanced long-term debt related to Oakbrook Apartments. This refinance is described below in our discussion of Capital Resources and Liquidity. In conjunction with this transaction, we wrote off unamortized loan costs of \$95,000. We have reflected this write-off, net of minority interests' share, with a charge of \$73,000 as an extraordinary item in the financial statements.

In late December 2001, we issued 227,273 shares of Series B Cumulative Convertible Preferred Stock. Because preferred shareholders have priority over common shareholders for receipt of dividends, we deduct the amount of net income

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that will be paid to preferred shareholders in calculating net income available to common shareholders. The dividend on the Series B shares is \$1.10 per year per share. The cumulative preferred dividend for the first quarter of 2002 totals approximately \$62,000.

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### Net income

Income available to common shareholders, after the extraordinary item and cumulative preferred dividend, was \$431,000, a decrease of 21.4% compared to the first quarter of 2001. Income before the extraordinary item and cumulative preferred dividend was \$566,000 for the first quarter of 2002, an increase of 3.2% compared to the first quarter of 2001. These comparisons reflect the favorable impact of lower interest rates, offset by the effect of declines in apartment operations, the extraordinary charge to earnings, and the cumulative preferred dividend. Operating Partnership earnings before interest, depreciation and amortization, and the extraordinary item decreased by 7.6% in the first quarter of 2002 compared to the first quarter of 2001.

### Funds from Operations

Funds from operations is defined by the National Association of Real Estate Investment Trusts ("NAREIT") as "net income (computed in accordance with generally accepted accounting principles), excluding gains (losses) from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures."

We calculate funds available for distribution as funds from operations plus non-cash expense for amortization of loan costs, less recurring capital expenditures.

We consider funds from operations and funds available for distribution to be useful in evaluating potential property acquisitions and measuring the operating performance of an equity REIT. We believe that, together with net income and cash flows, funds from operations and funds available for distribution provide investors with additional measures to evaluate the ability of the REIT to incur and service debt and to fund acquisitions and other capital expenditures. Funds from operations and funds available for distribution do not represent net income or cash flows from operations as defined by generally accepted accounting principles. You should not consider funds from operations or funds available for distribution:

- o to be alternatives to net income as reliable measures of our operating performance, or
- o to be alternatives to cash flows as measures of liquidity.

Funds from operations and funds available for distribution do not measure whether cash flow is sufficient to fund all of our cash needs, including principal amortization, capital improvements and distributions to shareholders. Funds from operations and funds available for distribution do not represent cash flows from operating, investing or financing activities as defined by generally accepted accounting principles. Further, funds from operations and funds available for distribution as disclosed by other REITs might not be comparable to our calculation of funds from operations or funds available for distribution.

Funds from operations of the Operating Partnership were essentially flat for the first quarter of 2002 compared to the first quarter of 2001. We calculated funds from operations of the Operating Partnership as follows (all amounts in thousands):

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	Three months ended March 31	
	2002	2001
	-----	
	(Adjusted)	
Income before minority interest and extraordinary item	\$ 715	\$ 712
Cumulative preferred dividend	(62)	-
Depreciation	1,947	1,907
	-----	
Funds from operations - Operating Partnership	\$ 2,600	\$ 2,619
	=====	

A reconciliation of funds from operations to funds available for distribution follows (all amounts in thousands):

	Three months ended March 31	
	2002	2001
	-----	
Funds from operations - Operating Partnership	\$ 2,600	\$ 2,619
Amortization of loan costs	48	43
Recurring capital expenditures	(282)	(251)
	-----	
Funds available for distribution	\$ 2,366	\$ 2,412
	=====	

A further reconciliation of funds from operations of the Operating Partnership to basic funds from operations available to common shareholders follows (all amounts in thousands):

	Three months ended March 31	
	2002	2001
	-----	
Funds from operations - Operating Partnership	\$ 2,600	\$ 2,619
Minority interest in funds from operations	(594)	(603)
	-----	
Basic funds from operations available to common shareholders	\$ 2,006	\$ 2,016
	=====	

Other information about our historical cash flows follows (all amounts in thousands):

	Three months ended March 31	
	2002	2001
	-----	
Net cash provided by (used in):		

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Operating activities	\$ 2,081	\$ 2,710
Investing activities	(544)	(249)
Financing activities	(2,406)	(2,351)

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	Three months ended March 31	
	2002	2001
	-----	-----
Dividends and distributions paid to:		
Preferred shareholders	\$ 3	\$ -
Common shareholders	1,781	1,769
Minority unitholders in Operating Partnership	529	529
Scheduled debt principal payments	\$ 49	\$ 91
Non-recurring capital expenditures	262	371
Weighted average shares outstanding		
Preferred shares	227	-
Common shares	5,755	5,707
Weighted average Operating Partnership minority units outstanding	1,704	1,707

### Capital Resources and Liquidity

#### Capital Resources

In February 2002, we completed refinancing for Oakbrook Apartments, with a \$7.9 million note payable with interest at 7.1% and maturity in February 2012. This deed of trust replaced an existing 7.7% note with a balance of \$6.1 million, with the balance of proceeds applied to reduce our line of credit secured by Latitudes Apartments. Oakbrook was our second apartment community, acquired in June 1994 for an initial acquisition cost of \$9.4 million.

As of March 31, 2002, total long-term debt was \$162.1 million, including \$123.9 million of notes payable at fixed interest rates ranging from 6.35% to 8.55%, and \$38.2 million at variable rates indexed on 30-day LIBOR rates. The weighted average interest rate on debt outstanding was 6.2% at March 31, 2002, and December 31, 2001, and 7.1% at March 31, 2001. At our current level of variable-rate debt, a 1% fluctuation in variable interest rates would increase or decrease our annual interest expense by approximately \$390,000.

In February 2002, we issued 16,258 shares of our common stock through our Dividend Reinvestment and Stock Purchase Plan for proceeds of approximately \$189,000. In addition, we issued 5,562 shares of our common stock, in a non-cash transaction, to acquire the same number of Operating Partnership units from a former minority unitholder.

#### Cash flows and liquidity

Net cash flows from operating activities were \$2.1 million in the first quarter of 2002, compared to \$2.7 million in the first quarter of 2001. The fluctuation in these amounts arises from timing of payments for expenses and receipts of prepaid rents from residents. Investing and financing activities focused on capital expenditures at apartment communities, along with payments of

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dividends and distributions.

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We have announced that the company will pay a regular quarterly dividend of \$0.31 per share on May 15, 2002, to shareholders of record on May 1, 2002. We continue to produce sufficient cash flow to fund our regular dividend and recurring capital expenditures. However, any number of unforeseen events, or a combination of such events (for example, a substantial decline in apartment operations, a substantial increase in short-term interest rates, or the sale of the restaurant properties or other assets), might necessitate a reduction in the current dividend.

We generally expect to meet our short-term liquidity requirements through net cash provided by operations and utilization of credit facilities. We believe that net cash provided by operations is, and will continue to be, adequate to meet the REIT operating requirements in both the short term and the long term. We anticipate funding our future acquisition activities primarily by using short-term credit facilities as an interim measure, to be replaced by funds from equity offerings, long-term debt, or joint venture investments. We expect to meet our long-term liquidity requirements, such as scheduled debt maturities and repayment of short-term financing of possible property acquisitions, through long-term secured and unsecured borrowings and the issuance of debt securities or additional equity securities. We believe we have sufficient resources to meet our short-term liquidity requirements.

### Capital expenditures and depreciation

For acquired apartment properties, we compute depreciation using the straight-line method over composite estimated useful lives of the related assets, generally 40 years for buildings, 20 years for land improvements, 10 years for fixtures and equipment, and five years for floor coverings.

We generally complete and capitalize acquisition improvements (expenditures that have been identified at the time the property is acquired, and which are intended to position the property consistent with our physical standards) within one to two years of acquisition. We capitalize non-recurring expenditures for additions and betterments to buildings and land improvements. In addition, we generally capitalize recurring capital expenditures for exterior painting, roofing, and other major maintenance projects that substantially extend the useful life of existing assets. For financial reporting purposes, we depreciate these additions and replacements on a straight-line basis over estimated useful lives of 5-20 years. We capitalize all floor covering, appliance, and HVAC replacements, and depreciate them using a straight-line, group method over estimated useful lives of 5-10 years. We expense ordinary repairs and maintenance costs at apartment communities.

Through March 31, 2002, repairs and maintenance at our apartment communities totaled approximately \$1.0 million, including \$438,000 in compensation of service staff and \$596,000 in payments for materials and contracted services.

A summary of capital expenditures at our apartment communities through March 31, 2002, in aggregate and per apartment unit, follows:

Total	Per unit
-----	-----
(000's)	

Recurring capital expenditures:



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Floor coverings	\$126	\$ 35
Appliances/HVAC	45	12

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	Total	Per unit
	-----	-----
	(000's)	
Exterior paint	-	-
Computer/support equipment	28	8
Other	83	22
	-----	-----
	\$282	\$ 77
	=====	=====
Non-recurring capital expenditures:		
Acquisition improvements	\$175	
Additions and betterments	72	
Computer/support equipment	15	
	-----	
	\$262	
	=====	

Costs of repairs, maintenance, and capital replacements and improvements at restaurant properties are borne by the lessee.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in information that would be provided under Item 305 of Regulation S-K since December 31, 2001. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital Resources and Liquidity" above.

## Part II - Other Information

### Item 6. Exhibits and Reports on Form 8-K

#### a) Exhibits:

None

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

None

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## 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, thereunto duly authorized.

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BNP RESIDENTIAL PROPERTIES, INC.  
(Registrant)

May 9, 2002

/s/ Philip S. Payne

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Philip S. Payne  
Executive Vice President and  
Chief Financial Officer  
(Duly authorized officer)

May 9, 2002

/s/ Pamela B. Bruno

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