

ABC ATHLETIC SHOE, INC.
d.b.a. ABC ATHLETIC SHOE #1234
MAJOR SHOPPING CENTER
WASHINGTON, DC
TENANT SALES AUDIT REPORT
for the thirty-six (36) months
ended December 31, 2001

TENANT SALES AUDIT REPORT

Tenant: ABC Athletic Shoe, Inc.
Trade Name: ABC Athletic Shoe #1234
Shopping Location: Major Shopping Center
City / State: Washington, DC
Period: The thirty (36) months
ended December 31, 2001

Client

Company: Major Realty, LLC
Person: Mr. Bill Smith, General Manager
Address: 123 Main Street
City / State: Minneapolis, MN 55555
Date of Examination: April 14, 2002
Date of Report: April 16, 2002

Compu/Audit, Inc.
6320 west 85th Place, Suite 102
Los Angeles, Ca. 90045
1-800-WE AUDIT

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Section 1

Executive Overview

Tenant: ABC Athletic Shoe, Inc.
Shopping Center: Major Shopping Center
City: Washington, DC
Report Date: April 16, 2002
Landlord: Major Realty, LLC
Management: Major Property Management Co.

1. Audit Period: From January 1, 1999 to December 31, 2001
2. Examination Location: Philadelphia, PA
3. Date of Examination: April 14, 2002

4. Total Unreported Sales.....	\$ 24,591
5. Sales in Percentage Rent.....	<u>24,591</u>
6. Percentage Rent Due Landlord.....	<u>5,885</u>
7. Interest Due Landlord	<u>TBD</u>
8. Examination Fee Due Landlord.....	<u>0</u>
9. Grand Total.....	<u>\$ 5,885</u>

10. Tenant's response to findings:
Tenant agrees with findings.
11. Sales records requested but not provided:
None.
12. Tenant's compliance with Reporting Requirements:
Tenant does not comply with Reporting Requirements.

Section 1

Executive Overview (continued)

Comments

Books and records were in good order and the tenant was helpful and cooperative. The tenant is permitted sales exclusions for bad debt and sales to employees, each with a 1% Gross Sales Limitation. The tenant's corporate sales reporting policy is to incorrectly deduct credit card discounts and exclude customer layaway fees from reported sales. This lease gross sales definition does not provide for the sales exclusion of the foregoing items. Sales are properly recorded after discounts to the general public, promotional discount coupons, and other discounts to sports teams and senior citizens. Employees receive a 30% discount, and all other discounts are at 10%. However, the tenant deducts employee sales discounts twice in determining net reportable sales. Internet sales returns are not deducted from store sales, and cash/sales are subject to a thorough internal audit. The tenant utilizes a 4/4/5 week accounting period. No changes were made by the examiner for this timing difference.

Section 2

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Additional Percentage Rent Due

	Lease Year Ended 12/31/01	Lease Year Ended 12/31/00	Lease Year Ended 12/31/99
Reported Sales-after sales exclusions	\$1,542,501	\$1,291,104	\$1,403,811
Findings:			
1. <u>Credit card fees</u>	4,293	3,260	2,558
2. <u>Layaway fees</u>	3,480	3,236	4,005
3. <u>Excess employee discounts</u>	1,440	1,108	1,211
Total Findings	9,213	7,604	7,774
Subject Sales	1,551,714	1,298,708	1,411,585
Break Point	800,000	800,000	800,000
Percentage Rent Application	751,714	498,708	611,585
	%	%	%
	5	5	5
Amount of Percentage Rent (includes 5% Management Fees)	39,465	26,182	32,109
Paid Previously	37,125	24,555	30,191
Percentage Rent Balance	2,340	1,627	1,918

Summary

Additional Percentage Rent Due	<u>\$ 5,885</u>
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For Additional information, please contact Compu/Audit, Inc. at

1 - 800 - WE AUDIT

1 - 800 - 932 - 8348

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