

ABC CASUAL CLOTHING, INC.
d.b.a. ABC CASUAL CLOTHES #600
MAJOR SHOPPING CENTER
DALLAS, TX
TENANT SALES AUDIT REPORT
for the twenty-six (26) months
ended February 28, 2001

TENANT SALES AUDIT REPORT

Tenant:	<u>ABC Casual Clothing Company</u>
Trade Name:	<u>ABC Casual Clothes #600</u>
Shopping Center:	<u>Major Shopping Center</u>
City / State:	<u>Dallas, TX</u>
Period:	<u>The twenty-six (26) months</u> <u>ended February 28, 2001</u>

Client

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

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Section 1

Executive Overview

Tenant: ABC Casual Clothing Company
Shopping Center: Neighborhood Shopping Center
City: Dallas, TX
Report Date: April 16, 2002
Landlord: Major Realty, LP
Management: Major Property Management Co.

1. Audit Period: From January 1, 1999 to February 28, 2001
2. Examination Location: Dallas, TX
3. Date of Examination: April 14, 2002

4. Total Unreported Sales.....	<u>\$ 349,977</u>
5. Unreported Sales in Percentage Rent.....	<u>224,671</u>
6. Percentage Rent Due Landlord.....	<u>38,205</u>
7. Interest Due Landlord	To be determined
8. Examination Fee Due Landlord.....	<u>750</u>
9. Grand Total.....	<u><u>\$ 38,955</u></u>

10. Tenant's response to findings:
Tenant agrees with findings.
11. Sales records requested but not provided:
General Ledger, Sales Exclusion Documentation and Store Operating Statements.
12. Tenant's compliance with Reporting Requirements:
Tenant does not comply with Reporting Requirements, as reported sales are inaccurate.

Section 1

Executive Overview

(continued)

Comments

The lease defines the annual certification that is to be provided by a corporate officer. The annual certification actually provided does not comply with the lease reporting requirements, and therefore, the cost of this sales audit is to be borne by the tenant. Furthermore, the lease only permits the tenant to exclude from reported sales, sales to employees with a 2% exclusion limit. The tenant, from the commencement of the audit period (January 1, 1999 to February 28, 2001, excluded without any substantiation, 2% of sales for "employee sales", all credit card discounts, and bad debts. Because of the audit scope limitations imposed by the tenant, Appendix A represents the disallowances of the excess exclusions by the examiner. Employees receive a 40% discount, correctly resulting in a 60% sales inclusion by the tenant. However, the tenant then proceeds to exclude from the reported sales 100% of the gross selling price, not the actual sales proceeds, thereby overstating excluded employee sales. Also, the tenant sells merchandise over the internet which is not included in store sales. When a customer returns merchandise sold over the internet to a store, the returned sale is deducted from the store to which it is returned. Because of the immateriality of this excess sales exclusion, no change has been made by the examiner for this item. In the future, this matter will become far more significant in arriving at accurate store sales.

The tenant installed a new computer system on March 1, 2001, which correctly reported store sales except for the undocumented and excess employee sales exclusions previously described.

Section 2

Additional Percentage Rent Due

	<i>(Memo Only)</i>			
	13 Month Lease Year Ended 03/31/02	5 month Lease Year Ended 02/28/01	9 month Lease Year Ended 09/30/00	Lease Year Ended 12/31/99
Reported Sales	\$4,883,917	\$ 1,067,795	\$2,186,849	\$2,838,307
Findings:				
1. <u>Unreported Sales</u> <u>per Appendix A (5.70%)</u>	-	61,185	125,306	163,486
2. <u>Unreported Sales</u> <u>per Appendix A (3.30%)</u>	161,169	-	-	-
Total Findings	161,169	61,185	125,306	163,486
Subject Sales	5,045,086	1,128,980	2,312,155	3,001,793
Break Point	5,711,117	0	2,677,180	2,241,360
Percentage Rent Application	0	1,128,980	0	760,433
	%	%	%	%
	5	5	5	5
Amount of Percentage Rent Paid Previously	0	56,449	0	38,022
Percentage Rent Balance Due	0	26,419	0	29,847
	0	30,030	0	8,175

Summary

Additional Percentage Rent Due	38,205
Interest Due	To be determined
Examination Fee Due	750
Total Due Landlord	<u>\$ 38,955</u>

For Additional information, please contact Compu/Audit, Inc. at

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