

ABC HARDWARE, INC.
d.b.a. ABC HARDWARE #812
NEIGHBORHOOD SHOPPING CENTER
DETROIT, MI
TENANT SALES AUDIT REPORT
for the sixty (60) months
ended December 31, 2001

TENANT SALES AUDIT REPORT

Tenant: ABC Hardware, Inc.
Trade Name: ABC Hardware #812
Shopping Center: Neighborhood Shopping Center
City / State: Detroit, MI
Period: The sixty (60) months
ended December 31, 2001

Client

Company: Major Realty, LP
Person: Ms. Jane Jones, Property Manager
Address: 123 Main Street
City / State: St. Louis, MO 55555
Date of Examination: April 14, 2002
Date of Report: April 16, 2002

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Section 1

Executive Overview

Tenant: ABC Hardware, Inc.
Shopping Location: Major Shopping Center
City: Detroit, MI
Report Date: April 16, 2002
Landlord: Major Realty, LP
Management: Major Property Management Co.

1. Audit Period: From January 1, 1997 to December 31, 2001
2. Examination Location: Detroit, MI
3. Date of Examination: April 14, 2002

4. Total Unreported Sales.....	\$ 52,278
5. Sales in Percentage Rent.....	<u>52,278</u>
6. Percentage Rent Due Landlord.....	<u>26,044</u>
7. Examination Fee Due Landlord.....	<u>750</u>
8. Grand Total.....	<u>\$ 26,794</u>

9. Tenant's response to findings:
Tenant did not respond to findings.
10. Sales records requested but not provided:
Employee sales records 1997 to 2001 inclusive.
11. Tenant's compliance with Reporting Requirements:
Tenant does not comply with Reporting Requirements, as the reported sales appear to be grossly understated and are, therefore, incorrect.

Section 1

Executive Overview

(continued)

Comments

Books and records were of average quality. The tenant's representative was helpful and cooperative. The tenant incorrectly excluded from reported sales those sales made at a discount to employees for the lease years 1997 to 2001 inclusive. The tenant did not demonstrate that those sales were actually made to employees. Unsubstantiated estimates by the tenant are not to be excluded from reported sales. Similarly, for 1997 and 1998 the tenant deducted incorrect amounts for fishing and game licenses. The examiner allowed the tenant a sales exclusion for 2001 and 2000, however, only for actual amounts received for hunting and fishing licenses. The tenant, under the lease, is entitled to an exclusion for delivery charges to customers. Instead, the tenant excluded "freight in", which is a purchase addition, and not a sales exclusion. Allowances or adjustments allowed to customers is a discount, and is therefore a permitted sales exclusion. However, the tenant both deducted these amounts from sales and as a duplicate sales exclusion. The tenant has agreed to a sales audit for the sixty months ended December 31, 2001. Patronage Dividend Income has not been reported as required by the lease. Credit card discounts have been properly treated as an operating expense.

Section 2

A

Additional Percentage Rent Due

	Lease Year Ended 12/31/01	Lease Year Ended 12/31/00	Lease Year Ended 12/31/99
Reported Sales	\$1,285,661	\$1,172,315	\$1,152,674
Findings:			
1. <u>Patronage Dividends</u>	15,078	15,534	17,267
2. <u>Game and Fishing Licenses</u>	(742)	(1,162)	-
3. <u>Refunds</u>	(1,104)	(765)	-
4. <u>Employee Sales</u>	(14,223)	-	-
5. <u>Unreconciled Difference</u>	-	-	(29,413)
Total Findings	(991)	13,607	(12,146)
Subject Sales	1,284,670	1,185,922	1,140,528
Break Point	950,000	950,000	950,000
Percentage Rent Application	334,670	235,922	190,528
	%	%	%
	3	3	3
Amount of Percentage Rent Paid Previously	10,040 0	7,078 2,795	5,716 2,103
Percentage Rent Balance Due	10,040	4,283	3,613

Summary

* Additional Percentage Rent Due	\$ 26,044
Examination Fee Due	750
Total Due Landlord	<u>\$ 26,794</u>
* Plus interest	

Section 2

A
Additional Percentage Rent Due
 (continued)

	Lease Year Ended 12/31/98	Lease Year Ended 12/31/97
Reported Sales	\$1,130,120	\$1,024,672
Findings:		
1. <u>Patronage Dividends</u>	27,912	23,896
Total Findings	27,912	23,896
Subject Sales	1,158,032	1,048,568
Break Point	950,000	950,000
Percentage Rent Application	208,032	98,568
	%	%
	3	3
Amount of Percentage Rent Paid Previously	6,241	2,957
	1,090	0
Percentage Rent Balance Due	\$ 5,151	\$ 2,957

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

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