

ABC NIGHT CLUBS, INC.
d.b.a. ABC NIGHT CLUB
MAJOR SHOPPING CENTER
PHOENIX, AZ
TENANT SALES AUDIT REPORT
for the sixty-nine (69) months
ended November 30, 2001

TENANT SALES AUDIT REPORT

Tenant:	<u>ABC Night Clubs, Inc.</u>
Trade Name:	<u>ABC Night Club</u>
Shopping Center:	<u>Major Shopping Center</u>
City / State:	<u>Phoenix, AZ</u>
Period:	<u>The sixty-nine (69) months</u> <u>ended November 30, 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>San Francisco, CA 55555</u>
Date of Examination:	<u>April 14, 2002</u>
Date of Report:	<u>April 16, 2002</u>

Compu/Audit, Inc.
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Section 1

Executive Overview

Tenant: ABC Nightclubs, Inc.
Shopping Center: ABC Nightclub
City: Phoenix, AZ
Report Date: April 16, 2002
Landlord: Major Realty, LLC
Management: Major Property Management Co.

1. Audit Period: From February 24, 1996 to November 30, 2001
2. Examination Location: Phoenix, Az
3. Date of Examination: April 14, 2002

4. Total Unreported Sales	<u>\$ 3,205,929</u>
5. Unreported Sales in Percentage Rent	<u>2,499,480</u>
6. Percentage Rent Due Landlord	<u>124,975</u>
7. Examination Fee Due Landlord	<u>2,500</u>
8. Grand Total (Plus Interest)	<u>\$ 127,475</u>

9. Tenant's response to findings:
Tenant did not respond to findings.
10. Sales records requested but not provided:
All sales records prior to January 1, 1999.
11. Tenant's compliance with Reporting Requirements:
Tenant does not comply with Reporting Requirements, as the annual sales report has not been certified as required by the lease.

Section 1

Executive Overview (continued)

Comments

Books and records were in good order, and the tenant was helpful and cooperative--with the important exception that the tenant refused to provide any sales information prior to January 1, 1999, as they were of the opinion that the audit period should be limited to the last three years. See Section 7 for tenant sales reporting compliance. The tenant appears to have recorded all funds received, but has not reported certified sales on a timely basis. A 4/4/5 week accounting period is utilized for internal recording purposes. However, a calendar month reporting period is properly utilized for both sales tax and lease reporting. A thorough cash/sales internal audit is conducted by the tenant. Ancillary income received by the tenant also appears to have been recorded and reported. Where necessary, reasonable estimations have been utilized by the examiner. The abatement period selected by the tenant should be verified by the property manager. A weekly liquor and boutique inventory is counted by the tenant. An internal Profit and Loss cash/sales reconciliation and labor cost analysis is internally prepared and audited weekly by the tenant. There are no subtenants, concessionaires, or licensees. Tip income is excluded under the lease, and employee sales are immaterial. Proceeds from private parties have been reported by the tenant, as have sales from souvenirs, valet parking, and other incidental sales.

Section 2

A

Additional Percentage Rent Due

	9 month Lease Period Ended 11/30/01	Lease Year Ended 2/28/00	Lease Year Ended 2/28/99
Reported Sales	\$3,171,538	\$4,162,974	\$5,787,802
Findings:			
1. <u>Oct. 1998 Arithmetic difference</u>	0	0	35,598
2. <u>Complimentary Sales</u>	196,635	258,104	358,843
3. <u>Liquor Tax unremitted (1%)</u>	833	1,296	1,939
4. <u>Unreconciled difference</u>	0	16,554	20,022
5. <u>Cash over</u>	12,188	7,987	9,490
6. <u>Tax Paid on Liquor Purchases</u>	83,280	129,572	193,938
Total Findings	292,936	413,513	619,830
Subject Sales	3,464,474	4,576,487	6,407,632
Break Point	4,042,917	5,155,000	4,865,000
Percentage Rent Application	0	0	1,542,632
Percentage Rent Rate	%	%	%
	5	5	5
Amount of Percentage Rent Paid Previously	0	0	77,132
Percentage Rent Balance Due	TO BE VERIFIED BY PROPERTY MANAGER		

Summary

Additional Percentage Rent Due	124,975
Examination Fee Due	2,500
Total Due Landlord (Plus interest)	<u>\$ 127,475</u>

Section 2

A
Additional Percentage Rent Due
 (continued)

	Lease Year Ended 2/28/98	Lease Year Ended 2/28/97	Lease Year Ended 2/28/96
Reported Sales	\$6,560,518	\$7,495,523	\$6,386,895
Findings:			
1. <u>Oct. 1998 Arithmetic difference</u>	0	-	-
2. <u>Complimentary Sales</u>	406,752	464,722	395,987
3. <u>Liquor Tax unremitted (1%)</u>	1,826	1,973	1,848
4. <u>Unreconciled difference</u>	12,024	25,076	4,746
5. <u>Cash over</u>	0	-	-
6. <u>Tax Paid on Liquor Purchases</u>	182,627	197,316	184,753
Total Findings	603,229	689,087	587,334
Subject Sales	7,163,747	8,184,610	6,974,229
Break Point	4,590,000	4,500,000	3,000,000
Percentage Rent Application	2,573,747	3,684,610	3,974,229
Percentage Rent Rate	%	%	%
	5	5	5
Amount of Percentage Rent Paid Previously	128,687	184,231	198,711
Percentage Rent Balance Due	TO BE VERIFIED BY PROPERTY MANAGER		

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

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