

ABC PIZZERIA INC.
d.b.a. ABC PIZZA
MAJOR SHOPPING CENTER
OMAHA, NE
TENANT SALES AUDIT REPORT
for the twenty-nine (29) months
ended May 23, 2001

TENANT SALES AUDIT REPORT

Tenant: ABC Pizzeria, Inc.
Trade Name: ABC Pizza
Shopping Center: Major Shopping Center
City / State: Omaha, NE
Period: The twenty-nine (29) months
ended May 23, 2001

Client

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

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Section 1

Executive Overview

Tenant: ABC Pizzeria, Inc.
Shopping Center: Neighborhood Shopping Center
City: Omaha, NE
Report Date: April 16, 2002
Landlord: Major Realty, LP
Management: Major Property Management Co.

1. Audit Period: From January 1, 1999 to May 23, 2001
2. Examination Location: Topeka, KS
3. Date of Examination: April 14, 2002

4. Total Unreported Sales.....	<u>\$ 963,319</u>
5. Sales in Percentage Rent.....	<u>811,338</u>
6. Percentage Rent Due Landlord.....	<u>52,101</u>
7. Interest Due Landlord.....	To Be Determined
8. Examination Fee Due Landlord.....	<u>600</u>
9. Grand Total.....	<u>\$ 52,701</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, as reported sales are incorrect.

Section 1

Executive Overview (continued)

Comments

Books and records were in good order, and the tenant was somewhat helpful and cooperative. Cash/sales are subject to a thorough internal audit.

As a matter of corporate accounting policy, store leases which provide for potential percentage rent payments exclude from reported sales to landlords one-half of all delivery and to-go sales. The tenant's reason for claiming these two sales exclusions is the utilization by the tenant of a separate telephone call center. The lease (Article 4.4) Gross Sales definition does not provide for these two sales exclusions. These sales exclusions are incorrect, and should therefore not be claimed by the tenant. The tenant includes in the location's sales all delivery and to-go sales, and it is only at the time of reporting store sales to the landlord that the 50% exclusion is determined. Furthermore, sales tax returns include 100% of the total store's sales, without the 50% exclusions.

In addition, the tenant excluded bad debt expense, which should also not be excluded. Sales exclusions for employee discounts, promotional coupons, etc. were allowed the tenant, as the lease does not exclude these deductions. The examiner made no change for employee tips, which may also be included in the restaurant sales. Credit card discounts are properly classified as an operating expense.

Section 2

A

Additional Percentage Rent Due

	Lease Year Ended 05/23/01	Lease Year Ended 12/31/00	Lease Year Ended 12/31/99
Reported Sales	\$476,680	\$1,026,525	\$948,978
Findings:			
1. <u>Bad debts</u>	1,046	1,979	3,465
2. <u>To-Go Sales - 50%</u>	47,473	96,330	85,727
3. <u>Delivery Sales - 50%</u>	141,387	314,873	271,039
Total Findings	189,906	413,182	360,231
Subject Sales	666,586	1,439,707	1,309,209
Break Point	419,668	1,063,742	1,063,742
Percentage Rent Application	246,918	375,965	245,467
	%	%	%
	6	6	6
Amount of Percentage Rent	14,815	22,558	14,728
Paid Previously	0	0	0
Percentage Rent Balance Due	14,815	22,558	14,728

Summary

Additional Percentage Rent Due \$ 52,101 (Plus Interest)

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

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