

ABC THEATERS INC.
d.b.a. ABC THEATER #500
MAJOR SHOPPING CENTER
NEW YORK, NY
TENANT SALES AUDIT REPORT
for the twenty-four (24) months
ended December 31, 2001

TENANT SALES AUDIT REPORT

Tenant:	<u>ABC Theaters, Inc.</u>
Trade Name:	<u>ABC Theater #500</u>
Shopping Center:	<u>Major Shopping Center</u>
City / State:	<u>New York, NY</u>
Period:	<u>The twenty-four (24) months</u> <u>ended December 31, 2001</u>

Client

Company:	<u>Major Realty, LLC</u>
Person:	<u>Ms. Jane Jones, General Manager</u>
Address:	<u>123 Main Street</u>
City / State:	<u>New York, NY 55555</u>
Date of Examination:	<u>April 14, 2002</u>
Date of Report:	<u>April 16, 2002</u>

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 Theaters, Inc.
Shopping Center: Major Shopping Center
City: New York, NY
Report Date: April 16, 2002
Landlord: Major Realty, LLC
Management: Major Property Management Co.

1. Audit Period: From January 1, 2000 to December 31, 2001
2. Examination Location: Chicago, IL
3. Date of Examination: April 14, 2002

4. Total Unreported Sales - memo.....	<u>\$ 268,163</u>
5. Sales in Percentage Rent.....	<u>268,163</u>
6. Percentage Rent Due Landlord.....	<u>53,870</u>
7. Interest Due Landlord.....	<u>7,803</u>
8. Examination Fee Due Landlord.....	<u>750</u>
9. Grand Total.....	<u>\$ 62,423</u>

10. Tenant's response to findings:
Tenant disagrees 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 percentage rent due appears to be incorrect.

Section 1

Executive Overview

(continued)

Comments

Books and records were adequate. Net sales are defined in the lease as follows: "'Net Sales' of Lessee as used in this Lease is defined to be the gross selling price of the total box office ticket receipts and fifty percent (50%) of all food concession receipts up to \$400,000 of net sales at which point net sales shall be defined only as box office ticket receipts." Sales tax was deducted from gross collections by the examiner in arriving at net sales. The food concessions are owned and operated by the tenant. There are a variety of discounts that are made available to the public and employees, and sales are recorded and reported net of all discounts. Under the terms of the lease, all incidental revenues are excluded by the tenant from reported sales. The tenant incorrectly recast its sales reporting and resultant percentage rent calculation method retroactive to January 1, 1999.

Section 2

A Additional Percentage Rent Due

	Lease Year Ended 12/31/01	Lease Year Ended 12/31/00
Reported Sales - memo	\$ 1,143,240	\$ 1,496,327
Sales - Admissions	1,045,371	1,222,494
Sales - 50% of Food Concessions	319,878	319,987
Net Sales per lease - Subject Sales	1,365,249	1,542,481
Initial Break Point - A (5%)	400,000	400,000
Percentage Rent Application Balance - B (4%)	965,249	1,142,481
Amount of Percentage Rent - Initial - A	20,000	20,000
Amount of Percentage Rent - Balance - B	38,610	45,699
Total Percentage Rent	58,610	65,699
Paid Previously - Minimum Rent	19,121	19,121
	39,489	46,578
Percentage Rent Paid	10,060	46,578
Balance Due	29,429	0
Add:- incorrect 2001 deduction for prior periods	24,441	0
Total Percentage Rent Due	\$ 53,870	\$ 0

Section 2

A

Additional Percentage Rent Due
(continued)

Summary

Additional Percentage Rent Due	\$ 53,870
Interest Due Landlord	7,803
Total Due	<u>\$ 61,673</u>

Percentage Rent Definition

Lessee shall pay to Lessor, as additional rent, an amount equal to a percentage of Lessee's net sales... The additional percentage rent shall be equal to the total of five percent (5%) of the first FOUR HUNDRED THOUSAND DOLLARS (\$400,000) of net sales plus four percent (4%) of all net sales in excess of FOUR HUNDRED THOUSAND DOLLARS (\$400,000) as said sum shall exceed the minimum annual rent paid for the same lease year.

The tenant does not appear to have reported sales based upon the foregoing percentage rent definition.

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

1 - 800 - WE AUDIT

1 - 800 - 932 - 8348

<http://www.compuaudit.com>