

ABC TOY & HOBBY SHOPS, INC.
d.b.a. ABC TOY & HOBBY SHOP #515
MAJOR SHOPPING CENTER
SAN FRANCISCO, CA
TENANT SALES AUDIT REPORT
for the forty-nine (49) months
ended January 31, 2002

TENANT SALES AUDIT REPORT

Tenant: ABC Toy & Hobby Shops, Inc.
Trade Name: ABC Toy & Hobby Shop #515
Shopping Location: Major Shopping Center
City / State: San Francisco, Ca.
Period: The forty-nine (49) months
ended January 31, 2002

Client

Company: Major Realty, LLC
Person: Ms. Jane Jones, General Manager
Address: 123 Main Street
City / State: Washington DC
Date of Examination: April 14, 2002
Date of Report: April 16, 2002

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Section 1

Executive Overview

Tenant: ABC Toy & Hobby Shops, Inc.
Shopping Location: Major Shopping Center
City: San Francisco, Ca.
Report Date: April 16, 2002
Landlord: Major Realty, LLC
Management: Major Property Management Co.

1. Audit Period: From January 1, 1998 to January 31, 2002
2. Examination Location: Columbus, OH
3. Date of Examination: April 14, 2002

| | |
|--------------------------------------|------------------|
| 4. Total Unreported Sales..... | <u>\$ 76,278</u> |
| 5. Sales in Percentage Rent..... | <u>76,278</u> |
| 6. Percentage Rent Due Landlord..... | <u>4,653</u> |
| 7. Interest Due Landlord..... | <u>782</u> |
| 8. Examination Fee Due Landlord..... | <u>0</u> |
| 9. Grand Total..... | <u>\$ 5,435</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 complies with Reporting Requirements.

Section 1

Executive Overview (continued)

Comments

Books and records were of good quality. After a Chapter 11 corporate reorganization was completed, the tenant was cooperative. The lease permits the tenant to exclude sales to employees (up to 2% of sales) provided that sales are made at tenant cost to the employees. Also, the tenant is permitted to exclude sales made on a nonprofit basis to "not for profit organizations." Sales in both categories are made at a profit, which is only slightly reduced from the tenant's regular profit margins. Catalog and layaway sales are not utilized by the tenant. There is a small timing difference between actual sales and reported sales, because the tenant reports sales on a thirteen-week accounting cycle. Credit card fees are properly reported as an operating expense. The lease expiry date is January 31, 2002, extending the audit period by one month.

Section 2

A

Additional Percentage Rent Due

| | 13 month Lease Year Ended 1/31/02 | Lease Year Ended 12/31/00 | Lease Year Ended 12/31/99 | Lease Year Ended 12/31/98 |
|-----------------------------|---|------------------------------------|------------------------------------|------------------------------------|
| Reported Sales | \$ 1,289,421 | \$ 1,123,127 | \$969,347 | \$784,137 |
| Findings: | | | | |
| 1. <u>Employee Sales</u> | 10,254 | 14,638 | 13,837 | 11,612 |
| 2. <u>Exempt Sales</u> | 5,874 | 3,344 | 8,051 | 8,668 |
| Total Findings | 16,128 | 17,982 | 21,888 | 20,280 |
| Subject Sales | 1,305,549 | 1,141,109 | 991,235 | 804,417 |
| Break Point | 816,222 | 753,436 | 753,436 | 753,436 |
| Percentage Rent Application | 489,327 | 387,673 | 237,799 | 50,981 |
| | % | % | % | % |
| | 6 | 6 | 6 | 6 |
| Amount of Percentage Rent | 29,360 | 23,260 | 14,268 | 3,059 |
| Paid Previously | 28,316 | 22,181 | 12,955 | 1,842 |
| Percentage Rent Balance Due | 1,044 | 1,079 | 1,313 | 1,217 |

Summary

| | |
|--------------------------------|------------------------|
| Additional Percentage Rent Due | 4,653 |
| Interest Due | 782 |
| | <hr/> |
| Total Due Landlord | <u><u>\$ 5,435</u></u> |

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

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