

**ABC PET PLACE, INC.**  
**d.b.a. ABC PET PLACE**  
**MAJOR SHOPPING CENTER**  
**MINNEAPOLIS, MN**  
**TENANT SALES AUDIT REPORT**  
for the thirty-six (36) months  
ended December 31, 2001

## TENANT SALES AUDIT REPORT

Tenant: ABC Pet Place, Inc.  
Trade Name: ABC Pet Place  
Shopping Location: Major Shopping Center  
City / State: Minneapolis, MN  
Period: The thirty-six (36) months  
ended December 31, 2001

### Client

Company: Major Realty, LLC  
Person: Mr. Bill Smith, General Manager  
Address: 123 Main Street  
City / State: Washington DC 55555  
Date of Examination: April 14, 2002  
Date of Report: April 16, 2002

**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 Pet Place, Inc.  
Shopping Center: Major Shopping Center  
City: Minneapolis, MN  
Report Date: April 16, 2002  
Landlord: Major Realty, LLC  
Management: Major Property Management Co.

1. Audit Period: From January 1, 1999 to December 31, 2001
2. Examination Location: Phoenix, AZ
3. Date of Examination: April 14, 2002

4. Total Unreported Sales.....	<u>\$ 43,516</u>
5. Sales in Percentage Rent.....	<u>43,516</u>
6. Percentage Rent Due Landlord.....	<u>9,625</u>
7. Interest Due Landlord.....	<u>1,299</u>
8. Examination Fee Due Landlord.....	<u>0</u>
9. Grand Total.....	<u>\$ 10,924</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 adequate, and the tenant was helpful and cooperative. Sales are classified into fourteen categories, which is a valuable management tool. No sales exclusions are claimed by the tenant, and tenant marketing is focused on the sale of live animals (dogs in particular) and related supplies. Other services, such as flea baths, grooming, etc. are not provided by the tenant. Sales are recorded and reported net of discounts and returns, which are minor. Strong, enforced financial internal controls are maintained by the tenant, which include sales reconciliation with bank deposits and an internal cash/sales audit program. Credit card discounts are properly treated as an operating expense by the tenant. The reason for the sales differences between actual and reported sales is due to the tenant having reported sales to the mall management office before recording final sales adjustments, which are recorded after the calendar month end. It appears that percentage rent has not been paid on the amount of the 2001 sales overage of \$152,485. The tenant believes that he should not be billed for 2001 interest, as sales for that year had been properly reported to the mall management office both accurately and on a timely basis, and the percentage rent due is solely the result of the mall's failure to have billed the tenant promptly. The tenant has further agreed to remit the entire percentage rent due by May 15, 2002 if both the interest and audit fee are waived by the landlord.

## 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	\$897,774	\$710,909	\$582,045
Findings:			
1. <u>Arithmetic difference (pass)</u>	2,511	0	(2,838)
2. <u>Dog Food sales omitted</u>	0	43,516	0
Total Findings	2,511	43,516	(2,838)
Subject Sales	900,285	754,425	579,207
Break Point - Dog Food	15,000	15,000	13,000
Other Merchandise	732,800	732,800	641,200
Total	747,800	747,800	654,200
Percentage Rent Application	152,485	28,516	0
	%	%	%
	3/7	3/7	3/7
Amount of Percentage Rent	9,625	856	1,087
Paid Previously	0	856	1,087
Percentage Rent Balance Due	9,625	0	0

#### Summary

Additional Percentage Rent Due	\$ 9,625
Interest Due	1,299
Examination Fee Due	0
Total Due	<u>\$ 10,924</u>

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

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