

ABC WOMEN'S FASHIONS, INC.
d.b.a. ABC WOMEN'S FASHIONS #1995
SPECIALTY SHOPPING CENTER
MIAMI, FL
TENANT SALES AUDIT REPORT
for the forty-eight (48) months
ended December 31, 2001

TENANT SALES AUDIT REPORT

Tenant: ABC Women's Fashions, Inc.
Trade Name: ABC Women's Fashions #1995
Shopping Location: Specialty Shopping Center
City / State: Miami, FL
Period: The forty-eight (48) months
ended January 31, 2001

Client

Company: Major Realty, LP
Person: Mr. Bill Smith, Property Manager
Address: 123 Main Street
City / State: Indianapolis, IN 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

Table of Contents

<u>SECTION</u>		<u>PAGE</u>
1	Executive Overview	3
2	Additional Percentage Rent Due	5
3	Tenant Comments	7
4	Examination Scope and Results	8
5	Records -- Required and Provided	9
6	Recording of Sales	12
7	Tenant Sales Reporting	13
8	Recommendations	14

Section 1

Executive Overview

Tenant: ABC Women's Fashions, Inc.
Shopping Center: Specialty Shopping Center
City: Miami, FL
Report Date: April 16, 2002
Landlord: Major Realty, LP
Management: Major Property Management Co.

1. Audit Period: From January 1, 1998 to December 31, 2001
2. Examination Location: Minneapolis, MN
3. Date of Examination: April 14, 2002

4. Total Unreported Sales	\$ 3,750,792
5. Unreported Sales in Percentage Rent	<u>3,750,792</u>
6. Percentage Rent Due Landlord	<u>171,068</u>
7. Interest Due Landlord	<u>79,329</u>
8. Examination Fee Due Landlord	<u>1,000</u>
9. Grand Total	<u>\$ 251,397</u>

10. Tenant's response to findings:
Tenant disagrees with findings.

11. Sales records requested but not provided:
Subtenant sales records and annual reports.

12. Tenant's compliance with Reporting Requirements:
Tenant does not comply with Reporting Requirements, as the tenant's annual sales report excludes subtenant sales, and net shipping profits. Annual statements have not been certified by two officers or directors of the tenant, as required by the lease. The tenant has not furnished to the landlord an annual statement of the subtenant sales in similar form as the annual tenant sales statement (Article 5.07 of the lease).

Section 1

Executive Overview

(continued)

Comments

The tenant's representative was helpful and cooperative. Manually maintained books and records were in good order. The tenant has a subtenant jeweler who, under the terms of the lease, is obligated to report sales to the tenant, and the tenant is required to pay percentage rent thereon. The tenant has failed to inform the property manager of the subtenant's sales, and to pay percentage rent thereon. From the commencement of the audit period through August 2001, the subtenant paid rent at a rate of 12% on his sales to the tenant. From September to December 2001, the tenant paid a flat rent of \$8,500 per month in lieu of percentage rent. The examiner calculated unreported sales based either upon 12% of the subtenant rent received, or upon \$8,500 per month fixed to determine the equivalent sales amounts. The tenant earns a profit on shipping revenues. Therefore, these profit amounts were included in unreported sales by the examiner. As these records were not supplied for the 1998 and 1999 lease years, the examiner determined the weighted 2000 and 2001 lease year amounts, and applied the appropriate revenue percentage on this item to determine the 1998 and 1999 unreported amounts. The subtenant should be audited concurrently with the tenant, if possible. The tenant states that she is unaware that percentage rent is due upon the subtenant's sales. She claims that the minimum rental income, common area charges, and percentage rent should not exceed \$150,000, instead of the \$200,000 which was agreed to by her in the lease. Finally, she claims that tenant improvements exceed budgeted costs enhancing the appearance of the store. According to the tenant, during the audit period \$330,800 has been spent in advertising, fashion shows, and promotional expense, of which \$264,640 (80%) should be applied to the ABC Shopping location and (20%) to their other Shopping location. This amounts to \$66,160 per annum for the ABC Shopping location for the audit period.

Section 2

A Additional Percentage Rent Due

	Lease Period Ended 12/31/01	Lease Year Ended 12/31/00	Lease Year Ended 12/31/99	Lease Year Ended 12/31/98
Reported Sales	\$2,714,649	\$2,700,615	\$2,587,293	\$2,821,809
Findings:				
1. <u>Subtenant sales</u>	1,180,425	909,108	850,358	769,567
2. <u>Shipping profit (1)</u>	11,255	11,385	10,349	8,345
Total Findings	1,191,680	920,493	860,707	777,912
Subject Sales	3,906,329	3,621,108	3,448,000	3,599,721
Break Point	1,440,000	1,440,000	1,440,000	1,440,000
Percentage Rent Application	2,466,329	2,181,108	2,008,000	2,159,721
Percentage Rent Rate	%	%	%	%
	5	5	5	5
Amount of Percentage Rent	123,316	109,055	100,400	107,986
Paid Previously (2)	63,732	63,031	57,365	69,090
Percentage Rent Balance Due	59,584	46,024	43,035	38,896
Maximum - Exhibit C (3)	44,230	44,931	43,035	38,872

Summary

Additional Percentage Rent Due	\$ 171,068
Interest Due Landlord	79,329
Examination Fee Due	1,000
Total Due Landlord (Plus interest and rental tax)	<u><u>\$ 251,397</u></u>

(1) 12/31/01 and 12/31/00 were estimated based on 12/31/99 and 12/31/98 weighted average percentage of shipping profit to sales.

(2) To be verified by property manager.

(3) Rent cap is \$200,000 per annum including minimum rent, percentage rent, and Common Area Expenses.

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

1 - 800 - WE AUDIT

1 - 800 - 932 - 8348

<http://www.compuaudit.com>