

FINDINGS REPORT - FEBRUARY 2023

Lease Billing Review Report

Prepared for Generic Tenant, LLC

TENANT
Generic Tenant, LLC

LANDLORD
Generic Landlord, LLC

PROPERTY
123 Main Street, Suite 100, Anytown, ST 00000

REVIEW PERIOD
January 1, 2022 - December 31, 2022

PREPARED DATE
February 2023

PREPARED BY
TrueCharge Audit

REPORT TYPE
Lease and landlord OpEx reconciliation review

PRIMARY CONTACT
Tenant representative

01 Executive Summary

TrueCharge Audit reviewed the 2022 operating expense reconciliation for Generic Tenant, LLC at 123 Main Street. The review found three landlord-cost items included in recoverable expenses that appear outside the lease's NNN charge language. Removing those items increases the tenant's 2022 reconciliation credit by \$3,870.00.

F-01	FINDING
Leasing commission was included in OpEx, but Section 3.4 limits NNN charges to real estate taxes, building insurance, and maintenance.	
RECOMMENDED ACTION Request removal or lease basis	\$2,150
F-03	FINDING
A capital improvement was included in OpEx, but the lease does not clearly make capital costs recoverable through the NNN reconciliation.	
RECOMMENDED ACTION Request invoice and lease authority	\$1,290

F-02	FINDING
Leasing legal fees were included in OpEx, but they appear to be landlord leasing costs rather than recoverable NNN expenses.	
RECOMMENDED ACTION Request removal or lease basis	\$430
REVIEW PERIOD January 1, 2022 - December 31, 2022	
DOCUMENTS REVIEWED Lease dated January 1, 2020; 2022 operating expense recovery reconciliation; analysis of landlord billed amounts against lease support.	

TOTAL TENANT-LEVEL BILLING VARIANCE
Additional credit indicated by review

\$3,870

02 Scope of Review

DOCUMENTS REVIEWED	Commercial Lease Agreement dated January 1, 2020; 2022 Operating Expenses Recovery Reconciliation dated February 2023; billing analysis PDF dated February 2023 for the same reconciliation.
LEASE PROVISIONS REVIEWED	Section 3.4, NNN charges; Section 3.4(a), annual NNN reconciliation; Section 4, utility cost language; lease abstract notes on no stated CAM exclusions, cap, gross-up, or audit rights.
REVIEW LIMITATION	<i>This report is based on documents made available for review and is not a legal opinion. Tenant should consult counsel before making legal claims, withholding payment, or issuing formal dispute notices.</i>

03 Billing Review Table

The table below mirrors the reconciliation analysis. Building-level variances are shown first, then the 43% tenant share is applied to reach the corrected tenant credit.

LINE ITEM	LANDLORD BILLED	SUPPORTED BY REVIEW	VARIANCE	BASIS / COMMENT
EXPENSE DETAIL				
Real-Estate Taxes	\$42,800.00	\$42,800.00	-	Consistent with support documents.
Property Insurance (Special-Form RC)	\$7,400.00	\$7,400.00	-	Consistent with support documents.

LINE ITEM	LANDLORD BILLED	SUPPORTED BY REVIEW	VARIANCE	BASIS / COMMENT
Snow & Landscaping	\$10,200.00	\$10,200.00	-	Consistent with support documents.
Exterior Lighting & Electricity	\$3,700.00	\$3,700.00	-	Consistent with support documents.
Leasing Commission	\$5,000.00	\$0.00	\$5,000.00	Not consistent with Section 3.4; appears to be a landlord leasing cost.
Leasing Legal	\$1,000.00	\$0.00	\$1,000.00	Not consistent with Section 3.4; appears to be a landlord leasing cost.
Janitorial & Supplies	\$2,900.00	\$2,900.00	-	Consistent with support documents.
HVAC Preventive Service	\$3,600.00	\$3,600.00	-	Consistent with support documents.
General Repairs & Supplies	\$2,050.00	\$2,050.00	-	Consistent with support documents.
Capital Improvement	\$3,000.00	\$0.00	\$3,000.00	Not consistent with Section 3.4; lease support for capital cost recovery was not identified.
Management / Admin Fee (5% of CAM)	\$1,123.00	\$1,123.00	-	Consistent with support documents.
Base-Building Utilities Factor (Section 4)	\$10,950.00	\$10,950.00	-	Consistent with support documents.
Total Recoverable Expenses	\$93,723.00	\$84,723.00	\$9,000.00	Recoverable expenses are \$9,000.00 over the supported total.
CALCULATION PATH TO TENANT IMPACT				
Controllable Cap	-	-	-	No controllable cap is stated in the lease.
Recoverable Expenses after CAP	\$93,723.00	\$84,723.00	\$9,000.00	Same variance carries through because no cap applies.
Base Expense	-	-	-	No base year or expense stop is stated in the lease.
Recoverable Expenses after Base Year	\$93,723.00	\$84,723.00	\$9,000.00	Same variance carries through because no base expense applies.
PRS %	43.00%	43.00%	0.00%	Tenant occupies 4,300 RSF of 10,000 building RSF.
Occupancy %	100.00%	100.00%	0.00%	Occupancy factor matches the reconciliation.
Tenant Share	\$40,300.89	\$36,430.89	\$3,870.00	\$9,000.00 unsupported building variance x 43.00% tenant share.
Estimates Billed	(\$42,355.00)	(\$42,355.00)	-	Consistent with support documents.
Balance Due (Credit)	(\$2,054.11)	(\$5,924.11)	\$3,870.00	Tenant appears entitled to an additional \$3,870.00 credit.

04 Lease Reference Notes

LEASE SECTION	RELEVANT TERM	AUDIT NOTE
Section 3.4	Tenant pays its share of all real estate taxes, building insurance premiums, and maintenance costs.	Leasing commission, leasing legal fees, and capital improvement costs are not listed in the lease language reviewed as recoverable NNN categories.
Section 3.4(a)	NNN charges are estimated and reconciled to actual costs on March 1 of each year.	The corrected 2022 reconciliation would increase the tenant credit from \$2,054.11 to \$5,924.11.

05 Recommended Landlord Questions

1. Please provide the invoice, accounting support, and lease provision Landlord relies on to pass through the \$5,000 leasing commission.
2. Please provide the invoice, accounting support, and lease provision Landlord relies on to pass through the \$1,000 leasing legal fee.
3. Please provide the invoice, project description, accounting treatment, useful life, and lease provision Landlord relies on to pass through the \$3,000 capital improvement.

06 Recommended Next Steps

STEP	ACTION	PURPOSE
1	Send written document request to landlord/property manager.	Create a clear record of the disputed costs and backup requested.

STEP	ACTION	PURPOSE
2	Review landlord response against Section 3.4 and the supporting invoices.	Confirm whether each disputed cost has lease support.
3	Request a corrected 2022 reconciliation if the items remain unsupported.	Increase the tenant credit by the supported \$3,870.00 adjustment.
4	Consult legal counsel before formal dispute action.	Confirm rights, deadlines, notice requirements, and strategy.

07 Conclusion

Based on the records reviewed, Generic Tenant, LLC has a focused basis to ask Generic Landlord, LLC to remove \$9,000.00 of unsupported building-level costs from the 2022 OpEx reconciliation. At the 43.00% tenant share, the corrected reconciliation would increase the tenant credit by \$3,870.00, from \$2,054.11 to \$5,924.11.

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TrueCharge Audit provides advisory document review only and does not provide legal representation or legal advice. Findings are based on documents reviewed and remain subject to additional facts, landlord response, and legal review. No recovery, credit, concession, or landlord response is promised.

Prepared by TrueCharge Audit

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