



Memorandum

TO: Honorable Mayor and City Council

FROM: Gerald A. Silva,
City Auditor

SUBJECT: Conditional Approval of
Stock Transfer

DATE: April 4, 2007

In accordance with the City Council's request, I am submitting the finding reports from Kafoury, Armstrong, & Company, LLP relating to the Bay 101 Conditional Approval of Stock Transfer. This report represents the quarter ended September 30, 2006.

A handwritten signature in cursive script that reads "Gerald A. Silva".

Gerald A. Silva
City Auditor

GS:bh

cc: Carl Mitchell
Richard Teng



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT

To the City of San Jose

We have examined management of Sutter's Place, Inc., d.b.a. Bay 101's assertion that Sutter's Place, Inc., d.b.a. Bay 101 (the Company), complied with the Conditional Approval of Stock Transfer agreement dated August 26, 1994 during the quarter ended September 30, 2006. Management is responsible for Sutter's Place, Inc., d.b.a. Bay 101's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Sutter's Place, Inc., d.b.a. Bay 101's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Sutter's Place, Inc., d.b.a. Bay 101's compliance with specified requirements.

In our opinion, management's assertion that Sutter's Place, Inc., d.b.a. Bay 101 complied with the Conditional Approval of Stock Transfer agreement dated August 26, 1994 for the quarter ended September 30, 2006 is fairly stated, in all material respects.

This report is intended solely for the information and use of the City of San Jose and is not intended to be and should not be used by anyone other than these specified parties.

Our examination was made for the purpose of forming an opinion on management of Sutter's Place, Inc., d.b.a. Bay 101's assertion that Sutter's Place, Inc., d.b.a. Bay 101, complied with the Conditional Approval of Stock Transfer agreement dated August 26, 1994 during the quarter ended September 30, 2006. The accompanying supplementary information (Exhibits 1 through 5) is presented for purposes of additional analysis and is not a required part of this report. Such information has been subjected to the procedures applied in the examination of management's assertion.

Kafoury, Armstrong & Co.

Reno, Nevada
November 8, 2006

CITY OF SAN JOSE
 SUTTER'S PLACE, INC., d.b.a. BAY 101
 SCHEDULE OF DISBURSEMENTS TO RELATED PARTIES
 FOR THE QUARTER ENDED SEPTEMBER 30, 2006

Exhibit 1

Months tested - July - September 2006

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Sutter's Place Inc dba Bay 101	7/5/2006	069628	875.00	AFLAC/Flex-One Section 125 for pay period ending June 18, 2006
Bumb & Associates	7/11/2006	069645	301,647.00	July rent
The Flea Market Inc	7/12/2006	069663	630.87	Reimbursement for automotive expenses
Sutter's Place Inc dba Bay 101	7/12/2006	069686	875.00	AFLAC/Flex-One Section 125 for pay period ending July 2, 2006
Brian Bumb	7/18/2006	069702	297,000.00	Dividend- Retained Earnings distribution
George Bumb Jr	7/18/2006	069703	2,079,000.00	Dividend- Retained Earnings distribution
Timothy Bumb	7/18/2006	069704	2,079,000.00	Dividend- Retained Earnings distribution
Marko Trapani	7/18/2006	069705	1,485,000.00	Dividend- Retained Earnings distribution
Ronald E. Werner	7/18/2006	069706	59,400.00	Dividend- Retained Earnings distribution
Bumb & Associates	9/7/2006	010337	301,647.00	September rent
Brian Bumb	9/7/2006	010338	99,000.00	Estimated Income Tax Distribution 3rd Quarter
George Bumb Jr	9/7/2006	010339	693,000.00	Estimated Income Tax Distribution 3rd Quarter
Timothy Bumb	9/7/2006	010340	693,000.00	Estimated Income Tax Distribution 3rd Quarter
Marko Trapani	9/7/2006	010343	495,000.00	Estimated Income Tax Distribution 3rd Quarter
Sutter's Place Inc dba Bay 101	9/13/2006	010406	836.54	AFLAC/Flex-One Section 125 for pay period ending August 27, 2006
Sutter's Place Inc dba Bay 101	9/21/2006	010479	650.48	AFLAC/Flex-One Section 125 for pay period ending September 10, 2006
C.J. Sutter	8/1/2006	010018	16,667.00	August covenant payment
Bumb & Associates	8/2/2006	010034	301,647.00	August rent
Sutter's Place Inc dba Bay 101	8/2/2006	010081	875.00	AFLAC/Flex-One Section 125 for pay period ending July 16, 2006
Sutter's Place Inc dba Bay 101	8/11/2006	010182	836.54	AFLAC/Flex-One Section 125 for pay period ending July 30, 2006
Sutter's Place Inc dba Bay 101	8/21/2006	010238	836.54	AFLAC/Flex-One Section 125 for pay period ending August 13, 2006

**CITY OF SAN JOSE
SUTTER'S PLACE, INC., d.b.a. BAY 101
SCHEDULE OF DISBURSEMENTS OVER \$10,000 TO VENDORS
FOR THE QUARTER ENDED SEPTEMBER 30, 2006**

Exhibit 2

Month tested - August 2006

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Board of Equalization	8/21/2006	002106	\$ 29,500.00	3rd quarter sales tax reporting
C.J. Sutter	8/1/2006	010018	16,667.00	August covenant payment
Blue Cross of California	8/2/2006	010033	121,057.49	August health, dental, & life insurance premium payment
Bumb & Associates	8/2/2006	010034	301,647.00	August rent
City of San Jose	8/2/2006	010039	574,638.00	Local taxes based on 13% of July revenue
Compwest Ins. Co	8/2/2006	010042	46,986.00	July workers comp premium payment
Coblentz, Patch, Duffy & Bass	8/2/2006	010043	52,897.76	Attorney fees
Infogenesis	8/2/2006	010054	19,414.49	Various service and parts fees for new POS system
Kaiser Foundation Health	8/2/2006	010055	64,513.44	August health insurance premium payment
Naser Distribution	8/2/2006	010060	11,949.28	Merchandise purchased July 27, 2006
Pacific Gas & Electric	8/2/2006	010063	65,220.11	July utilities
Shuffle Master Inc	8/2/2006	010074	17,300.60	Purchase of various shuffle units
Summer Mailing Equipment Inc	8/2/2006	010080	11,519.80	Purchase of various office supplies
Sutter's Place Inc dba Bay 101	8/2/2006	010081	875.00	AFLAC/Flex-One Section 125 for pay period ending July 16, 2006
Race Street Fish & Poultry	8/2/2006	010098	12,718.94	Food ordered July 14 - July 31, 2006
Sierra Meat Company	8/2/2006	010101	15,493.27	Food ordered July 1 - July 31, 2006
Sun Supermarket	8/2/2006	010102	12,397.21	Food ordered July 13 - July 30, 2006
US Foodservices, Inc	8/2/2006	010103	28,664.27	Food ordered July 13 - July 29, 2006
Casino Graphix, Inc	8/4/2006	010106	19,185.47	Purchase of deal chair and additional replacement parts
San Jose Mercury News	8/11/2006	010157	20,833.50	Advertising with the local newspaper in July
South Bay Hotel Employees	8/11/2006	010159	89,697.65	July HERE Trust Fund- Employee Union payments
State of California	8/11/2006	010164	128,000.00	Per table fee to operate 40 tables for 2007
Sutter's Place Inc dba Bay 101	8/11/2006	010182	836.54	AFLAC/Flex-One Section 125 for pay period ending July 30, 2006
McManis, Faulkner & Morgan	8/11/2006	010193	87,020.00	Attorney fees
US Foodservices, Inc	8/11/2006	010206	10,813.37	Food ordered August 1 - August 4, 2006
Pursell Construction, Inc	8/21/2006	010216	14,503.87	Poker Gaming Room initial deposit for materials
Pursell Construction, Inc	8/21/2006	010217	17,734.00	Installation and furnish lighting for Poker Gaming Room (completion)
Pursell Construction, Inc	8/21/2006	010218	17,016.36	California Gaming Room initial deposit for materials
Pursell Construction, Inc	8/21/2006	010219	20,621.00	Installation and furnish lighting for California Gaming Room (completion)
Kaiser Foundation Health	8/21/2006	010229	67,825.10	September health insurance premium
Naser Distribution	8/21/2006	010231	14,170.11	Merchandise purchased August 18, 2006

**CITY OF SAN JOSE
 SUTTER'S PLACE, INC., d.b.a. BAY 101
 SCHEDULE OF DISBURSEMENTS OVER \$10,000 TO VENDORS
 FOR THE QUARTER ENDED SEPTEMBER 30, 2006**

Exhibit 2

Month tested - August 2006

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Pfahnl & Hunt Accountancy Corp	8/21/2006	010232	11,105.00	Accounting fees
Shuffle Master Inc	8/21/2006	010236	18,664.55	Purchase of various shuffle units and back up units
Sutter's Place Inc dba Bay 101	8/21/2006	010238	836.54	AFLAC/Flex-One Section 125 for pay period ending August 13, 2006
US Foodservices, Inc	8/21/2006	010253	14,765.88	Food ordered August 8 - August 16, 2006
State Board of Equalization	8/25/2006	010257	12,475.72	Sales tax past due
Peery-Arrillaga	8/28/2006	010263	160,927.73	September land lease
US Foodservices, Inc	8/29/2006	010264	21,875.10	Food ordered August 3 - August 25, 2006
Pacific Gas & Electric Co	8/30/2006	010296	60,820.62	August utilities
Race Street Fish & Poultry	8/30/2006	010316	13,259.43	Food ordered August 14 - August 28, 2006
Sierra Meat Company	8/30/2006	010320	13,949.63	Food ordered August 14 - August 28, 2006

**CITY OF SAN JOSE
SUTTER'S PLACE, INC., d.b.a. BAY 101
OPERATIONAL TRANSACTIONS TESTING
FOR THE QUARTER ENDED SEPTEMBER 30, 2006**

Exhibit 3

Scope: All transactions > \$50,000 for the months of July and September 2006

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Franchise Tax Board	7/24/2006	000724	211,256.14	State income tax for year ending 12/1994
Peery-Arrillaga	7/27/2006	010004	163,513.28	August land lease
Pacific Gas & Electric Co.	7/5/2006	069609	56,660.19	June utilities
Sutter's Place Inc dba Bay 101	7/5/2006	069628	875.00	AFLAC/Flex-One Section 125 for pay period ending June 18, 2006
City of San Jose	7/6/2006	069636	546,829.00	Local taxes based on 13% of June revenue
Compwest Ins. Co	7/6/2006	069640	194,991.00	30% of 2007 workers comp insurance deposit
Bumb & Associates	7/11/2006	069645	301,647.00	July rent
The Flea Market Inc	7/12/2006	069663	630.87	Reimbursement for automotive expenses
South Bay Hotel Employees	7/12/2006	069684	86,060.58	June HERE Trust Fund- Employee Union payments
Sutter's Place Inc dba Bay 101	7/12/2006	069686	875.00	AFLAC/Flex-One Section 125 for pay period ending July 2, 2006
R. E. Cuddie Co	7/17/2006	069701	119,225.00	Parital payment for material in warehouse
Brian Bumb	7/18/2006	069702	297,000.00	Dividend- Retained Earnings distribution
George Bumb Jr	7/18/2006	069703	2,079,000.00	Dividend- Retained Earnings distribution
Timothy Bumb	7/18/2006	069704	2,079,000.00	Dividend- Retained Earnings distribution
Marko Trapani	7/18/2006	069705	1,485,000.00	Dividend- Retained Earnings distribution
Ronald E. Werner	7/18/2006	069706	59,400.00	Dividend- Retained Earnings distribution
Bradshaw, Smith & Co., LLP	7/21/2006	069715	61,315.00	Accounting fees
Binder & Malter, LLP	7/21/2006	069747	114,886.32	Attorney fees
Bumb & Associates	9/7/2006	010337	301,647.00	September rent
Brian Bumb	9/7/2006	010338	99,000.00	Estimated Income Tax Distribution 3rd Quarter
George Bumb Jr	9/7/2006	010339	693,000.00	Estimated Income Tax Distribution 3rd Quarter
Timothy Bumb	9/7/2006	010340	693,000.00	Estimated Income Tax Distribution 3rd Quarter
City of San Jose	9/7/2006	010341	568,125.00	Local taxes based on 13% of August revenue
Marko Trapani	9/7/2006	010343	495,000.00	Estimated Income Tax Distribution 3rd Quarter
Duplan Construction, Inc	9/12/2006	010346	68,826.24	50% Progressive billing for Phase 1 Poker
Blue Cross of California	9/13/2006	010364	119,818.18	September health, dental, and life insurance premium payment
South Bay Hotel Employees	9/13/2006	010403	85,727.09	August HERE Trust Fund- Employee Union payments
Sutter's Place Inc dba Bay 101	9/13/2006	010406	836.54	AFLAC/Flex-One Section 125 for pay period ending August 27, 2006
McManis, Faulkner & Morgan	9/13/2006	010418	73,047.94	Attorney fees
Schaper Construction, Inc	9/13/2006	010438	57,990.00	Painting, new ceiling tiles, painting T-bar, etc expenses
Duplan Construction, Inc	9/21/2006	010456	124,740.99	Various construction expenses
Kaiser Foundation Health	9/21/2006	010463	62,972.08	October health insurance premium payment
Sutter's Place Inc dba Bay 101	9/21/2006	010479	650.48	AFLAC/Flex-One Section 125 for pay period ending September 10, 2006
Peery-Arrillaga	9/29/2006	010511	163,513.28	October land lease

CITY OF SAN JOSE
SUTTER'S PLACE, INC., d.b.a. BAY 101
SCHEDULE OF CAPITAL/FACILITY TRANSACTIONS
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

Exhibit 4

Month tested - August 2006

<u>Lessor - Bldg. & Land</u>	<u>Lease Terms</u>	<u>Monthly Payment</u>	<u>Payment Period</u>	<u>Description</u>
Bumb & Associates	11/15/93 to 11/14/17	\$ 301,647.00	11/05 to 10/06	Building at 1801 Bering Drive, San Jose, CA
J. Arrillaga & R. Peery	11/16/92 to 11/20/17	\$ 163,513.28	05/06 to 05/07	Land at 1801 Bering Drive, San Jose, CA

NOTE:

Refer to Exhibits 1, 2 and 3 for actual payments made.

CITY OF SAN JOSE
SUTTER'S PLACE, INC., d.b.a. BAY 101
SCHEDULE OF OWNERSHIP
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

Exhibit 5

	June 30, 2006 Ownership Percentages	September 30, 2006 Ownership Percentages	Change
The Flea Market, Inc.*			
George Bumb, Jr.	14.10%	14.10%	-
Timothy Bumb	14.10%	14.10%	-
Brian Bumb	15.70%	15.70%	-
Bumb & Associates*			
George Bumb, Jr.	14.10%	14.10%	-
Timothy Bumb	14.10%	14.10%	-
Brian Bumb	15.70%	15.70%	-
Air One Helicopters, Inc.			
George Bumb, Jr.	40.00%	40.00%	-
Timothy Bumb	30.00%	30.00%	-
Brian Bumb	30.00%	30.00%	-
EMS, LLC*			
George Bumb, Jr.	22.50%	22.50%	-
Timothy Bumb	22.50%	22.50%	-
Brian Bumb	45.00%	45.00%	-
BGT Development, LLC			
George Bumb, Jr.	25.00%	25.00%	-
Timothy Bumb	25.00%	25.00%	-
Brian Bumb	25.00%	25.00%	-
Bumb & Associates	25.00%	25.00%	-
Farm Fresh, LLC*			
George Bumb, Jr.	12.50%	12.50%	-
Timothy Bumb	28.25%	28.25%	-
Brian Bumb	12.50%	12.50%	-
CNC Solutions, Inc.			
Timothy Bumb	100.00%	100.00%	-
Loretto Aviation, LLC			
George Bumb Jr.	0%	16.67%	16.67%
Timothy Bumb	0%	16.67%	16.67%
Other related parties**	0%	66.67%	66.67%
JMJ Property, LLC.			
Timothy Bumb	0%	25.00%	25.00%
Other related parties**	0%	25.00%	25.00%
Sutter's Place, Inc. d.b.a. Bay 101			
George Bumb, Jr.	34.65%	34.65%	-
Timothy Bumb	34.65%	34.65%	-
Marko Trapani	24.75%	24.75%	-
Brian Bumb	4.96%	4.96%	-
Ronald E. Werner	0.99%	0.99%	-

*Ownership percentages for other non-related party shareholders were not disclosed.

**Confidential - Third Party Information, owners request Gilbert notification, except to the Chief of Police, the Comander of the SJPD Vice/Special Inelligence Unit, and the Gaming Administrator and his staff.