



Memorandum

TO: Honorable Mayor and City Council
FROM: Gerald A. Silva, City Auditor
SUBJECT: Conditional Approval of Stock Transfer
DATE: July 12, 2006

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 March 31, 2006.

Gerald A. Silva
City Auditor

2006 JUL 12 10:55 AM
CITY OF SAN JOSE

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 March 31, 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 March 31, 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 March 31, 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
June 9, 2006

CITY OF SAN JOSE
 SUTTER'S PLACE, INC., d.b.a. BAY 101
 SCHEDULE OF DISBURSEMENTS TO RELATED PARTIES
 FOR THE QUARTER ENDED MARCH 31, 2006

Exhibit 1

Months tested - January - March 2006

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
C.J. Sutter	01/04/06	068007	\$ 16,667.00	January Covenant Payment
Bumb & Associates	01/05/06	068022	301,647.00	January Rent
Brian Bumb	01/11/06	068074	69,694.00	Estimated Income Taxes 4th Quarter Pmt
George Bumb, Jr.	01/11/06	068075	487,855.00	Estimated Income Taxes 4th Quarter Pmt
Timothy Bumb	01/11/06	068076	487,855.00	Estimated Income Taxes 4th Quarter Pmt
Marko Trapani	01/11/06	068081	348,468.00	Estimated Income Taxes 4th Quarter Pmt
The Flea Market, Inc.	01/12/06	068098	62.50	Tim's BMW wipers & oil change invoiced to The Flea Market, Inc. and paid by Bay 101.
C.J. Sutter	2/2/2006	068267	16,667.00	February Covenant Payment
Bumb & Associates	2/16/2006	068359	301,647.00	February Rent
C.J. Sutter	3/1/2006	068494	16,667.00	March Covenant Payment
Bumb & Associates	3/8/2006	068594	301,647.00	March Rent
The Flea Market, Inc.	3/14/2006	068748	324.74	Invoice from Fry's Electronics for Adobe 7.0 to the Flea Market, Inc. that Bay 101 paid for and uses.

**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 MARCH 31, 2006**

Exhibit 2

Month tested - January 2006

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Board of Equalization	01/27/06	001276	\$ 38,135.00	January CA Sales Tax Payment
C.J. Sutter	01/04/06	068007	16,667.00	January Covenant Payment
McManis, Faulkner & Morgan	01/05/06	068009	87,396.35	Attorney Fees
Bumb & Associates	01/05/06	068022	301,647.00	January Rent
City of San Jose	01/05/06	068026	575,957.00	December Tax Due City of San Jose 13% of Revenue
Sierra Meat Company	01/05/06	068029	14,313.67	December 20th through 31st Meat Purchase
Race Street Fish & Poultry	01/05/06	068049	11,935.56	December 20th through 31st Meat Purchase
Brian Bumb	01/11/06	068074	69,694.00	Estimated Income Taxes 4th Quarter Pmt
George Bumb, Jr.	01/11/06	068075	487,855.00	Estimated Income Taxes 4th Quarter Pmt
Timothy Bumb	01/11/06	068076	487,855.00	Estimated Income Taxes 4th Quarter Pmt
Marko Trapani	01/11/06	068081	348,468.00	Estimated Income Taxes 4th Quarter Pmt
Naser Distributor	01/12/06	068104	18,670.85	Cigarette Distributor
Pacific Satellite Antenna	01/12/06	068107	14,322.56	Install a Plasma TV on Wall Mount
Redwood Fire and Casualty	01/12/06	068110	113,749.19	December Workers Comp Premiums
South Bay Hotel Employees	01/12/06	068117	61,429.03	December HERE Trust Fund - EE Union Pmt
US Trustee	01/20/06	068136	10,000.00	3rd Quarter Pmt to US Dept of Justice for Trustee
Sierra Meat Company	01/23/06	068152	10,716.58	January 9th through 13th Meat Purchase
Netversant-No.Ca.	01/23/06	068167	18,687.96	Network Labor and Upgrade
Shuffle Master Inc.	01/23/06	068181	14,908.27	39 Various Shufflers Purchased
Peery-Arrillaga	01/27/06	068199	158,503.77	February Rent
McManis, Faulkner & Morgan	01/31/06	068208	88,245.06	Attorney Fees

CITY OF SAN JOSE
 SUTTER'S PLACE, INC., d.b.a. BAY 101
 OPERATIONAL TRANSACTIONS TESTING
 FOR THE QUARTER ENDED MARCH 31, 2006

Exhibit 3

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

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Blue Cross of California	2/1/2006	068220	\$ 120,248.06	February Health, Dental and Life Insurance
Kaiser Foundation Health	2/1/2006	068240	72,242.24	12/11/05-1/10/06 Health Plan Premium
Binder & Malter, LLP	2/3/2006	068268	143,825.54	Attorney Fees
Coblentz, Patch, Duffy & Bass	2/6/2006	068270	93,413.55	Attorney Fees
City of San Jose	2/7/2006	068273	567,588.00	January Tax Due City of San Jose 13% of Revenue
Redwood Fire and Casualty	2/10/2006	068327	123,092.60	January Workers Comp Premium
South Bay Hotel Employees	2/10/2006	068336	61,488.22	January HERE Trust Fund -EE Union Pmts
McManis, Faulkner & Morgan	2/15/2006	068356	75,640.38	Attorney Fees
Bumb & Associates	2/16/2006	068359	301,647.00	February Rent
Peery-Arrillaga	2/24/2006	068474	158,503.77	March Rent
Tax Collector, Santa Clara City	3/2/2006	068501	108,898.22	Property Taxes 1/2
Blue Cross of California	3/2/2006	068517	121,283.43	March Health, Dental, and Life Insurance
Kaiser Foundation Health	3/2/2006	068542	70,924.76	1/11/06-2/10/06 Health Plan Premium
City of San Jose	3/7/2006	068583	537,874.00	February Tax Due City of San Jose 13% of Revenue
South Bay Hotel Employees	3/8/2006	068590	55,852.77	February HERE Trust Fund - EE Union Pmt
Bumb & Associates	3/8/2006	068594	301,647.00	March Rent
American Red Cross	3/14/2006	068727	51,800.00	2006 Shooting Star Tournament, WPT Donation
Redwood Fire and Casualty	3/14/2006	068769	77,420.36	February Workers Compensation Premium
Infogenesis	3/17/2006	068798	63,208.00	New Equipment, Software, and Supplies
Peery-Arrillaga	3/28/2006	068851	158,503.77	April Rent
Franchise Tax Board	3/13/2006	003136	63,900.00	State Income Taxes - Balance due at YE 2005

CITY OF SAN JOSE
 SUTTER'S PLACE, INC., d.b.a. BAY 101
 SCHEDULE OF CAPITAL/FACILITY TRANSACTIONS
 FOR THE QUARTER ENDED MARCH 31, 2006

Exhibit 4

Month tested - January 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	\$ 158,503.77	05/05 to 05/06	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 MARCH 31, 2006

Exhibit 5

	December 31, 2005 Ownership Percentages	March 31, 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%	-
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 shareholders were unavailable.