

RECEIVED  
San Jose City Clerk

2007 JUN 26 A 10:44



## Memorandum

**TO:** Honorable Mayor and City Council

**FROM:** Gerald A. Silva,  
City Auditor

**SUBJECT:** Conditional Approval of  
Stock Transfer

**DATE:** June 20, 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 December 31, 2006.

A handwritten signature in cursive script, appearing to read "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 December 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 December 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 December 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  
May 21, 2007

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

Exhibit 1

Months tested - October - December 2006

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Bumb & Associates	10/04/06	010586	301,647.00	October 2006 Rent
Sutter's Place Inc. dba Bay 101	10/04/06	010623	650.48	AFLAC/Flex 1 Section 125 deposit - PPE 9/24/06
Sutter's Place Inc. dba Bay 101	10/20/06	010769	1,227.38	AFLAC/Flex 1 Section 125 deposit - PPE 10/8/06
Bumb & Associates	11/07/06	010881	310,093.00	November 2006 Rent
Sutter's Place Inc. dba Bay 101	11/10/06	010931	842.78	AFLAC/Flex 1 Section 125 deposit - PPE 10/22/06
Sutter's Place Inc. dba Bay 101	11/21/06	011010	842.78	AFLAC/Flex 1 Section 125 deposit - PPE 11/6/06
C.J. Sutter	12/01/06	011086	16,667.00	December 2006 Covenant Payment
Sutter's Place Inc. dba Bay 101	12/01/06	011087	842.78	AFLAC/Flex 1 Section 125 - PPE 11/19/06
Bumb & Associates	12/11/06	011138	310,093.00	December 2006 Rent
Sutter's Place Inc. dba Bay 101	12/11/06	011175	823.42	AFLAC/Flex 1 Section 125 - PPE 12/3/06
Sutter's Place Inc. dba Bay 101	12/21/06	011282	515.96	AFLAC/Flex 1 Section 125 - PPE 12/17/06

**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 DECEMBER 31, 2006**

**Exhibit 2**

Month tested - December 2006

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Schaper Construction, Inc.	12/01/06	011082	291,470.00	External repainting of building
San Jose Mercury News	12/01/06	011084	18,586.28	newspaper promotions during November
C.J. Sutter	12/01/06	011086	16,667.00	December 2006 Covenant Payment
State of California	12/05/06	011116	60,000.00	Additional fees due per table for 40 tables, new legislation passed in 2006
US Foodservices, Inc.	12/05/06	011118	62,754.43	Invoices for products due 11/3/06 -12/1/06
City of San Jose	12/05/06	011119	594,899.00	13% of November Receipts
Mobile Kitchens USA, Inc.	12/07/06	011122	17,378.14	Mobile Kitchen Rental for November during remodel.
Bumb & Associates	12/11/06	011138	310,093.00	December 2006 Rent
City of San Jose	12/11/06	011141	951,960.00	Voided Check - Reissued 12/24/06
Compwest Ins. Co	12/11/06	011142	44,749.23	July 2006 Workers Comp Premium
Duplan Construction, Inc.	12/11/06	011143	33,612.98	Electrical Work in relation to Remodel and remodel Poker Room Bathroom
Naser Distribution	12/11/06	011152	14,030.30	Cigarette Vendor 12/1/06
Netversant	12/11/06	011154	10,400.83	Labor to install new paging system
R.E. Cuddie Co.	12/11/06	011159	17,090.00	Material and Labor in relation to remodel
Zag Technical Services	12/11/06	011186	15,186.92	On-site support, more RAM for server and Cisco Hardware-Catalyst 2960
Binder & Malter, LLP	12/11/06	011188	13,449.83	Attorney's Fees for October
McManis, Faulkner & Morgan	12/11/06	011189	42,617.41	Attorney's Fees for November
Sierra Meat Company	12/11/06	011200	11,442.26	Invoices for products due 12/4-8/06
US Foodservices, Inc.	12/11/06	011203	16,419.99	Invoices for products due 11/30/06-12/8/06
South Bay Hotel Employees	12/14/06	011211	83,478.17	S.Bay Hotel Employees Union - November
Y.A. Tittle & Associates	12/19/06	011215	10,300.00	Excess Auto Policy Insurance Policy Renewal (Annual Premium)
Y.A. Tittle & Associates	12/19/06	011216	141,241.32	General Liability Insurance Policy Renewal (Annual Premium)
City of San Jose	12/24/06	011223	951,960.00	Annual Permit Fee per Card Table 40 Tables at \$23,774 per table.
US Foodservices, Inc.	12/21/06	011227	26,523.67	Invoices for products due 11/28/06-12/19/06
Advantage Janitorial Supply	12/21/06	011229	13,290.10	Invoices for products due 12/7-14/06
Blue Cross of California	12/21/06	011242	129,165.55	January 2007 Health, Dental and Life Ins.
Bradshaw, Smith & Co., LLP	12/21/06	011243	24,090.00	Annual Audit bill - Independent auditors
Duplan Construction, Inc.	12/21/06	011251	12,966.45	Wood Base in Gold Room and Hair Salon Remodel
Duplan Construction, Inc.	12/21/06	011252	23,106.31	Phase II Const.progress billing, start of which was observed during our 3rd quarter testing.
Kaiser Foundation Health	12/21/06	011268	78,903.85	January 2007 Group Health Insurance
Naser Distribution	12/21/06	011270	14,005.98	Cigarette Vendor 12/14/06 Invoice

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 DECEMBER 31, 2006

Exhibit 2

Month tested - December 2006

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Schaper Construction, Inc.	12/21/06	011275	84,023.12	Finish Kitchen and Office remodel, Painting, Remove and Replace Ceiling Tiles
Shuffle Master Inc.	12/21/06	011278	18,150.36	~40 new Shuffle machines for card room
Sierra Meat Company	12/21/06	011304	11,017.78	Invoices for products due 12/11-20/06
Coblentz, Patch, Duffy & Bass	12/27/06	011308	14,187.85	Attorney's fees through November 26, 2006
Casino Graphix, Inc.	12/28/06	011315	10,144.56	New Blackjack and Pai Gow Poker Table Tops, Arm Rest and Layouts for both.
Peery-Arrillaga	12/28/06	011320	163,513.28	January 2007 Rent
King Aquarium	12/29/06	011325	15,736.70	630 Gallon Fish Tank for remodel - We observed both tanks this morning.
King Aquarium	12/29/06	011326	19,130.34	630 Gallon Fish Tank for remodel - We observed both fish tank this morning.

**CITY OF SAN JOSE  
SUTTER'S PLACE, INC., d.b.a. BAY 101  
SCHEDULE OF DISBURSEMENTS OVER \$50,000 TO VENDORS  
FOR THE QUARTER ENDED DECEMBER 31, 2006**

**Exhibit 3**

**Month tested - October and November 2006**

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Pacific Gas & Electric	10/02/06	010525	62,526.04	Septembers Gas & Electric Bill's combined
Blue Cross of California	10/04/06	010548	118,095.04	October 2006 Health, Dental and Life Insurance
Bumb & Associates	10/04/06	010586	301,647.00	October 2006 Rent
City of San Jose	10/04/06	010589	534,018.00	13% of September Receipts
South Bay Hotel Employees	10/11/06	010679	84,999.95	S.Bay Hotel Employees Union -September 2006
Internal Revenue Service	10/13/06	010715	204,789.76	Sutter's Place 1120 Penalty and Interest due on late taxes of \$53,392 and \$151,398, respectively.
Kaiser Foundation Health	10/20/06	010752	65,719.49	November 2006 Group Health Insurance Pmt.
Peery-Arrillaga	10/27/06	010810	163,513.28	November 2006 Rent
Duplan Construction, Inc.	10/27/06	010812	129,959.50	Men's room complete remodel - We were able to observe construction during 3rd quarter testing.
Duplan Construction, Inc.	10/31/06	010825	115,531.57	Phase II construction - remodel, we were able to observe construction during 3rd quarter testing.
Blue Cross of California	11/01/06	010841	118,570.81	November 2006 Health, Dental and Life Insurance
Bumb & Associates	11/07/06	010881	310,093.00	November 2006 Rent
City of San Jose	11/07/06	010882	574,723.00	13% of October Receipts
South Bay Hotel Employees	11/10/06	010927	90,001.43	S.Bay Hotel Employees Union -October 2006
McManis, Faulkner & Morgan	11/10/06	010943	56,904.88	Attorney Billing October activity
Tax Collector, Santa Clara Cty	11/14/06	010964	116,099.01	1/2 Property Taxes - Bay 101 property
Blue Cross of California	11/21/06	010983	119,254.01	December 2006 Health, Dental and Life Insurance
Duplan Construction, Inc.	11/21/06	010989	73,820.00	Install Aquariums and remodel women's bathroom
Kaiser Foundation Health	11/21/06	010995	69,031.15	December 2006 Group Health Insurance Pmt
Peery-Arrillaga	11/28/06	011043	163,513.28	December 2006 Rent

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

Exhibit 4

Month tested - December 2006

<u>Lessor - Bldg. &amp; 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	\$ 310,093.00	11/06 to 10/07	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 DECEMBER 31, 2006

Exhibit 5

	September 30, 2006 Ownership Percentages	December 31, 2006 Ownership Percentages	Change
<b>The Flea Market, Inc.*</b>			
George Bumb, Jr.	14.10%	14.10%	-
Timothy Bumb	14.10%	14.10%	-
Brian Bumb	15.70%	15.70%	-
<b>Bumb &amp; Associates*</b>			
George Bumb, Jr.	14.10%	14.10%	-
Timothy Bumb	14.10%	14.10%	-
Brian Bumb	15.70%	15.70%	-
<b>Air One Helicopters, Inc.</b>			
George Bumb, Jr.	40.00%	40.00%	-
Timothy Bumb	30.00%	30.00%	-
Brian Bumb	30.00%	30.00%	-
<b>EMS, LLC*</b>			
George Bumb, Jr.	22.50%	22.50%	-
Timothy Bumb	22.50%	22.50%	-
Brian Bumb	45.00%	45.00%	-
<b>BGT Development, LLC</b>			
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%	-
<b>Farm Fresh, LLC*</b>			
George Bumb, Jr.	12.50%	12.50%	-
Timothy Bumb	28.25%	28.25%	-
Brian Bumb	12.50%	12.50%	-
<b>CNC Solutions, Inc.</b>			
Timothy Bumb	100.00%	100.00%	-
<b>Loretto Aviation, LLC*</b>			
George Bumb Jr.	16.67%	15.00%	-1.67%
Timothy Bumb	16.67%	15.00%	-1.67%
Other related parties**	66.67%	60.00%	-6.67%
<b>JMJ Property, LLC.</b>			
Timothy Bumb	25.00%	25.00%	-
Other related parties**	25.00%	25.00%	-
<b>Sutter's Place, Inc. d.b.a. Bay 101</b>			
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 Intelligence Unit, and the Gaming Administrator and his staff.