



Memorandum

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

August 11, 2006

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

Exhibit 1

Months tested - April - June 2006

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Bumb & Associates	4/3/2006	68870	\$ 301,647.00	April rent
C.J. Sutter	4/3/2006	68878	16,667.00	April covenant payment
Sutter's Place Inc. dba BAY 101	4/1/2006	068933	875.00	AFLAC/Flex-One Section 125 for pay period ended March 26, 2006
Brain Bumb	4/6/2006	068943	56,936.00	Estimated income tax payment 1st quarter
George Bumb Jr	4/6/2006	068944	398,553.00	Estimated income tax payment 1st quarter
Timothy Bumb	4/6/2006	068945	398,553.00	Estimated income tax payment 1st quarter
Marko Trapani	4/6/2006	068949	284,680.00	Estimated income tax payment 1st quarter
Ronald E. Werner	4/6/2006	068950	11,387.00	Estimated income tax payment 1st quarter
Bumb & Associates	5/1/2006	69093	301,647.00	May rent
Brian Bumb	5/24/2006	69312	71,332.00	Estimated income tax payment 2nd quarter
George Bumb Jr	5/24/2006	69313	499,326.00	Estimated income tax payment 2nd quarter
Timothy Bumb	5/24/2006	69314	499,326.00	Estimated income tax payment 2nd quarter
Marko Trapani	5/24/2006	69315	356,662.00	Estimated income tax payment 2nd quarter
Bumb & Associates	6/5/2006	69353	301,647.00	June rent

**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 JUNE 30, 2006**

Exhibit 2

Month tested - April 2006

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Franchise Tax Board	4/12/2006	4126	\$ 33,110.00	State income tax for March
Board of Equaqlization	4/27/2006	42706	40,107.00	1st quarter sales tax reporting
Bumb & Associates	4/3/2006	68870	301,647.00	April rent
C.J. Sutter	4/3/2006	68878	16,667.00	April covenant payment
Blue Cross of California	4/4/2006	68893	122,078.98	April medical and dental premium payment
Kaiser Foundation Health	4/4/2006	68910	69,182.91	April health insurance premiums
Pacific Gas & Electric Co.	4/1/2006	68917	45,182.24	March utilities
Race Street Fish & Poultry	4/4/2006	068923	12,584.51	Food ordered March 8, 2006-March 31, 2006
Sutter's Place Inc. dba BAY 101	4/1/2006	068933	875.00	AFLAC/Flex-One Section 125 for pay period ended March 26, 2006
Brain Bumb	4/6/2006	068943	56,936.00	Estimated income tax payment 1st quarter
George Bumb Jr	4/6/2006	068944	398,553.00	Estimated income tax payment 1st quarter
Timothy Bumb	4/6/2006	068945	398,553.00	Estimated income tax payment 1st quarter
City of San Jose	4/6/2006	068946	588,635.00	Local taxes based on 13% of March revenue
Marko Trapani	4/6/2006	068949	284,680.00	Estimated income tax payment 1st quarter
Ronald E. Werner	4/6/2006	068950	11,387.00	Estimated income tax payment 1st quarter
San Jose Mercury News	4/7/2006	068952	15,272.88	Advertising with local paper in March
McManis, Faulkner & Morgan	4/10/2006	068954	41,383.11	Retainer to Attorney- subject to subsequent court order
Naser Distributor	4/11/2006	068976	13,555.23	Merchandise purchase April 6, 2006
Rewood Fire and Casualty	4/11/2006	068983	75,898.22	March 2006 workers compensation premium
South Bay Hotel Employees	4/11/2006	068993	60,632.01	March HERE Trust Fund - Employee Union Payments
US Foodservice San Francisco	4/11/2006	69002	11,997.13	Food ordered, shipped 4/4/06
American Business Equipment	4/20/2006	69015	10,320.09	Purchase of three digital copiers - Toshiba
Loretto Aviation, LLC	4/20/2006	69046	19,107.66	Mark Trapani flight to Los Angeles and several flights to Las Vegas for World Poker Tour winners - business expense
Octal Vision	4/20/2006	69050	10,000.00	Cage Check Cashing System (CCS) Project design and development of applicaion prototype.
Shuffle Master Inc.	4/20/2006	69060	16,965.03	Purchase of varioius shuffle units and back-up units
Peery-Arrillaga	4/21/2006	69071	158,503.77	May land lease

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

Exhibit 3

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

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Bumb & Associates	5/1/2006	69093	\$ 301,647.00	May rent
Blue Cross of California	5/1/2006	69102	120,862.72	May medical and dental insurance premium
Kaiser Foundation Health	5/1/2006	69105	61,605.22	May health insurance premium
City of San Jose	5/3/2006	69107	582,103.00	Local taxes based on 13% of April revenue
McMans, Faulkner & Morgan	5/15/2006	69238	110,842.61	Attorney Fees
Brian Bumb	5/24/2006	69312	71,332.00	Estimated income tax payment 2nd quarter
George Bumb Jr	5/24/2006	69313	499,326.00	Estimated income tax payment 2nd quarter
Timothy Bumb	5/24/2006	69314	499,326.00	Estimated income tax payment 2nd quarter
Marko Trapani	5/24/2006	69315	356,662.00	Estimated income tax payment 2nd quarter
Peery-Arrillaga	5/25/2006	36323	166,098.83	June land lease
Pacific Gas & Electric Co.	5/30/2006	69333	53,469.73	May utilities
Blue Cross of California	6/5/2006	69352	114,005.42	June medical and dental insurance premium
Bumb & Associates	6/5/2006	69353	301,647.00	June rent
City of San Jose	6/6/2006	069421	571,749.00	Local taxes based on 13% of May revenue
Watchdog Systems, Inc	6/7/2006	69433	71,042.69	Upgrade hard drive and install two digital video recorders with 4 subsystems for security system.
Redwood Fire & Casualty	6/15/2006	69479	77,376.91	May workers compensation premium
South Bay Hotel Employees	6/15/2006	69488	61,435.79	May HERE Trust Fund - employee union payments
McManis, Faulkner & Morgan	6/19/2006	69500	53,000.00	May legal fees
Blue Cross of California	6/27/2006	69543	117,612.79	July medical and dental insurance premiums
Kaiser Foundation Health	6/27/2006	69546	64,814.50	July health insurance
Peery-Arrillaga	6/29/2006	69555	166,098.83	July land lease

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

Exhibit 4

Month tested - April 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 JUNE 30, 2006

Exhibit 5

	March 31, 2006 Ownership Percentages	June 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%	-
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.