



Memorandum

TO: Honorable Mayor and City Council
FROM: Steve Hendrickson,
Interim City Auditor
SUBJECT: Conditional Approval of
Stock Transfer
DATE: September 13, 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 March 31, 2007.

Steven M. Hendrickson
Steve Hendrickson
Interim City Auditor

SH:bh

cc: Carl Mitchell
Richard Teng

KAFOURY, ARMSTRONG, & CO., LLP
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, 2007. 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, 2007 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, 2007. 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 6, 2007

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, 2007

Exhibit 1

Months tested - January - March 2007

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Bumb & Associates	1/1/2007	011331	310,093.00	January rent
C.J. Sutter	1/1/2007	011336	16,667.00	Covenant not to compete
Loretto Aviation, LLC	1/1/2007	011359	3,843.76	Round trip San Jose to Santa Monica - Trapani Family
Sutter's Place Inc. dba Bay 101	1/11/2007	011441	621.63	PPE 12/31/06 AFLAC/Flex 1 Section 125
Brian Bumb	1/11/2007	011467	74,250.00	Estimated income taxes 4th quarter distribution
George Bumb Jr.	1/11/2007	011468	519,750.00	Estimated income taxes 4th quarter distribution
Timothy Bumb	1/11/2007	011469	519,750.00	Estimated income taxes 4th quarter distribution
Marko Trapani	1/11/2007	011470	371,250.00	Estimated income taxes 4th quarter distribution
Ronald E. Werner	1/11/2007	011471	14,850.00	Estimated income taxes 4th quarter distribution
Sutter's Place Inc. dba Bay 101	1/22/2007	011521	1,063.93	PPE 1/14/07 AFLAC/Flex 1 Section 125
C. J. Sutter	2/1/2007	011567	1,000.00	VOID
C.J. Sutter	2/1/2007	011570	16,667.00	Covenant not to compete
Bumb & Associates	2/2/2007	011651	310,093.00	February rent
Sutter's Place Inc. dba Bay 101	2/12/2007	011709	842.78	PPE 1/28/07 AFLAC/Flex 1 Section 125
Sutter's Place Inc. dba Bay 101	2/23/2007	011838	842.78	PPE 2/11/07 AFLAC/Flex 1 Section 125
Sutter's Place Inc. dba Bay 101	3/1/2007	011788	842.78	VOID
Bumb & Associates	3/1/2007	011863	310,093.00	March rent
C.J. Sutter	3/1/2007	011865	16,667.00	Covenant not to compete
Sutter's Place Inc. dba Bay 101	3/14/2007	012005	842.78	PPE 2/25/07 AFLAC/Flex 1 Section 125
Brian Bumb	3/23/2007	012045	123,750.00	Estimated income taxes 1st quarter distribution
George Bumb Jr.	3/23/2007	012046	866,250.00	Estimated income taxes 1st quarter distribution
Timothy Bumb	3/23/2007	012047	866,250.00	Estimated income taxes 1st quarter distribution
Marko Trapani	3/23/2007	012048	618,750.00	Estimated income taxes 1st quarter distribution
Ronald E. Werner	3/23/2007	012049	24,750.00	Estimated income taxes 1st quarter distribution
The Flea Market Inc.	3/26/2007	012075	97.77	Steven Creek BMW - Wiper Blades
Sutter's Place Inc. dba Bay 101	3/26/2007	012101	4,213.90	PPE 3/11/07, 4/13/07, 4/27/07, 5/11/07, and 5/25/07 AFLAC/Flex 1 Section 125

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, 2007
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Exhibit 2

Month tested - March 2007

Payee Name	Date	Check #	Amount	Description
James Wood	3/1/2007	011794	10,000.00	Shooting star "bounty" appearance fee
Bumb & Associates	3/1/2007	011863	310,093.00	March rent
C.J. Sutter	3/1/2007	011865	16,667.00	Covenant not to compete payment
Blue Cross of California	3/2/2007	011880	134,632.10	March health, dental & life insurance
Kaiser Foundation Health	3/2/2007	011889	87,924.89	March health insurance
Pacific Gas & Electric Co.	3/2/2007	011892	46,162.59	February gas & electric bill
City of San Jose	3/5/2007	011905	558,913.00	Monthly revenue payment - 13%
Race Street Fish and Poultry	3/7/2007	011921	10,198.32	2/20/07 thru 3/2/07 - Food purchases
Sierra Meat Company	3/7/2007	011925	14,419.94	2/13/07 thru 3/2/07 - Food purchases
Sun Market Center	3/7/2007	011928	11,116.81	2/12/07 thru 3/4/07 - Food purchases
U.S. Foodservices, Inc.	3/7/2007	011929	10,382.07	2/20/07 thru 3/1/07 - Food purchases
South Bay Hotel Employees	3/14/2007	011944	76,867.31	February South Bay Hotel Employees Union Trust Fund payment
Bradshaw, Smith & Co., LLP	3/14/2007	011960	13,205.00	External independent auditor & tax prep.
Compwest Ins. Co.	3/14/2007	011966	44,192.00	Workers compensation
Coblentz, Patch, Duffy & Bass	3/14/2007	011967	10,109.28	Legal fees
Naser Distribution	3/14/2007	011981	14,524.88	2/6/07 thru 3/1/07 - Cigarette purchases
Schaper Construction, Inc.	3/14/2007	011992	154,559.30	Remodeling & painting, changes observed during testing.
Shuffle Master Inc.	3/14/2007	011995	17,327.68	39 shuffle master units - purchased
San Jose Mercury News	3/14/2007	011998	18,586.28	February advertising in DNG and Los Gatos News
McManis, Faulkner & Morgan	3/14/2007	012015	43,184.36	Legal fees
Tax Collector, Santa Clara City	3/19/2007	012017	116,099.01	Property taxes
Internal Revenue Service	3/19/2007	012018	11,013.00	Federal tax payment due from 2000-2002
Y.A. Title & Associates	3/20/2007	012021	19,905.00	General liability insurance premium
M.E. Fox & Company	3/22/2007	012034	12,835.04	3/1/07 thru 3/13/07 - Food purchases
Race Street Fish and Poultry	3/22/2007	012036	11,405.04	3/1/07 thru 3/20/07 - Food purchases
Sierra Meat Company	3/22/2007	012040	21,104.04	3/1/07 thru 3/20/07 - Food purchases
Sun Market Center	3/22/2007	012043	15,717.10	3/1/07 thru 3/20/07 - Food purchases
U.S. Foodservices, Inc.	3/22/2007	012044	35,127.01	3/5/07 thru 3/19/07 - Food purchases
Brian Bumb	3/23/2007	012045	123,750.00	Estimated income taxes 1st quarter distribution
George Bumb Jr.	3/23/2007	012046	866,250.00	Estimated income taxes 1st quarter distribution
Timothy Bumb	3/23/2007	012047	866,250.00	Estimated income taxes 1st quarter distribution
Marko Trapani	3/23/2007	012048	618,750.00	Estimated income taxes 1st quarter distribution
Ronald E. Werner	3/23/2007	012049	24,750.00	Estimated income taxes 1st quarter distribution

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, 2007
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Exhibit 2

Month tested - March 2007

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Peery-Arrillaga	3/26/2007	012053	163,513.28	April rent
Advantage Janitorial Supply	3/26/2007	012058	14,611.26	1/25/07 thru 3/13/07 janitorial services
Blue Cross of California	3/26/2007	012067	131,763.57	April health, dental & life insurance
Fortune2 Design Firm	3/26/2007	012076	20,391.82	Poker player magazine design, shooting star, and tournament advertising - designs
Kaiser Foundation Health	3/26/2007	012086	77,414.57	April health insurance
Naser Distribution	3/26/2007	012087	17,269.70	3/13/07 thru 3/21/07 - Cigarette purchases
Bellagio	3/27/2007	012113	25,500.00	Money from prize pool for winner seat at shooting star championship event April 21-27, 2007
U.S. Playing Card Co.	3/27/2007	012116	35,917.35	3160 two deck sets of logo playing cards
U.S. Foodservices, Inc.	3/30/2007	012122	14,937.73	3/13/07 thru 3/24/07 - Food purchases

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 MARCH 31, 2007

Exhibit 3

Months tested - January and February 2007

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Bumb & Associates	1/1/2007	011331	310,093.00	January rent
City of San Jose	1/8/2007	011395	598,693.00	Monthly revenue payment - 13%
Compwest Ins. Co.	1/11/2007	011411	102,152.00	Workers Compensation premium - December
Duplan Construction, Inc.	1/11/2007	011413	105,044.27	Kitchen & Gold Room remodel - payments - we observed the remodel of kitchen when we were here during March 2007.
South Bay Hotel Employees	1/11/2007	011437	87,394.90	December South Bay Hotel Employees Union Trust Fund payment
Brian Bumb	1/11/2007	011467	74,250.00	Estimated income tax 4th quarter distribution
George Bumb Jr.	1/11/2007	011468	519,750.00	Estimated income tax 4th quarter distribution
Timothy Bumb	1/11/2007	011469	519,750.00	Estimated income tax 4th quarter distribution
Marko Trapani	1/11/2007	011470	371,250.00	Estimated income tax 4th quarter distribution
Peery- Arrillaga	1/30/2007	011558	163,513.28	February rent
City of San Jose	2/2/2007	011574	608,358.00	Monthly revenue payment - 13%
Blue Cross of California	2/2/2007	011595	141,831.75	February health, dental & life insurance
Kaiser Foundation Health	2/2/2007	011605	101,632.79	February health insurance
Bumb & Associates	2/2/2007	011651	310,093.00	February rent
South Bay Hotel Employees	2/12/2007	011706	86,389.05	January South Bay Hotel Employees Union Trust Fund payment
Peery- Arrillaga	2/28/2007	011866	163,513.28	March rent

CITY OF SAN JOSE
SUTTER'S PLACE, INC., d.b.a. BAY 101
SCHEDULE OF CAPITAL/FACILITY TRANSACTIONS
FOR THE QUARTER ENDED MARCH 31, 2007

Exhibit 4

Month tested - March 2007

<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	\$ 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 MARCH 31, 2007
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Exhibit 5

	December 31, 2006 Ownership Percentages	March 31, 2007 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%	100.00%	60.00%
Timothy Bumb	30.00%	0.00%	-30.00%
Brian Bumb	30.00%	0.00%	-30.00%
EMS, LLC*			
George Bumb, Jr.	22.50%	0.00%	-22.50%
Timothy Bumb	22.50%	0.00%	-22.50%
Brian Bumb	45.00%	0.00%	-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%	20.00%	-80.00%
Loretto Aviation, LLC*			
George Bumb Jr.	15.00%	15.00%	-
Timothy Bumb	15.00%	15.00%	-
Other related parties**	60.00%	60.00%	-

CITY OF SAN JOSE
 SUTTER'S PLACE, INC., d.b.a. BAY 101
 SCHEDULE OF OWNERSHIP
 FOR THE QUARTER ENDED MARCH 31, 2007
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Exhibit 5

	December 31, 2006 Ownership Percentages	March 31, 2007 Ownership Percentages	Change
Coyote Equipment Rentals, LLC*			
George Bumb Jr.	0.00%	98.00%	98.00%
Other related parties**	0.00%	2.00%	2.00%
JMJ Property, LLC			
Timothy Bumb	25.00%	25.00%	-
Other related parties**	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 Commander of the SJPD Vice/Special Intelligence Unit, and the Gaming Administrator and his staff.