



## Memorandum

**TO:** Honorable Mayor and City Council  
**FROM:** Gerald A. Silva,  
City Auditor  
**SUBJECT:** Conditional Approval of  
Stock Transfer  
**DATE:** August 2, 2004

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 ending March 31, 2004.

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

Gerald A. Silva  
City Auditor

0480  
GS: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, complied with the Conditional Approval of Stock Transfer agreement dated August 26, 1994 during the quarter ended March 31, 2004. 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, 2004 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, 2004. The accompanying supplementary information (Exhibit 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 18, 2004

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, 2004

Exhibit 1

Month tested - March 2004

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
CJ Sutter	03/01/04	063440	\$ 16,667.00	March 2004 Covenant pymt
Bumb & Associates	03/08/04	063452	292,602.00	March 2004 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 MARCH 31, 2004

Exhibit 2

Month tested - March 2004

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Franchise Tax Board	03/09/04	000309	\$ 55,982.00	2003 Form 100S State of California Taxes
Board of Equalization	03/19/04	000319	27,000.00	Sales Tax - 1st Quarter - 2nd Payment
Sierra Meat Company	03/01/04	063408	11,110.38	Meat
Pacific Gas & Electric Co.	03/01/04	063423	42,247.62	Utilities - Gas & Electric
Race Street Fish & Poultry	03/01/04	063428	13,994.45	Fish & Poultry
Tax Collector, Santa Clara County	03/01/04	063447	103,969.93	Property Taxes - 2nd pymt
City of San Jose	03/08/04	063448	441,351.00	February 2004 Cardroom Tax
South Bay Hotel Employees	03/08/04	063451	41,148.62	February 2004 Union Trust Fund
Sierra Meat Company	03/11/04	063471	11,062.68	Meat
Harrah's Las Vegas	03/11/04	063479	41,500.00	Entry Fees 2004 World Series of Poker
Metlife Retirement Plans, GRP	03/11/04	063484	35,977.06	2003 Contractual & Plan Service expenses
Naser Distributor	03/11/04	063486	12,882.00	Cigarettes
Race Street Fish & Poultry	03/11/04	063493	11,470.38	Fish & Poultry
State Compensation Insurance	03/11/04	063510	135,549.57	February 2004 Workman's comp
The Adult All PH+ Support	03/11/04	063514	10,000.00	Charitable Contribution
Smart Technologies Group	03/11/04	063525	32,330.64	Pymt on Digital Video Management System
Peery-Arrillaga	03/22/04	063555	154,430.28	April 2004 Rent
Race Street Fish & Poultry	03/22/04	063557	12,597.80	Fish & Poultry
The Vernon Company	03/22/04	063571	11,560.94	Caps, Jackets, Shirts
Bradshaw, Smith & Co. LLP	03/30/04	063576	28,131.50	2003 Accounting Fees

CITY OF SAN JOSE  
 SUTTER'S PLACE, INC., d.b.a. BAY 101  
 OPERATIONAL TRANSACTIONS TESTING  
 FOR THE QUARTER ENDED MARCH 31, 2004

Exhibit 3

Scope: All transactions > \$50,000 for the months of January and February 2004

<u>Payee Name</u>	<u>Date</u>	<u>Check #</u>	<u>Amount</u>	<u>Description</u>
Bumb & Associates	01/05/04	063003	\$ 292,602.00	January 2004 Rent
Blue Cross of California	01/06/04	063017	108,641.23	January 2004 Health Insurance
City of San Jose	01/06/04	063024	438,790.00	December 2003 Cardroom Tax
South Bay Hotel Employees	01/06/04	063057	50,365.82	December 2003 Union Trust Fund
State Compensation Insurance	01/06/04	063060	108,591.84	December 2003 Workman's Comp
Peery-Arrillaga	01/28/04	063166	154,430.28	February 2004 Rent
Blue Cross of California	02/04/04	063190	110,816.36	February 2003 Health Insurance
City of San Jose	02/04/04	063194	453,375.00	January 2004 Cardroom Tax
State Compensation Insurance	02/04/04	063240	97,812.02	January 2004 Workman's Comp
Bumb & Associates	02/05/04	063254	292,602.00	February Rent
Smart Technologies Group	02/06/04	063256	51,661.37	50% down on Digital Video Management System
McManis, Faulkner & Morgan	02/18/04	063303	392,754.91	September-December Legal Fees
Blue Cross of California	02/23/04	063336	111,357.30	March Health Insurance
Peery-Arrillaga	02/24/04	063387	154,430.28	March 2004 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, 2004

Exhibit 4

Month tested - March 2004

<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	\$ 292,602.00	11/03 to 10/04	Building at 1801 Bering Drive, San Jose, CA
J. Arrillaga & R. Peery	11/16/92 to 11/20/17	\$ 154,430.28	5/03 to 5/04	Land lease at 1801 Bering Drive, San Jose, CA

NOTE:

Refer to Exhibits 1 and 2 for actual payments made for March, 2004.

CITY OF SAN JOSE  
 SUTTER'S PLACE, INC., d.b.a. BAY 101  
 SCHEDULE OF OWNERSHIP  
 FOR THE QUARTER ENDED MARCH 31, 2004

Exhibit 5

	31-Dec-03 Ownership Percentages	31-Mar-04 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>Sutter's Place, Inc. dba Bay 101</b>			
George Bumb, Jr.	35.00%	35.00%	-
Timothy Bumb	35.00%	35.00%	-
Marko Trapani	25.00%	25.00%	-
Brian Bumb	5.00%	5.00%	-
Ronald E. Werner	0.00%**	0.00%**	-

\*Ownership percentages for other shareholders were unavailable.

\*\*Mr. Werner has received approval from the State of California for ownership, but is awaiting approval for stock transfer from the City of San Jose.