

HAYES MANSION CONFERENCE CENTER

Independent Accountant's Report on
Applying Agreed-Upon Procedures

For the Year Ended June 30, 2009



MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

WALNUT CREEK
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

SACRAMENTO

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

City Council
City of San José, California

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the management of the City of San José (the City), solely to assist you in evaluating whether Dolce International/San Jose, Inc. (Dolce) is complying with certain requirements stated in the Management Agreement dated December 2, 2003 between the City and Dolce (the Management Agreement) for the year ended June 30, 2009. The activities covered by the Management Agreement are accounted for in the Hayes Mansion Conference Center (Hayes Mansion), a special revenue fund of the City. Dolce is responsible for compliance with the Management Agreement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We reviewed the Management Agreement to obtain an understanding of the terms and conditions made between the City and Dolce.

Finding: No exceptions were noted as a result of our procedures.

2. We inquired about the procedures performed by Dolce for recording cash receipts and reporting revenues to the City and performed walkthroughs of cash receipts to determine whether these procedures are operating as designed.

Finding: No exceptions were noted as a result of our procedures.

3. We recalculated the gross profit reported by Dolce for the year ended June 30, 2009 for purposes of complying with the gross profit definitions in the Management Agreement.

Finding: No exceptions were noted as a result of our procedures.

4. We reviewed the revenue reported by Dolce for the year ended June 30, 2009 for purposes of complying with gross revenue definitions in the Management Agreement.

Finding: No exceptions were noted as a result of our procedures.

5. We reviewed the revenue and expense classifications for purposes of complying with net revenue definitions and recalculated net revenues for reasonableness for the year ended June 30, 2009.

Finding: No exceptions were noted as a result of our procedures.

6. We recalculated the management fee owed to Dolce for the year ended June 30, 2009 based on criteria established in the Management Agreement.

Finding: No exceptions were noted as a result of our procedures.

7. We reviewed the insurance contracts in place during the year ended June 30, 2009 and determined whether the insurance provisions in the Management Agreement have been met, including types of insurance and coverage.

Finding: No exceptions were noted as a result of our procedures.

8. We reviewed the monthly and annual reporting packages to determine whether Dolce complied with the reporting requirements and deadlines for the Annual Budget, the Annual Proposed List of Capital Improvements for the Ensuing Five-Year Period, and the Monthly Financial Reports.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on Dolce's compliance with the Management Agreement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & C Counsel LLP
Certified Public Accountants
Walnut Creek, California

September 25, 2009