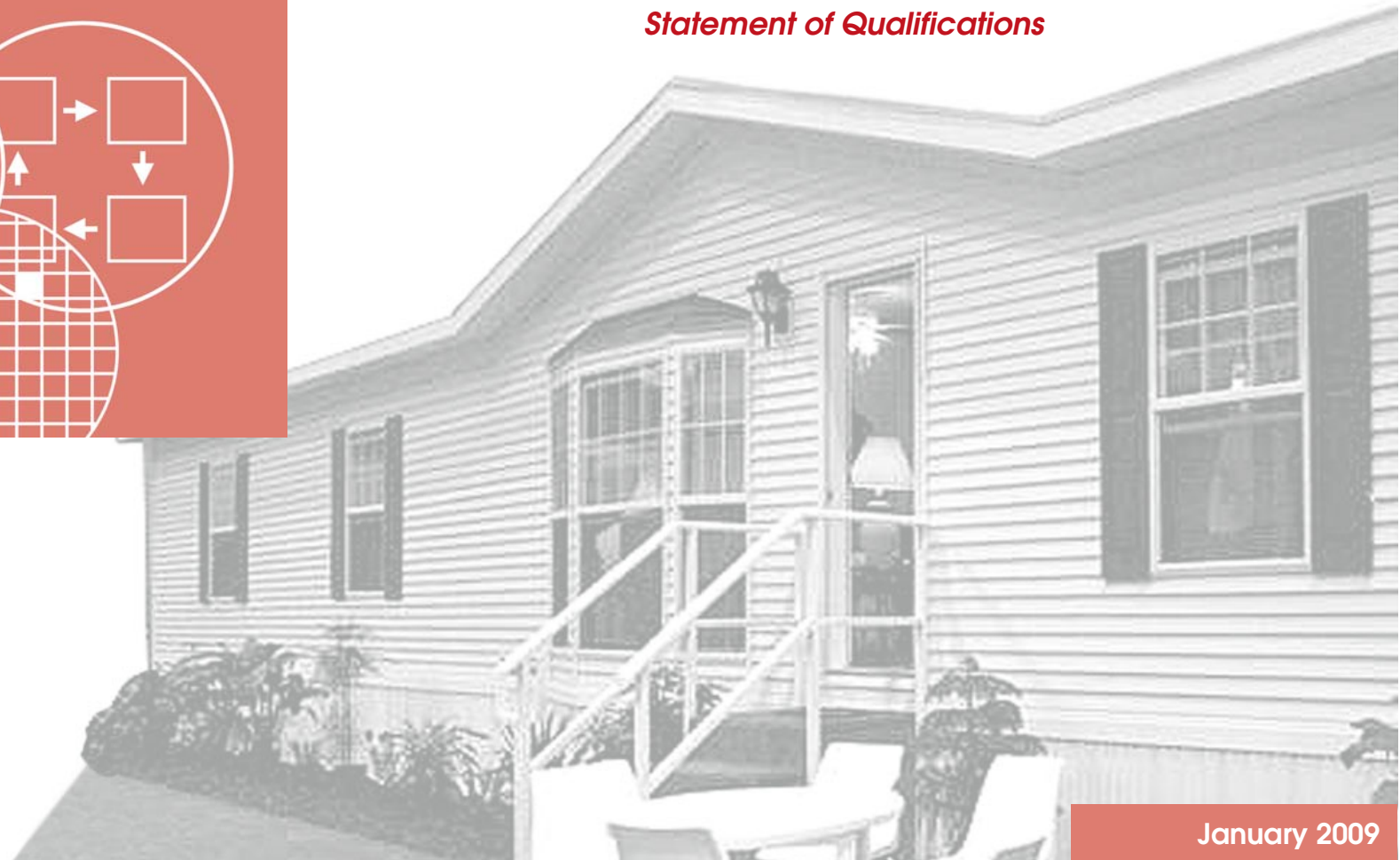
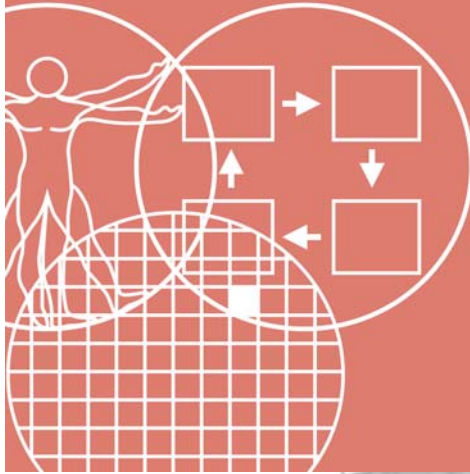


Mobilehome Rent-control Financial Consulting Services

Statement of Qualifications



Dear Mobilehome Park Rent Control Administrator,

In California, over 120 cities and counties have a mobilehome park rent-control ordinance. More than 1,000 mobilehome parks, and approximately 150,000 mobilehomes, are currently under local rent-control in California. These mobilehome park rent control ordinances are in both the Northern and Southern parts of the State.

Over the course of administering a mobilehome rent-control ordinance, a jurisdiction may become involved in a special rent adjustment application. We have seen an increase in the frequency and complexity of these special rent adjustment applications.

For over twenty (20) years, NewPoint Group, Inc. personnel have provided mobilehome rent-control consulting assistance to nearly twenty (20) different cities and counties throughout the State. We have completed over forty (40) financial mobilehome rent-control “fair return” analyses during this time period.

We are uniquely qualified to assist you with your special rent adjustment applications as we have:

- A breadth of experience with different mobilehome consulting projects (e.g., determining a fair return to park owners, calculating permissive rent changes, completing comparative rental surveys, acting as impartial hearing officers in rent and capital improvement disputes, and providing rent-control expert litigation support)
- A financially based mobilehome rent control “fair return” methodology that has been approved by California courts
- Worked exclusively on behalf of public sector entities, and not for private mobilehome park owners
- Worked with most major law firms in the state that have been involved in mobilehome rent control legal proceedings on behalf of municipalities.

Attached is our *Statement of Qualifications for Mobilehome Rent-control Financial Consulting Services*. For inquiries concerning these services, please do not hesitate to contact me in Sacramento.

James A. Gibson, Ph.D.
Director
NewPoint Group Management Consultants
2555 Third Street, Suite 215
Sacramento, California 95818

(916) 442-0189 Direct
(916) 442-0508 Office
(916) 442-0714 Fax



January 2009

NewPoint Group's Mobilehome Rent-control Financial Consulting Services

NewPoint Group, Inc. (NewPoint) is a Sacramento-based management consulting firm that has been in business for fourteen years with a unique specialization in mobilehome rent-control financial consulting. NewPoint personnel have assisted a wide range of California municipal clients with mobilehome rent-control over the last twenty years.

NewPoint senior consultants are experienced with the many challenges that mobilehome rent-control poses. NewPoint has assisted clients with determining a fair return for park owners, calculating permissive rent changes, completing comparative rental surveys, acting as impartial hearing officers in rent and capital improvement disputes, and providing mobilehome rent-control expert litigation support.

NewPoint frequently presents complex financial results in simple, "plain English" to mobilehome rent control boards and commissions. In most cases, the board or commission either directly uses NewPoint recommendations, or uses NewPoint analyses, as the basis for deciding a rent increase. Often times, NewPoint expertise is provided in either a pre-litigation, or actual litigation environment, necessitating the utmost precision and attention to detail. It is not uncommon for NewPoint to be hired by city and county governments in especially difficult and contentious matters when other consultants, or "fair return" approaches, have proven unsuccessful, or have failed to reach resolution.

NewPoint Group's Mobilehome Rent-control "Fair Return" Analyses

A mobilehome park owner must receive a "just and reasonable" return on investment. Failure to provide this return results in an unconstitutional "taking" under the Fifth Amendment of the United States Constitution, and its counterpart in the California Constitution. The California and Federal constitutions thus demand that park owners are entitled to a "fair return." However, there is little agreement as to what constitutes a "fair return."



At least one court has phrased **fair return** as follows:

the rent provided must be high enough (1) to encourage good management including adequate maintenance of services, (2) to furnish a reward for efficiency, (3) to discourage the flight of capital from the housing market, and (4) to enable operators to maintain and support their credit. A just and reasonable return is one which is generally commensurate with returns on investments in other enterprises having corresponding risks. On the other hand, fair return is not so high as to defeat the purposes of rent-control, nor permit landlords to demand of tenants more than the fair value of the property and the services which are provided. (Oceanside Mobilehome Parkowner's Association v. City of Oceanside, 1984).

Under these circumstances, rent control municipal authorities have utilized a variety of formulas for calculating fair return rent increases. Rent control agencies are not obliged by either the State, or Federal, constitution to fix rents by application of any particular method or formula. Rather, selection of an administrative standard by which to set rent ceilings is a task for local governments. The only constitutionally significant factors to be considered are those that bear upon whether the park is earning a fair and reasonable return.

California courts have consistently accepted NewPoint's fair return approach, which is a return of adjusted and normalized net income (before interest and taxes), on adjusted and normalized total book assets (for example, Kirkpatrick v. City of Oceanside; Westwinds Mobile Home Park v. Mobilehome Park Rental Review Board; Yee v. Mobilehome Park Rental Review Board; and Appeal Decision of El Camino 76 Mobile Estates). NewPoint's mobilehome rent-control financial return approach is in contrast to the courts rejecting other financial methods, such as the return on equity approach (that hinges on discretionary financing decisions), or the return on value approach (that is inappropriately circular in argument). Similarly, courts have rejected other appraisal and economic approaches, such as comparable rent analyses and uncompensated equity transfer theories, as being irrelevant to determination of fair return. Some appraiser rent control experts erroneously rely on comparable rent analyses, and various economic theoreticians blindly rely on uncompensated equity transfer calculations, but most of these other approaches are largely irrelevant as they do not equate to whether a park owner is receiving a just and reasonable return.



Unlike other rent control consultants, NewPoint has developed a rigorous, objective, and consistent financial analysis framework for calculating fair return to a mobilehome park owner. Other experts often opportunistically use different elaborate analytical methods for different mobilehome parks, or rent increase applications, and as a result are without foundation for their arguments; hence their methods become subjective, spurious, and open to criticism.

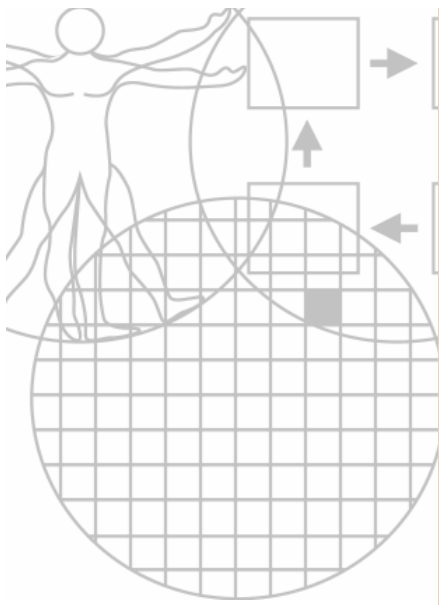
NewPoint uses a unique and accepted financial analysis approach for determining fair return to a mobilehome park owner. NewPoint's methodology has continually held up under intense public scrutiny by financial and economic experts, appraisers, attorneys, mobilehome rent review boards, and many courts throughout the State.

NewPoint Group's Mobilehome Rent-control Financial Consultants

NewPoint's mobilehome rent-control financial consulting practice is led by Dr. James A. Gibson, a Resource Economist with over 30 years of management consulting experience. Dr. Gibson has been retained as an expert witness on over 160 separate legal cases concerning financial and economic damages. He has presented at least 33 formal court case depositions and participated in 17 judge and jury trials. Dr. Gibson has been appointed as a United States Court Special Master and has served as an impartial California Hearing Officer. He has made economic and financial presentations to mediation settlement conferences and local government board hearings. Dr. Gibson has financial consulting experience with mobilehome rent-setting and rent control in California on over forty (40) separate consulting projects.

Mr. Erik Nylund, a Principal with NewPoint, has a Masters in Business Administration with an emphasis in Finance. He is also a Civil Engineer. Mr. Nylund previously worked for both Ernst & Young and Deloitte & Touche financial consultants, and he has completed numerous mobilehome rent-control analyses over the past fifteen years.

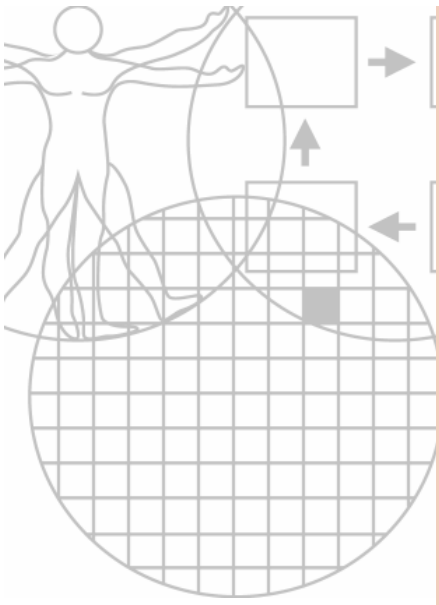
For confidential client inquiries concerning NewPoint Group's mobilehome rent-control financial consulting services, please call Dr. Jim Gibson at (916) 442-0189, in Sacramento (email: jjimgibson@newpointgroup.com). Thank you for considering NewPoint Group's professional services.



Statement of Qualifications

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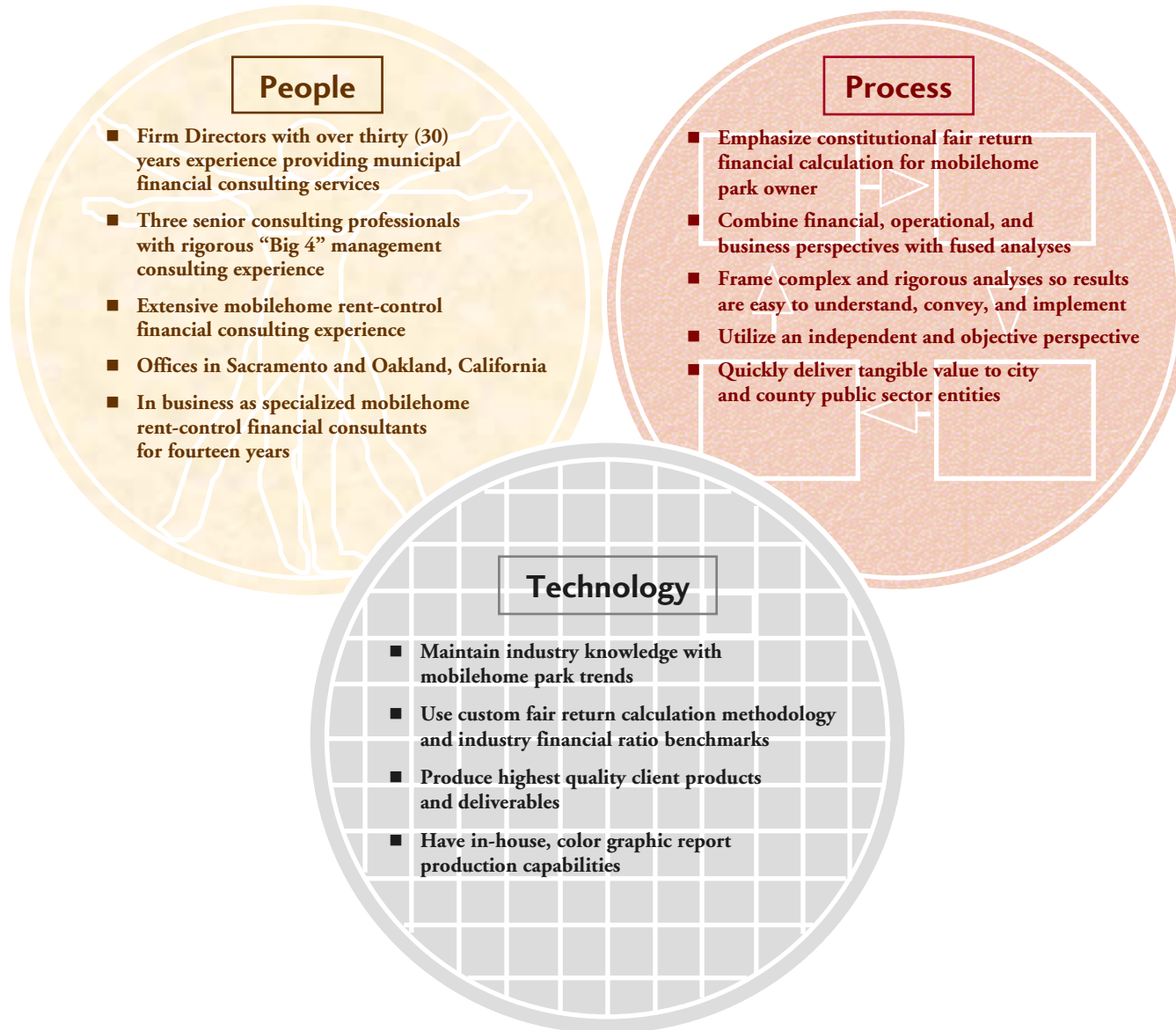
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I. Description of Services



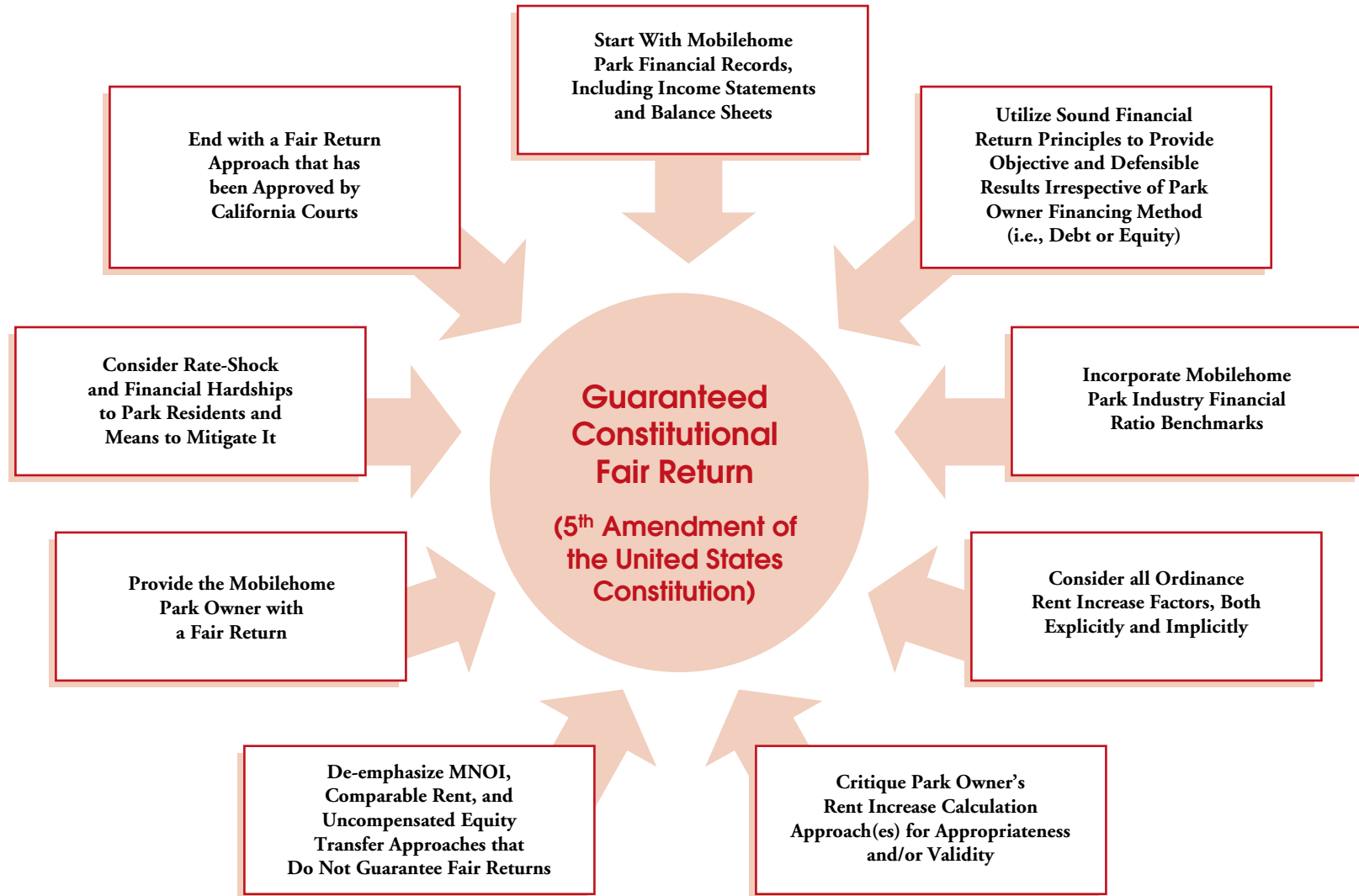
NewPoint Group Mobilehome Rent-control Financial Consulting Services Overview



NewPoint Group Mobilehome Rent-control Financial Consulting Service Areas

- ✓ **Review and Analyze Mobilehome Rent Increase Applications**
 - Independent mobilehome fair return analyses
 - Critical review of park owner's expert financial consultant rent increase analyses
 - Calculation of permissive, special, and capital improvement rent increases
- ✓ **Calculation of Constitutional "Fair Return" Rent Increases**
- ✓ **Participate at Fair Return Hearings and/or Appeal Hearings and Provide Expert Testimony**
- ✓ **Analyze Maintenance of Net Operating Income (MNOI) and MAI Appraisal Comparative Rent Analyses**
- ✓ **Calculate Potential Financial Impacts of Interest, Retroactive, and Cumulative Rent Increase Components**
- ✓ **Perform Complex "Kavanau" Retroactive Financial Adjustment Calculations**
- ✓ **Provide Mobilehome Rent Control Expert Witness Litigation Support**
- ✓ **Serve as a Mobilehome Park Hearing Officer**
- ✓ **Review, Modify, and/or Help Develop Mobilehome Rent Control Ordinances**

NewPoint Group Mobilehome Rent-control “Fair Return” Approach



NewPoint Group Mobilehome Rent-control Selected “Fair Return” Methodology Confirmations

1993: Merrill L. Kirkpatrick v. City of Oceanside (County of San Diego Superior Court Case)

The Court decision found for the City’s expert (Dr. James A. Gibson), on all causes of action in the complaint. The Judge’s decision stated that she “weighed very heavily the testimony of Dr. James Gibson.” The Court declared that Dr. Gibson “was able to relate the complex financial data in this action to benchmarks in the marketplace.”

2002: Appeal Hearing of the City of Oceanside Manufactured Home Fair Practices Commission’s Special Adjustment Decision (El Camino 76 Mobile Estates)

The Judge found that Dr. Gibson’s historical cost and book value approach, using net operating income, was an acceptable and constitutionally permissive alternative. “Under all circumstances it seems appropriate to determine a fair return on the adjusted book value.” The Judge also declared that Dr. Gibson’s calculations were mathematically correct and based upon long established accounting principles in this country.

2007: TG Oceanside v. City of Oceanside (California Court of Appeal, Fourth Appellate District)

Dr. Gibson performed a fair return analysis for Terrace Gardens Mobilehome Park in the City of Oceanside. This appellate court generally made the following findings:

- Rent control regulations are found to pass constitutional muster so long as the law does not deprive investors of a fair return and thereby become confiscatory. Determining rents that will provide a fair return involves balancing of investor and consumer interests. It is the product of expert judgment which carries a presumption of validity. Rent regulators are permitted to adjust prices within a broad range of reasonableness, balancing interests of landlords and tenants.
- In determining a just and reasonable return, no particular formula or combination of formulas is mandated; as the selection of an administrative standard must be left to local governments, not the courts. The actual method utilized to regulate rents is immaterial so long as the result achieved is constitutionally acceptable.
- Courts do not examine piecemeal the subsidiary aspects of a ratemaking methodology. He who would upset a rate order carries the heavy burden of making a convincing showing that it is invalid because it is unjust and unreasonable in its consequences. Regulations that enable the company to operate successfully can not be condemned even though they might produce only meager returns.
- This California Appellate Court found no abuse in discretion in admitting Dr. Gibson’s opinion (1) based upon Almanac data and considering it on the fair return issue and (2) in applying the Almanac data as reliable and trustworthy. The Court found that this park owner’s challenge was moot given the City’s Hearing Officer’s ultimate decision granting a rent increase in accordance with Dr. Gibson’s recommendations.

NewPoint Group Mobilehome Rent-control Financial Consulting Services Distinguishing Characteristics

Our professionals include:

- Business and Management Consultants
- Economic and Financial Consultants
- Rate-setting specialists for municipal mobilehome rent control and rent increase applications
- Program and Policy Implementation Specialists
- Civil Engineer

■ Experienced Team

■ Expertise with Mobilehome Industry

■ Proven and Updated Methods and Approaches

■ Practical Business-person's Perspective

■ Objective, Independent, Credible Third-Party Approach

■ High Quality and Defensible Results

■ "Easy to Work With"

■ Implementation Focus and Follow Through

Necessary Foundation

Superior Experience

Successful Outcome

NewPoint Group Mobilehome Rent-control Financial Consulting Services Personnel



**Dr. James A. Gibson,
Director**

- Education**
- Carnegie Mellon University, Advanced Training in Economics, Graduate School of Industrial Administration, 1988
 - Iowa State University, Ph.D. Resource Economics, 1976
 - Iowa State University, Full Research and Teaching Scholarship, one of the top three Resource Economic Programs in the country, 1971 to 1976
 - University of California, Davis, B.S. in Applied Economics with High Honors, 1971
 - University of California, Davis, Nominated for a National Science Foundation Graduate Fellowship, 1971

**Years of Mobilehome Rent-control
Financial Consulting Experience** 20+ Years

Former Position(s) ■ Director and Principal-in-Charge, Ernst & Young, LLP Sacramento Office Public Sector Management Consulting Practice

- Representative Mobilehome
Rent-control Financial
Consulting Engagements**
- **City of Palm Desert** – Calculated complex, base rent, retroactive financial “Kavanau” adjustment calculation, and presented testimony before retired judge representing the Mobile Home Rent Stabilization Committee
 - **City of Fresno** – Served as a financial expert witness on a complex mobilehome rent control case (Galland vs. City of Fresno) that had been tied up in litigation for years
 - **City of Concord** – Calculated fair returns for two mobilehome parks (Adobe Mobile Lodge and Diablo Mobile Lodge)
 - **City of Palmdale** – Quantified and analyzed twelve factors in the City Ordinance that needed to be considered for a mobilehome rent increase, and rebutted the park owner’s expert financial analyses
 - **City of Oceanside** – Calculated fair returns for two mobilehome parks (Mira Mar Mobile Community and El Camino 76 Mobile Estates), and presented oral testimony presentations before the Manufactured Homes Fair Practices Commission
 - **Contra Costa County** – Served as the Hearing Officer on a trial for a petition for a mobilehome capital improvement rent increase

NewPoint Group Mobilehome Rent-control Financial Consulting Services Personnel



**Erik P. Nylund,
Principal**

- Education**
- M.B.A., Finance, University of California, Davis, 1993
 - B.S., Civil Engineering, University of California, Davis, 1989

**Years of Mobilehome Rent-control
Financial Consulting Experience** 15+ Years

- Former Position(s)**
- Manager, Deloitte & Touche LLP, Financial Consulting Practice
 - Senior Consultant, Ernst & Young, LLP, Financial Consulting Practice

- Representative Mobilehome
Rent-control Financial
Consulting Engagements**
- **City of San Marcos** – Reviewed rent increase application for two mobile home parks and prepared fair return analyses
 - **City of Fremont** – Performed a rent and vacancy decontrol analysis for South Lake Mobilehome Park and Niles Canyon Mobile Estates
 - **City of Escondido** – Reviewed two separate rent increase applications to determine a fair return for the Town & Country Mobilehome Park
 - **City of Concord** – Calculated fair returns for two mobilehome parks (Adobe Mobile Lodge and Diablo Mobile Lodge)
 - **Contra Palmdale** – Quantified and analyzed twelve factors in the City Ordinance that needed to be considered for a mobilehome rent increase, and rebutted the park owner's expert financial analyses

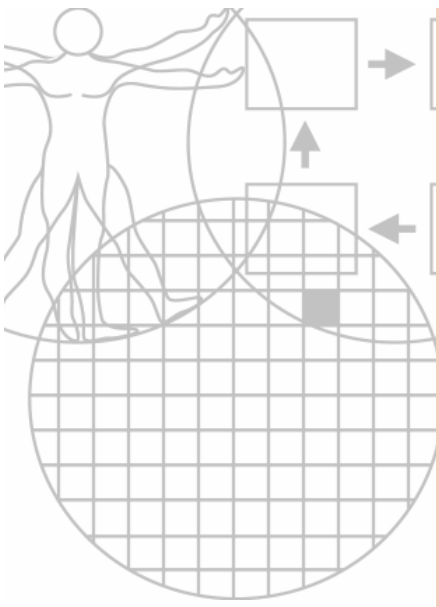
NewPoint Group Mobilehome Rent-control Financial Consulting Services Client Excellence

NewPoint Group manages and then exceeds clients' expectations to assure satisfaction. We continually measure client service and quality through our "Customer Satisfaction Questionnaire". In most cases, NewPoint Group clients have expressed extreme satisfaction with our services. Below are samples of recent comments received from our clients:

"Reliable, dependable, and true to heart (dedication) are adjectives I would apply to my interaction with NewPoint Group."

"NewPoint Group continually meets or exceeds my expectations, which are very high..."

"Superb job on a difficult rate-setting project. NewPoint Group explains their work well, an important extra effort."



II. Qualifications



Selected NewPoint Group Mobilehome Rent-control Financial Consulting Services Municipal Clients

■ Santa Cruz County

■ City of Carpinteria

■ City of Palm Desert

■ City of Oceanside

■ City of Fremont

■ City of Escondido

■ City of Santa Paula



■ City of Hollister

■ City of Calimesa

■ Contra Costa County

■ City of Palmdale

■ City of Concord

■ City of Clovis

■ City of San Marcos

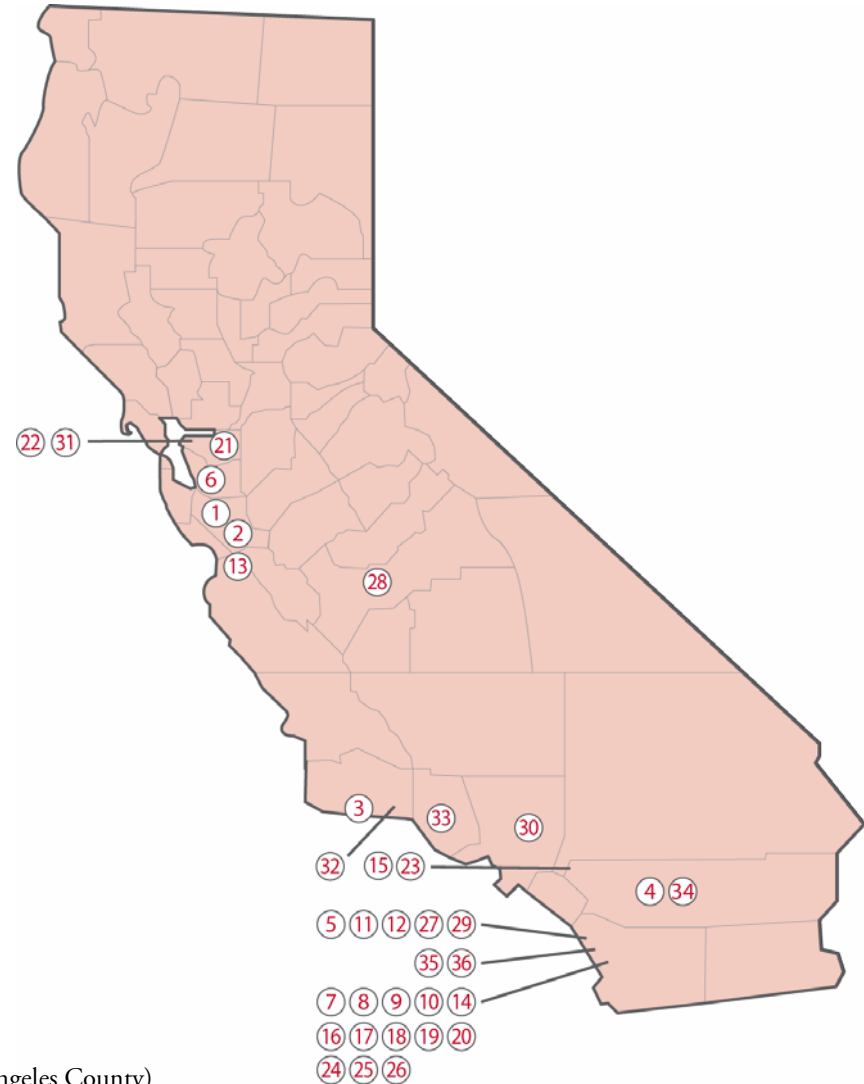


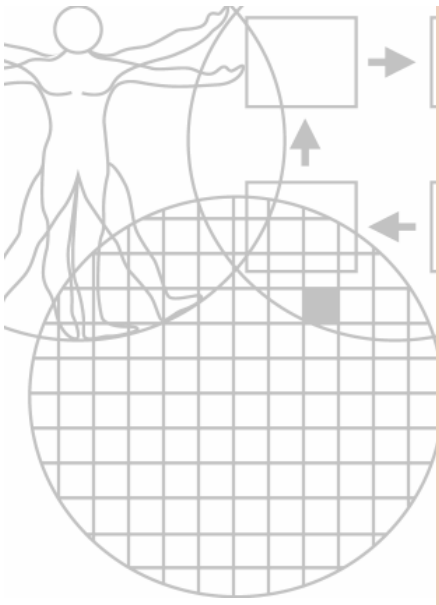
Selected NewPoint Group Mobilehome Rent-control Financial Consulting Services Law Firm Clients

- Atkinson, Farasyn – Mountain View
- Best, Best & Krieger – Rancho Mirage
- Brunick, Alvarez & Battersby – San Bernardino
- Endeman, Lincoln, Turek & Heater – San Diego
- Jenkins & Hogin – Manhattan Beach
- Lozano Smith – Fresno
- Morris, Polich & Purdy, LLP – Los Angeles
- Richards, Watson & Gershon – Los Angeles
- Shute, Mihaly & Weinberger – San Francisco

Selected NewPoint Group Mobilehome Rent-control Financial Consulting Services Engagements

1. DeAnza Properties vs. County of Santa Cruz
2. Santa Cruz County Mobilehome Commission
3. Sandpiper Mobile Village vs. City of Carpinteria
4. Indian Springs Trust vs. City of Palm Desert
5. Merrill L. Kirkpatrick vs. City of Oceanside
6. Marcus, Lopez, et. al. vs. City of Fremont
7. Town & Country Mobilehome Park (City of Escondido)
8. Westwinds Mobilehome Park (City of Escondido)
9. Carefree Ranch Mobilehome Park (City of Escondido)
10. Lake Bernardo Mobilehome Estates (City of Escondido)
11. Terrace Gardens Mobilehome Park (City of Oceanside)
12. El Camino 76 Mobile Estates (City of Oceanside)
13. Mission Oaks Mobilehome Park vs. City of Hollister
14. Francis C. Berger Foundation vs. City of Escondido
15. Plantation on the Lake Mobilehome Park (City of Calimesa)
16. Valley Parkway Mobilehome Park (City of Escondido)
17. Escondido Mobilepark West I (City of Escondido)
18. Eastwood Meadows Mobilehome Community (City of Escondido)
19. Ponderosa Mobilehome Park (City of Escondido)
20. Casa De Amigos Mobilehome Estates (City of Escondido)
21. Sun Valley Village Mobilehome Park (Contra Costa County)
22. Concord Communities vs. City of Concord
23. Plantation Company on the Lake Mobilehome Park vs. City of Calimesa and Calimesa Mobilehome Rent Stabilization Board
24. H.N. and Francis C. Berger Foundation vs. City of Escondido
25. Greencrest Mobilehome Estates (City of Escondido)
26. Casa De Amigos Mobilehome Estates (City of Escondido)
27. El Camino 76 Mobile Estates (City of Oceanside)
28. Galland vs. City of Clovis
29. Mira Mar Mobile Community (City of Oceanside)
30. Mountain View Mobile Estates (City of Palmdale)
31. Adobe Mobile Lodge and Diablo Mobile Lodge (City of Concord)
32. Santa Paula West Mobile Home Park (City of Santa Paula)
33. Carson Harbor Village vs. Carson Harbor Village Mobile Home Park (Los Angeles County)
34. Silver Spur Mobile Manor vs. City of Palm Desert (City of Palm Desert)
35. El Dorado Mobilehome Park (City of San Marcos)
36. Rancho San Marcos (City of San Marcos)





III. References



NewPoint Group Mobilehome Rent-control Financial Consulting Services References

■ City of Oceanside

Ms. Angie Hanifin
Housing Program Manager
(760) 435-3363

■ Richards, Watson & Gershon (Los Angeles)

Rochelle Brown, Esquire
(213) 626-8484

■ City of Escondido

Ms. Michelle Henderson
Management Analyst
(760) 839-4554

■ Endeman, Lincoln, Turek & Heater (San Diego)

Don Lincoln, Esquire
(619) 544-0123

■ City of Concord

Mr. Mark Coon
Deputy City Attorney
(925) 671-3331

■ City of Santa Paula

Ms. Elizabeth Amador
Rent Administrator
(805) 525-0626

■ Jenkins & Hugin (Manhattan Beach)

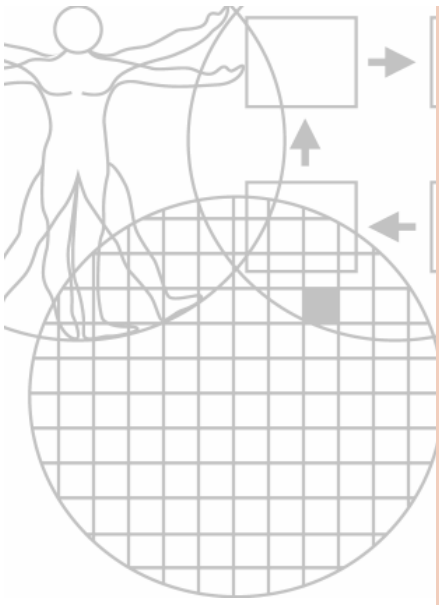
John Cotti, Esquire
(310) 643-8448

■ City of Palmdale

Mr. Michael Adams
Housing Manager
(661) 267-5148

■ Richards, Watson & Gershon (Los Angeles)

Carol Lynch, Esquire
(213) 626-8484



IV. Contact Information



NewPoint Group Mobilehome Rent-control Financial Consulting Services Contact Information

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www.newpointgroup.com

Sacramento Office

2555 Third Street, Suite 215
Sacramento, California 95818

Contact: James A. Gibson, Ph.D.

Phone: (916) 442-0189

Fax: (916) 442-0714

E-mail: jimgibson@newpointgroup.com