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ND Sepulveda I, L.P.
ND Sepulveda II, L.P.
3345 Wilshire Boulevard, Suite 1000
Los Angeles, CA

Re: Restriction of Housing Units to Veterans under HUD Housing Programs

Ladies and Gentlemen:

ND Sepulveda I, L.P. and ND Sepulveda II, L.P. (together, the "Partnerships") have entered into Enhanced Use Leases with the Veterans Administration to develop affordable housing projects (the "Projects") for homeless veterans on two buildings at the Sepulveda Ambulatory Care Center. In a letter to the Co-Managing General Partner of the Partnerships dated April 21, 2009 ("HUD Letter") from its Assistant General Counsel for Fair Housing Enforcement, the U.S. Department of Housing and Urban Development ("HUD") stated that restricting housing to veterans only is not a violation of the Fair Housing Act.

You have indicated that the rehabilitation of the Projects will be funded, in part, through the use of federal HOME, Community Development Block Grant ("CDBG"), and Supportive Housing Program ("SHP") funds. You have further indicated that although all units in the Projects will be restricted to veterans, the units will be offered to any qualified veteran, without regard to any attribute protected under the Fair Housing Act. The purpose of this letter is to confirm that the Partnerships will be allowed to restrict all units in the Projects to veterans and that the requirements of the federal statutes and regulations governing the HOME, CDBG and SHP programs will not prohibit the rental of all units in the Projects to veterans.

The purpose of the HOME program is to expand the supply of affordable housing for low and very low income households. Under 24 CFR Section 92.350, any projects assisted with HOME funds are required to comply with all applicable federal fair housing provisions, including the Fair Housing Act. In addition, 24 CFR Section 92.353 sets forth certain requirements that must be included in a written tenant selection plan for a project assisted with HOME funds. We have found no provision in the statutes and regulations governing the HOME program, including the provisions governing the requirements for the tenant selection plan, that would prevent the leasing of all units in the Projects to veterans, as long as the tenant selection process is open to all qualified veterans.

The CDBG program is designed to assist local government agencies with economic and community development activities that benefit low and moderate income persons. Under 24 CFR Section 570.601(a)(2), a recipient of CDBG funds must ensure that all CDBG-assisted programs and activities comply with the Fair Housing Act. We have found no provision in the statutes and regulations governing the CDBG program that would prevent the leasing of all units in the Projects to qualified veterans, as long as the tenant selection process is open to all qualified veterans.

The purpose of the SHP program is to promote the development of supportive housing and services to assist homeless persons in the transition from homelessness. Under 24 CFR Section 583.325(b), any projects assisted with SHP funds are required to comply with all applicable federal fair housing provisions, including the Fair Housing Act. We have found no provision in the statutes and regulations governing the SHP program that that would prevent the leasing of all units in the Projects to veterans, as long as the tenant selection process is open to all qualified homeless veterans.

Based on our review and analysis of the statutes and regulations governing the HOME, CDBG and SHP programs, we are of the opinion that the use of HOME, CDBG and/or SHP funds to develop the Projects will not prevent the Partnerships from leasing all units to qualified veterans who otherwise meet the eligibility requirements for each program.

This opinion is intended solely for the benefit of the addressees and its partners and solely in connection with the subject transaction. No person other than the addressees shall be entitled to rely on this opinion without our express prior written consent. This opinion is limited to the matters expressly stated herein, and no opinion is implied or may be inferred beyond the matter expressly stated herein. The opinions expressed herein are given, as of the date hereof, and we assume no obligation to update or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Please feel free to call us if you have any additional questions or seek any additional information about this matter.

Very truly yours,



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