

STATE OF FLORIDA
FLORIDA HOUSING FINANCE CORPORATION

PALAFIX LANDING, LTD.,

Petitioner,

vs.

CASE NO.: _____

FLORIDA HOUSING FINANCE
CORPORATION,

APPLICATION NO. 2006-035C

Respondent.

**PETITION FOR WAIVER OF RULE 67-48.004(14) AND RULE 67-48.004(1)(A) AND
PART II.A.2.A.(1) OF THE UNIVERSAL APPLICATION INSTRUCTIONS FOR A
CHANGE IN THE IDENTITY OF THE PETITIONER'S DEVELOPER AND THE
PETITIONER'S OWNERSHIP STRUCTURE; PETITION FOR WAIVER OF RULE 67-
48.002(83) AND SECTION 10 OF THE 2006 QUALIFIED ALLOCATION PLAN**

Palafix Landing, Ltd. (the "Petitioner") hereby petitions the Florida Housing Finance Corporation (the "Corporation") for a waiver of the Corporation's prohibition on changes in the identity of an applicant's developer and an applicant's ownership structure. See Rule 67-48.004(14), F.A.C. (the "Developer Rule") and Rule 67-48.004(1)(a), F.A.C. (together with the Developer Rule, the "Rules"); and Part II.A.2.a.(1), Universal Application Instructions - Housing Credit (HC) Program (the "Universal Application Instructions").

The Petitioner also petitions the Corporation for a waiver of the Corporation's requirement that an applicant (such as the Petitioner) wait until the last calendar quarter of the year in which such applicant is otherwise required to place its project in service in order to return a housing credit allocation and obtain a reservation for an allocation in the subsequent year. See Rule 67-48.002(83), F.A.C. and Section 10 of the Corporation's 2006 Qualified Allocation Plan ("QAP").

In support of its petition, the Petitioner states:

1. The address, telephone number, facsimile number and e-mail address of the Petitioner are:

Palafix Landing, Ltd.
302 North Barcelona Street
Pensacola, Florida 32501-4806
(850) 595-6234
(850) 595-6264 (fax)
dhorvath@ceii-cdc.org

2. The contact person, along with contact information and relationship, for the Petitioner's Application – Housing Credit (HC) Program (the "Application") is:

Mr. Daniel Horvath
302 North Barcelona Street
Pensacola, Florida 32501-4806
(850) 595-6234
(850) 595-6264 (fax)
President – CEII Palafox, Inc. (one of Petitioner's co-general partners)

3. For purposes of this Petition, the address, telephone number and facsimile number of the Petitioner's attorney are:

Gary J. Cohen, Esq.
Shutts & Bowen LLP
1500 Miami Center
201 S. Biscayne Blvd.
Miami, FL 33131
(305) 347-7308
(305) 347-7808

4. The Petitioner timely submitted its Application in the 2006 cycle (Application #2006-035C) for the development named "Palafox Landing" (the "Development"). Florida Housing has issued its Preliminary Allocation of Housing Credits reserved in the amount of \$998,400.00, and it is anticipated that there will be a final Housing Credit Allocation Agreement to Palafox Landing in accordance with Florida Housing's final allocation procedures.

5. Equity raised from Housing Credits will be used for the development of Palafox Landing, a new 96-unit apartment development (the "Development") intended to serve very low-income individuals and families in Escambia County, Florida.

6. The requested rule waiver will not adversely affect the Development. However, a denial of this Petition (a) will result in substantial economic hardship to Palafox Landing, (b) could deprive Escambia County of essential, affordable housing units in a timely manner, and (c) would violate principles of fairness. Section 120.542(2), Fla. Stat. (2007).

7. The waivers being sought are permanent in nature.

CHANGE IN IDENTITY OF DEVELOPER AND OWNERSHIP STRUCTURE

8. At the time of the Petitioner's submittal of its Application, the Petitioner's co-Developers (as the term is used in the Developer Rule and the Universal Application Instructions) were Greater Miami Neighborhoods, Inc. ("GMN") and Community Enterprise Investments, Inc. ("CEII").

9. Further, at the time of the Petitioner's submittal of its Application, the Petitioner's co-General Partners were GMN Palafox, Inc. ("GMN GP") and CEII Palafox, Inc. ("CEII GP"), as identified in its Application. In each instance, the general partner entities are wholly-owned subsidiaries of the respective developer entities.

10. Subsequent to the Petitioner filing its Application and receiving an award of 2006 housing credits, GMN began to encounter financial and operational difficulties. GMN is in the process of reorganizing and/or winding down its business operations, and is not in a position to fulfill its obligations as co-General Partner and co-Developer of the Palafox Landing development.

11. As a result of the foregoing, GMN and CEII have agreed that GMN shall withdraw from the Petition as co-General Partner and will also withdraw as co-Developer. The parties have agreed to execute all documents necessary in connection therewith.

12. Accordingly, the Petitioner seeks to (i) remove GMN as a co-Developer, and have CEII be identified for purposes of the Application and all other purposes as the Petitioner's sole Developer; and (ii) remove the GMN GP Entity as a co-General Partner, and have the CEII GP be identified for purposes of the Application and all other purposes as the Petitioner's sole General Partner. CEII has the required experience to serve as Developer of the Development. To verify the required experience of CEII, Petitioner has attached hereto an executed Developer Certification Form and the Developer's Prior Experience Chart for CEII behind the tab labeled "Exhibit 11." As a result of the withdrawal of the GMN GP, the CEII GP will own a 0.01% general partner interest; in other words, the CEII GP Entity will succeed to the 0.0051% general partner interest formerly held by the GMN GP.

13. Petitioner was awarded Housing Credits as a "Non-Profit" applicant, by virtue of 100% of the General Partner interests in Petitioner being held by qualified non-profit entities. As a result of the withdrawal of GMN GP, CEII GP will be the sole General Partner. CEII GP is a qualified non-profit entity, in that 100% of its outstanding stock is owned by CEII, a Section 501(c)(3) tax-exempt organization. See attached information from the 2006 Universal Cycle Application verifying the foregoing. As a result, Petitioner is still classified as a "non-profit" for purposes of the 2006 Application cycle.

14. A waiver of the applicable Rules and Universal Application Instructions is necessary to change the identification of the Petitioner's Developer and to change the Petitioner's ownership structure.

15. Section 420.501 through 420.55 of the Florida Statutes sets forth the Florida Housing Corporation Act (the "Act") which designates the Corporation as the State of Florida's housing credit agency for the federal Housing Tax Credit Program to establish procedures necessary for the proper allocation of low-income housing tax credits (the "Procedures"). See § 420.5099, Fla. Stat. (2007). These Procedures are established in Rule Chapter 67, Florida Administrative Code. Accordingly, as set forth below, the Rules and the Universal Application Instructions subject to Petitioner's waiver request are implementing, among other sections of the Act, the statutory authorization for the Corporation's establishment of Procedures for the Tax Credit Program. *Id.*

16. The prohibition on changing the identity of an Applicant's (as the term is used in the Developer Rule and the Universal Application Instructions) Developer is found in the Developer Rule, which provides that:

"(14) Notwithstanding any other provision of these rules, there are certain items that must be included in the Application and cannot be revised, corrected or supplemented after the Application Deadline. Failure to submit these items in the Application at the time of the Application Deadline shall result in rejection of the Application without opportunity to submit additional information. Any attempted changes to these items will not be accepted. Those items are as follows:

...

(b) Identity of each Developer, including all co-Developers;..."

17. Rule 67-48.004(1)(a) defines the "Universal Application Package" and adopts its contents (including the Universal Application Instructions discussed more fully below) and incorporates them by reference into the foregoing Rule. Page 4 of the 2006 Universal Application Instructions (Part II.A.2.a.(1)) provides as follows:

"If applying for HC, the Applicant must be a limited partnership (including a limited liability limited partnership) or a limited liability company. The Applicant entity shall be the recipient of the Housing Credits and cannot be changed until after a Final Housing Credit Allocation has been issued. Replacement of the Applicant or a material change (33.3% or more of the Applicant, a General Partner of the Applicant, or a member of the Applicant) in the ownership structure of the named Applicant prior to this time shall result in disqualification from receiving an allocation and shall be deemed a material misrepresentation. Changes to the limited partner of a limited partnership will not result in disqualification."

18. The facts stated in Paragraphs 4 through 13 above demonstrate the circumstances that justify the waivers to change the identification of the Petitioner's Developer and the Petitioner's change of ownership.

19. The requested waiver to change the identification of the Petitioner's Developer will not adversely impact the Development or the Corporation or be prejudicial to the Development or to the market to be served by the Development, because the CEII Developer has the required experience to serve as Developer of the Development. However, the denial of the requested waiver will create a substantial hardship for the Petitioner, due to the status of GMN's business affairs, which the Petitioner believes will result in unnecessary delay and expense and make it impossible to complete the Development on time and within budget.

20. The requested waiver to change the Petitioner's ownership structure will not adversely impact the Development or the Corporation. However, the denial of the requested waiver will create a substantial hardship for the Petitioner, due to the status of GMN's business

affairs, which the Petitioner believes will result in unnecessary delay and expense and make it impossible to complete the Development on time and within budget.

21. Further, the requested Rules and Universal Application Instruction waivers to change the identification of the Petitioner's Developer and the Petitioner's ownership structure will further the Corporation's and the Act's purpose of ensuring the maximum use of available credits in order to encourage development of low-income housing and associated mixed-use projects in urban areas.

WAIVER OF SECTION 10 OF QAP

22. Petitioner has previously submitted its application for an allocation of housing credits to the Corporation, received notice of final scores and ranking, and received its carryover account allocation from the Corporation. Pursuant to the original arrangement between GMN and CEII, CEII was relying upon GMN with respect to the initial pre-Development activities pertaining to final selection of financing partners, selection of the general contractor and project architect. However, as is known by the Corporation, GMN began encountering difficulties at the end of 2006, and has been unable to fulfill the responsibilities set forth above. As a result, pre-Development and commencement of development of the Palafox Landing complex is behind schedule. As such, at this point, it is clear that completion and "placement in service" of the Development by December 31, 2008 will not occur.

23. Section 10 of the 2006 Qualified Allocation Plan ("QAP") provides as follows:

"Notwithstanding any other provision of this QAP, where a development has not been placed in service by the date required or it is apparent that a development will not be placed in service by the date required, such failure is due to circumstances beyond the Applicant's control, and the Applicant has returned its housing credit allocation in the last calendar quarter of the year in which otherwise required to be placed in service (emphasis added), the Corporation may reserve allocation in an amount not to exceed the amount of credits returned, and may allocate such housing credits to the Applicant for the year after the year in which otherwise required to be placed in service, provided the following conditions have been met: the sponsor must have provided written notice to the Corporation via Certified Mail, describing the circumstances, all remedial measures attempted by the Applicant to mitigate the delay, and any other pertinent information, prior to returning the allocation; the Executive Director must find and determine that the delay was caused by circumstances beyond the Applicant's control, that the sponsor exercised due diligence in seeking to resolve the circumstances causing delay, that the development in all respects, except time placed in service, still meets the conditions upon which the housing credits were originally allocated, and that the development is still desirable in terms of meeting affordable housing needs."

24. The Petitioner has commenced pre-development activities with respect to the Development; however, at this time it is apparent that (due to the aforementioned delays) it is unlikely the Development can be completed by December 31, 2008. More importantly, the tax credit investor for the Development is not willing to undertake the initial closing of the equity financing necessary to commence construction, in view of the risk that the Development may not be completed by December 31, 2008. The tax credit syndicator (and likely any other tax credit investor in the current marketplace) will not, faced with the aforementioned "placed in service" risk, permit the equity closing and the commencement of construction to occur unless the Petitioner first obtains an extension of the "placed in service" requirement.

25. Accordingly, the Petitioner desires to obtain the relief provided for in Section 10 of the QAP. However, pursuant to such Section, such relief cannot be applied for until such time as an applicant has returned its housing credit allocation in the last calendar quarter of the year in which otherwise required to be placed in service. In the instant case, this would prevent the Petitioner from petitioning for relief under Section 10 of the QAP until October 2008. In order to proceed with the development of the Development, the Petitioner desires to apply for the relief afforded by Section 10 of the QAP currently; however, in order to do so, the Corporation must waive its requirement that such relief cannot be applied for until October 2008.

26. Consequently, a waiver of the requirement that such relief may not be applied for until October 2008 is necessary in order for the Petitioner to apply for such relief and proceed with the development of the Development (presuming the relief is obtained once applied for).

27. The facts stated in paragraphs 22 through 26 above demonstrate the circumstances that justify the waiver, and permit the Petitioner to apply for the relief afforded by Section 10 of the QAP, in order to currently return its 2006 housing credit allocation and obtain a housing credit allocation from a later year. The requested waiver does not constitute an actual grant of the relief provided in Section 10 of the QAP; rather, the requested waiver merely permits the Petitioner to apply for such relief currently instead of waiting until October 2008.

28. The requested waiver to permit the Petitioner to currently apply for the relief afforded by Section 10 of the QAP will not adversely impact the Development or the Corporation. However, the denial of the requested waiver will create a substantial hardship for the Petitioner, because the tax credit investor will not proceed forward with an equity closing and permit commencement of construction until such time as such relief is granted. This substantial hardship which would result from strict compliance with Section 10 of the QAP is obvious; the Petitioner at that point would be unable to close on its debt and equity financing, with no assurance that such relief will subsequently be available. Failure to close the debt and equity financing for the subject transaction would place the Petitioner in danger of failing to meet the foregoing "placed in service" deadline. Provision of the foregoing relief would serve the purposes of Florida Statutes Section 420.5099(2), which provides that Respondent shall adopt procedures in order to encourage development of low-income housing in the state, taking into consideration the ability of the applicant to proceed to completion of the project in the calendar year for which the credit is sought.

29. Should the Corporation require additional information, the Petitioner is available to answer any questions and to provide any additional information necessary for consideration of this petition.

WHEREFORE, the Petitioner respectfully requests that the Corporation:

- A. Consider this Petition in conjunction with the Petitioner's Application;
- B. Grant this Petition and all the relief requested herein;
- C. Waive the prohibition on changing the identity of the Petitioner's Developer and the Petitioner's ownership structure by: (i) allowing the removal of GMN as a co-Developer, and allowing the CEII Developer to be identified for purposes of the Application and all other purposes as the Petitioner's sole Developer; and (ii) allowing the removal of the GMN GP, as a co-General Partner, as identified in the Application, and allowing the CEII GP Entity to be identified for purposes of the Application and all other purposes as the Petitioner's sole General Partner; and
- D. Waive the prohibition on returning housing credit allocations until the last calendar quarter of the year in which otherwise required to be placed in service, by allowing the Petitioner to return its housing credit allocation currently and request the Corporation to reserve allocation in an identical amount of housing credits in a subsequent year, all as more fully provided in Section 10 of the QAP.
- E. Grant such further relief as may be deemed appropriate.

Respectfully submitted,


SHUTTS & BOWEN LLP
Counsel for Palafox Landing Ltd.
201 S. Biscayne Blvd,
Suite 1500 Miami Center
Miami, Florida 33131
Tel.: (305) 347-7308
Fax.: (305) 347-7808
e-mail: gcohen@shutts.com

By: 

Gary J. Cohen

CERTIFICATE OF SERVICE

The Petition is being served by overnight delivery for filing with the Corporation Clerk for the Florida Housing Finance Corporation, 227 North Bronough Street, Suite 5000, Tallahassee, Florida 32301, with copies served by overnight delivery on the Joint Administrative Procedures Committee, Room 120, 600 Calhoun Street, The Holland Building, Tallahassee, Florida 32399-1300, this 24 day of September, 2007.



Gary J. Cohen

Exhibit 11

DEVELOPER OR PRINCIPAL OF DEVELOPER CERTIFICATION

Name of Development: Palatka Landing
Name of Developer: Community Enterprise Investments, Inc
Name of principal of Developer, if applicable: n/a
Address of Developer: 302 W. Barcelona St. Pensacola, FL 32501
Telephone No. of Developer: 850-595-6234
Fax No. of Developer: 850-595-6264
E-Mail Address (if available): dhrvath@ceii-cdc.org

Relationship to Applicant: Sole shareholder of CEII Palatka, Inc, managing GR

As the Developer or principal of the Developer of the referenced Development, I certify that I have the requisite skills, experiences and credit worthiness to successfully produce the units proposed by this Application. I further certify that the design, plans, and specifications for the proposed Development will comply with all federal, state and local requirements and the requirements of the Federal Fair Housing Act as implemented by 24 CFR 100, Section 504 of the Rehabilitation Act of 1973, and Titles II and III of the Americans with Disabilities Act of 1990 as implemented by 28 CFR 35, incorporating the most recent amendments and other legislation, regulations, rules, and other related requirements which apply or could apply to the proposed Development. I have developed and completed; i.e., the certificate of occupancy has been issued for at least one building, at least two affordable rental housing developments, at least one of which consists of a total number of units no less than 50 percent of the total number of units in the Development proposed by this Application, as evidenced by the prior experience chart provided in this Application. I understand I am the Developer or principal of the Developer of record for this Development and that, if funded by the Corporation, I will remain in this capacity until the Development has been completed. I certify that neither the Developer, Applicant, any Principal or Financial Beneficiary has any existing Developments participating in Corporation programs that remain in non-compliance with the IRC, applicable rule chapter, or applicable loan documents and for which any applicable cure period granted for correcting such non-compliance has ended. I further certify that the information provided within this Application is true and correct.

Signature of Developer or principal of Developer: Daniel R. Horvath
Date (mm/dd/yyyy): 09/21/2007
Print or Type Name of Signatory: Daniel R. Horvath
Witness to Developer or principal of Developer's Signature: Gwendolyn Buford
Date (mm/dd/yyyy): 09/21/2007
Print or Type Name of Signatory: Gwendolyn Buford

APPLICANT'S CERTIFICATION

I certify that the Developer identified above will serve as the Developer of the proposed Development.

Applicant's Signature: Daniel R. Horvath
Date (mm/dd/yyyy): 09/21/2007
Print or Type Name of Signatory: Daniel R. Horvath
Witness to Applicant's Signature: Gwendolyn Buford
Date (mm/dd/yyyy): 09/21/2007
Print or Type Name of Signatory: Gwendolyn Buford

If this certification contains corrections or 'white-out', or if it is scanned, imaged, altered, or retyped, the Application will fail to meet threshold and will be rejected. The certification may be photocopied.

COMMUNITY ENTERPRISE INVESTMENTS, INC.**PRIOR EXPERIENCE CHART**

<u>Name of Development</u>	<u>Location (City & State)</u>	<u>Affordable Housing Program</u>	<u>Number of Units</u>
Stoddert Place	Pensacola, Escambia Co. Florida	Housing Credits	320
DeVilliers Gardens	Pensacola, Escambia Co. Florida	Housing Credits SAIL & AHP	16

STEARNS WEAVER MILLER
WEISSLER ALHADEFF & SITTERSON, P.A.

Miami ■ Ft. Lauderdale ■ Tampa

Louise J. Allen
Direct Line: (954) 462-9580
Fax: (954) 462-9546
Email: lallen@swmwas.com

New River Center, Suite 2100
200 East Las Olas Boulevard
Ft. Lauderdale, Florida 33301
(954) 462-9500

January 31, 2006

Florida Housing Finance Corporation
227 North Bronough Street
Tallahassee, Florida 32301-1329

Re: *Palafox Landing, Ltd.*- Florida Housing Finance Corporation 2006 Universal
Application Cycle.

Gentlemen:

We have acted as special counsel for GMN-Palafox, Inc., a Florida corporation ("GMN-Palafox"), and CEII Palafox, Inc., a Florida corporation ("CEII Palafox"), in connection with Palafox Landing, Ltd.'s (the "Applicant") Universal Application pursuant to the 2006 Universal Application Cycle (the "Application") submitted to the Florida Housing Finance Corporation (the "FHFC"). This opinion is being delivered to the FHFC pursuant to the requirements of Part II of the Application. We understand that this opinion may be relied upon by the FHFC in connection with the Application being submitted by the Applicant. This opinion is limited to the laws of the State of Florida and the federal law of the United States of America insofar as said laws apply (collectively the "Applicable Laws").

In preparing this opinion, we have assumed (a) the genuineness of all signatures of all persons executing documents examined or relied upon by us and (b) the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as certified, conformed or photostatic copies.

In connection with this opinion, we have examined the following documents:

- a. The Articles of Incorporation and Bylaws of GMN-Palafox, each as amended and in effect on the date hereof;
- b. A certificate from the Secretary of State of the State of Florida as to the good standing of GMN-Palafox in such jurisdiction;

- c. Articles of Incorporation and Bylaws of Greater Miami Neighborhoods, Inc., a Florida non-profit corporation ("GMN") and the sole member of GMN-Palafox, each as amended and in effect on the date hereof;
- d. A certificate from the Secretary of State of the State of Florida as to the good standing of GMN in such jurisdiction;
- e. Determination Letter dated December 18, 1990 issued to GMN by the Internal Revenue Service;
- f. The Articles of Incorporation and Bylaws of CEII Palafox, each as amended and in effect on the date hereof;
- g. A certificate from the Secretary of State of the State of Florida as to the good standing of CEII-Palafox in such jurisdiction;
- h. Articles of Incorporation and Bylaws of Community Enterprise Investments, Inc., a Florida non-profit corporation ("CEII") and the sole member of CEII Palafox, each as amended and in effect on the date hereof;
- i. A certificate from the Secretary of State of the State of Florida as to the good standing of CEII in such jurisdiction;
- j. Determination Letter dated April 26, 1976, as amended by letter dated June 24, 1981 and letter dated March 14, 2003 issued to CEII by the Internal Revenue Service;
- k. Limited Partnership Agreement of Palafox Landing, Ltd. (the "Palafox Landing Agreement");
- l. The Certificate of Limited Partnership of Palafox Landing, Ltd., as in effect on the date hereof;
- m. A certificate from the Secretary of State of the State of Florida as to the good standing of Palafox Landing, Ltd. in such jurisdiction;
- n. The Certificate of GMN-Palafox and GMN as to certain factual matters (the "GMN Non-Profit Certificate");
- o. The Certificate of CEII Palafox and CEII as to certain factual matters (the "CEII Non-Profit Certificate"); and

- p. The Certificate of Palafox Landing, Ltd. as to certain factual matters (the "Palafox Landing Certificate").

With respect to questions of fact material to the opinions expressed herein, except as otherwise noted, we have relied solely upon the accuracy of (a) factual recitals of GMN-Palafox and GMN contained in the GMN Non-Profit Certificate; (b) factual recitals of CEII Palafox and CEII contained in the CEII Non-Profit Certificate; (c) factual recitals of the Applicant contained in the Palafox Landing Certificate; and (d) certificates of public officials, in each case without any independent inquiry, verification or examination by us. We have assumed the authenticity and accuracy of the certifications on which we are relying and have made no independent investigations thereof. In addition, we have assumed that each of GMN, GMN-Palafox, CEII and CEII Palafox are (i) acceptable to federal and state agencies and financial institutions as a "Sponsor" for affordable housing within the meaning of Florida Administrative Code Rules 67-48.002 and (ii) determined by the state credit housing agency not to be affiliated with or controlled by a for-profit organization.

Based on our review of the above documents and in our capacity as special legal counsel, we have reached certain factual conclusions and relied upon such conclusions in rendering this opinion. The factual conclusions which we have reached are:

- (i) GMN is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended;
- (ii) GMN was organized under Chapter 617 of the Florida Statutes;
- (iii) One hundred percent (100%) of the stock of GMN-Palafox is owned by GMN;
- (iv) GMN and GMN-Palafox have the provision of housing on a not-for-profit basis as one of their exempt purposes;
- (v) CEII is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended;
- (vi) CEII was organized under Chapter 617 of the Florida Statutes;
- (vii) One hundred percent (100%) of the stock of CEII Palafox is owned by CEII;
- (viii) CEII and CEII Palafox have the provision of housing on a not-for-profit basis as one of their exempt purposes;
- (ix) Fifty-one percent (51%) of the ownership interest of the general partners of the Applicant is owned by GMN-Palafox and forty-nine percent (49%)

of the ownership interest of the general partners of the Applicant is owned by CEII Palafox. One hundred percent (100%) of the ownership interests of the general partners of the Applicant are owned by GMN Palafox and CEII Palafox; and

- (x) By virtue of the ownership of 100% of the general partner interests in the Applicant, GMN-Palafox and CEII Palafox will materially participate in the development and operations of the Applicant's activity throughout the life of the Applicant.

In rendering the following opinions, we have no assumptions other than those set forth herein.

Based upon and subject to the foregoing and our interpretation of Rules Chapter 67-48.002 and Chapter 67-48.0075(2), we are of the following opinions:

1. GMN-Palafox, Inc., a Florida corporation, is a Non-Profit entity under Rule Chapter 67-48.002.
2. CEII Palafox, Inc., a Florida corporation, is a Non-Profit entity under Rule Chapter 67-48.002 assuming that the portion of the Rule Chapter 67-48.002(75) which requires that a Non-Profit entity own at least fifty-one percent (51%) of the ownership interest held by the general partner entity is not applicable to CEII Palafox, Inc. due to GMN-Palafox, Inc. owning fifty-one percent (51%) of the ownership interests held by the general partner entity.

The information set forth herein is as of the date hereof. We assume no obligation to advise the FHFC of changes which may thereafter be brought to our attention.

This opinion may not be quoted, relied upon or furnished to any other person or entity, including any governmental entity, or be used for any other purpose, without the prior written consent of this firm.

Very truly yours,

STEARNS WEAVER MILLER WEISSLER
ALHADEFF & SITTERSON, P.A.

*Stearns Weaver Miller
Weissler Alhadeff &
Sitterson, P.A.*

Internal Revenue Service

Department of the Treasury

P. O. Box 2508
Cincinnati, OH 45201

Date: March 14, 2003

Person to Contact:
Cassandra E. Jackson 31-07417
Customer Service Representative
Toll Free Telephone Number:
8:00 a.m. to 6:30 p.m. EST
877-829-5500
Fax Number:
513-263-3756
Federal Identification Number:
59-1566520

Community Enterprise Investments, Inc.
302 N. Barcelona St.
Pensacola, FL 32501-4806

Dear Sir or Madam:

This is in response to the restatement to your organization's Articles of Incorporation filed with the state on October 9, 2002. We have updated our records to reflect the name change as indicated above.

Our records indicate that a determination letter issued in February 1977 granted your organization exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. That letter is still in effect.

Based on information subsequently submitted, we classified your organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in sections 509(a)(1) and 170(b)(1)(A)(vi).

This classification was based on the assumption that your organization's operations would continue as stated in the application. If your organization's sources of support, or its character, method of operations, or purposes have changed, please let us know so we can consider the effect of the change on the exempt status and foundation status of your organization.

Your organization is required to file Form 990, Return of Organization Exempt from Income Tax, only if its gross receipts each year are normally more than \$25,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of the organization's annual accounting period. The law imposes a penalty of \$20 a day, up to a maximum of \$10,000, when a return is filed late, unless there is reasonable cause for the delay.

All exempt organizations, (unless specifically excluded) are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more paid to each employee during a calendar year. Your organization is not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, these organizations are not automatically exempt from other federal excise taxes.

Donors may deduct contributions to your organization as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to your organization or for its use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

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Community Enterprise Investments, Inc.
59-1586520

Your organization is not required to file federal income tax returns unless it is subject to the tax on unrelated business income under section 511 of the Code. If your organization is subject to this tax, it must file an income tax return on the Form 990-T, Exempt Organization Business Income Tax Return. In this letter, we are not determining whether any of your organization's present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

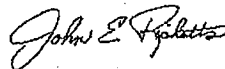
The law requires you to make your organization's annual return available for public inspection without charge for three years after the due date of the return. If your organization had a copy of its application for recognition of exemption on July 15, 1987, it is also required to make available for public inspection a copy of the exemption application, any supporting documents and the exemption letter to any individual who requests such documents in person or in writing. You can charge only a reasonable fee for reproduction and actual postage costs for the copied materials. The law does not require you to provide copies of public inspection documents that are widely available, such as by posting them on the internet (World Wide Web). You may be liable for a penalty of \$20 a day for each day you do not make these documents available for public inspection (up to a maximum of \$10,000 in the case of an annual return).

- Because this letter could help resolve any questions about your organization's exempt status and foundation status, you should keep it with the organization's permanent records.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

This letter affirms your organization's exempt status.

Sincerely,



John E. Ricketts, Director, TE/GE
Customer Account Services

Rec'd 10/19/81

Internal Revenue Service

Department of the Treasury

District Director

Community Equity Investments, Inc.
401 North Reus Street
Pensacola, Florida 32501

Person to Contact: Y. Surlesoc/31

Telephone Number: (904) 751-3336

Refer Reply to: ERM: 59-1586520

Date: JUN 24 1981

Status Date:

- Exempt Denied Failed to Establish
- Terminated Revoked

Internal Revenue Code Section: 501(c)(3)

Gentlemen:

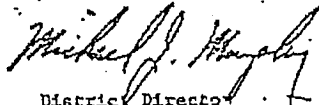
Thank you for submitting the information shown below. We have made it a part of your file.

The changes indicated do not adversely affect your status and the determination letter issued to you continues in effect.

Please let us know about any future change in the character, purpose, method of operation, name or address of your organization. If you are exempt, this is a requirement for retaining your exempt status.

Thank you for your cooperation.

Sincerely yours,



District Director

Item Changed

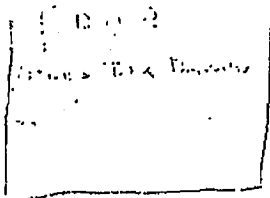
None

From To

People Organized For Community Equity Investments,
Community Development, Inc.
Inc;

Internal Revenue Service
District Director

Date: APR 26 1976



Department of the Treasury
59-1586520

Person to Contact:
S. Hallihan
Telephone Number:
(904) 791-2536
Refer Reply to:
720-2

► People Organized For Community Development, Inc.
401 North Rous Street
Pensacola, Florida 32501

Advance Ruling Period ends:
June 30, 1977

Gentlemen:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

We have further determined you can reasonably be expected to be an organization of the type described in sections 170(b)(1)(A)(vi) and 509(z)(1). Accordingly, for your first three tax years, you will be treated as an organization which is not a private foundation.

At the end of your first three tax years, however, you must establish with the Internal Revenue Service that for such three years you were in fact an organization of the type described in section 170(b)(1)(A)(vi). If you establish this fact with the Service, you will be classified as a section 509(a)(1) organization for all purposes beginning with the first day of your fourth tax year and you must normally meet the requirements of section 170(b)(1)(A)(vi) thereafter. If, however, you do not meet the requirements of section 170(b)(1)(A)(vi) for your first three tax years, you will be classified as a private foundation as of the first day of your fourth tax year. Furthermore, you will be treated as a private foundation as of the first day of your first tax year if purposes of sections 507(c) and 4940.

Grantors and donors may rely on the determination that you are not a private foundation for your first three tax years, unless notice that you will no longer be treated as a section 509(a)(1) organization is published in the Internal Revenue Bulletin. However, a grantor or donor may not rely on such determination if he was in part responsible for, or was aware of, the act or failure to act that resulted in your loss of section 509(a)(1) status, or acquired knowledge that the Internal Revenue Service had given notice that you would be removed from classification as a section 509(a)(1) organization.

You are not liable for social security (FICA) taxes unless you file a waiver of exemption certificate as provided in the Federal Insurance Contributions Act. You are not liable for the taxes imposed under the Federal Unemployment Tax Act (FUTA).

P.O. Box 35045, Jacksonville, Fla. 32202

RC 5E Form RP/EO-9 (3-75)

Organizations that are not private foundations are not subject to the excise taxes under Chapter 43 of the Code. However, you are not automatically exempt from other Federal excise taxes.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible under sections 2055, 2106, and 2522 of the Code.

If your sources of support, or your purposes, character, or method of operation is changed, you must let us know so we can consider the effect of the change on your status. Also, you must inform us of all changes in your name or address.

If your gross receipts each year are normally more than \$5,000, you are required to file Form 990, Return of Organization Exempt From Income Tax, by the 15th day of the fifth month after the end of your annual accounting period. The law imposes a penalty of \$10 a day, up to a maximum of \$5,000, for failure to file a return on time.

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

Please keep this determination letter in your permanent records.

Sincerely yours,

Charles J. DeWitt

District Director

This determination is conditional upon you amending your articles of incorporation to limit your powers to those of an organization described in section 501(c)(3) of the Internal Revenue Code and to provide for a proper distribution of your assets in the event of dissolution. Amendments must be as stated in your agreement letter dated June 25, 1973.

It is understood a determination of your exempt status under section 501(c)(3) of the Code is conditional upon your amending your organizational instrument. A copy of the amendment showing the seal and signature of the appropriate State Official (if incorporated), or a copy of the approved and adopted resolution signed by principal officers (if unincorporated) must be forwarded to our office within 90 days. It is also understood that failure to comply with the terms of this agreement could result in termination of exempt status.

Participation in political activities and/or more than an insubstantial participation in legislative activities could jeopardize your exempt status.

RC SE Form EP/EO-9 (3-75)

ARTICLES OF RESTATEMENT
OF THE
ARTICLES OF INCORPORATION OF
COMMUNITY EQUITY INVESTMENTS, INC.
(A Florida Corporation Not for Profit)

SECRETARY OF STATE
DIVISION OF CORPORATIONS
02 OCT -9 PM 3:31

COMMUNITY EQUITY INVESTMENTS, INC., a corporation originally incorporated under the name People Organized for Community Development, Inc., Articles of Incorporation of which were originally filed by the Department of State on December 17, 1974, hereby files these Articles of Restatement of the Articles of Incorporation of said Corporation.

ARTICLE I - NAME

The name of the Corporation shall be "COMMUNITY ENTERPRISE INVESTMENTS, INC."

ARTICLE II - PURPOSES

The Corporation is organized exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code (or the corresponding portions of any future United States Internal Revenue Law), including, to the extent permitted by said Section 501(c)(3), the improvement, development, redevelopment, promotion, and upgrading of economic opportunities and the cultural, historical, and social environment existing or available to economically and socially disadvantaged persons and areas within the States of Florida and Alabama, with emphasis on the creation of opportunities for employment, business ownership, and affordable housing.

No substantial part of the activities of the Corporation shall be the carrying on or propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distributing of statements) any political campaign on behalf of any candidate for public office.

This Corporation is and shall remain a corporation not for profit. The Corporation shall not

have nor issue shares of stock. No dividends shall be paid, and no part of the net earnings of the Corporation shall inure to the benefit of its members, directors or officers, or to the benefit of any private shareholder or individual.

ARTICLE III - MEMBERS

Any person interested in furthering the purposes of the Corporation may become a member upon signing and delivering to the Secretary of the Corporation a membership application form and meeting such uniform conditions as may be prescribed by the Board of Directors.

ARTICLE IV - TERM OF EXISTENCE

The Corporation shall exist perpetually.

ARTICLE V - OFFICERS

The business, property and affairs of the Corporation are to be managed by a Board of Directors, the officers of which are to be a Chairperson, a Vice-Chairperson, a Secretary, a Treasurer and such other officers as may be provided by the By-Laws or as may from time to time be elected or appointed. The aforementioned officers shall be elected each year by the Board of Directors at its annual meeting.

ARTICLE VI - BOARD OF DIRECTORS

The number of Directors shall be established by the By-Laws, but shall never be less than three. The method of election of the Directors shall be as set forth in the By-Laws.

ARTICLE VII - BY-LAWS

The power to adopt, alter, amend or repeal by-laws shall be vested in the Board of Directors.

ARTICLE VIII - AMENDMENTS

Amendments to these Articles of Incorporation may be proposed either by the Board of

Directors or by the Membership. These Articles of Incorporation may be amended by a two-thirds vote of the Directors present at any regular or special meeting, a majority being assembled, upon seven days' written notice of such meeting setting forth in detail the proposed amendment.

ARTICLE IX - DISTRIBUTION OF ASSETS UPON DISSOLUTION

No persons, firm or corporation shall ever receive any dividends or profits from the undertaking of this Corporation. In the event of dissolution, the residual assets of the organization shall be turned over to one or more organizations which themselves are exempt as organizations described in Sections 501(c)(3) and 170(c)(2) of the Internal Revenue Code of 1954 or corresponding sections of any prior or future Internal Revenue code, or to the Federal, State or Local government for exclusive public purposes, and none of the assets will be distributed to any member, director, officer or trustee of this Corporation.

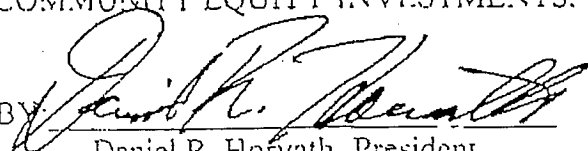
* * * *

The above and foregoing Articles of Restatement of COMMUNITY EQUITY INVESTMENTS, INC., were adopted by not less than a two-thirds vote of the Board of Directors of the Corporation at a duly called meeting on the 28th day of August, 2002. The Articles of Restatement include amendments to the Articles of Incorporation, which amendments were duly approved by not less than a two-thirds vote of the Board of Directors of said Corporation at a duly called meeting on the 28th day of August, 2002. Members of the Corporation are not entitled to vote on such amendments, and the number of votes cast by the Directors for the amendments was sufficient for approval.

IN WITNESS WHEREOF the undersigned President of the Corporation has executed these Articles of Restatement this 2nd day of OCTOBER, 2002.

COMMUNITY EQUITY INVESTMENTS, INC.

BY


Daniel R. Horvath, President