

**Comparison of Recovery Zone Facility Bonds  
and Midwestern Disaster Area Bonds  
Quarles & Brady LLP**

	<u><b>Recovery Zone Facility Bonds</b></u>	<u><b>Midwestern Disaster Area Bonds</b></u>
<b>Deadline to Issue</b>	-Before January 1, 2011	-Before January 1, 2013
<b>Who Can Issue</b>	-States and local governments	-States and political subdivisions of states in which a Midwestern disaster area is located
<b>Permitted Projects</b>	<p>-95% of more of net proceeds must be used for recovery zone property = any depreciable property which:</p> <p>i) property was constructed, reconstructed, renovated or acquired by the taxpayer after the effective date on which the recovery zone was designated;</p> <p>ii) the original use of the property commences with the taxpayer;</p> <p>iii) substantially all of the use of the property is within the recovery zone; <u>and</u></p> <p>iv) the bond financed property is used in the active conduct of a qualified business by the taxpayer in the recovery zone</p>	<p>-95% or more of net proceeds must be used for qualified project costs which include:</p> <p>i) cost of qualified residential rental projects located in Midwestern Disaster Area;</p> <p>ii) cost of acquisition, construction, reconstruction and renovation of nonresidential real property (including fixed improvements associated with such property) located in Midwestern Disaster Area; and</p> <p>iii) cost of acquisition, construction, reconstruction and renovation of public utility property located in Midwestern Disaster Area</p> <p>-Cannot be used for movable fixtures and equipment</p> <p>-Projects involving private business use must involve loss in a trade or business attributable to severe storms, flooding, etc., unless otherwise designated by Governor as a person carrying on a trade or business replacing a trade or business that suffered such a loss</p>

<p><b>State of Wisconsin Allocation</b></p>	<p>-Wisconsin overall allocation is approximately \$238 million</p>	<p>-Wisconsin overall allocation is approximately \$3.8 billion</p> <p>-Prior to January 1, 2011, each "Affected County" (i.e. 30 counties in approximately southern 1/3 of the state) has \$50,000,000 allocation reserved and made available for projects located in each Affected County with the remaining amount (approximately \$2.3 billion) available for designation in any Affected County</p> <p>-On January 1, 2011 and thereafter, the \$50,000,000 allocation reserved for each Affected County terminates and designations may be made from the entire unused balance of the approximately \$3.8 billion limitation to finance projects located in any Affected County</p>
<p><b>Wisconsin Application/Allocation Process</b></p>	<p>-Currently individual counties and large municipalities have allocation and ability to control allocation within the particular county and large municipality</p> <p>-SB-440 waives/reallocates the allocations currently held by counties and large municipalities as of March 1, 2010 (unless other requirements are met within the timeframes set forth in SB-440) and provides the Wisconsin Department of Commerce the ability to develop a system to reallocate the waived RZFB allocations</p>	<p>-Application must be made to Wisconsin Department of Commerce which will determine whether or not a project is a qualifying project</p> <p>-After making a determination that a project is a qualifying project, Wisconsin Department of Commerce then presents a request for a MDAB designation to the Governor</p>

<p><b>Additional Requirements and Exceptions to Requirements</b></p>	<ul style="list-style-type: none"> <li>-A "recovery zone" must be designated</li> <li>-Exempt facility private activity bond requirements must be met</li> <li>-Special rules apply for substantial renovations and sale-leaseback</li> <li>-Exempt facility private activity bond restriction on acquisition of existing property does <u>not</u> apply</li> <li>-Private activity volume cap does <u>not</u> apply</li> </ul>	<ul style="list-style-type: none"> <li>-No "area" or "zone" designation required</li> <li>-Exempt facility private activity bond requirements must be met</li> <li>-No more than 25% of MDAB proceeds can be used to acquire land (or an interest therein)</li> <li>-If proceeds are used to acquire an existing building, borrower must make rehabilitation expenditures equal to at least 50% of the cost of acquiring such building within two years after the later of the date the building is acquired or the date the bonds are issued</li> <li>-Private activity volume cap does <u>not</u> apply</li> <li>-MDABs must be designated as such by the Governor (done through Wisconsin Department of Commerce allocation process)</li> </ul>
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