

EXHIBIT 1**State Tax Treatment of Limited Liability Companies and Limited Liability Partnerships (as of 3/1/13)**

State	State Income Tax Classification of LLCs Follows Federal? ³	Nonresident Partner Withholding? ^{4, 5}	Entity-Level Tax on LLPs or LLCs? ²	Series LLC Provisions or Published Guidance? ⁶
Alabama	Yes ¹	LLC/LLP pays tax on non-resident partner's distributive share of Ala. income at the highest marginal tax rate applicable	Annual \$100 minimum and \$15,000 maximum business privilege tax (electing family investment LLCs/LLPs subject to \$500 annual cap; "financial institution groups" subject to Ala. deposits-based alternative tax capped at \$3 million annually)	No
Alaska	Yes	No	No	No
Arizona	Yes ¹	No	No	No
Arkansas	Yes ¹	LLP/LLC withholds 7% of distributions of Ark.-source income to nonresident partners unless consents or composite return filed	Every LLC formed under the Small Business Entity Tax Pass-Through Act (Ark. Code Ann. §4-32-101 et seq.) must pay the minimum franchise tax (currently \$150)	No
California	Yes ¹	LLC/LLP pays tax on non-resident partner's distributive share of Cal. income at 7% (for U.S. partners) unless nonresident consents filed; if consents filed, still must withhold (but may request waiver from state)	Annual \$800 minimum franchise tax on all LLCs/LLPs; and gross receipts tax ranging from \$900 to \$11,790 on LLCs (unapportioned prior to 1/1/07; unapportioned fee declared unconstitutional in <i>Northwest Energetic Services, LLC v. Cal. Franch. Tax Bd.</i> , 159 Cal. App. 4th 841, 71 Cal. Rptr. 3d 642 (1st Dist., 2008), and <i>Ventas Finance I, LLC v. Cal. Franch. Tax Bd.</i> , 165 Cal. App. 4th 1207, 81 Cal. Rptr. 3d 823 (1st Dist., 2008), <i>rev. den. Cal. S.Ct.</i> , No. S166870, 11/12/08, <i>cert. den. U.S.S.Ct. Dkt. No. 08-1022</i> , 4/6/09). ⁷	No series LLC provision; but see: (1) California FTB Tax News, (Vol. 06-2, Mar/Apr 2006), page 3; (2) California 2012 Form 568 Limited Liability Company Tax Booklet (Forms and Instructions), Section F, page 8 (Series LLCs); (3) California FTB Tax News, (October 2011), page 4; (4) California FTB Pub. 3556 LLC MEO (Rev. 4/11): Limited Liability Company Filing Information, available online at www.ftb.ca.gov/forms/misc/3556.pdf (noting that California considers each series in a series LLC to be a separate LLC for annual tax and LLC fee purposes).
Colorado	Yes ¹	LLC/LLP withholds at 4.63% or pays tax at 4.63% with composite return on nonresident partner's distributive share of Colo.-source income unless nonresident consents filed	No	No
Connecticut	Yes ¹	LLC/LLP pays tax on nonresident noncorporate partner's distributive share of Conn.-source income at highest marginal rate	LLCs, LLPs subject to annual "business entity tax" of \$250. For tax years beginning on or after 1/1/13, this tax will be payable every other year.	No

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Delaware	Yes ¹	No	LLCs/LLPs subject to \$250 tax per year; LLPs subject to \$200/partner/year fee w/\$120,000 cap	Del. Code Ann. tit. 6, §18-215.
District of Columbia	Yes ¹	No	9.975% tax on D.C.-source income earned by unincorporated business but no tax on SMLLC owned by another entity subject to tax in D.C. (\$250 minimum) or on professional firms where 80% of income derived from personal services and capital not material income-producing factor "Ballpark Fee" based on D.C. gross receipts from previous year in excess of \$5 million, ranges from \$5,500 to \$16,500	D.C. Code Ann. §29-802.06 (eff. 1/1/12).
Florida	Yes ¹ (no state personal income tax)	No	No	No series LLC provision; but see Florida DOR Technical Assistance Advisement No. 02(M)-009, 11/27/02.
Georgia	Yes ¹	LLC/LLP withholds 4% tax on nonresident partner's distributive share of Ga. income, with exemptions, unless composite return filed (entity and partners are jointly and severally liable; filing of estimated tax payments by the member does not relieve the entity from the responsibility of the withholding requirement)	No	No
Hawaii	Yes ¹	No	No	No
Idaho	Yes ¹	Composite returns permitted for nonresident partner individuals; if nonresident fails to pay the tax, LLC/LLP is contingently liable. Eff. 1/1/11, LLC/LLP no longer contingently liable for taxes of nonresident partners, but must withhold at the highest applicable marginal rate unless composite return filed	No	No

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Illinois	Yes ¹	LLC/LLP must withhold from each nonresident partner an amount equal to the partner's distributable share of the Ill. business income of the partnership, multiplied by the applicable tax rates for that partner, unless a composite return is filed	1.5% "replacement" income tax on partnerships and LLCs; partners liable if LLC/LLP fails to pay; "investment partnerships" exempt Domestic LLPs subject to \$100/partner/year fee with a \$200 minimum and \$5,000 cap	805 ILCS §180/37-40.
Indiana	Yes ¹	LLC/LLP pays withholding tax on nonresident partner's distributive share of Ind.-source income at applicable state rate; composite return also required	No	No
Iowa	Yes ¹	LLC/LLP pays 5% withholding tax on nonresident partner's distributive share of Iowa income unless certificate of release obtained from Iowa DOR and estimated tax paid by nonresident partner	No	Iowa Code §489.1201.
Kansas	Yes	LLC/LLP pays withholding tax on nonresident partner's distributive share of Kan. income at highest state rate, currently 6.45% (4.9% beginning 1/1/13), unless nonresident consents filed. Eff. 1/1/13, non-wage income reported to individuals by pass-through entities is excluded from taxable income	For tax years after 12/31/10, the franchise tax is repealed. For prior tax years, LLCs/LLPs were subject to franchise tax on net capital accounts with a \$20,000 cap, but only if net capital accounts located or used in Kan. are \$1 million or more. There is an annual report fee of \$40.	Kan. Stat. Ann. §17-76,143 (eff. 7/1/12).
Kentucky	Yes	LLCs/LLPs must withhold at 6% unless nonresident partner filed return and timely paid Ky. income tax in immediately prior year (but if partner does not pay tax in current year, LLC/LLP still liable) or if composite return filed. Withholding required for corporate partner that is doing business in Ky. only through its ownership interest in a pass-through entity	LLCs/LLPs subject to limited liability entity (LLE) tax equal to lesser of \$0.095 per \$100 of Ky. gross receipts or \$0.75 per \$100 of Ky. gross profits, with exceptions. Must pay minimum tax of \$175. Partners generally allowed credit against Ky. personal income tax for proportionate share of LLE tax ⁸	No

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Louisiana	State classification follows federal classification of LLC but only with respect to corporate income tax, not franchise tax ¹	LLC/LLP required to make composite tax payments on nonresident partner's distributive share of La. income at highest individual state rate unless nonresident consents filed Partners that are partnerships themselves generally cannot be included on composite return	No	No
Maine	Yes ¹	LLC/LLP pays quarterly withholding tax on nonresident partner's proportionate share of Maine income at highest applicable state rate unless composite return filed or certain exemptions apply	LLC "financial institutions" are taxed at the entity level at a rate of (1) 1% of Maine net income and \$0.08 per \$1,000 of Maine assets or (2) \$0.39 per \$1,000 of Maine assets	No
Maryland	Yes ¹	LLC/LLP pays tax on nonresident partner's distributive share of Md. income at rate of 7% for individuals (6.75% for tax years beginning prior to 2012), 8.25% for entities, limited to amount of nonresidents' distributive share of income, not to exceed the sum of all nonresidents' shares of distributable cash flow	No	No
Massachusetts	Yes ¹ (except SMLLCs owned by S corps) (until 2009, check-the-box regs. followed only for LLCs; LP and LLP classifications determined by common law, <i>Kintner</i> regs.) Eff. 1/1/09, follows check-the-box regs.	LLC/LLP pays quarterly withholding tax on nonresident partner's distributive share of Mass. income unless composite return or nonresident consents filed or certain exemptions apply	No	No series LLC provision; but see Mass. Dept. of Rev. Ltr. Rul. 08-2, 2/15/08.
Michigan	Yes ¹	LLC/LLP pays withholding tax at a rate of 4.35% (4.25% eff. 1/1/13) on nonresident partner's distributive share of Mich. taxable income, unless certain exemptions apply; eff. 1/1/12, withholding may apply to certain corporate nonresident partners	Eff. 1/1/08 through 12/31/11, Michigan Business Tax (MBT) applies to LLCs and LLPs; tax is 4.95% of business income; 0.80% of modified gross receipts tax base; and a 21.99% surcharge on allocated and apportioned income before credits with \$6 million cap Eff. 1/1/12, Mich. imposes a corporate income tax on C corporations, replacing the MBT ⁹	No
Minnesota	Yes ¹ (except foreign SMLLCs with C corp. member cannot be disregarded)	LLC/LLP pays withholding tax on nonresident partner's distributive share of Minn. income at highest individual rate (7.85%) unless composite return filed	\$0 to \$5,000 fee based on sum of entity's Minn. property, payroll, and sales	No

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Mississippi	Yes ¹	Generally no, but LLC/LLP and general partners are jointly and severally liable for any unpaid tax unless LLC/LLP withholds and remits 5% of the LLC's/LLP's net profit or gain for the year	No	No
Missouri	Yes ¹	LLC/LLP pays withholding tax on nonresident individual partner's distributive share of Mo. income at highest state rate (currently 6%) unless either nonresident consents or composite return filed	No	No
Montana	Yes ¹	LLC/LLP liable for income tax at applicable state rate for individual nonresident partner's distributive share of Mont. income unless either composite return or nonresident consents filed	No	No
Nebraska	Yes ¹	LLC/LLP liable for income tax at highest state rate on nonresident individual partner's distributive share of Neb. income unless nonresident consents filed	No	No
Nevada	No state income tax	No	No	Nev. Rev. Stat. §86.296.
New Hampshire	Yes ¹ (conforms to check-the-box regs. but only with respect to multi-member LLCs)	No	5% on dividends and interest exceeding \$2,400 if LLC/LLP is without transferable shares; 8.5% on business profits (only for LLCs/LLPs with more than \$50,000 in gross business income); and 0.75% on the "business enterprise value tax base" for LLCs/LLPs with more than \$150,000 of gross receipts from all their activities, or an enterprise value tax base more than \$75,000. Note: a dollar-for-dollar credit is allowed against the business profits tax for the amount of business enterprise tax owed	No

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New Jersey	Yes ¹	None, but entity level tax on nonresident partners' distributive shares of N.J. net income	\$150/partner annual fee w/\$250,000 cap for partnerships with more than two partners; no annual fee for LLCs/LLPs with less than three partners; and LLCs/LLPs must make quarterly payments of 6.37% of N.J. net income allocated to all nonresident <i>noncorporate</i> partners and 9% for all nonresident <i>corporate</i> partners	No
New Mexico	Yes ¹	LLC/LLP required to withhold tax on nonresident partner's distributive share of N.M. income at highest individual rate unless nonresident consents filed	No	No
New York	Yes ¹	LLCs/LLPs make quarterly estimated tax payments on behalf of C corp./nonresident individual owners that owe more than \$300 in tax, unless commissioner authorizes "group returns" No estimated tax payments required on behalf of C corp./nonresident individual owners that file an exemption certificate with the LLC/LLP certifying their compliance with all N.Y. income tax, estimated tax, and income tax return filing requirements	LLCs/LLPs subject to annual filing fee based on N.Y.-source gross receipts, min. \$25, max. \$4,500 SMLLCs that are treated as disregarded entities for federal income tax purposes are subject to a \$25 annual filing fee Prior to 2008, LLCs/LLPs subject to annual fee based on number of partners	No series LLC provision; but see New York Advisory Opinion No. TSB-A-98(8)I (N.Y.S. Dept. of Tax'n and Finance, 9/4/98).
North Carolina	Yes ¹	LLC/LLP pays withholding tax on individual nonresident partner's distributive share of N.C. income at the applicable individual income tax rate LLC/LLP pays withholding tax on <i>non-individual</i> nonresident partner's distributive share of N.C. income at the applicable income tax rate unless nonresident consent filed	If book value of LLC assets exceeds \$150,000, corp. member required to include LLC's assets, directly or indirectly owned, in its franchise tax base if collective ownership by corp. and its affiliates of capital interests of the LLC is more than 50% LLC electing to be taxed as a C corporation subject to franchise tax LLC electing to be taxed as S corporation also subject to franchise tax	No
North Dakota	Yes ¹	LLC/LLP pays withholding tax at highest individual rate on distributions to nonresident partners unless composite return filed	No (nominal annual filing fee based on number of LLP managing partners)	No

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Ohio	Yes ¹	LLC/LLP pays 5% withholding tax on distributions to nonresident individual partners and an 8.5% withholding tax on distributions to certain non-individual partners after certain adjustments unless composite return or consents to jurisdiction filed	Franchise tax credit calculations include corporation's proportionate share amounts from any pass-through entity. Unless gross receipts less than \$150,000, LLCs/LLPs subject to Commercial Activity Tax of \$150 plus 0.26% of Ohio gross receipts in excess of \$1 million	No
Oklahoma	Yes ¹	LLC/LLP pays 5% withholding tax on distributions of Okla. income to nonresident partner unless nonresident consents filed	LLCs/LLPs are subject to Business Activity Tax ("BAT") of \$25 plus 1% of "net revenue," but, for tax years 2010, 2011, and 2012, the BAT liability is tied to the amount of the taxpayer's 2009 franchise tax liability. 2012 is the final year for the BAT.	Okla. Stat. tit. 18, §2054.4.
Oregon	Yes ¹	LLC/LLP withholds tax on nonresident partners distributive share of Ore. income computed at the highest applicable rate, unless composite return filed or other exceptions apply	No	No
Pennsylvania	Yes ¹	LLC/LLP pays withholding tax on nonresident individual and "nonfiling corporate" partner's distributive share of Pa. income at the applicable income tax rate	LLCs, except for "restricted professional companies," subject to capital stock tax on taxable capital stock value (to be phased out by 2014) Professional LLCs subject to \$300/Pa. member/year fee; LLPs subject to \$240/Pa. partner/year fee	No

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Rhode Island	Yes ¹ (for withholding purposes, corporate-owned SMLLC treated as C corporation)	LLP/LLC pays withholding tax at highest marginal rate for individuals and 9% for corporations, unless composite return filed	\$500 tax on LLCs taxed as partnerships	No
South Carolina	Yes ¹	LLC/LLP pays withholding tax on nonresident partner's distributive share of S.C. income unless nonresident consents or composite return filed	No	No
South Dakota	No state income tax	No	Domestic LLCs subject to \$150 initial report fee; foreign LLCs subject to \$750 initial report fee; all LLCs subject to \$50 annual report fees thereafter	No
Tennessee	Yes ¹ (but LLCs subject to franchise, excise tax anyway and SMLLCs only disregarded if member is a corporation)	No	LLC/LLP subject to franchise/excise tax of (1) \$0.25 per \$100 of net worth and (2) 6.5% of net earnings; corporate member of disregarded SMLLC subject to Tenn. franchise/excise tax; all entities classified as partnerships are also subject to 6% dividends and interest income tax; LLC/LLPs subject to \$50/partner annual fee, min. \$300, max. \$3,000 for LLCs; \$250/\$2,500 for LLPs	Tenn. Code Ann. §48-249-309; Tenn. Dept. of Revenue Ltr. Rul. 11-42, 9/6/11.

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Texas	State taxes LLCs as corporations (no state personal income tax)	No	LLPs subject to \$200/partner/year fee LLCs and LLPs subject to Texas franchise "margin" tax at 0.5% (retailers and wholesalers) or 1% (all other businesses) of lowest of: (1) 70% of total revenue; (2) total revenue minus cost of goods sold; or (3) total revenue minus total compensation	Tex. Bus. Org. Code §101.601 et seq.; Texas Policy Ltr. Rul. 201005184L, 5/5/10 (released September 2011); Franchise Tax Frequently Asked Questions, Texas Office of the Comptroller, Q&A 19, available at www.window.state.tx.us/taxinfo/franchise/faq_tax_ent.html .
Utah	Yes ¹	Unless a waiver is obtained, LLC/LLP must pay or withhold tax on the business and non-business income of the pass-through entity derived from or connected with Utah sources on behalf of a nonresident pass-through entity taxpayer	No	Utah Code Ann. §§48-3-1201 through 48-3-1210 (eff. 7/1/12, superseding Utah Code Ann. §48-2c-606).
Vermont	Yes ¹	LLC/LLP must make quarterly estimated tax payments at second lowest marginal rate on nonresident partner's distributive share of Vt. income	LLC/LLP must pay annual tax of \$250	No
Virginia	Yes ¹	LLC/LLP must pay withholding tax of 5% of nonresident partner's allocable share of Va. income	No	No
Washington	State taxes LLCs as partnerships (no state personal income tax)	No	Business and Occupation ("B&O") Tax of 0.138% to 3.3% of gross receipts	No
West Virginia	Yes ¹	LLC/LLP pays 6.5% withholding tax on nonresident partner's distributive share of W.Va. income unless nonresident consents filed	Greater of \$50 or 0.27% (0.2%, eff. 1/1/13) of "capital" (generally, average balance of partners' capital accounts per Form 1065), but is scheduled to phase-out in 2015	No

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Wisconsin	Yes	LLC/LLP pays quarterly withholding tax on nonresident shares of Wis. income at highest individual/corporate rate, with exemptions	LLCs/LLPs with more than \$4 million in gross receipts are subject to economic development surcharge tax of \$25 to \$9,800 (previously known as "recycling surcharge tax" prior to 7/1/11)	No
Wyoming	No state income tax	No	No	No

¹ Indicates that (a) the state taxing authority has publicly announced that it will follow the IRS "check-the-box" regulations for state income tax purposes, (b) the state LLC act adopts the regulations either explicitly or implicitly, or (c) the state adopts them by separate statute. Note that many jurisdictions such as Florida, Georgia, Michigan, and the District of Columbia, do not conform to the "check-the-box" regulations for sales, use, and other related taxes.

² Assumes entity is classified as a partnership for federal income tax purposes. See supplemental chart (Exhibit 2) regarding net-worth or debt-based corporate franchise taxes.

³ States such as California, Delaware, Illinois, and Pennsylvania restrict the use of LLCs by banks and/or insurance companies.

⁴ "Partner" in this column and as used throughout the chart means both partners of LLPs and members of LLCs, unless otherwise clear from the context.

⁵ The following states exempt the distributive share of nonresident partners of investment partnerships (as defined in varying ways) from income taxation: Alabama, Arkansas, California, Georgia, Idaho, Illinois, Kentucky, Maryland, New Jersey, New York, North Carolina, Ohio, and Texas. A few states, such as Connecticut, Minnesota, and New Mexico, do not specifically exempt nonresident part-

ners of investment partnerships but have rules that effectively allocate that income to the domicile of the nonresident partner. Massachusetts statutorily exempts nonresident limited partners of certain investment LPs but not other pass-through entities. Thus, any income tax withholding, jurisdictional consent waivers, or composite return requirements in these states may not apply to nonresident partners of qualified investment partnerships. Other states, such as Virginia, effectively exempt nonresident partners of investment partnerships from income taxation by taking the position that pass-through entities established solely to invest in intangible personal property, and that have no employees or tangible property in the state, are not considered to be carrying on a trade or business in the state, and thus the nonresident partner's distributive share is not from in-state sources. (For more on this type of entity, see Gotlinger and Mahon, "State Tax Exemptions for Investment Partnerships and Their Nonresident Partners," 17 JMT 22 (February 2008).)

⁶ Several states, e.g., Minnesota, North Dakota, and Wisconsin, have language in their LLC statutes about "classes" and "series" of membership interests, but no provisions for the layers or "firewalls" of protection that the typical series LLC act contains. Puerto Rico has also enacted a series LLC statute. (For more on this type of entity, see McLough-

lin and Ely, "The Series LLC Raises Serious State Tax Questions but Few Answers Are Yet Available," 16 JMT 6 (January 2007), and "IRS Issues Long-Awaited Guidance on Series LLCs; Will the States Soon Follow?," 20 JMT 8 (January 2011).)

⁷ In Northwest, the California appellate court affirmed a 4/12/06 decision by the trial court. That earlier decision was analyzed in Pace, Moll and Ely, "Wrestling With Taxes in the Golden State -California's Unconstitutional LLC Fee," 16 JMT 24 (July 2006).

⁸ For more on Kentucky's current tax scheme, see Zefi, Kane, Collins, and Carr, "Kentucky Tax Modernization Legislation Has Major Effect on Businesses," 16 JMT 14 (July 2006); and Shop Talk, "Kentucky Modifies Recent Tax Act to Give Small Business Tax Relief, Pass-Through Entity Changes," 16 JMT 42 (October 2006).

⁹ For an analysis of Michigan's newest tax regime, see Grob, "Michigan Again Revises Its Primary Business Tax, Along With Personal Income Tax Changes and Technical Corrections," 21 JMT 6 (August 2011). For more on the Michigan Business Tax, see Grob and Roberts, "The Michigan Business Tax Replaces the State's Much-Vilified SBT," 17 JMT 8 (October 2007), and "Michigan Business Tax Update: Significant Amendments Enacted as the New MBT Goes Into Effect," 18 JMT 14 (Mar/Apr 2008).