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LEGEND

X =

State =

Dear \_\_\_\_\_ :

This letter responds to a letter dated April 12, 2017, and supplemented in a letter dated March 13, 2018, submitted by X's authorized representative requesting certain rulings under § 7704 of the Internal Revenue Code on behalf of X.

FACTS

X is a State corporation. According to the information submitted, X and its subsidiaries (collectively, "X") propose to create and operate an auction platform (the "Platform") that will provide limited and infrequent opportunities to buy and sell third party partnership interests. X intends to structure the Platform to satisfy the qualified matching service requirements set forth in § 1.7704-1(g) of the Procedure and Administration Regulations.

X represents that the Platform will not be: 1) a national securities exchange registered under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f) (the '34 Act); 2) a national securities exchange exempt from registration under section 6 of the '34 Act because of the limited volume of transactions; 3) a foreign securities exchange that, under the law of the jurisdiction where it is organized, satisfies regulatory

requirements that are analogous to the regulatory requirements under the '34 Act; 4) a regional or local exchange; or 5) an interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise.

### Description of the Platform

The Platform will be an electronic system that periodically conducts auctions via a password protected internet-accessible application. The general public will not be able to access the Platform or view any information regarding auctions and partnership interests available on the Platform. Instead, access to the Platform will only be available to certain accredited investors who have been granted access to the Platform as potential buyers ("Potential Buyers"), those partners who have indicated an intent to sell their partnership interests as explained below ("Potential Sellers"), and broker-dealers, financial advisors, or similar representatives, acting on their own behalf or on behalf of the participants they represent (collectively, including Potential Buyers and Potential Sellers, "Potential Participants").

X will receive an indication of interest from a partner or partners to sell limited partnership interests. A date will be set (the "End of IOI Submission Date") which will be the day on which the last indication of interest to sell has been submitted. Once an indication of interest or multiple indications of interest to sell have been received, X will assemble those partnerships identified to participate in the auction event.

Following the End of IOI Submission Date, information regarding the offering of the interest or interests for sale will be posted on the Platform and made available to Potential Participants, including the quantity of each interest offered for sale and the current financial information regarding the partnerships whose interests will be offered on such date (the "Announcement Date"). Thereafter, a bid and ask process will begin (the "Auction Period") in which Potential Buyers will be permitted to submit indications of interest to buy the partnership interests, including quantity and price, as well as to revise and/or rescind such non-firm quotes. During this Auction Period, Potential Sellers will also be permitted to revise and/or rescind their indications of interest to sell, including adding a limit price to their indications of interest. Only Potential Sellers who submitted an indication of interest prior to the Announcement Date will be permitted to participate in the Auction Period, and only up to the quantity of interest they initially indicated they wished to sell. During this Auction Period, the Platform may make available an anonymized range of such non-firm quotes of Potential Buyers and/or Potential Sellers, and X will collect information from Potential Participants, including contracts and other documentation necessary to process the transactions.

On a date not earlier than 15 days after the Announcement Date, the Platform will close the Auction Period and match the buyers' and sellers' quotes. Only at this time will the Potential Buyers' and Potential Sellers' quotes become binding (if they are able to be matched). In no circumstances will a Potential Seller be able to enter into a

binding agreement (*i.e.*, complete a successful auction) with respect to the sale of the interest until the 15th calendar day after the Announcement Date. In general, the Platform will pair Potential Sellers and Potential Buyers using an order-matching algorithm or methodology, although other pricing mechanisms may also be used in certain circumstances. X may also work with partnerships' administrators, Potential Participants' administrators, transfer agents and custodians to assist in the completion of all necessary back office activities.

Proceeds will be released to sellers on a date (the "Closing Date") no earlier than 45 days after the Announcement Date. X (or a third-party firm) will act as paying agent for Potential Buyers in the context of the transfer of purchase proceeds and will hold the purchaser's proceeds in escrow for a period of time prior to the Closing Date. X represents that no loan, advance, or other acceleration of payment to a seller will be made prior to the Closing Date. X will receive a commission for its services provided which shall be deducted from the escrowed funds upon the Closing Date.

If no trade is executed within 120 calendar days after the Announcement Date, then the auction with respect to the interests will be cancelled and the Potential Seller's information removed from the Platform. The Potential Seller will not be permitted to put its interest on the Platform for 60 calendar days after its removal.

X will maintain contemporaneous records to document the Announcement Date and compliance with the 15-day and 45-day periods. The Platform will monitor the transfers it makes with respect to each partnership such that the sum of percentage interests in partnership capital or profits transferred on the Platform during a taxable year of a partnership does not exceed 10 percent of the total interests in partnership capital or profits.

### LAW

Section 7704(a) provides that a publicly traded partnership shall be treated as a corporation.

Section 7704(b) provides that for purposes of § 7704, the term "publicly traded partnership" means any partnership if — (1) interests in such partnership are traded on an established securities market, or (2) interests in such partnerships are readily tradable on a secondary market (or the substantial equivalent thereof).

Section 1.7704-1(b) provides that for purposes of § 7704(b) and § 1.7704-1, an established securities market includes — (1) A national securities exchange registered under section 6 of the '34 Act; (2) A national securities exchange exempt from registration under section 6 of the '34 Act because of the limited volume of transactions; (3) A foreign securities exchange that, under the law of the jurisdiction where it is organized, satisfies regulatory requirements that are analogous to the regulatory requirements under the '34 Act; (4) A regional or local exchange; (5) An interdealer

quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise.

Section 1.7704-1(c)(1) provides that for purposes of § 7704(b) and § 1.7704-1, interests in a partnership that are not traded on an established securities market (within the meaning of § 7704(b) and § 1.7704-1(b)) are readily tradable on a secondary market or the substantial equivalent thereof if, taking into account all of the facts and circumstances, the partners are readily able to buy, sell, or exchange their partnership interests in a manner that is comparable, economically, to trading on an established securities market.

Section 1.7704-1(c)(2) further clarifies that, for purposes of § 1.7704-1(c)(1), interests in a partnership are readily tradable on a secondary market or the substantial equivalent thereof if — (i) Interests in the partnership are regularly quoted by any person, such as a broker or dealer, making a market in the interests; (ii) Any person regularly makes available to the public (including customers or subscribers) bid or offer quotes with respect to interests in the partnership and stands ready to effect buy or sell transactions at the quoted prices for itself or on behalf of others; (iii) The holder of an interest in the partnership has a readily available, regular, and ongoing opportunity to sell or exchange the interest through a public means of obtaining or providing information of offers to buy, sell, or exchange the interests in the partnership; or (iv) Prospective buyers and sellers otherwise have the opportunity to buy, sell, or exchange interests in the partnership in a time frame and with the regularity and continuity that is comparable to that described in the other provisions of § 1.7704-1(c)(2).

Section 1.7704-1(g)(1) provides that for purposes of § 7704(b) and § 1.7704-1, the transfer of an interest in a partnership through a qualified matching service is disregarded in determining whether interests in the partnership are readily tradable on a secondary market or the substantial equivalent thereof.

Section 1.7704-1(g)(2) provides that a matching service is a qualified matching service only if — (i) The matching service consists of a computerized or printed listing system that lists customers' bid and/or ask quotes in order to match partners who want to sell their interests in a partnership (the selling partner) with persons who want to buy those interests; (ii) Matching occurs either by matching the list of interested buyers with the list of interested sellers or through a bid and ask process that allows interested buyers to bid on the listed interest; (iii) The selling partner cannot enter into a binding agreement to sell the interest until the 15th calendar day after the date information regarding the offering of the interest for sale is made available to potential buyers and such time period is evidenced by contemporaneous records ordinarily maintained by the operator at a central location; (iv) The closing of the sale effected by virtue of the matching service does not occur prior to the 45th calendar day after the date information regarding the offering of the interest for sale is made available to potential buyers and such time period is evidenced by contemporaneous records ordinarily maintained by the operator at a central location; (v) The matching service displays only

quotes that do not commit any person to buy or sell a partnership interest at the quoted price (nonfirm price quotes) or quotes that express interest in a partnership interest without an accompanying price (nonbinding indications of interest) and does not display quotes at which any person is committed to buy or sell a partnership interest at the quoted price (firm quotes); (vi) The selling partner's information is removed from the matching service within 120 calendar days after the date information regarding the offering of the interest for sale is made available to potential buyers and, following any removal (other than removal by reason of a sale of any part of such interest) of the selling partner's information from the matching service, no offer to sell an interest in the partnership is entered into the matching service by the selling partner for at least 60 calendar days; and (vii) The sum of the percentage interests in partnership capital or profits transferred during the taxable year of the partnership (other than in private transfers described in § 1.7704-1(e)) does not exceed 10 percent of the total interests in partnership capital or profits.

Section 1.7704-1(g)(3) provides that for purposes of § 1.7704-1(g)(2)(iv), the closing of a sale occurs no later than the earlier of – (i) The passage of title to the partnership interest; (ii) The payment of the purchase price (which does not include the delivery of funds to the operator of the matching service or other closing agent to hold on behalf of the seller pending closing); or (iii) The date, if any, that the operator of the matching service (or any person related to the operator within the meaning of § 267(b) or § 707(b)(1)) loans, advances, or otherwise arranges for funds to be available to the seller in anticipation of the payment of the purchase price.

Section 1.7704-1(g)(4) provides that a qualified matching service may be sponsored or operated by a partner of the partnership (either formally or informally), the underwriter that handled the issuance of the partnership interests, or an unrelated third party. In addition, a qualified matching service may offer the following features — (i) The matching service may provide prior pricing information, including information regarding resales of interests and actual prices paid for interests; a description of the business of the partnership; financial and reporting information from the partnership's financial statements and reports; and information regarding material events involving the partnership, including special distributions, capital distributions, and refinancings or sales of significant portions of partnership assets; (ii) The operator may assist with the transfer documentation necessary to transfer the partnership interest; (iii) The operator may receive and deliver funds for completed transactions; and (iv) The operator's fee may consist of a flat fee for use of the service, a fee or commission based on completed transactions, or any combination thereof.

### CONCLUSIONS

Based solely on the submitted facts and representations, we rule as follows:

- 1) The Platform is not an established securities market under § 1.7704-1(b).

2) The Platform meets the requirements to be a qualified matching service under § 1.7704-1(g).

3) A partnership whose interests are displayed or offered for purchase or sale on the Platform will not be considered to be publicly traded solely by reason of being offered for purchase or sale and/or sold through the Platform and may rely on this ruling provided (a) it is not revoked, (b) that the sum of the partnership interests transferred during the taxable year of the partnership (other than through private transfers described in § 1.7704-1(e)) does not exceed 10 percent of the total interests in partnership capital or profits determined as provided in § 1.7704-1(k), and (c) the Platform continues to operate in a manner consistent with the facts as represented. Maintenance of information required to permit a partnership to make the calculations, and the actual making of the calculations, relating to qualification for any applicable safe harbor in § 1.7704-1 will be the sole responsibility of the partnerships whose interests are traded and not the responsibility of X.

Except as specifically ruled upon above, we express or imply no opinion concerning the federal tax consequences of this transaction under any other provisions of the Code.

Pursuant to a power of attorney on file with this office, a copy of this letter is being sent to X's authorized representative.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent. The ruling contained in this letter is based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the ruling request, it is subject to verification on examination.

Sincerely,

*Laura C. Fields*

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Laura C. Fields  
Senior Technician Reviewer, Branch 1  
Office of Associate Chief Counsel  
(Passthroughs & Special Industries)

Enclosures (2):

Copy of this letter  
Copy for § 6110 purposes