

**Internal Revenue Service**

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Department of the Treasury  
Washington, DC 20224

Third Party Communication: None  
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, ID No.

Telephone Number:

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PSI:B01  
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Date:  
June 16, 2023

LEGEND

Company =

State =

Dear :

This letter responds to a letter dated December 20, 2022, submitted on behalf of Company by Company's authorized representative, requesting rulings under § 7704 of the Internal Revenue Code (Code).

FACTS

Company is a limited liability company formed under the laws of State. According to the submission, Company, through a subsidiary or an entity disregarded from a subsidiary (the Operator), will provide a venue for the buying and selling of limited partnership interests through a Bulletin Board that is intended to satisfy the requirements under § 1.7704-1(g) of the Income Tax Regulations to be a qualified matching service.

Company represents that Bulletin Board is not: (i) a national securities exchange registered under § 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f) (1934 Act);

(ii) a national securities exchange exempt from registration under § 6 of the 1934 Act because of the limited volume of transactions; (iii) 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 1934 Act; (iv) a regional or local exchange; or (v) 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 BULLETIN BOARD

The Bulletin Board will be an online platform. The Bulletin Board will only be accessible by clients of Company and its subsidiaries, who also are (i) accredited investors as defined under Rule 501 of Regulation D of the Securities Act of 1933 (an "Accredited Investor"), (ii) qualified purchasers as defined under section 2(a)(5) of the Investment Company Act of 1940 (a "Qualified Purchaser") or both. The Bulletin Board will not be accessible by members of the general public.

The Bulletin Board will operate as follows. The Bulletin Board will display only nonbinding indications of interest to sell at the price determined by the Seller and will clearly indicate that all listings are nonbinding. Once an interest is listed for sale on the Bulletin Board, the Seller will be allowed to rescind its indication of interest to sell an interest any time until both Buyer and Seller have completed and executed all the documents necessary to effectuate the sale of such interest. A Dashboard will be available to provide suggested prices based on the applicable interest's most recent quarter or year-end value, as well as potential discounts. A Seller will make its own determination of the price at which the Seller ultimately will list its interest for sale on the Bulletin Board. Neither the Company nor any of its affiliates will advise on or set the price at which an interest may be sold. The Bulletin Board will not display listings without an accompanying price.

A Buyer will place an offer on a listing by providing one price, which may be expressed as either a premium or discount to net asset value, at which the Buyer is willing to purchase the interest that is the subject of the listing. Offers made on the Bulletin Board will be non-binding, which the Bulletin Board will clearly indicate. A Buyer may rescind an offer at any time until both parties have completed and executed all the documents necessary to effectuate the sale of the Interest. The Bulletin Board will not match Buyers and Sellers, and Sellers may not directly solicit Buyers. There will be no communications between Buyers and Sellers other than the making of anonymous listings and offers (and the acceptance or rejection of such) via the Bulletin Board.

Listings may be made on the Bulletin Board on a quarterly basis whereby Sellers will be allowed to post listings at any time during the first 30 calendar days of such quarter. Once listings are posted on the Bulletin Board, Buyers will be able to view the listings and post offers. A Seller will not be able to accept or reject an offer until the 15th calendar day following the date a Seller posts a listing on the Bulletin Board. However,

a Seller can only accept one offer and will not be permitted to enter into an auction with multiple Buyers. If a Seller receives multiple offers at the same price, it will be at the Seller's discretion as to which offer to accept. A Seller that posts a listing is not obligated to accept any offer, regardless of the price represented by the offer.

Once an Offer has been accepted by a Seller, the Buyer and Seller must enter into a binding purchase and sale agreement (an "Agreement") for the transfer of the applicable Interest. The Operator will arrange for Agreements and other applicable documentation to effectuate the transfer of an Interest to be provided, executed, and distributed electronically. The Agreement will provide that the general partner or managing member, as applicable, will review the documentation to ensure that (i) the Buyer meets all requirements to become an investor in the relevant partnership interest, (ii) all other conditions to transfers set forth in the governing documents of the partnership are satisfied, and (iii) the interest transferred during the taxable year, together with the interest proposed to be transferred by the Seller to the Buyer, do not represent more than 10% of the total interest in the capital or profits of the applicable partnership.

Neither the closing of any sale of interest through the Bulletin Board and approved by the relevant general partner or managing member nor the transfer of title in any interest will occur prior to the 45th calendar day after the date a Seller makes an interest available for sale on the Bulletin Board and no consideration for the purchase of the interest will be paid prior to the 45th calendar day after the date a Seller makes an interest available for sale. The Company will implement systems to ensure compliance with this requirement. The Company will maintain records to document the date on which the Seller's made their interests available for sale on the Bulletin Board and compliance with the 15-day period and 45-day period requirements.

If a listing is posted on the Bulletin Board but an offer has not been accepted by the Seller by the end of the calendar quarter in which it was posted, the listing will automatically be removed from the Bulletin Board along with the applicable Seller's information. The Seller will not be permitted to post a listing for the interest in the same Alternative Investment Fund at any time during the following quarter. The Company along with the applicable general partner or managing member of the relevant partnership will also prevent listings relating to the relevant partnership from being posted once an established threshold percentage (which will be below 10%) of the total interests in the capital or profits of such partnership have been transferred during the taxable year.

#### LAW

Section 7704(a) provides that, except as provided in § 7704(c), 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, in part, that for purposes of § 7704(b) and § 1.7704-1, an established securities market includes — (1) A national securities exchange registered under § 6 of the 1934 Act; (2) A national securities exchange exempt from registration under § 6 of the 1934 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 1934 Act; (4) A regional or local exchange; and (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(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 (non-firm 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, in part, that 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.

### CONCLUSION

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

- 1) The Bulletin Board is not an established securities market under § 1.7704-1(b) for purposes of § 7704.
- 2) The Bulletin Board 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 Bulletin Board will not be considered to be publicly traded solely by reason of being offered for purchase or sale and/or sold through the Bulletin Board and may rely on this

ruling provided (a) it is not revoked, (b) 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 Bulletin Board 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 Company.

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.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

The rulings contained in this letter are 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 requested rulings, it is subject to verification on examination.

In accordance with a power of attorney on file with this office, we are sending a copy of this letter to Company's authorized representative.

Sincerely,

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Caroline E. Hay  
Senior Technician Reviewer, Branch 1  
Office of the Associate Chief Counsel  
(Passthroughs & Special Industries)

cc: