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September 29, 2010

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Re: Aggregation Issues Facing Securities Partnerships

Gentlemen:

The enclosed report discusses aggregation issues facing securities partnerships under subchapter K. As described in the report, the complexity of the marketplace has increased dramatically since the current section 704(c) regulations were finalized in 1994. Although Rev. Proc. 2009-57 contained helpful guidance, many (and perhaps most) partnerships are not in technical compliance with the regulations or Rev. Proc. 2009-57.

After describing the current rules allowing securities aggregation and the rules for making basis adjustments under sections 734(b) and 743(b), the report makes several recommendations for guidance. First, the report recommends that the regulations under section 704(c) be modified to expand the class of partnerships that are eligible to use an aggregation method to include any partnership for which separately accounting for revaluation gains and losses from qualified financial assets ("QFAs") is unduly burdensome.

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In addition, the report recommends that future guidance allow securities partnerships to treat basis adjustments under section 743(b) and section 734(b) that are allocated to QFAs as separate assets and to recover those adjustments over a predetermined period based on the rate at which the partnership historically has sold (or expects to sell) its QFAs. Most of the other recommendations of the report relate to technical issues arising under the regulations under sections 704(b) and (c).

We appreciate your consideration of our recommendations. If you have any questions regarding this report, please feel free to contact us and we will be glad to discuss or assist in any way.

Respectfully yours,



Peter H. Blessing
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Enclosure

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