

Comment

I am a long time investor in Westlake Chemical Corporation (WLK) and more recently (prior to the proposed regulations) an investor in Westlake Chemical Partners (WLKP). As an investor in WLKP I relied on the private letter ruling (PLR) issued by the IRS. The PLR concluded that the income generating activities of WLKP was qualifying income within the IRS code. The PLR was issued in June 2013 and WLKP's initial public offering (IPO) was completed on August 4, 2014. Investors relied on the PLR when making their decision to invest in WLKP. Less than twelve months following the IPO, the IRS issued the proposed regulations which reverse the previously issued PLR. This reversal of position by the IRS is unfair to investors in WLK and WLKP and to both companies. Following the issuance of the PLR, WLK's market capitalization declined by approximately \$1 billion and WLKP lost 30% of its market capitalization.

The proposed regulations result in unequal treatment between oil refineries and natural gas liquids (NGLs) processors such as WLKP. Both generate ethylene using similar processes. It is an undeniable fact that NGLs are natural resources. NGLs exist in almost every underground deposit of oil and gas. It is also a fact that NGLs are products of a character which a deduction for depletion is allowable. Because NGLs are natural resources, the processing of NGLs creates qualifying income. Therefore it is inconsistent with Statute 7704(d)(1)(E) to exclude the processing of natural gas liquids as qualifying income.

Notwithstanding the ten year transition period provided in the proposed regulations, the proposed regulations fundamentally change the nature of the WLKP security. Investors see the ten year transition period as uncertainty. If the proposed regulations are issued in final form, WLKP's market capitalization will see another significant reduction, which is unfair to unit holders of the security who relied on the PLR when making their investment decision. Since WLKP unitholders relied on the guidance of the IRS in issuing the private letter ruling, the PLR should be permanently grandfathered or the proposed regulations should be reversed. Otherwise, how could investors ever rely on IRS guidance in making investing decisions?

I respectfully request that the IRS and the treasury carefully consider this matter. Investors in both WLK and WLKP and the companies were severely harmed as a result of these proposed regulations. The ten year transition period is inadequate. Investors in MLP securities invest based on yield plus distribution growth. As a result of the proposed regulations, WLKP's ability to grow has been severely limited. I encourage the IRS and the Treasury to revise the proposed regulations to be consistent with the WLKPs PLR issued in June 2013 or to permanently grandfather the PLR.