June 10, 2013

Technical Director
File Reference No. EITF 13-B
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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To the Financial Director:

Red Stone Equity Partners, LLC ("Red Stone") is a national tax credit syndication firm that has raised over $1.3 billion in equity since 2007 to help construct or rehabilitate 10,000 affordable housing units utilizing the Low-Income Housing Tax Credit ("LIHTC").

Red Stone and its staff of 36 experienced professionals work closely with the investment community of active and potential investors in LIHTC investment funds. Through ongoing dialogue with the investment community, Red Stone recognizes that the current accounting standards utilized in the LIHTC industry raise concerns in the LIHTC investment community, which have impacted the amount of investment dollars committed (for active investors) or the decision to invest (for potential investors) in LIHTCs. Therefore, Red Stone supports the efforts to provide further guidance on accounting for investments qualifying for LIHTCs.

Our responses to certain questions are included below for your consideration:

Question 1: Do you agree that an entity should meet the conditions in this proposed Update in order to elect to account for the investment in a qualified affordable housing project using the effective yield method? If not, please explain why.

We generally agree with the conditions included in the proposed Update, except that we believe condition "aa" requiring that "The investor retains no operational influence other than protective rights..." to be potentially unclear. The nature of an LIHTC investment provides the limited investor with certain protective, approval, and other rights to ensure compliance with 1) Section 42 of the IRC, 2) third party debt arrangements, and 3) various other legal and statutory requirements. We request that condition "aa" be clarified to acknowledge these other rights of the limited investor.

Question 2: Do you agree that the effective yield method is an appropriate method to account for investments in qualified affordable housing projects? If not, what method of accounting should be used? Please explain.

We agree that the effective yield method is an appropriate method to account for investments in qualified affordable housing projects since the current standards (i.e. equity method of accounting) do not accurately reflect the substance or inherent value in LIHTC transactions. Under the effective yield method, the net benefits of LIHTC transactions will be presented in a
clearer manner; in a single amount, rather than reflecting tax credits in one area of the financial statement of the limited investor and the operating results in another.

With that said, we would also support the use of a ratable amortization method, as the calculations and application of such method are less complicated for the preparers. We would recommend utilizing amortization in proportion to the benefits received from the investment.

Question 3: Do you believe that removal of the requirement for guaranteed tax credits should change the method used to account for such investments from an effective yield method to an approach where the cost of investment is amortized in proportion to tax credits and other tax benefits received and recognized as a component of income taxes attributable to continuing operations?

Red Stone does not believe removing the guarantee requirement changes the substance of the intended investment; therefore, the accounting methodology should not be changed on that circumstance alone.

Question 4: Do other types of investments made primarily for the purpose of receiving tax credits meet the conditions in this proposed Update for an entity to elect to account for the investments using the effective yield method? If so, please describe them.

Red Stone is limiting its response to the application of the accounting methodology to LIHTCs.

Question 5: Should the guidance in this proposed Update extend the effective yield method of accounting to other types of investments for which the economic benefits are realized primarily as a result of tax credits and other tax benefits? Please explain.

Similar to our answer to question #4, we are limiting our response to the effect on LIHTC investments.

Question 6: Do you agree that the amendments in this proposed Update should prescribe recurring disclosure objectives that would enable users of financial statements to understand the nature of investments in qualified affordable housing projects and the effect of the measurement of that investment and the related tax credits on the financial position and results of operations of the reporting entity? Alternatively, should the proposed amendments include minimum required disclosures?

Red Stone agrees with the recommended disclosures outlined in the proposed Update, except the requirement to disclose “whether the qualified affordable housing project is currently subject to any regulatory reviews and the status of such reviews...” All LIHTC projects are subject to recurring or periodic compliance reviews by regulatory bodies. We believe the requirement to disclose such reviews to be overly burdensome for the limited investor due to the quantity of investments involved. Additionally, such reviews generally do not result in any impact to the economic benefits of the investment.

Question 7: Do you agree that the amendments in this proposed Update should be applied using a retrospective approach? If not, please explain why.
We agree with the proposed Update.

*Question 8: Do you agree that early adoption of the proposed amendments should be permitted? If not, please explain why.*

We agree to allow early adoption.

*Question 9: The amendments in this proposed Update would apply to public and nonpublic entities. Should the proposed amendments be different for nonpublic entities? If so, please describe how and why you think they should be different.*

Red Stone believes that all companies (both public and nonpublic) should apply the Update to investments in LIHTCs.

*Question 10: For preparers, how much effort would be needed to implement the proposed amendments?*

Although Red Stone is not a preparer, we believe the effective yield method would require more effort to adopt than the ratable amortization method. However, we do not believe either method would require extraordinary efforts to adopt.

Red Stone appreciates the opportunity to comment on the questions posed on the proposed Update.

Sincerely,

Michael J. Wiggers  
Chief Financial Officer  
Red Stone Equity Partners, LLC