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June 13, 2013

Ms. Susan M. Cospers  
Technical Director  
Financing Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116

File Reference No. EITF – 13B

Re: Proposed Accounting Standards Update – Investments – Equity Method and Joint Ventures (Topic 323):  
Accounting for Investments in Qualified Affordable Housing Projects – a consensus of the FASB Emerging  
Issues Task Force

Dear Ms. Cospers:

Meridian Investments, Inc. is a FINRA licensed broker-dealer with offices in Massachusetts, Washington D.C., New Jersey, and Kentucky. Meridian specializes in the sale of tax credit investment funds to institutional investors. To date, it has raised over \$10 billion of equity in low-income housing tax credit funds and over \$4 billion in energy tax credit funds. Its investor client base exceeds over 150 of the largest corporations in the country.

Meridian supports the Board in improving the accounting for investments in affordable housing.

We agree that the proposed changes to the effective yield method, or a ratable amortization method, reflected in the investor's tax provision will more accurately reflect the true nature of the investment and be more understandable to the investment community.

Our responses to the specific questions on which the Board is seeking comments are attached hereto.

Please don't hesitate to contact us if there are any questions related to our comments.

Sincerely,

A handwritten signature in cursive script that reads "John F. Boc". The ink is dark and the signature is fluid and legible.

John F. Boc  
Chairman

Enclosures

**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.**

Yes, we believe that an investor should meet the conditions in the proposed Update in order to elect to account for investments in affordable housing projects under the effective yield method.

We recommend that clarification be provided to cover both direct and indirect investments (i.e. for investments in a limited liability entity which, in turn, owns interest in multiple limited liability entities which own interests in qualified housing projects).

**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.**

Meridian agrees that the effective yield method provides a more accurate method of accounting than the equity method. We are also of the opinion that the simplest, most accurate and most understandable method would be to use a proportional amortization method based upon the pro-rata receipt of annual tax credits, all of which is recorded in the investor's tax provision.

**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?**

Yes, as referenced above.

**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.**

Meridian does not believe that other investments meet the conditions in this proposed Update for an entity to elect to account for the investments using the effective yield method.

Meridian has extensive experience with §42 tax credits (LIHTC), §29 tax credits (Alternative Energy), §45 tax credits (Renewables), and §47 tax credits (Historic Rehabilitation). We have always viewed low-income housing tax credits as unique from one very basic perspective. Low-income housing tax credits are offered to investors in lieu of cash flow from operations. The federal government provides the tax credits only if the owners of the housing agree to restrict the amount of rents it will charge to qualified low-income tenants for at least a 15 year period. These rent reductions accrue to the benefit of the low-income tenants who are generally able to live in safe, high-quality housing at below-market rents. Accordingly, investors achieve their expected returns almost exclusively from tax benefits (which includes tax losses primarily from depreciation in excess of minimal cash flow). Meridian sells interests in these investments which reflect no cash distributions and no return of capital. Investors purchase these interests with no expectations of cash or cash returns. Lastly, the Internal Revenue Service has issued regulations requiring no cash-on-cash profit motive for low-income housing investments. This is the only tax credit investment of which we are aware for which no profit motive has been required.

In all other tax credit investments, the tax credits have been issued as a subsidy to supplement annual cash flow or as a “one-time payment” used to reduce project cost. These subsidies are offered to incentivize investments where cash on cash returns generally aren’t otherwise sufficient to warrant the risks undertaken.

**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.**

See above.

**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?**

Meridian generally agrees that, subject to materiality requirements, the amendment in the Update prescribing recurring disclosures is appropriate.

We don’t agree that there should be a requirement to disclose regulatory reviews. Such reviews by federal and state agencies for tax and compliance purposes are quite routine and common. In addition, they rarely result in any material changes to investment results. Under the circumstances, such a requirement would be burdensome and generally not material to any of the interested parties..

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

Yes.

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

Yes.

**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.**

No

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

Meridian would once again recommend the proportional amortization method for both its simplicity and clarity. We do not believe that the amount of effort would be overly burdensome under either the effective yield or the proportional amortization method.