



AHC REGULATIONS

2020



AMEEN HOUSING CO-OP

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REVISION HISTORY

REV	DATE	DESCRIPTION OF CHANGE	WRITTEN BY:
0.0	SEP -1996	Initial draft	Manzoor Ghori
1.0	AUG-1998	Modified after amendments	Manzoor Ghori
1.1	OCT-2000	Modified after amendments	Humayun Sohel
1.2	SEP -2004	Modified after amendments	Sabir A Khan
1.3	DEC-2010	Modified after amendments	Ajaz A Khan
1.4	JUN-2012	Modified after amendments	Ajaz A Khan
1.5	SEP -2013	Fixed typo and reformatted the document	Hassan Siddiqi
1.6	SEP -2013	Updated based on review/feedback from Ajaz A Khan	Hassan Siddiqi
1.7	SEP -2013	Fixed typo	Hassan Siddiqi
1.8	SEP -2013	Updated E.3 to add scenario for re-financing.	Hassan Siddiqi
1.9	SEP -2013	Updated table in D.3.1	Hassan Siddiqi
2.0	DEC-2013	Added note to potential Condo/Apartment buyers in sec.D.1	Hassan Siddiqi
2.1	DEC-2013	Updated sec. D3.1	Hassan Siddiqi
2.2	MAR-2014	Updated section F	Hassan Siddiqi
2.3	JUN-2014	Board Approved Max. AHC Investment to increase from \$600K to \$700K on 6/10/2014.	Hassan Siddiqi
2.4	DEC-2014	Added some clarifications to section B.	Hassan Siddiqi
2.5	OCT-2015	Added section G on Investment. Sec. C.1 updated. Rent Change policy added	Hassan Siddiqi
2.6	OCT-2015	E.1.3 updated.	Hassan Siddiqi
2.7	MAY-2016	Updates: D.1, E, E.2, F, F.1, D4.1 and F.2, Added Sec. H (1099)	Hassan Siddiqi
2.8	APR-2019	Updates: D1,D4,E1.2.1, Max. Investment changed to \$800K, Withdrawal limit changed to \$100K ROI calculation method changed, effective July 2018 HO ratio method changed, effective July 2018 Other Clarifications	Ajaz Khan Samy Hilali
2.9	Nov-2020	Update section D.3	Shakeel Ahmed


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A. Overview

This document is intended to promulgate laws as legislated by Board of Ameen Housing Cooperative. The document is subject to change as a result of further legislation by the Board.

 Terms used in this document

AHC	Ameen Housing Co-op
AL	Active List, which is a list of members waiting to buy/refinance a home.
RFAL	Request for inclusion, to put on hold, to be removed from the Active List
MMP	Minimum Monthly Payment
Share	One AHC share = \$100. It is interchangeably used with \$ amount in this document.

B. Maximum AHC investment

Maximum amount AHC invests in a house is the **80%** of the purchase price or \$800K whichever is lower. The member's share in the house cannot be less than 20%. Consequently, AHC share cannot exceed 80% of the purchased price of the property.

To summarize, maximum investment AHC can make in a property is 80% of the purchased price of the property or \$800K, whichever is lower. Any additional amount is member's responsibility. Third party loans (such as employer financing) will not be recognized by AHC.

Here are few examples of how it works for buying a new home:

Purchase Price	Max. from AHC	Min. from the Member	Ownership ratio (AHC : Member)
\$500K	\$400K	\$100K	80% : 20%
\$875K	\$700K	\$175K	80% : 20%
\$1000K	\$800K	\$200K	80% : 20%

Here are few examples of how it works for re-financing an existing home:

Purchase Price	Current Appraised value (AV)	Member's Equity	Max. from AHC	Min. from the Member	Ownership ratio (AHC: Member)
\$500K	≥ \$500K	=15%	\$400K	\$25K	80%:20%
\$500K	≥ \$500K	=10%	\$400K	\$50k	80%:20%
\$500K	≥ \$500K	=50%	\$225K	\$25k	45%:55%

*Appraised value of the home at the time of refinance

The 20% down payment for refinancing is divided between cash and equity as 5%:15%, respectively. The member is required minimum of 5% cash and the balance can be used from the equity.

C. Active List (AL)

The active list is queue of the AHC members who intend to purchase home. It is maintained on first come first serve basis.


C.1 Request for addition to Active List (RFAL)

To be added to the AL, members are required to fill in the RFAL form, sign and then send it to the AHC. There are minimum account balance requirement that must be met as follows:

1. The members must deposit 10% of the estimated price of home or \$50K, whichever is lower, with the RFAL form to be eligible for inclusion in AL.
2. Position **#10** in AL can only be assigned if the member has 15% in the account. Failure to do so will "freeze" his/her position in the AL at #11 until he/she deposits the required funds. Staying in "frozen" for 6 months will make him/her go to the bottom of the Hold list.
3. Position **#5** in AL can only be assigned if the member has 20% in his/her account. Failure to do so will "freeze" his/her position at #6 in the AL until he/she deposits the required funds. Staying in "frozen" for 3 months will make him/her go to the bottom of the Hold list.

If a member intends to refinance (as oppose to buying a new home), then he/she can use a maximum of 5% of the equity towards the required deposit of 10%. AHC board then reviews the application and may request further information or inform the member of their decision.

RFAL can be downloaded from www.AmeenHousing.Com .

 *AHC will only invest if it is the first home being purchased/refinanced and it is intended to be used solely as primary residence.*


C.2 Notifications to members in AL

When a member reaches number **5** on the AL, AHC informs the member of their standing in the AL. At this time member is supposed to have 20% of the total investment. If a member intends to refinance (as oppose to buying a new home), then he/she can use his/her equity in the home towards remaining payment required at number five.

For example, in case of buying a new home, if the total investment is \$500K, then the member either must already have minimum of \$100K in his/her AHC account or be ready to deposit the balance to make it \$100K.

Similarly, if the member needs to refinance and has equity in the house 15% or more, then he/she must already have minimum of \$25K in his/her AHC account and rest of the 15% requirement is met by the equity in the home being refinanced. But if the equity is only 10% (less than 15%) then additional 25K (5%) must be deposited to meet 20% investment.

When a member reaches #5 of the list, he/she is required to fill out paper work (Occupancy Package) and pay **\$5800** to cover expenses incurred during the process of acquisition of a new home or re-financing of an existing home. These expenses include service charges, home appraisals, documentation, etc.


 Please note that depositing minimum down payment and submitting completed Occupancy Package does NOT guarantee availability of funds. The member must wait for Authorization letter before bidding on a property or initiating a process of refinancing.

D. Process of Purchasing or Refinancing a home

AHC board reserves the right to decline to purchase/refinance any property

D.1 Type of Property

AHC only invests in single family homes and town houses.

 Please Note that AHC will NOT Invest if

- The property is classified as **Condo** or **Apartment**.

D.2 Occupancy Package

This document is intended to provide requirements, restrictions, and disclosure necessary for an applicant to acknowledge and agree to buy or refinance property with AHC. In addition, the document contains forms that must be filled out by the applicant. This document is sent to member when member reaches to a certain position in the AL. It is important that the document is completely filled out, signed, and submitted to AHC office to avoid any delay for funding.

D.3 Approval of Investment from the AHC Board

All occupancy statements will be reviewed by the AHC. Upon satisfactory approval by Board (or its representative) the member will receive an Authorization Letter, only then member is authorized to make offer or to start the mortgage payoff process, whichever holds true for the member.

In case of refinancing a home, AHC will only refinance the property if

- the mortgage is on the members' name and
- only up to the amount of the mortgage.

Upon approval from the AHC board, AHC issues an "Authorization letter" to the home buyer indicating that AHC now has the requested funds available to fund the purchase of the property.

Approval letter can only be issued when funds are available and to the member who is next in line on the AL.


D.4 Home price Appraisal

Before investing, AHC will do the price appraisal of the property. AHC reserves the right to decline investment in case of unfavorable appraisal. If home owner does not agree with the AHC appraisal, then he/she can have his/her own appraisal done by a licensed real-estate professional. AHC will take the average of the two appraisals and the result will be considered the final appraisal.

D.4.1 If Member is NOT ready to buy home on his/her turn


The Member MUST inform AHC as soon as possible to be put on hold by filling out the RFAL form. Once on hold, he/she will remain on hold until RFAL form is filed again to get reinstated in the AL. There is service charge if a member fails to inform AHC, through a completed and duly signed RFAL,

Timing of communication to AHC	Service Charge
Request to go on HOLD received at AHC <u>within 30 days</u> of date on the Authorization Letter	\$800
Request to go on HOLD received at AHC <u>after 30 days</u> but <u>before 60 days</u> from the date on the Authorization Letter	\$1500
Request to go on HOLD received at AHC <u>after 60 days</u> from the date on the Authorization Letter or you fail to close the escrow in 60 days.	\$3000

 *Members on HOLD must continue to maintain the account balance required to be on the Active List (AL).*

Please note that:

- Consuming all 60-days without purchasing or letting the AHC know, the member will go back to hold

 **Remember:**

- *AHC will NOT issue any pre-approval letter.*
- *AHC will NOT be liable for the damages incurred due to the member making an offer to a property **BEFORE** receiving an Authorization Letter from AHC.*

w/\$3000 service charges applied.

- Anyone getting to #5 and not having 20% down payment, will be FROZEN at #6 for 3 months. The member will be moved to HOLD if still not meeting the 20% requirement after these 3 month.
- Similarly, getting to #10 will require 15%, the position will be frozen at #11 for up to 6 months. The member will be moved to HOLD if still not meeting the 15% requirement after the wait of 6 months.
- Moving from HOLD to ACTIVE will only be allowed for one member every two months. AHC will need to maintain a list of members requesting to go out of HOLD to allow the move in the order requests are made as first come first served.
- Member coming out of HOLD goes to #11 in ACTIVE list if he/she occupied any position between 1 and 10 BEFORE going on HOLD.
- Member coming out of HOLD goes to the same position in ACTIVE list if he/she occupied any position higher than #10 BEFORE going on HOLD.
- No Dividends would be paid from the date of Authorization letter to the date of request to go to Hold.

D.5 Down Payment, and AHC share of investment

- I. Minimum down payment will be 20% of the desired amount which is in compliance with minimum investment as per the section entitled “Maximum AHC investment”.
- II. Minimum cash down payment for Mortgage payoff (re-financing) is 5% of the requested amount and 15% in equity in the home. If the member does not have the enough equity in the home which equals 15% of the desired investment, then he/she has to make it up by paying additional amount so as to make the “deposit + equity” equal to 20% of the investment.
- III. AHC share in a house being purchased or refinanced can NOT exceed 80% of value of the house or \$800K, whichever is lower.

E. Process of Paying-off

Pay-off process starts with home owner paying the Minimum Monthly Payment (MMP). MMP is divided between Home Owner and AHC on the ownership ratio basis. Part of the MMP goes towards increasing the Home Owner’s share (Equity) in the property. Upon issuing a final statement to the Home Owner as specified in section title “F.4 Appreciation/Depreciation calculation” which shows the final balance due. The homeowner shall continue to pay at least the MMP until the entire balance is paid. Rental distribution will continue until 100% equity is reached after which the monthly payment less AHC processing fee will go towards paying the profit/loss.

E.1 Minimum Monthly Payment (MMP)

MMP is calculated as follows:

Minimum Monthly Payment = (Appraised Monthly Rent) – (7% of the Rent) + \$100 + \$75, where

- ☞ **\$75**= AHC monthly processing fee.
- ☞ **\$100** = Additional payment required which is credited to home owner’s equity.
- ☞ **Monthly rent** is appraised by a third party real-estate professional (hired by AHC) at the time of home purchase/re-finance. This rent is re-appraised yearly and the minimum monthly payments are adjusted accordingly.
- ☞ **-7% of the rent** is a discount in rent given to the home owner by AHC with intent to share expenses, such as, home insurance, property tax, etc.

E.1.1 MMP and AHC/Member share calculation

The rent is shared between AHC and the member based on their respective share in the property.

Assuming the equity ratio between AHC and the member is 80%:20% and the appraised rent of the property is \$2000, then;


Appraised rent	= \$2000
Rent with 7% reduction	= \$2000 – 7% = \$1860
MMP	= \$1860 + \$100 + \$75 = \$2035.
Part of MMP that goes to member’s equity	= (\$1860 * 0.2) + \$100 = \$472

$$\text{Part of MMP that goes to AHC} = (\$1860 * 0.8) + \$75 = \mathbf{\$1563}$$

E.1.2 Rent change policy

Rents are appraised every year to keep them consistent with prevalent rents. AHC conducts these rent appraisals through third party real estate professional. Rent increases and decreases are capped as follows:

1. Rents are appraised every year.
2. If the appraised rent is higher than the current, the new rent for a homeowner will be either
 - **newly appraised rent with 7% reduction** or
 - **existing rent + 6.5%** whichever is less in value.
3. If the assessed rent is lower than the current, the new rent for a homeowner will be either
 - **newly appraised rent with 7% reduction** or
 - **existing rent – 6.5%** whichever is greater in value.

 Please note that the above policy only applies if home was NOT remodeled since the last rent appraisal. In case of remodel, the rent will be appraised and adjusted accordingly at the completion of remodel

E.1.3 If Member does not agree with AHC appraised rent

The member must follow these steps in the order specified:

1. Inform AHC about disagreement within 5 days of receiving the rent change notice.
2. At your own expense, have appraisal done by a licensed real-estate professional.
3. Send the appraisal to AHC **within 30 days** of receiving the rent change notice.

AHC then,

1. Will take the average of the two appraised rents (one ordered by the AHC and the one sent to the AHC by homeowner) to determine the rent and arrive at the new MMP.
2. Inform homeowner of the new/adjusted MMP.

Once the homeowner and AHC have gone through the above steps, the matter is considered closed. No further negotiation, appeal and/or discussion will be allowed.

E.2 Frequency of Ratio of ownership adjustment

The ownership equity is adjusted on Monthly basis (calculated whenever transaction is added to the statement).

Following are the exceptions:

Home is remodeled to add square footage or upgrade existing structure (Kitchen, bathroom, etc.). In this case, the expenses incurred by the home owner are added to his/her equity. For example, \$100K in

remodeling will increase home owner's equity by 100K. Please keep in mind that these expenses are subject to approval from AHC Board. Only "Home Improvement Expenses" are qualified to be added to the equity. Regular maintenance expenses do NOT qualify. ALL ORIGINAL RECEIPTS MUST BE TURNED IN. See the next section for details.

F. Home Improvements and Repair Expenses

AHC classifies expenses incurred by the home owner into two categories.

F.1 Major Expenses

These expenses require the Home Owner to strictly follow the process as outlined below BEFORE any work is started:

1. Let AHC know the type of the work need to be done.
2. Wait for AHC Board Approval.
3. Submit to the AHC three bids taken from insured and bonded professional/companies and let us know as to which individual/company he/she would like to hire for the job.
4. Must keep the originals and submit copies of all the receipts.
5. All expenses must be submitted in the year remodeling was completed.

It is homeowner's responsibility to get prior permission and/or approval from the city regarding the intended improvements. Please note that Home Owner is responsible for 100% of the expenses. Once upgrade/remodel is completed, home owner MUST turn in all the original/copy receipts to AHC.

Once AHC has received all the receipts for the expenses that were approved by the Board, a rent appraisal is ordered and Home Owner's equity is adjusted.

Following is an example where 100K was spent by home owner on remodeling:

	Home Price	Home Owner Share	AHC Share	Comments
Before Expenses	\$500K	20%	80%	20% of the rent goes to Home Owner's equity.
After 100K Expenses	\$600K	33.33%	66.67%	33.33% of the rent now goes to Home Owner's equity

 Expenses MUST be claimed in the same year they occur.

Following are some examples of major expenses that are covered and some that are not covered:

Expense	Covered	Comments
Bathroom/Kitchen Remodel	Y	
Addition of covered area; Room/Kitchen/Bathroom, etc.	Y	Should be built with the permit and the square footage is added to the county record
Swimming Pool	N	In-ground swimming pools cost \$30,000-\$75,000, depending on the type of pool installed. While installing a pool may seem like a good idea, a swimming pool makes your house more difficult to sell. Many people, especially families with small children, do not want to buy a house with a pool. Eliminating families with small children drastically reduces the number of people willing to buy your home. In addition, installing a pool increases your energy costs, and raises your homeowners insurance . A swimming pool also requires a lot of maintenance, and usually costs around \$1,000-\$2,000 or more to operate.
Roof replacement	Y	
Landscaping	Y	Except Maintenance
Flooring; Carpet/hardwood/Laminations, etc.	Y	
Paint	Y	If done as part of the remodeling
Deck addition	Y	
Sun Room	N	
New plumbing; Copper re-piping	Y	
Replacement of HVAC	Y	
Appliances	N	
Curtain/blinds	N	
Solar Panel	N	
Water softener	N	

F.2 Minor Expenses

Examples of such expenses are replacing bulbs, fixing leaky faucets, adding/fixing sprinklers, etc., these expenses do not require home owner to notify the AHC. These type of expenses are NOT shared by AHC.

Please feel free to check with AHC if you have any questions.

F.3 Summary of Occupancy, Maintenance, and Occupancy Charges (Rent)

- i. Occupancy Charges and Re-evaluation: Monthly occupancy charges (rent) will be based on fair market value, and these may be reviewed every year at Board's discretion.
- ii. Rental Payments and Administration Fee: Members must pay MMP in advance on the 1st day of each month.
- iii. Ratio will be adjusted as per the section entitled "*Frequency of Ratio of ownership adjustment*"
- iv. Taxes, Utilities and miscellaneous expenses: Heating, Gas, Common area/Condominium Fees, Property Taxes, Water, Home Owners Insurance, Legal fee, repairs, material, labor, landscaping, garbage/snow removal, special levies etc. Will be the entire responsibility of the member/ the occupier. AHC will reduce the rent by 7% from the agreed upon rent in accordance with the AHC rental policy as support toward shared expenses of insurance and Taxes.
- v. Leasing and Subletting: Members are not allowed to rent, lease or sublet all or part of the housing unit.
- vi. Negligence/Breach of Agreement: Any member found negligent and/or in breach of Occupancy Agreement could be asked to vacate the housing unit. Any loss caused by such negligence and/or breach will be recovered from his/her share of capital. If the home owner does not have enough equity to cover the losses incurred due to his/her negligence/breach of agreement, AHC may take further actions including, but not limited to, selling the property.

F.4 Appreciation/Depreciation calculation

When Homeowner:

1. Accumulates equity equal to 100% for home purchased before February 2009 or
2. Accumulates equity equal to 70% for home purchased in or after February 2009 or
3. When a member notifies AHC to pay off Balance in writing, before accumulating required equity or
4. When a member notifies or AHC determined to sell the property

AHC will order an appraisal to determine appreciation/depreciation.

The appreciation/depreciation will be based on sale price (NOT on the appraisal value) if property is sold before it is paid off.

A Final statement will be provided to the homeowner which specifies the FINAL amount owed. This is considered final statement as all the appreciation/depreciation including any approved expenses is taken into account.

Note that AHC will not consider:

1. Any expense(s) that was not approved by the AHC
2. If approved expense(s) was not submitted in timely manner. Receipt and summary sheet must be submitted in the calendar year the remodeling/improvement etc. was completed.

When member wants to sell the house, all expenses pertaining to the sale like escrow, inspections, Real Estate agent fee, staging, etc. will be home owner responsibility and will not be shared by AHC.

The distribution of profit or loss in all four scenarios above as per the section entitled “Distribution of Appreciation or Depreciation”

Home owner MUST be willing and able to accumulate 70% of the shares if he/she wants to initiate a payoff process.

For example, Zaid bought a \$500K home. After 5 years, Zaid’s share in the property reaches 50%. At that time, Zaid decided to request AHC to initiate a payoff process. AHC in this case will REQUIRE Zaid to pay \$100K, in order to make his share of the equity in the home reach 70% of the purchase price, BEFORE AHC will initiate a pay-off process.

After the amount owed to AHC is paid off, the title can be transferred to the home owner’s name.

F.4.1 Process after the final statement is issued to the Member by the AHC

The member shall continue to make at least MMP to AHC (there is no penalty for additional/early payment). The payments will be divided between AHC and the member as per section entitled “MMP and AHC/Member share calculation” until member’s balance, as per the final statement, is paid off. Rental distribution will continue until 100% equity is reached after which the monthly payment less AHC processing fee will go towards paying the profit/loss.

F.5 Distribution of Appreciation or Depreciation

The distribution of profit or loss in all cases mentioned in section titled Appreciation/Depreciation will be 70% (HO)/30% (AHC)

F.6 Vacating a house before payoff

There are two scenarios. One where the owner/member wants to rent the property and the other is selling the property.

F.6.1 Renting the property

AHC may allow the member to rent the property under special circumstances. For example, out of city move mandated by the employer. The member MUST inform AHC in writing of his/her intention to rent and the reason for doing so. Property can only be rented upon approval from the AHC Board.

Member shall take all the responsibility of managing the property and rent collection. AHC will not interact/involve in this process.

Keep in mind that AHC will NOT give any concession whatsoever if the collected rent from the property is lower than the appraised rent of the property.

Any property damage occurs to the property due to renting it is the sole responsibility of the members and AHC will not share any cost in its fixes or reduction of the house value due to it.

F.6.2 Selling the Property

If a member, after occupying the housing unit, wants to sell it, he/she will have to inform the AHC about his/her intention in writing at least ninety (90) days before such move.

The home owner will be responsible for the cost of home sale, including but not limited to:

1. Any repair, needed to present the house for sale,
2. Any brokerage cost involved in the sale of that unit, the brokerage cost if paid by the escrow will be deducted from homeowner's equity/investment before the funds are disbursed.
3. Rent of the house until escrow closes.
4. Clearly communicating to and getting approval from the AHC Board, if any special incentive/deal is negotiated with buyer.

AHC reserves the right to buy out home owners share instead of proceeding with the sale of the house.

F.7 Transfer of Title from AHC to the Home Owner

Once paid off completely (does not owe any money to AHC), AHC will start the process as follows:

1. AHC will prepare following two documents:
 - a. SUBSTITUTION OF TRUSTEE AND FULL RECONVEYANCE and
 - b. GRANT DEED
2. AHC will provide documents to HO for review to ensure HO and property information are correct
3. AHC representative will notarize the documents
4. AHC representative coordinate with HO for recording in the county

Please note that HO will be responsible for any transfer tax due

G. Investment

Investment in AHC must be in US\$. The qualified balance MUST remain invested for one whole calendar month (inclusive of first and last day of the month) to be eligible to earn dividend. The dividend on investments is paid quarterly (credited to member account).

The request to withdraw funds can be made by filing out "Application to Withdraw Funds". Please note that AHC is primarily chartered to help members buy their homes Riba-free. So majority of the funds remain invested and therefore may delay the funds withdrawal in the amount greater than **\$10,000. A maximum withdrawal of \$100,000.00 in a 30 day period is allowed for each account.**

G.1 Dividend Calculation and 1099 Distribution

Before describing the process, it is necessary to understand the difference between the two columns in member statement and also when and what amount to include in your tax return.

1. The two columns are "ROI" and "Dividend"

ROI column represent quarterly Return on Investment (ROI) which is your minimum balance within the quarter multiplied by the declared ROI for the quarter. Amount in this column shall not be reported to the IRS.

Dividend column represent the amount from the ROI column for which AHC has issued a 1099-DIV form the day account was opened till you received last 1099. Make sure you report only the amount appeared in the 1099 form that tax year.

2. When and what amount to include in your tax return.

When you receive a 1099-DIV form from AHC only then you shall report to IRS for the tax year the amount appeared on the 1099-DIV form. Keep in mind that due to the reasons provided herein you may not receive a 1099-DIV every year or amount may not match with the ROI you received for that year.

3. ROI calculation:

ROI will be calculated/prorated monthly according to the declared quarterly ROI %.

- There will be no grace period in order to receive ROI for the full quarter
- ROI is given on the minimum balance for the calendar month (including the first and the last day of the month)
- Example using July - Sep. quarter (assuming no withdrawals)
 - to receive ROI for full quarter, investment deposits must be received latest by July 1
 - Investment deposits received from July 2 to August 1, will receive 2/3rd of quarterly dividend announced as there will no ROI for the month of July as the investment was not deposited for the complete calendar month of July.
 - Investment Deposits received from August 2 to September 1, will receive partial 1/3rd of quarterly dividend as there will no ROI for the month of July and Aug as the investment was not there for the complete calendar month of July and Aug
 - All deposits received after September 1, will receive no dividend for the quarter

Process to determine actual profit that is recognized by the IRS and require 1099 to be issued for that amount has four parts.

1. **Total Income:** It is summation of all income including Rents (AHC portion only), Fee (membership, home processing etc.), and Capital gain/loss etc.
2. **Total Expenses:** Similar to income this is summation of all expenses including Payroll expenses, consulting services, Office expenses (rent, supply, Internet, utilities etc.), AHC property maintenance and taxes, GBM expenses, marketing, etc.)
3. **Net Income:** is the Income minus the Expenses (Total Income - Total Expenses)
4. **Net Profit/Loss:** is the Net income minus the depreciation of AHC assets (home, equipment etc.). This is the maximum amount for which AHC can issue Form 1099-DIV. That is the amount actually IRS recognizes as net Income or profit.

$$\text{Net Profit/Loss} = \text{Net Income} - \text{Depreciation}$$

1099 for this amount is distributed in the following order

1. Members who have closed their account
2. Homeowners who withdraw any ROI
3. Remaining members (Active members). From very beginning declared ROI is almost always greater than the Net Profit/Loss due to depreciation. Hence the 1099 were issued for less amount than the declared ROI by the amount approximately equal to the depreciation value which created a backlog of ROIs and every year it grows. So there are multiple variable are used to determine the distribution (who and how much) and those variable are:
 - a. Since how long a 1099 was not issued
 - b. How far back is the ROI for which a 1099 was not issued
 - i. Goal is to not have any backlog or reduce to as close to the current year as possible.
 - ii. Members with large balances (large ROI)
 - iii. Seniority (membership)
 - iv. Other reasons that the board believe it is of the interest of AHC.

Upon issuing of the 1099 (submit to the IRS and copy sent to member) the amount shown in the Form is moved from the "ROI" column to "Dividend" column in member statement.

Remember you should report dividend to IRS ONLY when a 1099 is received and ONLY the amount that is included in the Form.