

This presentation is designed to give you an overview of the tax preparation process.

First, we're going to talk about investment club tax requirements.

Then, we'll do a brief overview of the process you will be going through to prepare your taxes

We'll discuss when the different steps of this process will be occurring.

The most important step in preparing your taxes will be verifying your club's records. We'll get into a little detail on what will be involved with that.

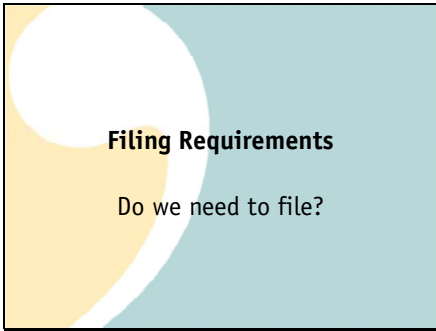
There are some big changes this year when it comes to Cost basis reporting. We'll briefly talk about what that will mean for you and your club.

We'll remind you of the scope of the bivio program, the types of investments bivio can and cannot account for.

We're going to touch briefly on what is referred to as Tax loss harvesting, in case you'd like to make some trades and take advantage of this.

Finally, we'll go through a list of things you want to take care of prior to the end of calendar year 2011.

This presentation is only designed to give you an overview of what will be involved in preparing your club's taxes. We will also be having more in depth webinars early next year to get into more details on doing an audit and actually filling out the tax forms. Don't worry that you have to get it all down today.

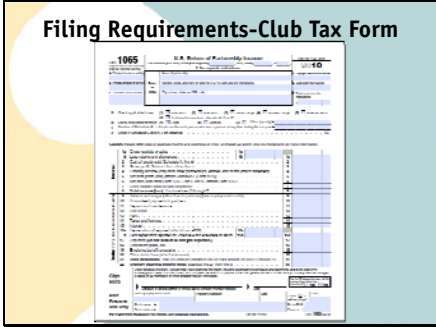


One of the first questions clubs have, especially new clubs is whether they have to file. The answer to this question is Yes. If you have an EIN number you need to file club taxes. It does not matter how long your club has been in existence or how much income you have had. Your EIN number is your IRS business identification number. It's similar to a personal Social Security number. You will have needed it when you opened your club brokerage account. You get the EIN number from the IRS. They will be looking for a return to be filed for that matches that number.

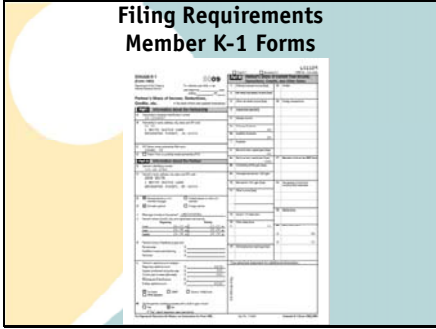
Just so you know, the late filing penalty for a partnership return is \$195 for each month or part of a month (up to 12 months) the return is late (or does not contain the required information) multiplied by the total number of persons who were partners in the partnership during any part of the partnership's tax year.

This isn't a joke. We have had clubs contact us because they have received notices that they owed amounts in the 10's of thousands of dollars for not filing a return. The fact that they had only had a minimal amount of income was not important.

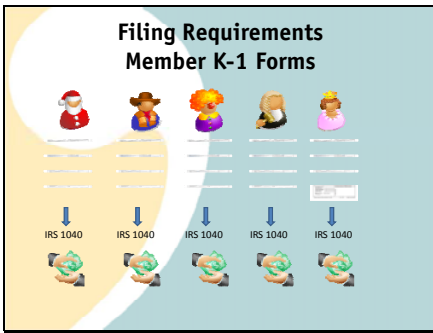
It's easy to prepare your taxes using bivio. Make sure you do it.



Your investment club is a type of business called a partnership. Each year your club needs to file what is called an informational tax return. For a partnership, this is IRS form 1065. It reports the total income and expenses your club has had for the year. It also reports each members share of the income and expenses. The 1065 is called an informational return because your club does not pay taxes directly. Each member pays taxes on their portion of the club income on their own personal tax forms.



Each member knows what to report because your 1065 includes a form called a K-1 for each partner. You send copies of all the K-1's in when you file your club taxes and you also give each member his personal copy.



Each member will transfer the information

From the K-1 to

his personal tax forms to

pay taxes on. Your club members will not be able to complete their personal taxes until you've provided them with their information from the club.

Member Tax Allocation Report

The screenshot shows a 'Member Tax Allocation Report' with the following data:

Name	Dividend	Short-Term Capital Gain	Long-Term Capital Gain	Expenses	Net Profit
Member 1	10.40	108.31	1751.28	12.16	1811.47
Member 2	6.04	42.87	2283.48	178.85	2368.74
Member 3	1.13	8.12	138.38	184.45	1158.22
Member 4	9.92	47.79	1276.41	111.83	1384.74
Member 5	14.81	144.84	1768.48	179.88	1879.47
Member 6	29.42	143.71	1810.54	178.85	11,379.79
Member 7	18.24	118.11	1336.33	127.81	1488.84
Member 8	88.76	371.11	18,119.71	17,288.88	14,864.51

If you'd like to get an idea of what will be reported on each members K-1, there is a report in bivio called the member tax allocation report. It looks like this.

A member of a stock investment club will have these types of income to report.

First, you may have dividend and interest income. Your club amounts will be added to any other dividend and interest income you report on your personal Schedule B.

You may have both short and long term Capital Gains and losses which will be combined with other capital gains and losses on your personal schedule D and


You may have deductible expenses which will be added into the category "Miscellaneous Deductions" on your Schedule A. Note that your club expenses are investment expenses. You will only receive a benefit from deducting them on your personal tax forms if the total amount you have in the Miscellaneous deductions category exceeds 2% of your adjusted gross income (AGI). You may want to show a preliminary copy of this report to your club members at the end of the year. If they have to pay estimated taxes, and your club has had significant income, they may want to include the club income in their income estimate. Just make sure that they understand that all information on the report is preliminary until you have completed the records verification required to finalize the preparation of your tax forms.

Tax Preparation

3 Steps

There are really only 3 steps to doing your taxes. bivio gives you the tools to do these steps easily and quickly.

Step 1-Verify Your Records



The first and most important step involves comparing your bivio records with your

financial institution records and the 1099's you will receive from your broker reporting your club income. You need to do this to make sure your bivio records are accurate. Your bivio records are what is going to be used to prepare your taxes. If they are not correct, your taxes will not be correct.

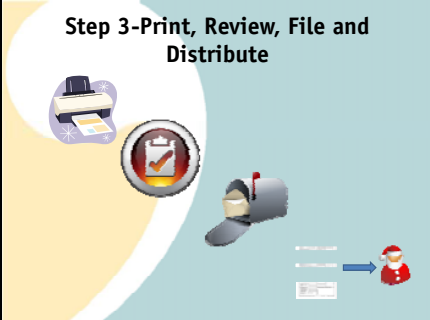
Step 2-Tax Interview



Once you know your records are accurate, everything goes very quickly.

You will complete a tax "interview" which you will find under Accounting>Taxes when it becomes finalized in early to mid February. This is a very brief series of questions that need to be answered to confirm the information that will be entered on your tax forms.

Step 3-Print, Review, File and Distribute



When the tax interview is completed, bivio will fill in your tax forms.

All you need to do is print them, review them,

Send them in to the IRS and

distribute each members K-1 to him or her. You can either give them a hard copy or make them available online when they login to bivio using their account.

We will be going through a more extended description of this process during tax prep webinars we will hold during tax season. The idea of today's presentation is just to give you an idea of how things work.

Dates

- Taxes Due-April 16
- Club Audit-January
- 1099's-February 15
- Bivio tax forms ready-Mid February
- File forms and distribute K-1's to members
– Not before March 1

Here are some important dates relating to tax season and your club.

You actually have until April 16 to get your club taxes filed.

To get ready to do your club taxes, we suggest you do a comprehensive club records audit in January.

Your taxes will need to agree with the 1099 forms which are sent by the financial institutions to the IRS to report your income. Financial institutions have until February 15 to get these to you. Once you get them, you will need to make sure they agree with the information you have in bivio.

Bivio makes the tax interview and tax forms available in mid February. Note that there is nothing extra to purchase. The ability to prepare club Federal taxes is part of your bivio subscription.

Your members cannot complete their own personal taxes until you have given them their K-1's. Because you can't finalize anything until you have the 1099's,

a reasonable date to tell them they'll have their forms is March 1. While you do have until April 15 to file your club taxes, we don't suggest that you do that or you might have a lot of angry club members.

We do suggest you let your club members know the date they can expect their K-1's either before the end of 2011 or very early in 2012 so that they can make any appointments they need to with personal tax preparers. If a member needs club tax information before you can get the K-1's done, they should be able to make an estimate of what will be coming using the Member Tax Allocations report. However don't give them that unless you have a reasonable expectation that your club records are reasonably accurate and make sure they understand the information on it is subject to change.



Verifying Club Records

- Regular reconciliations
- Yearly audit
- 1099 comparison

We're going to discuss the first step in preparing your taxes the most because this is what you should focus on between now and the time when the tax forms become available. Verifying your records is critical. If your records are not correct, your taxes will not be correct. There are three things your club should do to make sure the information which will be reported on your taxes is accurate.

First, your club treasurer should be reconciling your bivio records with your financial institution statements monthly. If there are any disagreements, this means there are only a single months worth of transactions to go through to find the mistake and make the correction.

Your club should also perform a comprehensive records audit each year. This will reconfirm that the information that will be used for preparing your tax returns is correct.

Finally, when you receive the 1099 forms which report your income to the government, you will need to make a final check to make sure they agree with the information recorded in bivio. There are sometimes distributions, especially from mutual funds which may need to be adjusted based on the 1099 information.

Audit Party!



Jan 21-22 2012

While waiting for your 1099's, it's a good time to do your audit. We suggest you do it in January. You won't have much else going on and your final financial statements will be available. If you need to motivate your club members, there's nothing wrong with making it a party. At bivio, we declare the weekend of January 21 and 22 audit party weekend. We'll be giving webinars on the steps you need to go through to do your club audit and we'll be available all weekend to answer any questions you have as you work through the process. Put this date on your calendar and you can make sure you actually undertake this important club task.

What is an Audit?



Because, this is the first and probably most important and comprehensive step you will be going through to make sure your taxes are prepared correctly, let's talk a little bit more about doing an audit. This will just be a brief overview, during Audit party weekend we will do a series of webinars that will go through this process in much more detail.

An audit is an independent comparison of your club records to your financial institution records. It is conducted by club members other than the treasurer. Any discrepancies are noted and then, at the end of the audit, discussed with the treasurer to make any necessary corrections. bivio provides you with a checklist you can use to work through the audit process.

Why You Need to Audit

- Correct tax returns
- Double check treasurer
- Share burden of club record keeping
- Demystify

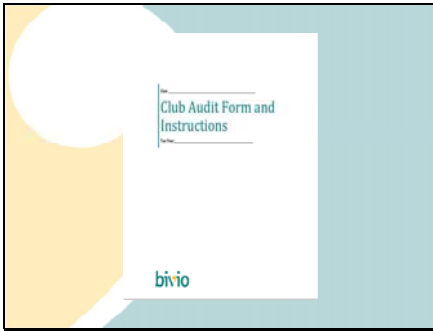
It is not difficult to do an audit but it is important for these reasons.

To make sure your taxes are being prepared correctly. This is something all club members should be concerned about.

To check that treasurer is doing what you think they're doing with your club finances

To share the burden of ensuring your club is doing correct record keeping. All the members of the club should be concerned that the club records are being kept accurately. It should not be a burden only borne by the treasurer.

To demystify the whole process- Working through the steps of the audit will help everyone in the club become more familiar with club finances. They are not difficult but they are a little bit different than some might expect. If everyone has a basic understanding of what is important, the club treasurer does not have to waste time and energy explaining why they are required to do certain things a certain way.



We've made a form you can use to work through the steps in the audit. You'll find a link to it on our help page. It's very straightforward to work through. During the audit webinars on Audit Party weekend, we'll go through each of the steps in more detail and show you examples of the process for each.

In the audit form, you'll find a complete list of the records you will need to make comparisons. You'll be comparing records from your broker with reports from bivio.

You'll also find a detailed list of each of the comparisons you should make.



So, how will you go about doing it?

First, pick a date in January to do your audit-It will probably take you around 2 to 3 hours

Pick 2-4 people other than the club treasurer to conduct the audit

Prior to the audit day, the treasurer should gather records that will be needed for comparison from your financial institution and from bivio. The information that is needed is listed in the audit booklet.

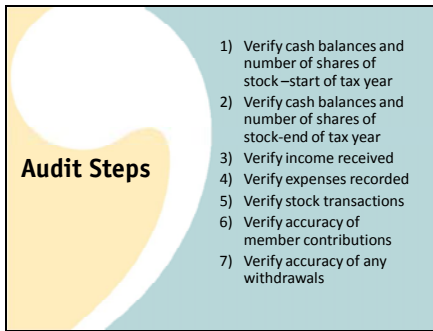
On the audit day the auditors will make the records comparisons required based on the bivio Audit checklist

If they find any discrepancies, they will note them on the audit checklist. Auditors do not make corrections themselves.

When all the steps are completed, the Auditors and the treasurer will meet to discuss anything that was found

The treasurer will determine what action is needed, make corrections, and record the action taken

Treasurer/Auditors- give final report to club



There are seven things you'll be checking during the audit. They are:

Verify cash balances and number of shares of stock—start of tax year

Verify cash balances and number of shares of stock—end of tax year.

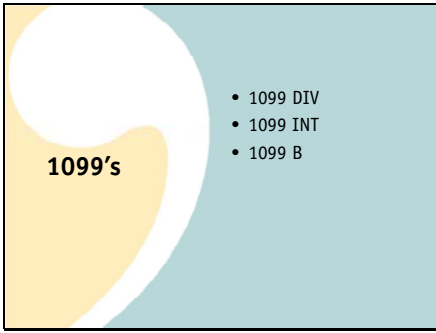
Verify income received—agrees with what your financial institution statements show for interest and dividends

Verify expenses were authorized by the club in your meeting minutes and that they were actually paid by reviewing receipts and your financial institution statements. You will also verify that they were allocated to all members in the manner your partnership agreement requires.

You'll verify the details of all stock transactions agree with your brokerage statements and have been recorded correctly.

You'll provide a report to your members that they should review and confirm that you've recorded the amounts they've contributed each month correctly. Auditors will confirm that the correct valuation date was used to record payments and that the money was actually deposited in the financial account.

Finally, for withdrawals, you'll verify that the correct valuation date and transactions dates were used and that your club records were correct prior to processing the withdrawal request.

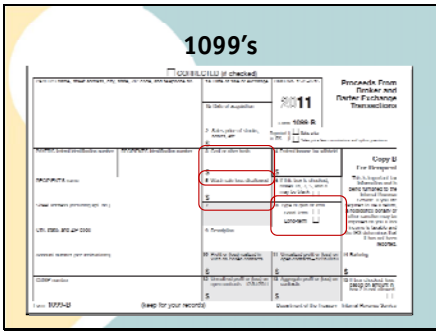


Once your club audit has confirmed the accuracy of your club's records the only step left for the treasurer to take is to do a final comparison of club records with the 1099's when they arrive. A 1099 is a form which your financial institution uses to notify the government about any income you have. The government compares the information on the 1099 with the tax return you file to make sure everything that should be reported is reported.

There are several types of 1099's. The most common ones a club will receive are a 1099-DIV for dividends,

a 1099-Int for Interest and a

1099 B showing stock sales. If your club has more than one type of income from a particular source, you will normally receive a consolidated form from your broker which has categories for all the different types of 1099 information on it.

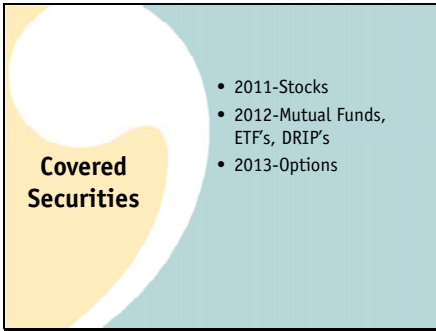


This year the 1099-B has changed because brokers are going to need to start reporting capital gains to the IRS. In the past, all they had reported was the total proceeds from any sales you made. There will be additional fields for information for any stocks you sold which you purchased in 2011 or later such as:

Adjusted cost basis

Any non deductible loss due to wash sales

Whether a gain or loss is short- or long-term.



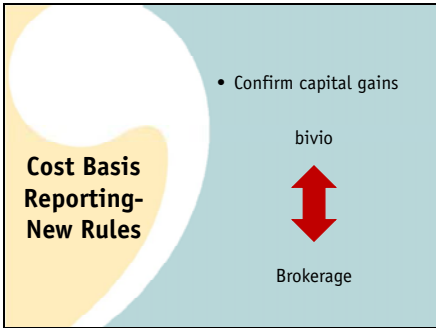
The reporting will be particularly complicated because the new rules will be phased in over three years and will only be required for investments purchased starting in:

2011- For Stocks

2012- For Mutual Funds, ETF's and DRIP's

2013-For Options

Securities covered by the new rule are called "Covered Securities" You might get a lot of information. When the sale of covered securities includes gain or loss that is short-term and long-term, brokers must report the securities held for a short-term period and the securities held for a long-term period separately. And... they also still have to report separately under the old rules for noncovered securities. This means that a single sale in an account could require as many as three separate 1099's if the sale included covered securities held less than one year, covered securities held longer than one year, and noncovered securities.

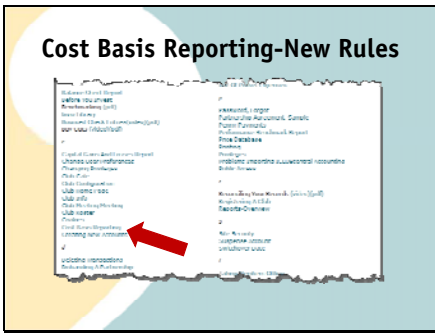


The changes mean the IRS will now have a way to match information to

determine whether the capital gains and losses you report are correct.

This will mean it will be even more important for you to make sure your bivio records are correct

so that the information reported on your tax returns agrees with the information the broker will be reporting.



We did an entire presentation recently on the new cost basis reporting.

You can find a link to it on our help page.

I strongly recommend you review it, to determine what you need to know now to make sure you won't have any reporting issues at tax time.



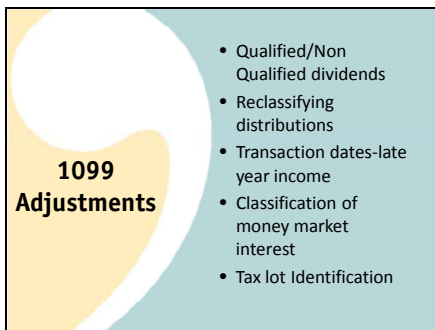
The bottom line when it comes to how the changes affect your club is that we are recommending you

Keep your club record keeping as simple as possible

If you own more than one lot of a particular stock and you don't sell all of it at one time, you, (and your broker) will need to identify which lots were sold. They will select a default method if you don't tell them differently. The IRS and bivio use FIFO or first in, first out as the default method. To keep things simple, make sure your broker is also using this both for stocks AND for mutual funds and ETF's. I'd recommend you check on this ASAP. It cannot be changed once a sale has happened and if they use something other than FIFO, you will have to make manual adjustments in your bivio records to bring them into agreement.

Check whether your broker is showing you had any wash sales this year. If you have, you will need to contact us with the details as we will need to make the appropriate adjustments to your records.

Please, spend some time now comparing the information your broker has for cost basis with your bivio records so that if there are issues that need to be investigated, you'll have time to figure them out. They sometimes are not simple to work through and we are probably going to be very busy during tax season helping clubs address questions. The earlier you can get the questions to us, the quicker we can help you get an answer.



Along with cost basis, there may be other records changes you'll need to make that you won't know about until you get your 1099. If you've done a club audit, most of the numbers on your 1099 will quickly line up with what you show in your records. But you might still have these things to address.

For example, there might be slight changes to make sure Qualified dividends are being correctly reported, especially if you own mutual funds. Some mutual fund dividends are qualified. Others are not.

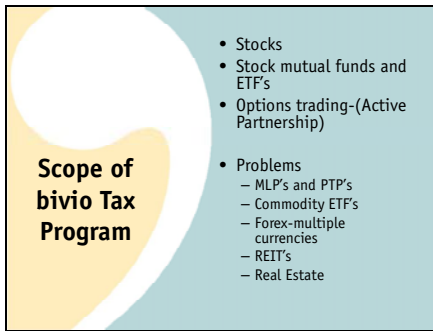
If you have had distributions from mutual funds and REIT's, some of the distribution amounts may need to be reclassified. If their distributions are not really dividends, but are a return of capital or a long term capital gain, you will have to go back and manually split up each dividend distribution you have received during the year. You won't know what changes to make until the information is reported to you on the 1099.

You may need to change the dates on interest or dividend income originally recorded as received early in the new year to a date late in the tax year. It will depend on the year your broker has reported the income received.

If you have been keeping your club cash in a money market fund at your broker, they may have classified your earnings as dividends rather than interest. This is OK, you just need to make sure that your bivio records record the income in the same manner. If you've recorded the earnings as interest, you will have to edit the transactions and call them dividends.

As I mentioned before, if you have sold any investments and did not use First In First Out to identify the shares sold, you will need to make adjustments in bivio to account for this.

We will discuss the specifics of these adjustments further when you have your 1099's and we get into tax webinars in February and March.

A graphic with a light blue background and a yellow and white abstract shape on the left. The text 'Scope of bivio Tax Program' is written in bold black font. To the right, there is a bulleted list of investment types and a list of 'Problems' associated with certain investments.

Scope of bivio Tax Program

- Stocks
- Stock mutual funds and ETF's
- Options trading-(Active Partnership)
- Problems
 - MLP's and PTP's
 - Commodity ETF's
 - Forex-multiple currencies
 - REIT's
 - Real Estate

Another important thing to remind you about is the scope of the bivio program. It is important to understand that different types of investments have different types of tax reporting requirements. bivio is designed to let you have a simple way to have an investment club and easily comply with tax requirements. Because of this, the types of investments you can own in your club is limited. bivio is only designed to easily do the accounting and tax preparation for certain types of investments.

Basically, these are publicly traded stocks and

stock mutual funds and ETF's (Exchange traded funds)

In addition, if you have an Active Partnership subscription, you can also account for options trading.

If your club holds any of the following types of investments, you will probably have a problem:

MLP's and PTP's- Master Limited Partnerships and Publicly Traded Partnerships such as NLY

Commodity ETF's such as GLD

Forex trading-Foreign currency exchange trading

REIT's-Real estate investment trusts

Real estate itself

Ask Before you Invest!

https://www.bivio.com/site-help/bp/Before_You_Invest

What if I already did?

Sell it before the end of the year.

If you have any questions about something your club is about to invest in, please ask us first. We will be glad to research it for you and let you know if it will cause you any problems in your accounting or your taxes. In addition, you can find a specific list of some of the investments we know cause trouble at this link called Before You Invest On our Help Page

https://www.bivio.com/site-help/bp/Before_You_Invest

There are always clubs that find out the hard way that they have purchased an investment that will create problems. And, they often do not have enough of it to make dealing with the tax implications worth it.

Unfortunately, that may mean you will need outside tax help to prepare your clubs taxes for this years taxes. If you'd like to use bivio for your future taxes, you should sell the investment prior to the end of the calendar year

Tax Loss Harvesting

- Net gains
- Losses offset gains
- \$3000

Here's an interesting quirk of the tax code which you might want to take advantage of. When you sell stocks you have a capital gain or loss. You will pay taxes on any

net gains,

Net gains are the difference between any gains you have and any losses.

In addition, up to \$3000 in losses can be used to offset income you've earned in other ways, such as your regular salary income from your regular job.

Tax Loss Harvesting

- What does this mean?

Loss
AND
Recognized gains

- Sell losers to offset gains

So what does this mean for you?

If you have stocks which are showing a loss

AND

You have sold stocks and are showing a net gain on your sales,

you might want to sell some of the losers so you can lower the amount of gain you will be taxed on.

Tax Loss Harvesting

- Caveat
- Wash Sale



Just a caveat about doing this, however

If you want to keep the stock, that is currently showing the loss, you can purchase it back later. But make sure not to repurchase it within 30 days of when you make your sale. If you do, you will trigger the wash sale rule and your loss will be disallowed.

**Finalize Now
(Before end
of 2011)**

- Schedule Audit
- Sell problem investments
- Consider selling DRIP's
- Share preliminary tax allocation information
- FIFO default cost basis method
- Check cost basis information

So here are several things you should consider doing before the end of this calendar year.

Schedule your Audit-Pick the date and the people that will do your audit.

Sell any problem investments such as MLP's, REITS and commodity ETF's prior to year end to avoid 2012 tax headaches. You will probably find that the amount of income you have received from them in 2011 does not justify the extra expense you will have to incur to get your club taxes prepared correctly by an outside source. If you own them now, you'll be stuck with the headaches for this tax season. But if you sell them before the end of the year you will be able to avoid having the same problems next year.

Consider selling DRIP's and/or discontinuing automatic dividend reinvestments. If you are doing this type of investing, at tax time you may be faced with extra work resulting from the many, many small accounting entries that these produce. You will have many more chances for entry errors and many more transactions to audit and reconcile. You'll have many more entries to update if your stock has had some sort of complicated reorganization such as a merger combined with a spinoff or a cash and stock distribution . You'll also have more chances of triggering a wash sale (and the accounting complications that come along with it) if you sell any of your holdings. With brokerage commissions low or non existent, simplify your club accounting and improve your portfolio management by accumulating dividends. Invest regularly by consciously making a decision for each purchase rather than doing it automatically in extremely small amounts.

Share preliminary tax allocation information with members-This may be needed by those that have to file estimated taxes or fill in things like financial aid applications. Make sure to make it clear that amounts are preliminary and subject to final record verification.

Make sure your broker is using FIFO as the default cost basis method for not only stocks but also mutual funds, ETF's and DRIP's.

Compare the cost basis information in bivio with what is shown by your broker. Make sure to figure out why there may be differences and make the appropriate adjustments either in bivio or at your broker to make them align.



**Finalize Now
(Before end
of 2011)**

- Tax loss harvesting
- State filing requirements
- Pending withdrawals
- Disbanding

Review your year to date gains and losses to decide if you'd like to take advantage of any tax loss harvesting.

Make sure you know what kind of state tax filing requirements you might have. We already know if one state, Wisconsin, that is requiring state partnership forms to be filed electronically. We have talked to them and they have indicated that an investment club will probably be able to get a waiver from this requirement. You'll probably want to request that soon so that you will not add a delay waiting for it during tax season.

Pay out pending withdrawals- Otherwise the withdrawing members will have tax consequences on 2012 taxes as well as on their 2011 taxes.

Finally, if you are going to disband you might want to try and complete your disbanding transactions before the end of the calendar year. If transactions occur into the new year, you will be dealing with both 2011 and 2012 tax liabilities. This may or may not be possible if you are already scheduled to receive dividends from any of your investments.



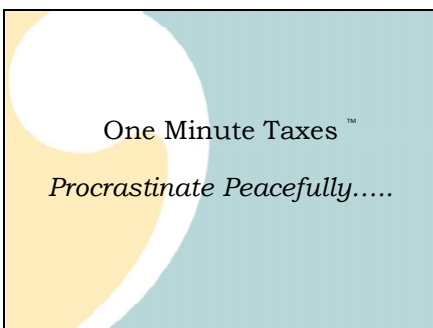
Summary

- Finalize transactions that need to occur in 2011
- Enjoy the holiday season!

To summarize, you're doing the right thing by spending a little time with us today to get oriented to what you will be doing during tax season.

If you take a little time now taking care of anything I mentioned that applies to you prior to the end of the calendar year,

You'll be able to relax and spend your time enjoying the holiday season!



One Minute Taxes™
Procrastinate Peacefully.....

We'd like you to know you can get your club's taxes done in a minute when the time comes.

This allows you to Procrastinate Peacefully, knowing you are going to do a good job for your club when everything is available. Don't forget! Taxes are included in your annual bivio subscription. You do not need to worry about purchasing a separate "tax printer".



bivio is committed to providing you information about a variety of opportunities to learn about both club operations and investing.

We encourage you to keep an eye on our club café page for information on what is available.

You can get to the club café page using the link shown here or

by clicking on the

Club café picture on our home page.

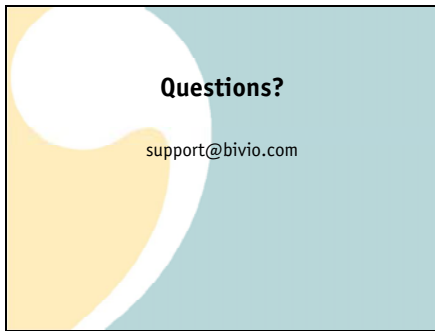


You can also follow our activities now on Facebook and on twitter.



We love having you all as “friends” for our facebook page. So please go to our page and click on the little

“Like” button at the top if you haven’t already.



We're here to support you during tax season. The best way to get to us is to email

support@bivio.com

With the new basis reporting changes, we anticipate a high volume of questions as clubs work on reconciling their bivio and brokerage information. These types of questions can take a while for us to work through with you so the sooner you ask them, the quicker you'll have an answer.

You can double check your cost basis information against your broker right now. I will caution you that if there is a difference, 9 times out of 10, your bivio records are correct and theirs are not so don't expect to just email us and tell us to change our numbers to what your broker shows. You need to figure out why the differences exist. Your broker only has the obligation to make a reasonable attempt to report correct information. The final burden to report it correctly still falls on your shoulders. But don't worry, we're here to help.