

This presentation is designed to give you an overview of the tax preparation process so you'll have a good understanding of what is coming and what you might want to take care of before the end of this calendar year.

We're going to discuss five types of information:

First, we're going to go through a brief overview of investment club taxes. What is required and a little bit about the preparation process. We'll show you the forms you need to file, the steps you'll be going through to prepare your taxes and important dates you'll need to know.

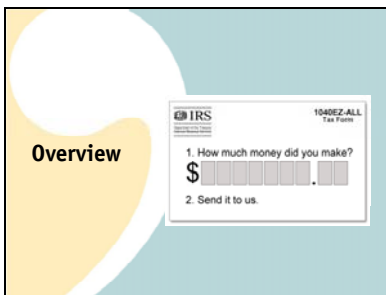
Then we're going to discuss what you can do right now to get started and get most of the work out of the way so that your tax preparation will go very quickly once you receive tax documents from your broker and the tax program from us.

We're going to reiterate some of the things you can do in your club to keep your club accounting simple and avoid any tax time issues.

We're going to talk about what will be new for your taxes for 2018.

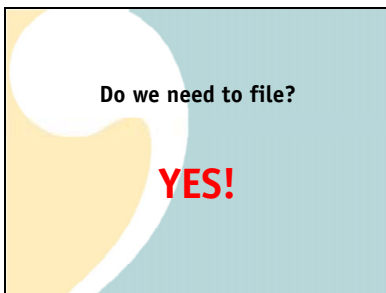
And finally, we're going to touch on a list of things you may need to address prior to the end of the current calendar year.

This presentation is only designed to give you an overview. Early next year, we'll be having more in depth webinars which will get into the details of actually getting your tax forms filled out. We'll be touching on a lot of topics tonight. Don't worry that you have to get it all down today.



Let's start with an overview of the process.

What are your tax filing requirements?



One of the first questions investment clubs have, especially new clubs, is whether they have to file.

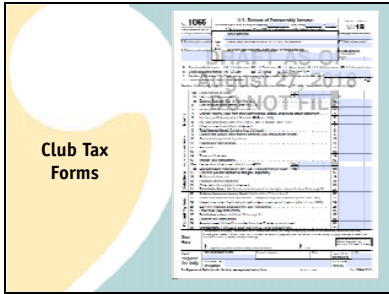
The answer to this question is Yes. If you have an EIN number you need to file club taxes. It does not matter how long your club has been in existence or how much income you have had. Your EIN number is your IRS business identification number. It's similar to a personal Social Security number. You will have needed it when you opened your club brokerage account. You get the EIN number from the IRS. Their computers will be looking for a return to be filed that matches that number. If they don't find one, the computer will generate an automatic note to you telling you that you owe them a hefty late penalty.



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 incomplete) 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.

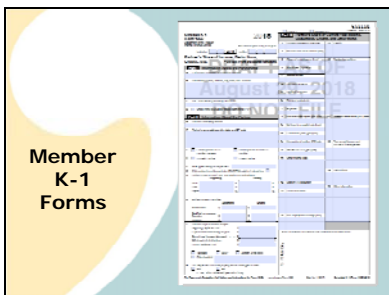


So what forms do you need to file?

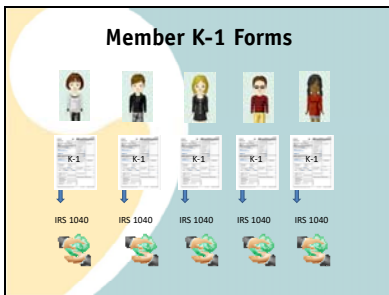
Your investment club is a type of business called a partnership. Each year your club needs to file what is called an informational tax return. For a partnership, this is IRS form 1065. It reports the total income and expenses your club has had for the year. It also reports each members share of the income 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.

As part of your bivio subscription, you receive a program you can use to prepare your club tax forms from information you have entered and confirmed correct in bivio.

As you can see, this example is just a draft tax form. There have been a lot of changes for 2018 and the IRS has not released final versions of the form yet.



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 or her personal copy.



Each member will transfer the information

From the K-1 to

their 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

Da Dremio Club
Member Tax Allocations
*Using a time-based allocation method

Name	Qualified Dividend	Short-Term Capital Gain	Net. Expense	Net Profit
Anderson, Christopher	41.13	(30.35)	(7.96)	(17.18)
Chang, Wesley	44.87	(41.84)	(8.72)	(45.69)
Cheney, Andrew	39.54	(44.59)	(7.04)	(52.09)
Green, Andrew	41.63	(30.24)	(7.93)	(17.54)
Holmes, Rachel	5.12	(10.47)	(3.41)	(8.76)
Medlock, Justin	43.25	(33.61)	(8.41)	(18.77)
Washington, Ryan	28.76	(36.37)	(5.51)	(13.12)
Wilson, Megan	26.99	(16.24)	(5.68)	(15.93)
TOTAL	288.38	(358.48)	(55.43)	(125.53)

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

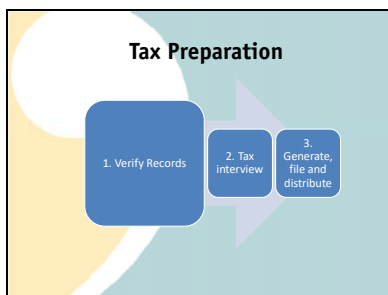
You may have expenses which will be shown for your information only. As of the start of 2018 these are no longer deductible at any level on your personal taxes.

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 and subject to change as you do your final records verifications.

- ### Topics of Discussion
1. Overview
 - a) Filing requirements
 - b) Process overview

Now you know what you need to file,

lets discuss briefly the process you'll be using to prepare your tax forms.



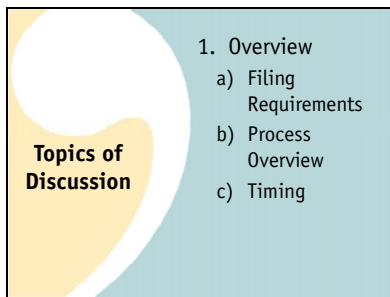
There are really only a few steps to doing your taxes.

First, since your bivio records will be used as the source of information to fill in your tax forms, you need to make sure that what is in bivio is correct. This is the most important step and potentially the one that will take the most time, depending on the state of your bivio records. But, it is also one you can begin right now.

Once you verify your records, things will go much more quickly. You'll answer a few simple questions and bivio will finish filling in your club tax forms.

Once they're ready, you can file them with the IRS and distribute information to your members.

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



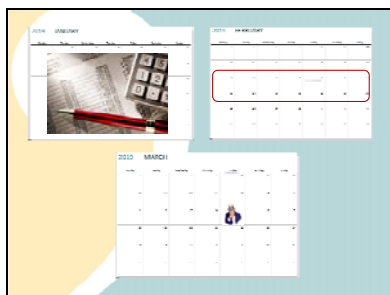
Of course you need to be aware of

Different timing deadlines you are going to be working with as you move through tax season.



The due date for filing your club tax forms is

March 15. If you can't get them in by that date, you'll need to file for an extension or be subject to hefty late filing penalties. Your members need the information you'll give them on K-1's to file their own personal taxes. This way they'll have their club information at least a month before those are due.



To get ready to do your club taxes,

you need to do a records audit in January to confirm your bivio records are in good shape. Your taxes are prepared from the information you have entered in bivio. You need to confirm it is all correct or your taxes won't be correct. This may be the most time consuming step of getting your taxes done. By scheduling to address it in January, you'll have lots of time to handle any issues you need to get corrected.

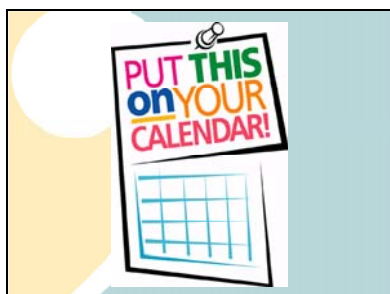
Your taxes will also need to agree with 1099 forms which are sent by your broker to the IRS to report your income. Brokers are only supposed to have until February 15 to get these to you, but make sure to check with them. Some receive extensions to send them later than this. You cannot finalize your taxes until you have them.

Bivio makes the tax program available in mid February for you to use to prepare your taxes. 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.

This will also mean you'll have them ready to file before the March 15 deadline.



We suggest that before the end of the year that you let your club members know the date they can expect their K-1's. This lets them schedule any appointments they need 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 done an audit and have a reasonable expectation that your club records are accurate. Make sure they understand the information on it is subject to change.

Topics of Discussion

1. Overview
2. Getting started
 - a) Verifying club records

Verifying Club Records



1. Regular reconciliations
2. Yearly audit
3. 1099 comparison

Now you have an idea of what you're getting into,

Let's talk about what you can start on right away so you can breeze through the tax prep process when the tax program becomes available. As I said earlier, the first step in the process is the most involved.

But, it is one you can start at any time and you should be keeping on top of each month when you have your club meetings.

It is keeping your bivio records correct. Verifying your records is critical. It is not something bivio does automatically for you. That means if your records are not correct, your taxes will not be correct. There are three things your club should make a part of your regular operations to make sure the information which will be reported on your taxes is accurate. Each one checks different information.

First, your club treasurer should be reconciling your bivio records with your financial institution statements monthly. If there are any disagreements, this means there is only a single months worth of transactions to go through to find the mistake and make the correction in bivio. Some clubs assume AccountSync is their club treasurer. While it is a good assistant, it can make mistakes, it is still up to you to ensure it has entered all information correctly. Usually this is just a quick check each month. It should be something your club treasurer includes in their monthly report to the club.

Second, club members other than your treasurer should perform a records audit each year. This will reconfirm that all the information that will be used for preparing your tax returns is correct and that your club accounting is correct. The audit confirms additional information that the regular reconciliations may not pick up.

And third, when you receive the 1099 forms which report your income to the government, you'll need to do a final check to make sure they agree with the information recorded in bivio. There are sometimes a few last minute things such as distributions from mutual funds, ETF's and REIT's which may need to be adjusted based on the 1099 information. These are not known until you get the 1099 form. They may require additional accounting adjustments because what shows on your tax forms needs to agree with is reported to the IRS on your 1099 forms. There are comparison pages provided in bivio as you do your taxes that allow you to check this.



1099 U.S. Return of Partnership Income


I can't stress this enough. It is very important that your bivio records are accurate before you prepare your tax forms.

If they aren't, your taxes will not be correct.

Verifying Club Records



If you're not a club treasurer, please don't close your ears and say "Whew" "I'm glad I don't have to worry about that"



Making sure your club taxes are correct is everyone's responsibility. If there is a problem with your taxes, all current and even future members may be on the hook to get it resolved. Though all members may not actually keep the club's records or prepare the club's taxes, they should all be asking the right questions so they know taxes have been done correctly.



IRS issues should not be something your club has to worry about. Follow our guidelines for keeping your accounting simple and stay on top of it each month and you'll be able to sail through tax season quickly and with confidence!

Topics of Discussion

1. Overview
2. Getting Started
 - a) Verifying Club Records
 - b) Audit

Now that you're ready to pitch in, let's talk briefly about the second type of verification I mentioned,

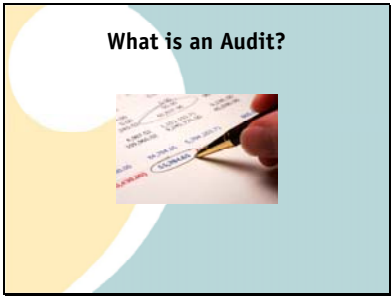
That is doing an audit. A good time to do one is in January while you are waiting for your 1099's. It's often a less busy month and your end of year brokerage statements will be available.

Audit Party!



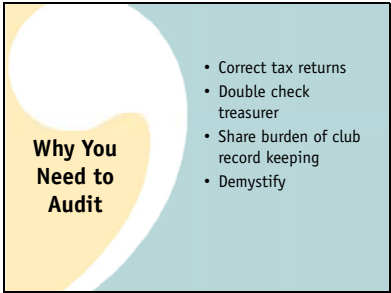
Jan 12, 13 2019

If you need to motivate your club members, there's nothing wrong with making it a party. At Bivio, we're declaring the weekend of January 12 and 13, 2019 audit party weekend. We'll be giving a detailed webinar on the steps you need to go through to do your club audit on January 12 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.



So what is an audit?

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.



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

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

First, to make sure your taxes are being prepared correctly. As we just mentioned, this is something all club members should be concerned about.

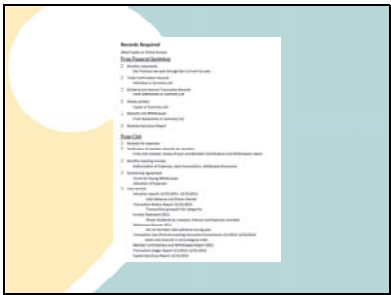
Second, you should all feel comfortable that your treasurer is doing what you think they're doing with your club finances

Third, it allows everyone in the club to share the burden of ensuring your club is doing correct record keeping. It should not be something only your treasurer has responsibility for.

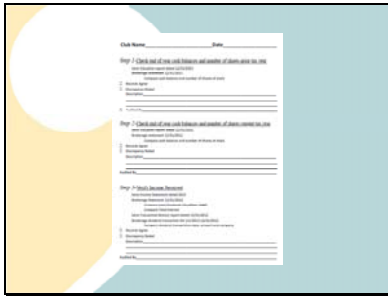
To demystify the whole process- Working through the steps of the audit will help everyone in the club become more familiar with club finances. They are not difficult but they are a little bit different than some might expect. If everyone has a basic understanding of what is important, the club treasurer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



bivio provides you with a checklist you can use to work through the steps of your audit. You'll find a link to it on our help page. It's very straightforward and very important to work through. There are things you need to check that will impact your tax returns that are in addition to the regular cash balance and number of shares checks you should do each month. If you do not follow our guidelines, you may miss some important checks.



In it, 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 instructions on each of the 7 comparisons you should make. During the audit webinars on Audit Party weekend, we'll demonstrate each of these so you can see exactly how to do them.



What is the audit process?

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 institutions and from bivio.

On the audit day the auditors will work through the audit steps, making the records comparisons.

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

Then the treasurer and the auditors will give the final report to club. It all goes quickly. Once you get done, you'll have done most of the work needed to get your records ready to prepare your club taxes quickly. All you'll need to do is wait for your 1099's to arrive so your treasurer can do a final quick records check.



Along with an annual audit, it's important to keep your records correct during the year. Routine checks help you avoid having to address any time consuming issues during tax time. Tax reporting on Capital gains and losses has changed significantly over the past couple of years. It has gotten much more stringent.

Let's talk now about what that means for you and your club. There are records checks you can be doing each time you sell some of your shares that can keep you on top of this in your accounting in a timely manner.

Cost Basis Reporting

Realized Gain/Loss Report

- Broker

Capital Gains and Losses Report

- bivio

First a brief background. In 2011 the tax laws changed. Brokers are now required to report your cost basis and capital gains to the IRS. Your club tax return needs to agree with this information.

Fortunately, you don't have to wait until tax time to make sure you and your broker are in agreement. You can get a report anytime during the year from them called a "Realized Gain/Loss Report"

You can compare it to the Capital Gains and Losses Report bivio provides you

Here is an example of the bivio Capital gains and losses report

And a Realized Gain/Loss report from a Broker. Yours may not look exactly like this one, but it will have the same information on it.

You need to compare each sale shown on the bivio report

With the same sale shown on the brokerage report.

You should make sure number of shares sold

Acquisition date

Sale Date

Sales Price

Cost basis

And Gain/Loss

Agree between the two reports. If they do not, or if you see a wash sale noted you need to determine the reasons for the difference. There may be corrections you need to make to your bivio records. The sooner in the year you find them, the more time you have to get any help you need to get them straightened out. This is especially important if you have subsequent transactions for the same stock. One issue can quickly compound into many more if you don't get it fixed in a timely manner. Double checking capital gains and losses right when you sell stocks can also help you get your taxes done more quickly. If you need help from us resolving an issue, it will take much longer to get it in the height of tax season than it will at other times of the year.

1099's

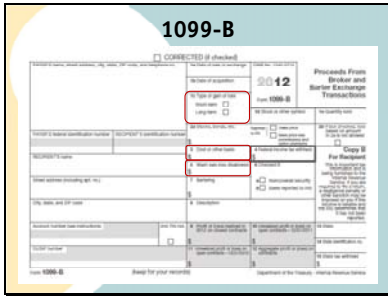
- 1099 DIV
- 1099 INT
- 1099 B

The reason you need to do this comparison is because at tax time your broker sends both you and the IRS a form called a 1099. The IRS compares it with your club tax return to make sure you haven't left anything off or reported anything incorrectly.

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.

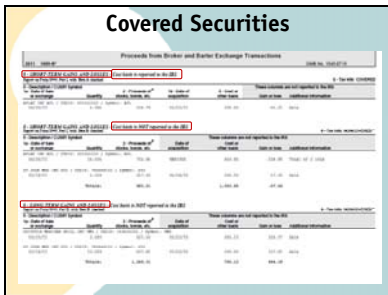


Within the last few years, there have been significant changes to the form 1099-B. Brokers now need to report certain capital gain related information to the IRS. In the past, all that was reported was the total proceeds from your stock sales. The IRS had no way to know you were reporting the correct taxable gains or losses on those sales. With the extra information they can now double check what you report. On the 1099 B they will show:

Adjusted cost basis

Any non deductible loss due to wash sales

Whether a gain or loss is short- or long-term. The form you get might look like this, or it might have all this information in a different format. But it will still be called a 1099-B



Here's an example of what your 1099 B might end up looking like. You'll see there is a lot of information. First, your broker will probably separate

Short term gains and losses from

Long term gains and losses

Then, within each category, they will be sending capital gain information to the IRS for what are called Covered securities. These are the sales which are covered by the new tax reporting requirements.

They might provide you with the same information about non-covered securities or they might provide it to you on a separate report you can download from their website called a "Realized gain/loss" report. This is the report I mentioned earlier that you can use to check your capital gains against.



The information on this form needs to agree with the information on your tax forms or you need to have a valid reason why the brokers information is incorrect. The information gets reported on your club tax return on Schedule D and, if further information is required, on a form which was new within the last couple of years, form 8949.

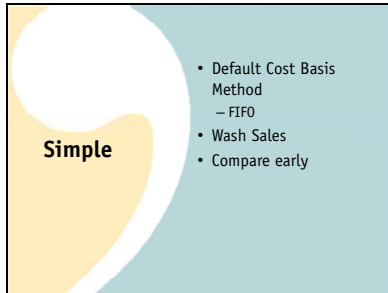
As part of your tax prep process, you'll be doing a schedule D review. During this step you'll be comparing your bivio information to what is shown on your 1099B. If they don't agree, it's important that you find out why or your tax reporting may be wrong.

If you've been checking and correcting your sales during the year, you shouldn't have any surprises when you come to this step in your tax prep and it will go quickly. If not, you may discover you have a lot of work to do to get things to agree before you can file your taxes.



This all sounds like a lot, but there are many things you can do to keep your club record keeping as simple as possible. The more closely you follow these recommendations, the less you'll need to deal with any of the adjustments or corrections that I just discussed. There is no reason to be a club treasurer with a big or complicated job unless you make it that way.

To simplify issues with cost basis reporting, here are some suggestions.



First. Make sure you know what Default Cost Basis Method Your broker will be applying. This is important if you own more than one lot of a particular stock or mutual fund. If you have a sale and you don't sell all of it at one time, you, (and your broker) will need to identify which lots were sold. You can tell them to select certain lots at the time of the sale, but if you don't they will apply a default method.

The IRS assumes and bivio uses, 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.

Make sure you avoid wash sales. Do not make investment purchases within 30 days before or after a sale where you had a loss. Wash sales affect cost basis. They will show up on the brokers realized gain/loss reports as soon as you have a sale. You want to catch them quickly and get them addressed during the year to avoid delays at tax time or cascading problems with subsequent sales.

Please, spend some time now comparing the information your broker has for cost basis with your bivio records. That way if there are issues that need to be investigated, you'll have time to get them straightened out. They sometimes are not simple or quick to work through and, if you will need our help, 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. As I showed you earlier, you can do these comparisons each time during the year that you have a sale. There is no reason you need to wait until tax time.



While we're talking about keeping things simple and making comparisons between bivio and your broker,

let's talk a little about the impact of automatic dividend reinvesting on keeping your club records.

The image shows a dense table of financial data, likely a ledger or a list of transactions. A red arrow points from the center of the page towards a small, highlighted rectangular box in the bottom right corner. The text in the table is too small to read, but it appears to be organized in columns and rows, typical of a financial record.

And on...

(and the year wasn't even over yet)

Comparing all of these transactions with the brokers information is an awful lot of work for a club treasurer

for only \$345.62 in gains for this club. But if your club is doing DRIP investing, you will need to do this. I can tell you from experience both in my own club years ago and in working with many many clubs working for bivio that the work involved in keeping the records correct for these is not worth the time it takes. By far the majority of clubs that have big problems during tax time are those doing automatic dividend reinvesting.

Topics of Discussion

1. Overview
2. Getting Started
3. Simple
 - a) Cost Basis Reporting
 - b) Dividend Reinvesting
 - c) Scope

It's all about keeping things simple. We want you to be able to have a club and to spend your time and energy learning about investing, not partnership accounting. If you follow our guidelines you can do this. Here is another important thing I want to remind you of, because despite our treasurer training, we still have clubs every year that have issues with this.

That is the kinds of investments you can account for using bivio. If you own any of these, unfortunately you are going to have the issues described for your 2018 taxes. But at least 2018 isn't over yet. If you sell them now, you won't have the problems again for next year.

Scope of bivio Tax Program

- Stocks
- Stock mutual funds and ETF's
- Options trading- (Active Partnership)

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 are 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 stock ETF's (Exchange traded funds)

And, in addition, if you have an Active Partnership subscription, you can account for options trading. Our Preferred level subscription also lets you account for up to 10 options transactions.

Scope of bivio Tax Program

Problems

- MLP's and PTP's

*MLP-Access Midstream Partners LP
 *MLP-Alliance Resources Partners LP
 *MLP-Buckeye Partners LP
 *MLP-Cherokee Energy Partners LP
 *MLP-Enbridge Energy Partners
 *MLP-Energizer Products Partners
 *MLP-Energy Transfer Equity LP
 *MLP-Energy Transfer Partners LP
 *MLP-Farrigas Partners LP
 *MLP-Fiducary Caymans MLP Opportunity
 *MLP-Kinder Morgan Energy Partners
 *MLP-Magellan Midstream Partners LP
 *MLP-MLP Strategic Equity Fund
 *MLP-Suburban Pipeline Partners LP
 *MLP-TC Pipelines LP
 *MLP-Terra Nitrogen Company LP
 *MLP-Tortoise North American Energy Corp.
 *MLP-Tortoise Energy Capital Corp.
 *MLP-United Gasoline Fund LP
 *MLP-Universal Health Health Trust
 *MLP-United States Natural Gas Fund LP
 *MLP-United States Oil Fund LP
 *And More.....

If your club holds any of the investments we're going to discuss next, you will, at a minimum, have a lot of extra accounting and tax preparation work to do. In some cases, you will not even be able to use bivio to prepare your taxes. Let's start with the big no-no:

These are MLP's and PTP's. They are Master Limited Partnerships and Publicly Traded Partnerships such as Energy Transfer Partners, ETP. Their distributions bring many special tax reporting issues which are not addressed as part of the bivio tax software. If you own any of these, you'll need to find an accountant to help get your club taxes correct before they are filed. You'll also need to use our Concierge service to adjust your bivio accounting records based on information your accountant will need to provide so they will be correct going forward.

Scope of bivio Tax Program

Problems

1. Name
2. K-1 Distributions
3. Before You Invest
4. Red Highlight - Accounting>Investments Page

How will you know if you own any of these?

- It may have the word Partnership, LP or Partners in its name.
- It will pay distributions that are reported to you on a K-1 form rather than a 1099.
- We have a help page called "Before You Invest" that will take you to a comprehensive list of tickers of these investments.
- We try and highlight them in Red when you go to Accounting>Investments in bivio.

Scope of bivio Tax Program

Problems

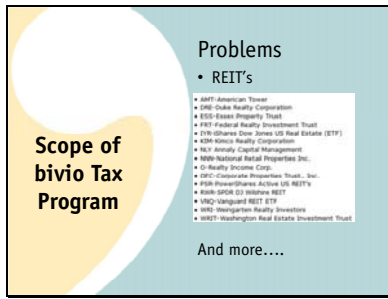
- Commodity ETF's

- GLD
- SLV

Other problem investments include Commodity ETF's. All ETF's are not the same. ETF's that hold commodities rather than stock such as

GLD and

SLV bring extra tax issues with them. Addressing them requires many manual calculations for each month you owned them. You then need to make many changes to your bivio records and to your tax forms. They are not easy and they are not made automatically for you. You probably want to stay away from investing in them.

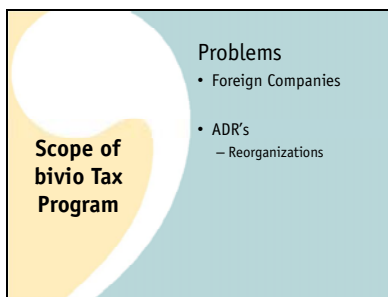


REIT's-Real estate investment trusts.

There are many of these. You'll also find a link to a list of them on the "Before you invest" page.

Here are just a few examples. You can account for them in bivio but they require extra adjustments to your records during tax preparation. You won't know what adjustments are needed until you get your 1099 forms. (or you may get late season adjustments you need to handle). If you do not feel comfortable making manual accounting changes in your records, you'll probably want to steer clear of investing in REIT's.

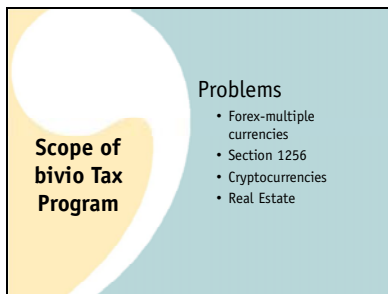
We've had experience with many many treasurers working through the end of year REIT adjustments who tell us they are going to tell their clubs to "Sell the REIT asap" and not buy any more in the future.



Investments in Foreign Companies.

You can often invest in the stock of foreign companies by purchasing what are called ADR's on the US exchanges. These are not usually an issue for your club accounting.

Problems sometimes come up however if the companies you have invested in go through any sort of reorganization such as splits, spinoffs and mergers. These can have tax implications you need to address. While we try and help you work through what you need to do, we find that there is a wide variation in the completeness of information that is provided by the companies for handling US tax issues. This can create delays or uncertainty in handling your taxes.



Other investments which you are not able to handle with bivio include:

Forex trading-Foreign currency exchange trading

Section 1256 Contracts

Investments in Cryptocurrencies such as Bitcoin and Ethereum and others

And investments in real estate

Opt Out - Requirements

- Less than 100 members
- No members who are:
 - Partnerships
 - **Trusts**
 - Foreign entities
 - Disregarded entities (example: IRAs)
 - A nominee or person that holds an interest on behalf of another person.
 - An estate of an individual other than a deceased partner.
- Return filed on time

The requirements you need to meet to be eligible to opt out are these.

The main one investment clubs might run into that would make them ineligible are

trusts. If any of your members hold their club ownership in a trust, you won't be able to opt out. You'll be required to designate a partnership representative for the tax year and if your club was audited, it would be conducted under the new procedures.

CPAR ?

How should your club address this?

CPAR – Our recommendation

We recommend that if your club qualifies to opt out, that you do so. If you opt out, it doesn't mean your club can't get audited. It just means that if it does, the IRS will have more work to do to conduct the audit and collect back taxes, interest and penalties from members of your group. If you opt out, you don't have to designate a partnership representative.

Bottom Line

Correct records
=
Correct taxes

Since we are talking about IRS audits, this all sounds scary. but... the bottom line is this.

If your taxes are correct, which they should be if you follow our guidelines for operating and instructions for preparing correct tax forms, it won't matter if you get audited. There won't be anything to find.

Focus on making sure that happens and whether or not your club can opt out will be a moot point.

Topics of Discussion

1. Overview
2. Getting Started
3. Simple
4. New this year
5. Before end of calendar year
 - a) Tax loss harvesting

The final things I wanted to talk about tonight are a few things that should be addressed prior to the end of this calendar year if they apply to your club.

One of them some clubs consider is called Tax loss harvesting.

Tax Loss Harvesting

- Net gains
- Losses offset gains
- \$3000

Tax loss harvesting is when you sell stocks in which you are showing a loss in order to offset capital gains you've had on other stocks you've sold. You only pay taxes on your

net gains,

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

In addition, on your personal taxes, 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:

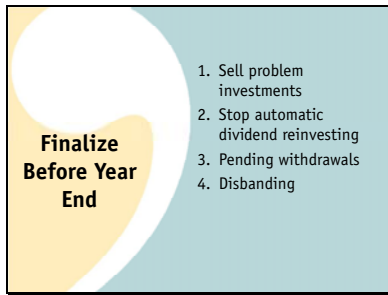
Make sure you have not purchased any shares of the same stock less than 30 days before the sale. And, if you want to purchase it back, do not do so within 30 days after the sale. If you don't leave these 30 day buffers between your purchases and your loss sales, you will trigger the wash sale rule and your loss will be disallowed. That means you won't be able to use it to offset your gains.

Topics of Discussion

1. Overview
2. Getting started
3. Simple
4. Before end of calendar year
 - a) Tax loss harvesting
 - b) Prevent problems in future

In addition to tax loss harvesting,

there are some other things you can do now to minimize or prevent an impact on future years taxes.

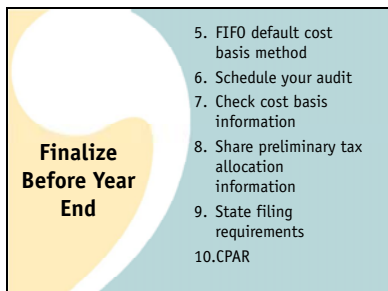


Sell any problem investments such as MLP's, REITS and commodity ETF's prior to year end to avoid tax headaches next year. You will probably find that the amount of income you have received from them this year does not justify the extra expense you will have to incur to get your club taxes prepared correctly 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. As you saw, it gives you a lot more work to do to keep your club records correctly. 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.

Pay out pending withdrawals- Otherwise the withdrawing members will have tax consequences on next years taxes as well as this years.

If you are going to disband you must complete your disbanding transactions before the end of the calendar year. If transactions occur into the new year, you will be dealing with taxes for both this year and next year. This may or may not be possible if you are already scheduled to receive dividends from any of your investments. They will need to be reported in the tax year you actually receive them.



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

Put your audit on your schedule for January so your members can plan to be available.

Just to reiterate, check your cost basis information. The sooner you check it, the less chance any issues you find will delay your tax filing.

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 or Farm returns. Make sure to make it clear that amounts are preliminary and subject to final records verification.

Make sure you know what kind of state tax filing requirements you might have. Bivio provides some state tax forms and offers you a very cost effective approach for handling club taxes for states we don't provide.

Discuss the new audit requirements with your club. Determine if you will be making the election to "opt out". If not, determine who you will be designating as your partnership representative.

Summary

1. Overview
2. Getting started
3. Simple
4. New this year
5. Before end of calendar year

To summarize, we've touched on a lot of information tonight.

We've given you an overview of the tax forms you need to file and how you'll use bivio to prepare them.


We've covered the importance of making sure your bivio records are correct and steps you can take right now to ensure that.

We've touched on things you should do to make sure your club record keeping is kept as simple as possible to help you avoid tax headaches.

We've gone through an overview of the new IRS audit procedure requirements.

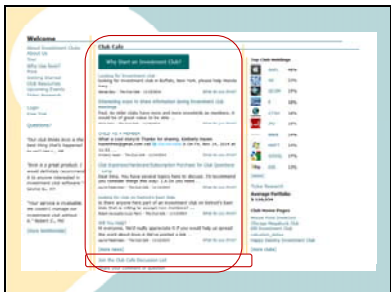
And we've highlighted some things you should make sure you get done before the end of this calendar year.

No Extra Tax Printers To Purchase



Don't forget! Federal Tax preparation software is already included in your annual bivio subscription.

As long as you have an active bivio subscription at tax time, you do not need to worry about purchasing a separate "tax printer" program to do your club taxes.



Finally, just a reminder that bivio is committed to providing you information about a variety of opportunities to learn about both club operations and investing.

We encourage you to join our Club Café discussion list. We send out regular hints and tips about running your club, preparing your taxes and choosing your investments. If you'd like to discuss an issue your club has with other clubs, you can post your question here to get some feedback.

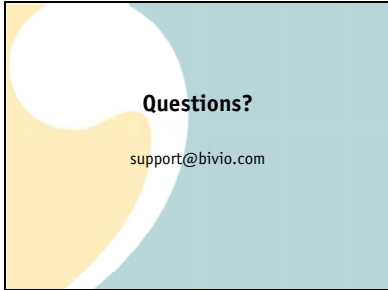
You'll need to join the list to participate, but its easy to do by going to the link you'll find here on our homepage

www.facebook.com/bivio
www.twitter.com/bivio

You can also follow our activities and receive timely tips and information on Facebook , and on twitter.



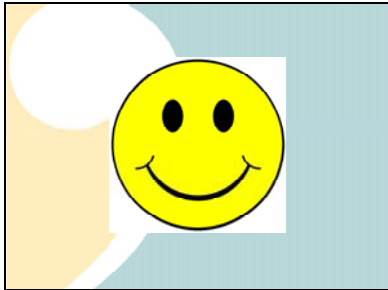
We're here to support you during tax season. The quickest way to get answers to many questions is to go to our help page. You'll find a link to it at the bottom of your screen when you are logged in to your club.



If you can't find an answer there, email your question to:

support@bivio.com

Just a note. Cost basis issues can take us a while to help you work through. The sooner you ask them, the quicker you'll have an answer.



You've done the right thing to spend a little time with us today getting oriented about what is involved with getting your records ready and preparing your club taxes.

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!