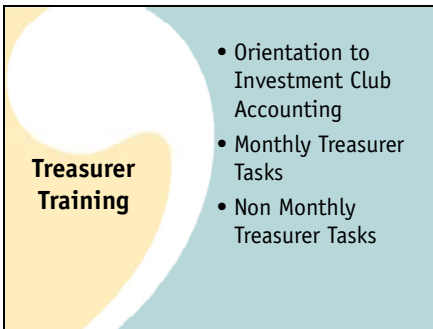




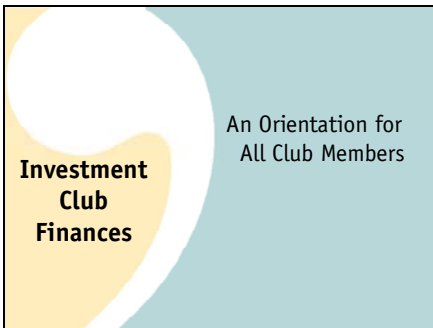
Welcome! This presentation is part of a three part series.



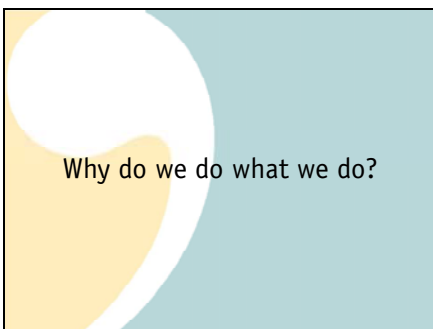
In this first part, we give you an orientation to your investment club accounting. This is good background information for everyone in your club so they can get a basic understanding about how your club finances work and what you will and will not be able to account for with bivio.

The second and third presentations are aimed more specifically at you club treasurers. In part 2, we discuss how to perform the regular tasks you'll be doing each month. For those of you who have questions about things like reconciling your accounts, this is where we'll be discussing this. We'll be giving this presentation next Sunday.

The third and final presentation will be given next Tuesday. That one is also designed for treasurers. In it we discuss the tasks you will be performing less frequently as a club treasurer. If you have questions about withdrawals and doing taxes, this is where we'll be discussing them in more depth.



For tonight's topic, we're going to be discussing your club finances. It is very easy to do your club accounting using bivio but you need to have a basic idea of the parameters under which it needs to be done. Because you are accounting for a group, things work a little differently than you might expect. Everyone in your club should at least understand the basics so that you won't by accident, take an action which will make your treasurers life very complicated.



To start our orientation, it helps to understand what your investment club accounting is designed to accomplish.

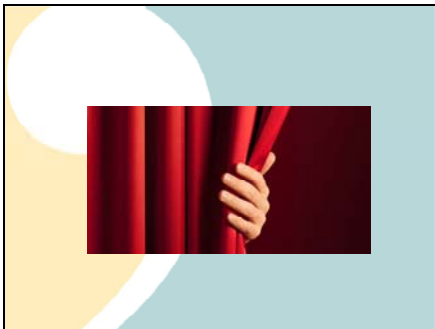


As an investment club, you're a group of people

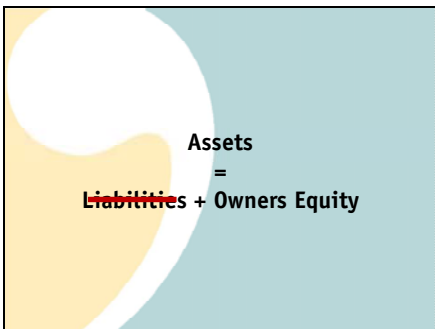
owning a shared pool of investments
 you'll want to keep track of your investments and track how they are doing. You'll also want to track your ownership in the club.



Since you're running a financial group with the intent of making money, you'll also need to file taxes to comply with tax laws.



To do all that, all you need to do is enter some simple information into bivio. Your treasurer just enters all the transactions you have in your brokerage account. But it is important to realize that behind the scenes there is some sophisticated accounting going on. It helps to get a little bit oriented to what that is, so that you keep things on your side of the screen simple.



What do you need to know about your club accounting as an investment club member? First lets talk about your club assets and your club ownership.

All accounting is based on a very simple equation. We call this the accounting equation. It states that the sum of your assets (what you own), is equal to the sum of your liabilities (what you owe) plus your owners equity. (what you can take away at the end of the day)

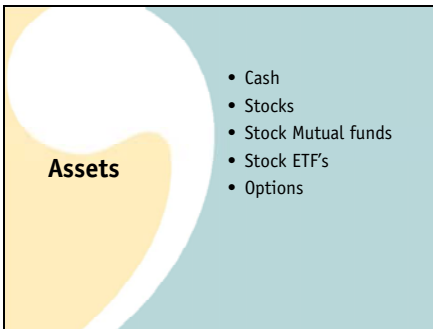
An investment club is a simple business that does not have any liabilities.



So the accounting equation becomes even simpler. Your club accounting tracks

What you own, your assets,
And what each persons ownership share is

Your owners equity



In a club, you'll have these types of assets.

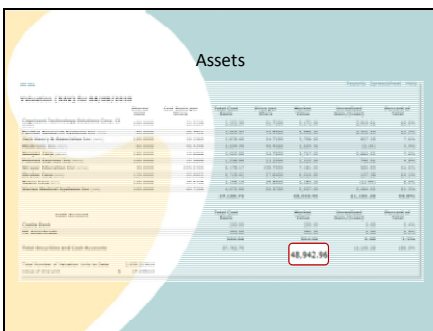
First of all, you'll probably have some cash. Cash is a club asset. This includes investments accountants consider "equivalent to cash" such as money market funds.

Publicly traded stocks

Stock mutual funds

Stock ETF's

If you subscribe to our Active Partnership service, you might also have bought or sold some options. The choices on this list give you a lot of investments you can choose from to build a club portfolio.



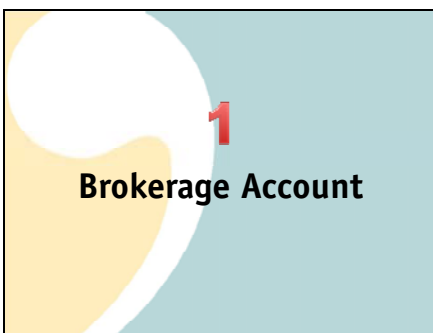
Each evening, after the markets close, the prices on all your investments are updated. The value of all of your investments and your cash is added together.

This is called your club Valuation or the Net Asset Value (NAV) of your club. You can see it reported on a Valuation report. It will change every day because your assets are stocks whose price changes daily. Essentially your club is managing a mutual fund.

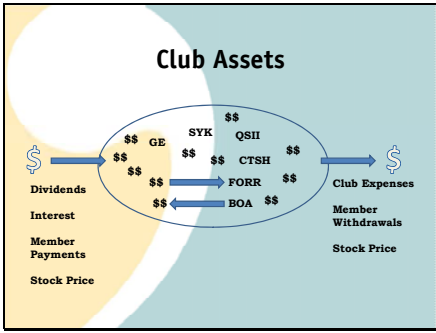


You may have several different accounts for your club assets. For example, sometimes clubs have both a brokerage and a bank account. You can see the cash balances in each of your accounts on the Accounting>Accounts page. In order to be able to reconcile your accounts each month, your treasurer will be tracking account transactions in bivio in an account representing the account they actually occur in.

But it is important to understand that for the purposes of your accounting, all your assets are lumped together. No matter what account you keep them in, they are available for investing or paying club expenses.



At bivio, we like to encourage you to keep your club financial operations as simple as possible so nobody has to be an accountant and everyone can focus on the fun part of being in a club which is picking stocks. For simplicity in keeping your club records, we highly recommend that you try and operate with only one account, a brokerage account. Each financial account that you have needs to be reconciled each month. The less accounts you have, the less work for your treasurer. Many brokers now offer free checking. Even if they don't you should actually have minimal reasons to need checks for anything. There are other options you can use to pay the infrequent expenses an investment club should have.



Your club assets will increase when you receive income such as dividends and

interest coming into your club from your investments.

They will also increase when your members make contributions.

And when the value of any stocks you own goes up.

As part of your investing activities, you may exchange one asset type for another.

Cash will be used to

buy stock.

Cash will be received from selling stock.

And finally, the value of your club assets will decrease

if you pay for any expenses

a member withdraws some of his assets and

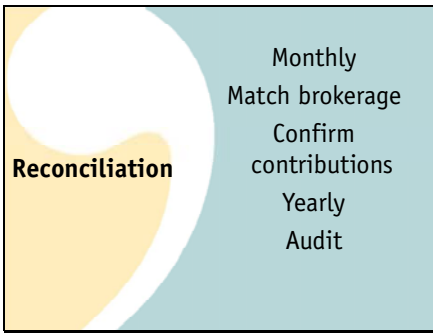
The value of any stock you own goes down.

The screenshot, titled "Treasurers Job", displays a list of financial transactions. The table has columns for Date, Description, Amount, and Status. The data is as follows:

Date	Description	Amount	Status
11/22/2018	Account Balance - Member Cash (BIO)	10,000	7,754.00
11/22/2018	Account Balance - Member Cash (BIO)	1,000	6,754.00
11/22/2018	Account Balance - Member Cash (BIO)	0.00	6,754.00
11/22/2018	Account Balance - Member Cash (BIO)	0.00	6,754.00
11/22/2018	Account Balance - Member Cash (BIO)	3,340.00	3,414.00
11/22/2018	Account Balance - Member Cash (BIO)	1,778.75	2,635.25
11/22/2018	Account Balance - Member Cash (BIO)	48,000.00	7,115.25
11/22/2018	Account Balance - Member Cash (BIO)	1,000	7,115.25
11/22/2018	Account Balance - Member Cash (BIO)	0.00	7,115.25

We have made it very simple for your club treasurer to keep your records. All they need to do is make sure that all the transactions from your brokerage are entered in bivio. If you use AccountSync, this will happen automatically.

It is very important that all transactions be recorded on the correct dates and that your records be kept up to date and agree with your financial statements. It is also important that you track all of your club's financial accounts in bivio and that you record all of the transactions that happen in those accounts.



Dates of your transactions are very important in your club accounts. It is important that you know that your club records are being kept accurately.

As part of your monthly treasurers report, your treasurer should verify (and be able to demonstrate)

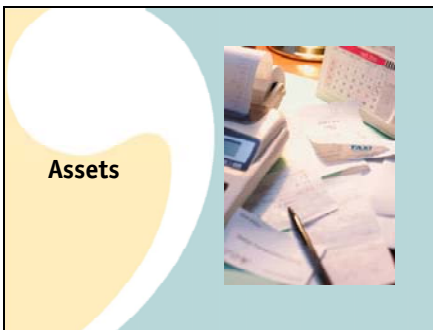
that your club records match the records from your brokerage.

They should also provide you with a report you can use to confirm your member contributions have been recorded accurately.

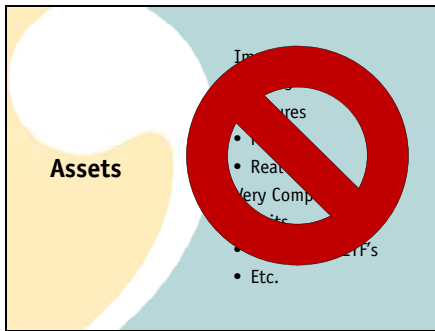
In addition, you should plan to do a yearly

club audit where members other than the treasurer confirm your records.

Mistakes are usually easy to fix before taxes are filed or members make withdrawals. But corrections can become very difficult after that. It is in everyone's best interest that you all make sure you are comfortable that your club records are being kept accurately.



There is one final area of concern relating to your club assets. It is important to understand that while there are lots of things in the world you can invest in, you can't use bivio to account for all of them. You could run a complicated partnership, invest in lots of different things and pay a CPA thousands of dollars a year to prepare your tax returns. Thanks to the generosity of the people who make our tax laws, different types of investments can have specialized tax reporting rules you need to comply with. Sometimes clubs inadvertently get into complicated investments because they are traded in public markets, discussed regularly in investing publications, on TV and on the internet and you can purchase them from your broker like stocks. However, it is important that you know what you are buying so you'll know you can use bivio to do all your accounting and tax reporting.



For example, we do not provide you with the accounting or tax reporting you'd need for investments in:

Master Limited Partnerships- This one comes up fairly often because these are often touted as "High yield" investments in popular investing publications. They are often pipeline and energy companies. Popular ones are Kinder Morgan, Enbridge Energy Partners and Linn Energy.

We also get asked every now and then if we can account for things like Futures-

Forex-Foreign exchange currency trading

Real estate-You can have an investment club that invests in real estate. But you can't use bivio to do your accounting and tax prep for you.

There are other types of investments which we recommend you stay away from because they can make your club accounting very difficult, delay when your club and your members can file your taxes and increase your chances of your club and your members needing to file amended tax returns. They are

REIT's-These are real estate investment trusts. A popular one we often see is Annaly NLY

Commodity ETF's – Just because something is called an ETF doesn't mean they it is something we can account for. It will depend on what type of investment makes up the ETF. For example, Commodity ETF's have become popular recently for people who want to own precious metals such as Gold or Silver. These ETF's actually own the underlying commodity, they do not own stocks. Two popular ones right now are GLD and SLV. The accounting and tax reporting for ownership of precious metals is different than that required for ownership of stocks. Bivio does not provide you with the tools you need to account for and report taxes correctly for these investments.

The list could go on and on but I hope you get my point. There are just some investments that you should not purchase in your club if you'd like to keep your club accounting simple and be able to use bivio. Investment clubs are about learning to invest in publicly traded corporations, not about learning to do accounting. Stick to our guidelines and you'll still have lots of investments to choose from to build a portfolio and learn about investing.

Before You Invest

Before you make an investment, check this list!

There are specific investments which have no issues that may make your club accounting difficult if not impossible to do using Bivio. If your club purchases any of them, you may find that you will have to hire an outside tax professional to prepare your yearly processing returns.

This does not mean these are bad investments, it just means that you need to decide ahead of time whether the gains you receive will be worth the expense of complying with any tax issues they bring along with them.

This list is not all inclusive. It is routinely updated. If you have any questions about something that is not here, ask them! We'll be happy to check things out for you ahead of time rather than have to inform you at tax time that you have a big headache.

Read this! If an investment you are looking at has any of the following in its name you should check with us first: REIT, Realty, MLP, LP, Partners, Trust

The item that it has a ticker and trades on a stock exchange does not mean you are OK.

If you know of an investment that should be on this list

- AEP- Alliance Resources Partners-LP
- BFC- Builders Partners LP
- BHC- BioPharmaceuticals Commondity Index Tracking Fund
- BIC- Biotrade Realty Corporation
- EEP- Ecolodge Energy Partners
- EPC- Empire Production Partners
- SPS- Spars Property Trust
- ETE- Energy Trustee Equity LP
- ETP- Energy Trustee Partners LP
- FPL- Fossil Fuel Partners LP
- FPC- Fossil Fuel Commondity MLP Opportunity
- FET- Fossil Fuel Investment Trust
- OLS- OPOL Oil Trust
- HCN- HCP Inc.
- TFD- Three Dimension US Real Estate (ETF)
- KNS- Kinross Realty Corporation
- KMP- Kinder Morgan Energy Partners
- KMS- Kinder Morgan Management
- MTR- MLP & Storage Equity Fund
- NCC- National Coal Properties Inc.
- O-Ready Income Corp.
- OIC- Oilcorp Properties Trust, Inc.
- PAB- PowerReturns Active US REIT's
- PSL- PSL 2010 REIT
- V- Vantage 50 to Trust

There are new types of investments being developed and promoted every day. We have a page where we list specific tickers for investments we have run into that will cause you problems. We call this our “Before You Invest” page. You can find a link to it on our master help page. This list is not comprehensive. We update it as we become aware of problems but there are probably investments out there that aren't on the list yet but should be.

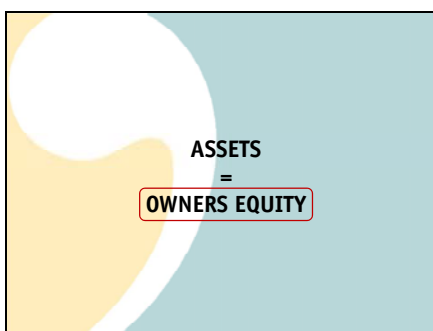


If you have any question about something your club is considering investing in, please email us the ticker at support@bivio.com. We are glad to research an investment for you before you purchase it and get yourselves into problems. Unfortunately, if you come to us after the fact, things can get pretty complicated. At that point, you may have ended up in a situation where you need to hire a CPA to adjust your accounting records correctly and prepare the correct tax forms for your club. You know what they say about an “Ounce of Prevention”

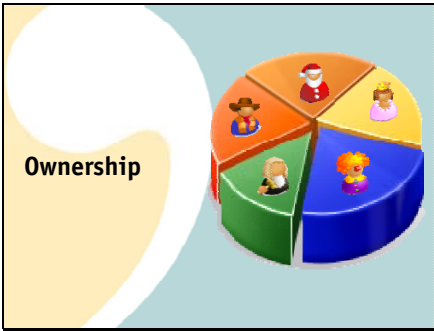


Of course one of the biggest questions you'll have about your club assets is “how are we doing?”

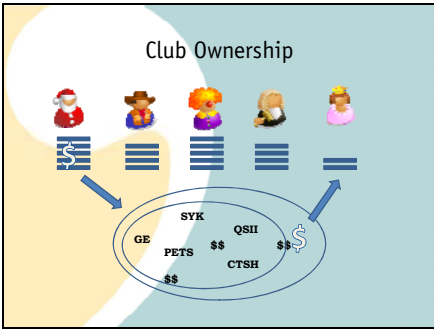
You'll be able to compare the performance of your club portfolio directly with stock market indices and even mutual funds using the bivio performance benchmark report. This powerful analysis will give you a direct apples to apples comparison. This is much more accurate than comparing your results to performance numbers you'll see in advertisements for mutual funds which don't reflect your exact cash flow.



On the other side of the accounting being done, is record keeping about your ownership in the club. There are important things to understand about how your club ownership is tracked. It affects how much you earn on your investment in the club and how much of the club earnings you will be taxed on.



Club members do not own a specific percentage of each of the individual assets of your club, they own a percentage of the total assets.



Your ownership is accounted for using shares or what we call units. Owning units is just like owning shares in a mutual fund. The reason we track ownership using units is that Bivio is designed to track unequal ownership of a pool of investments. They change in price each day. Using unit based accounting, you have the greatest flexibility to operate an investment club and do your accounting fairly even if everyone has not or cannot contribute the same amounts to your club at the same times.

Each time you contribute money to your club you purchase units,

It is fine for each club member to own a different number.

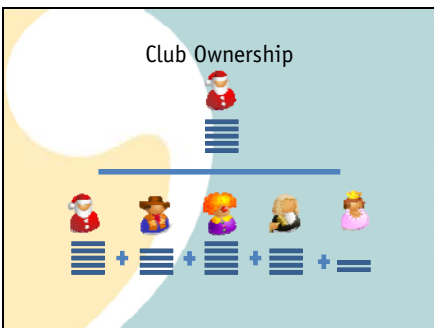
if you'd like to take some money out,

you redeem units.

A screenshot of a "Valuation Report for addresses" from Bivio. The table shows a list of investments with columns for Name, Units, and Current Value. At the bottom, it displays "Units Outstanding" as 17,769.71 and "Current Club Value" as \$6,237,916.16. A red box highlights the "Current Club Value" at the bottom of the report.

Each day, the value of a unit is determined by dividing the total asset value of your club by the number of units outstanding. You can find the daily value of a unit on the

Bivio valuation report I showed you earlier.



Your percentage of ownership at any point in time is your total units

Divided by

The total units in your club.

Member Status

Report Date: 04/30/2011 Show Payments Since: 04/30/2011 Generate

*Using prices from market close for 04/30/2011

Name	Paid Since 04/30/2011	Total Paid	Tax Basis	Units Since 04/30/2011	Units	Market Value	Percent
Eight, Member	75.12	760.56	780.53	5,571.92	68,048.00	945.00	15.7%
Eleven, Member	25.00	526.00	546.00	1,867.92	36,358.04	500.00	13.0%
Five, Member	0.00	476.96	496.22	0.000000	40,000.00	451.70	10.3%
Four, Member	0.00	360.91	364.32	0.000000	35,213.77	489.30	8.1%
Frederick, Lorie	25.03	390.63	411.23	1,868.04	58,523.44	778.40	12.0%
Sevens, Member	24.10	401.30	425.77	1,874.19	36,049.07	787.00	13.1%
Six, Member	25.05	531.00	570.78	1,863.19	51,863.19	720.77	12.0%
Ten, Member	25.02	500.42	570.21	1,867.93	51,833.00	720.30	12.0%
Two, Member	25.11	200.77	205.00	1,859.08	18,714.45	232.28	3.9%
	225.32	4,408.15	4,773.25	18,782.91	612,850.74	6,415.31	100.0%

Your clubs profits and losses are divided up based on your ownership percentages at the point in time that they occur.

You can see your percentage of ownership for any given date on the member status report.

You can also see the total value of your share of the club on that date.

It is determined by multiplying the number of units you own by the daily unit value. This is just like the way you'd determine total value if you owned mutual fund shares in your personal investment account. If you owned 100 shares and the value of a share at the end of the day was \$8.00, your mutual fund holding would be worth \$800.

Accounting>Members

bivio Accounting Administration Communications

Member Summary for 04/30/2010

Name	Units	Market Value	Percent	Action
Tracy, Bill	68,048.00	750.52	1.0%	payments, buy, transactions
John, Steve	551,844.29	6,549.79	10.0%	payments, buy, transactions
Lee, Paul	348,903.92	4,161.47	6.2%	payments, buy, transactions
James	282,462.08	3,398.11	5.0%	payments, buy, transactions
Charles	282,058.03	3,412.76	5.0%	payments, buy, transactions
Michael	341,892.18	4,134.25	6.0%	payments, buy, transactions
Henry	75,430.10	9,048.08	10.0%	payments, buy, transactions
	2,674,218.18	32,674.06	100.0%	

Buy units = 5,117,292.10

To properly do your accounting for units, member contributions and withdrawals are recorded a little differently than any other type of deposit or expense. The information needed to make entries is input on special

Payments

And withdrawals forms accessed using these buttons on the members screen. After the forms are filled in, bivio does the accounting to add or subtract the appropriate number of units to each members account.

Valuation Date

Enter Member Payments

This is the form to enter payments for your members. A payment purchases units in your club. This is how members increase their share of the club's assets.

Transaction Date: 04/30/2011

Member Valuation Date: Clubs typically choose one day per month as their Valuation Date, the date to convert member payments into club units. We have carried over the traditional approach, because it is what many clubs are familiar with. Since bivio values your portfolio on a daily basis, your club could choose to convert payments on the date they are deposited. Your partnership agreement or bylaws should state which valuation method you use and if you choose monthly valuations, on which business day the valuation occurs.

Member Valuation Date: 04/30/2011

Account: The account into which the payments were deposited.

Account: Fund Investing











Remark: An optional short message to be added to transactions. If you enter a default Remark, it applies to all transactions which do not have a Member Specific Remark. Some

Because you are purchasing or selling shares, one of the pieces of information you will provide on both the member payment and withdrawal form is a

“valuation date”. The value of a unit on that date will determine how many units a member receives or redeems.

To keep your record keeping the simplest, we recommend that you use the date of the deposit as the valuation date. That way, things work just like they would in a mutual fund. Members buy club shares at their value on the date of their contribution.

Allocating Income and Expenses

5/1					
	25%	20%	25%	20%	10%
5/15- Dividend Received-\$100	25	20	25	20	10
5/18- Deductible Club Expense \$100	(25)	(20)	(25)	(20)	(10)
5/20					
	30%	20%	20%	15%	15%
5/26- Dividend Received-\$100	30	20	20	15	15

So how is your club income and your expenses divided up between all of your members? On the date your investments earn income or your club has an expense, you are allocated your portion based on your percentage of ownership on that date. It's important to understand that ownership percentages may change on every date a member contribution is recorded. This makes the dates of entries in your club accounting more important than dates in the record keeping for other organizations that you may have done. We call this time based allocation.

Here's an example of how income and expenses might be allocated to members over the course of a month.

Suppose on May 1, these were the percentages each of these club members owned.

On May 15, a dividend for \$100 was received.

It would be allocated to each person like this

On May 18, the club had a deductible expense of \$100

It would be allocated to everyone like this.

Now suppose on May 20, some of the members ownership percentages changed. This might happen if, for example, member payments for some of them (but not others) were recorded.

Then, on May 26, another \$100 dividend was received.

It would now be allocated based on the new ownership percentages.

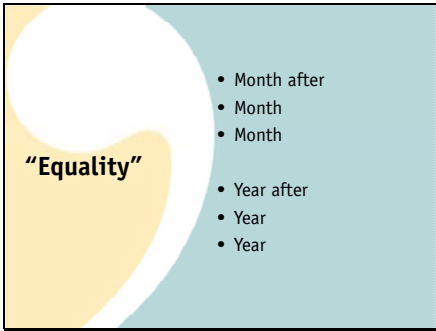
Allocating Income and Expenses

Member Tax Allocations from 01/01/2009 to 12/31/2009

Member	Ownership	Quoted Allocation	Interest	Notes	Income Capital Gain	Loss	Income Capital Gain	Loss	Expenses	Net Profit
Unsettled	0.00	0.00	0.00		0.00		(0.00)		0.00	0.00
000001, Brian	0.17	16.76	0.04		382.01		(200.00)		(10.00)	(10.00)
000002, Dan	0.07	6.71	0.09		(34.47)		(107.45)		(5.90)	(108.94)
000003, Dorian	0.04	3.76	0.07		23.86		(63.23)		(2.90)	(39.26)
000004, George	0.26	25.23	0.07		(25.77)		(113.82)		(5.82)	(145.41)
000005, Hester	0.14	13.80	0.02		188.61		(248.10)		(14.50)	(73.99)
000006, James	0.18	17.49	0.08		(110.53)		(248.76)		(14.37)	(373.21)
Total	0.62	83.55	0.27		(706.74)		(1,145.31)		(78.09)	(1,133.94)

At the end of the year, each members income and expense allocations are tallied up and used to prepare your club taxes. We'll be talking about those in a few minutes.

The amount each member has been allocated is shown on a bivio report called the Member Tax allocations report. You can access it at any point during the year to see how you are doing.



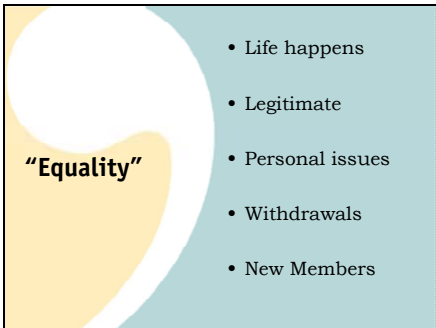
In a club, everyone is equal in the sense that income and expenses are allocated to you based on the number of shares you own.

If I own more shares than you do, I will receive a greater total amount of income. This makes sense.

Clubs sometimes feel that there is some reason everyone needs to have equal ownership. Trying to accomplish that actually will complicate your club accounting. The only way everyone would own exactly the same number of shares is if everyone's contributions were recorded for exactly the same amounts on exactly the same days,

Month, after month, after month (click, click, click)

Year after year after year (click, click, click)



But, this is just not going to happen. It is inevitable that different club members will own different numbers of units. An investment partnership is a long term undertaking.

Life Happens

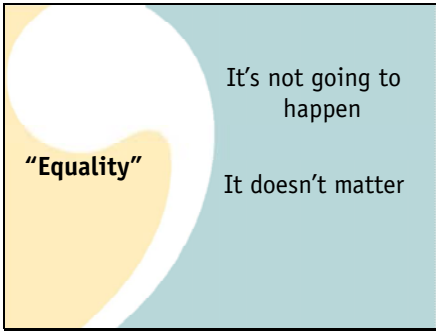
People will have to miss payments for legitimate reasons

People will have times where they can't contribute as much as they used to

People might need to take out some of the money they have invested in your club

People may want to join your club

It doesn't make sense to make members leave your club or not allow new members to join if they will actively participate but are unable to have quite the same monetary stake as other members.



We can tell you after years of participating in and working with investment clubs,

That equal ownership is just not going to happen.

The good news is that it doesn't matter. Your club accounting is designed to account for everyone's percentage of ownership accurately. If your treasurer is reconciling the books correctly each month, you can be sure your ownership is being tracked properly and you are being allocated the same amount of income and expenses in proportion to your ownership share as everyone else.








Focus on learning and working together to optimize your portfolio performance.

If your portfolio grows well, all members will benefit, even if they don't benefit by exactly the same total amounts. You are a group working together to learn to manage a mutual fund. The fund doesn't care who owns what.

What matters is that each member is committed to participating in the group both monetarily and by providing research and education, not that each person owns exactly the same number of shares of the club.

Individual Expenses

	 25%	 20%	 25%	 20%	 10%
Equal \$ Per Unit	25	20	25	20	10
Equal \$ Per Member	20	20	20	20	20
Individual Expenses	30	5	0	25	25

While we're talking about expenses, another thing it's important for everyone to understand about your accounting has to do with what we call Individual expenses.

Investment club accounting is designed to account for Club expenses. Those are expenses that apply to all the members of the club and that can be divided up either by member ownership percentage (an equal amount per unit that you own)

or by an equal dollar amount charged to each member.

An expense that you want to divide up in any other way is what we call an individual expense.

You don't want to pay individual expenses with your club accounts. There is no benefit to doing so and it will complicate your club accounting.

Individual Expenses

- Subscriptions
- Stock Analysis Tools
- Educational materials for personal library
- Shrimp cocktails and martinis

Here are some examples of individual expenses:

Subscriptions if everyone doesn't participate in the subscription the same way. A common example of this is the personal portion of a Better Investing membership or an individual Manifest Investing membership where some club members want it and others don't


Unless your club feels stock analysis tools are a club expense that your club should use club funds to purchase all at once for each member, this is an individual expense. If individuals want individual copies, they should purchase it for themselves directly.

Same with educational Materials when they're only for one members personal library

Club dinner expenses come up fairly frequently. Unless you are dividing up a dinner tab based on member percentage ownership or equally between everyone, don't pay for your dinner with a club check or from a club account. There is no way in your accounting to allocate the costs in any other way to individual members.

Individual Expenses

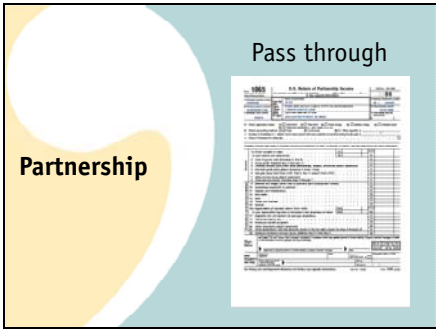
NO
BENEFIT



And, there is NO benefit to doing so. It will only make your treasurers job harder. To keep things simple, have individuals pay expenses directly that only apply to them. Don't deposit the money to cover them in your club accounts and don't pay for them with a club check.

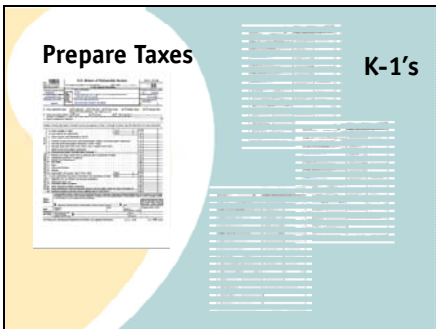


Club income and expenses that are allocated to you will determine the amount of taxes you will pay. Lets talk a little bit now about your investment club taxes.



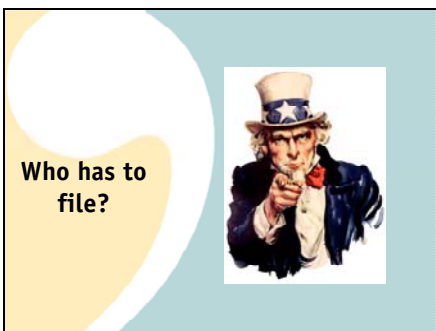
Clubs like yours that use bivio are operating as a type of business entity called a partnership or a type of entity taxed like a partnership called an LLC. Uncle Sam has specific rules partnerships must follow when it comes to accounting and tax reporting.

A partnership is what is called a pass through entity. There are no taxes paid directly by your club on your investment income. It is all divided up each year amongst your club members and they pay the taxes on it on their own personal tax forms.



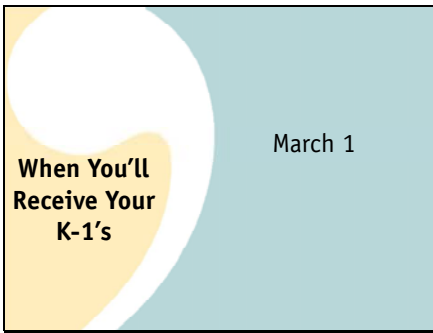
As a partnership, your club needs to file an informational tax return on IRS form 1065. It reports the amount of income your club had and the amounts that have been allocated to each member to pay taxes on.

Part of that return are forms called a K-1's. There is one for each member. You'll send all of them in with your club tax filing and you'll give each member his or her copy. He or she will transfer the information from this form to their personal tax forms and pay any taxes that are due on it there.



Who has to file?

You do. If your club has 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. If anyone in your club thinks this is not the case, please refer them to a recent club café posting where a club was trying to figure out what to do about a \$33,000 penalty they had been assessed because their members did not think they had to file in a year when they only had a very small amount of income.

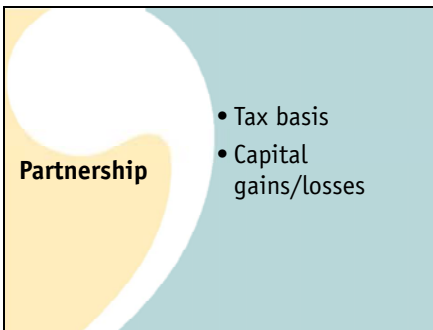


Don't expect to file your personal income taxes as early as you might have before you were in an investment club. You will need the income and expenses from your club K-1's to report on your personal taxes but before your treasurer can prepare them, they will have to verify your club records against 1099 forms you'll get from your financial institutions.

They have until February 15 to send them to your treasurer. Therefore, you'll probably find that a reasonable date to expect K-1's from your club is March 1.



There is another tax consequence you have as a member of a club. Because you are a member of a partnership, you have a capital interest in a business. There are similarities between this and the ownership interest you have in a corporation when you own stock. There are special tax rules that apply when funds are put into your club and when funds are taken out.



Just like when you own stock, you have a basis in your investment in your club

and you might have capital gains or losses when you withdraw funds from your club.

One thing club members often don't know is that the capital gains tax on withdrawals from your club is in addition to the taxes you will pay each year when you are given your K-1's. But don't worry, you won't get taxed twice. One of the things bivio does for you is to track all your financial history with the club so that when you eventually withdraw money, you will have the information you need to pay the appropriate taxes.

There are actually some nice tax rules relating to withdrawals taken from partnerships that you can use to your benefit to help you manage your taxes. We'll discuss those later.

Tax Basis

Your contributions
 +/- Income or losses
 + Dividends/interest
 - Expenses
 - Withdrawals

Your tax basis in your club is determined by the amount you've contributed over the years, plus or minus your share of any income or losses your club has recognized by selling investments, plus your share of any dividends and interest your club has received, Minus your share of any expenses and minus any money you've withdrawn from the club. These are the things that have been reported to you each year on a K-1 and you've been taxed on your personal taxes.

Member Status

Report Date: 05/03/2014 Show Payments Since: 04/03/2011 Generate

*Using prices from market data for 05/03/2014

Name	Paid Since 04/03/2011	Total Paid	Tax Basis	Units Since 04/03/2011	Units	Market Value	Percent
Eight, Member	75.13	760.55	780.53	1.571362	68.048802	845.65	15.7%
Eleven, Member	25.08	526.90	546.01	1.067302	49.573842	608.09	11.4%
Five, Member	0.00	476.00	495.32	0.000000	46.900660	611.76	10.8%
Four, Member	0.00	355.81	364.82	0.000000	35.313373	449.31	8.1%
Frederick, Laurie	25.03	500.00	611.23	1.066054	50.313460	779.40	12.0%
Steve, Member	25.10	601.00	625.72	1.874138	55.888074	702.81	13.1%
Six, Member	25.05	513.00	570.78	1.861138	51.863382	720.73	12.0%
Ten, Member	25.02	500.00	570.21	1.367792	51.833820	705.30	12.0%
Two, Member	25.11	500.77	505.90	1.889588	58.754452	732.28	13.0%
Total	225.52	4,408.15	4,773.25	16.782191	632.856578	6,615.31	100.0%

You can find out what your tax basis is at any time, on the member status report. If you withdrew all your money from the club on the date of the report you would have a capital gain or loss equal to the difference between this column, plus any allocations you've accumulated during the current tax year, and the Market value of your share of the club shown in this column.

Withdrawals

Special Tax Considerations

There are some interesting tax benefits to being a member of a partnership. They relate to taking money out of your club. Of course, withdrawals that are made too often make it difficult to manage an investment portfolio. Ask any fund manager whose mutual fund suddenly goes out of favor. But, there are cases where you or another club member might need to make a withdrawal so it is interesting to understand how they work.

Withdrawals

Name	Units	Market Value	Percent	Actions
Edgar, Member	68.04803	343.77	18.7%	Account, Buy, Sell/Transfer
Shaw, Member	49.875842	487.57	25.6%	Account, Buy, Sell/Transfer
Price, Member	68.905046	439.47	23.0%	Account, Buy, Sell/Transfer
Foley, Member	35.211372	448.28	23.6%	Account, Buy, Sell/Transfer
Wenderson, Laborer	30.21094	176.88	9.3%	Account, Buy, Sell/Transfer
Neal, Member	0.000000	0.00	0.0%	Account, Buy, Sell/Transfer
Gray, Member	0.000000	0.00	0.0%	Account, Buy, Sell/Transfer
Shaw, Member	58.488074	796.28	42.3%	Account, Buy, Sell/Transfer
St, Member	61.883182	718.30	37.9%	Account, Buy, Sell/Transfer
Price, Member	11.070476	218.00	11.5%	Account, Buy, Sell/Transfer
Price, Member	10.744413	231.81	12.2%	Account, Buy, Sell/Transfer
Total	432.859578	4,063.33	100.0%	

First, you need to understand that there is more you need to do when someone withdraws than just look at what their account is worth and write them a check. This is a business you are withdrawing money from and there is a lot of accounting we need to do to update your records and prepare your taxes correctly. You don't have to do the accounting yourself

but you do have to know you need to determine the withdrawal amount and make the withdrawal entry using the special withdrawal form that I mentioned earlier.

We'll be discussing withdrawals in more depth in the third presentation of this treasurers training series. Make sure you don't give a club member a check or tell a club member what they will receive without an understanding of how to fill in this form.

- Partial Withdrawals**
- Cash
 - No current taxes due if amount withdrawn is less than your tax basis

If you need to withdraw some, but not all of your funds from your club, you can do so with no tax consequences as long as you take

cash

and withdraw less than your tax basis. We call this a partial withdrawal.

- Full Withdrawals**
- Cash plus appreciated stock
 - Gain deferred till stock is sold

If you need to withdraw all your money and are paid using cash plus appreciated stock,

Much of any gain can be deferred until you sell the stock. The basis in the stock you receive will be your tax basis in the club minus any cash you also receive.

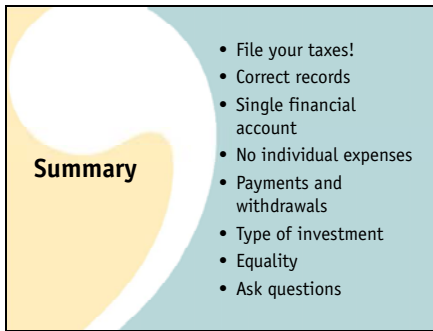
A gain that is taxed in the future is usually better than a gain that is taxed today so this presents some interesting opportunities for you to defer gains on your investment in your club, perhaps to a point in time when you have some personal capital losses to use to offset it. Or, if you never sell the stock you receive, and it continues to show a gain when you die, your gain will never be taxed. Under current tax rules, the basis of inherited stock is stepped up to fair market value for the people that inherit it.

Your club treasurer does not have to be an accountant!



We've covered quite a bit today. I hope you can see why it is important for all the members of your club to have a basic understanding of your club finances. If you stay within the guidelines for running your investment club that we have outlined here, your club treasurer does not have to be an accountant. In fact, using bivio, your club accounting will be very simple and anyone should be able to do it. Clubs only run into problems when they try create their own rules for operating without understanding the accounting and tax consequences of what they want to do. As we've been discussing, partnership accounting is a little different than what people may expect or be used to.

If you don't understand something your treasurer is doing or tells you they can't do, don't put your treasurer on the spot to be able to explain all the accounting or tax rules behind it. Any club member should feel free to email us at support@bivio.com with any questions. We're glad to help clarify things not only for your treasurer but for any other member of your club.



Summary

- File your taxes!
- Correct records
- Single financial account
- No individual expenses
- Payments and withdrawals
- Type of investment
- Equality
- Ask questions

Just remember these few points and you will be able to run your investment club easily.

Make sure your club is filing annual tax returns.

Verify your records- this can't be stressed enough. Make sure your treasurer gives a report each month and ask questions if you see something like a negative balance on a bank account. The current state of your finances is dependent on the dates of all the historical transactions. Make sure your records mirror what is happening in your financial accounts and that your ownership is being tracked correctly.

Keep your record keeping simple by operating with only a single financial account.

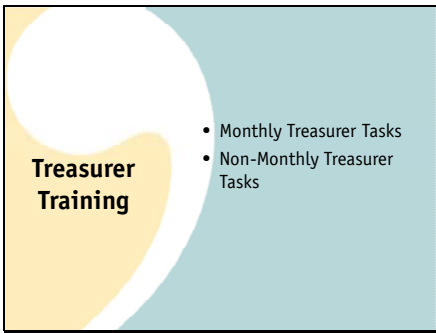
Only use your club financial accounts for investment related transactions that apply to all club members, not for individual expenses.

Make sure your club ownership is tracked correctly. All member contributions need to be entered as member payments and any payouts need to be determined and recorded as Withdrawals using the correct forms.

If you are unsure whether an investment is something that can be accounted for by bivio, ask us about it before you purchase it.

Define equality as meaning that everyone is allocated the same amount of income and expense per unit of the club that they own. Let go of the need for everyone to own the same percentage of the club.

Ask us at support@bivio.com if you have questions. We're glad to explain things to any member of a club. Expect your treasurer to know how to use the program but don't expect them to know all the underlying accounting.



For those of you who are or will actually be club treasurers or who want more specific detail on some of the topics we've discussed here there are two additional parts to this treasurer training series that are coming up.

First we'll discuss monthly treasurer tasks. We will show you how to handle and record member payments, stock purchases and sales and investment income. We'll cover how you should reconcile your records and give your monthly treasurer's report. We'll also show you how you can set up bivio AccountSync to do many of these things for you automatically each month!

In the third part of the series, Non Monthly Treasurers Tasks, we'll show you how to do some of the treasurer tasks you'll do less frequently such as how to enter a withdrawal, how to enter club expenses, how to reimburse a member who pays an expense, what to do if a member pays in advance, your annual club audit and what you will need to know about preparing your club's taxes.

Everyone is welcome. Both of these sessions are online and free. You can register to join us at www.bivio.com/club_cafe. Hope to see you then!

