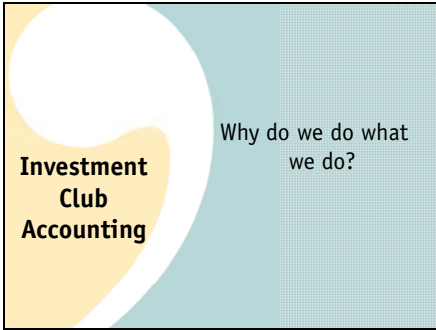
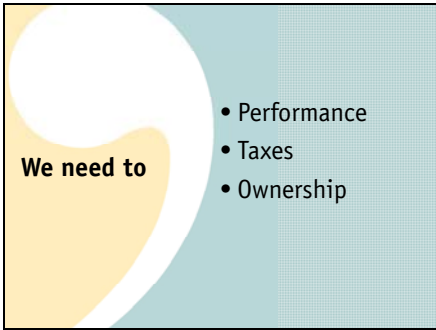


For tonight's topic, we're going to be discussing your club finances. It is very easy to do your club accounting using bivio but you need to have a basic idea of the parameters under which it needs to be done. Because you are accounting for a group, things work a little differently than you might expect. 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.



First of all, since you are an investment club,

you'll want to track how you're doing.

Then, since you'll be making money, you'll need to file taxes to comply with tax laws


Finally, you'll want to track your ownership in your club



To do all that, all you need to do is enter some simple information into bivio. 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.

**Partnership**


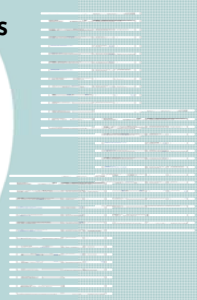
Pass through



Investment clubs 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. There are specific rules partnerships must follow when it comes to accounting and tax reporting.

The partnership business entity is attractive for a variety of reasons. One of the main ones is that it is a pass through entity. While you do file a partnership tax return, there are no taxes paid directly by your partnership. All the income flows through to you and you pay the taxes on it on your own personal tax forms. This is in contrast to a corporation where a company pays taxes at a corporate level and then income distributed to owners as dividends is taxed a second time.

**Prepare Taxes**

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. One for each member. He or she will transfer the information from this form to his personal tax forms.

**ASSETS**  
=  
**LIABILITIES + OWNERS EQUITY**

So what do you need to know about your club accounting as an investment club member?

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)

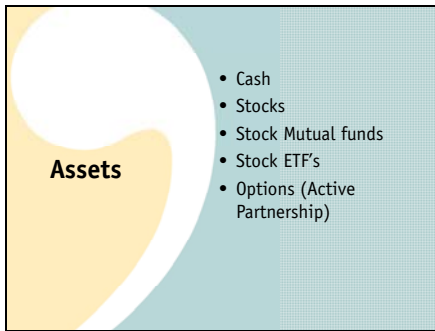
An investment club is a simple business that does not have any liabilities.

**ASSETS**  
=  
**OWNERS EQUITY**

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.

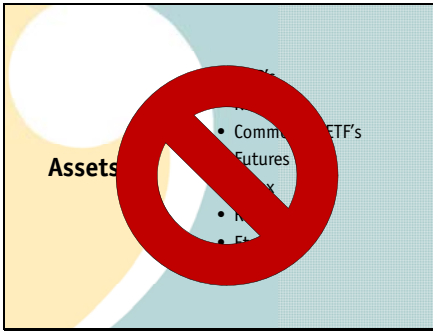
Publicly traded stocks

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.



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

Master Limited Partnerships- These are often pipeline and energy companies. Popular ones are Kinder Morgan, Enbridge Energy Partners and Linn Energy.

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.

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.

The list could go on and on but I hope you get my point.

There are just some investments that you will not be able to own if you'd like to be able to use bivio to do your club accounting.

### Before You Invest

Before you make an investment, check this list!

There are specific investments which have tax issues that may make your club accounting difficult if not impossible to do using bivio. If your club purchases any of these, you may find that you will have to hire an outside tax professional to prepare your yearly partnership returns.

This does not mean there 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 that may arise with them.

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

Red flag! If an investment you are looking at has any of the following in its name you should check with your REIT, REAs, MLP, LP, Partners, Trust

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

If you have an investment that should be on this list

- ABLP-Albion Resources Partners-LP
- BFC-Buckley Partners LP
- DGC-Dover/Denbury Commodity Index Tracking Fund
- EEC-Eagle Energy Partners
- EEP-Enterprise Production Partners
- ESI-Eaton Property Trust
- ETC-Energy Transfer Equity LP
- ETP-Energy Transfer Partners LP
- FPL-Fossil Fuels Partners LP
- FPL-Global Energy Investment Trust
- GDS-Global Oil Trust
- HCN-NCIP Ltd.
- ITC-Interests Dow Jones US Real Estate (ITF)
- KNS-Kaiser Realty Corporation
- KMP-Kaiser Energy Partners
- LSP-Louisiana Sulfur Partnership
- MDP-Magnolia Midstream Partners LP
- MTP-MLP & Storage Equity Fund
- NCR-National Retail Properties Inc.
- ORB-Orbly Investor Corp
- OTC-Occidental Petroleum Trust, Inc.
- PAB-PowerSource Active US REIT's
- PLS-PLS 2012 2nd Subfund REIT
- VGL-Valero Midco 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. This list is not comprehensive and we update it as we become aware of problems. If you don't see something on the list and you have any question about it, please email us 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.

### Assets

Valuation (NAV) for 04/08/2018

Asset	Quantity	Unit Cost	Current Price	Market Value	Market Value %	Market Value % of Total
Equipeer Technology Solutions Corp. (EQ)	100,000	\$0.00	\$1.00	\$1,000.00	0.01%	0.01%
Pacific Bancshares Bancshares Inc. (PAC)	100,000	\$0.00	\$1.00	\$1,000.00	0.01%	0.01%
United Therapeutics Inc. (UTH)	100,000	\$0.00	\$1.00	\$1,000.00	0.01%	0.01%
...	...	...	...	...	...	...
<b>Cash</b>				<b>48,942.96</b>		
<b>Total Assets</b>				<b>48,942.96</b>		

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.

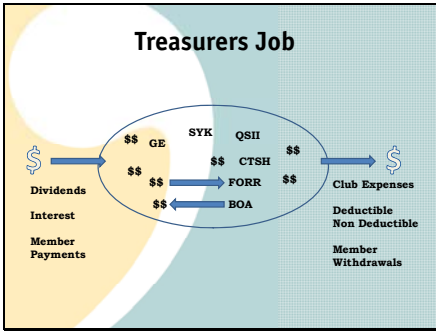
### Where Your Club Assets "Live"

Accounting Administration Communications Accounts Investments Members Reports Taxes

Account Summary for 04/08/2018

Name	Last Updated	Cash Balance	Actions
Cash	04/08/2018	399.00	[View] [Edit]
...	...	...	...
<b>Total Assets</b>		<b>399.00</b>	

Your club assets may "live" in several different places. You will see any accounts you have listed on the Accounts page. In order to be able to reconcile your accounts each month, transactions are tracked 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 part of one pool of assets. No matter what account they "live" 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. Each 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 checking and 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.



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.

These transactions will include income such as

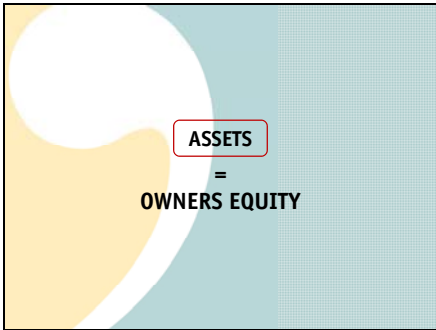
dividends and

interest coming into your club from your investments.

Cash will also come in as you make your regular contributions.

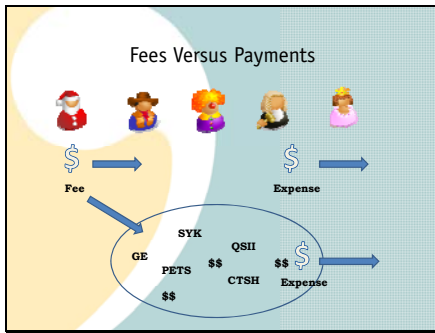
As part of your investing activities, cash will be used to buy stock. Cash will be received from selling stock.

Every so often, you will pay for an expense related to having your club and managing your portfolio or a member will want to withdraw some of his assets.



There is no distinction between money your members contribute for investing and money contributed for expenses. Deductible and Non Deductible expenses are paid out of your club assets as are member withdrawals.

All changes in clubs assets determine your club investment return.



Sometimes clubs want to keep expense money “Separate” from investing money. It is fine to keep some of your cash uninvested if you know you have an expense coming up that you want to use it to pay. Any cash you have available can be used for either investing or paying expenses. You do not record member contributions differently if they will be used to pay club expenses rather than invest. There used to be a method in club accounting where member deposits could be recorded as something called “Fees” Fees were contributions by members that did not purchase units. This has been restricted to being used only when a penalty against a member is being assessed. There are two reasons for this.

First, there was a common misunderstanding that “fees” and whatever expenses they were used to pay were somehow kept separate from the investing pool.

This is not the case. Any deposits recorded in your club accounting become part of your club assets.

Any expenses recorded affect your portfolio return.



Asking them to record member payments differently if they will be budgeted to use for expenses-cont.

	25%	20%	25%	20%	10%
Deposit- S Member Fees @ \$40=\$200	50	40	50	40	20
Tax Allocation- Deductible Club Expense \$200	50	40	50	40	20

The second problem with Fees is that they affect member ownership differently than people think. A member deposit recorded as a "Fee" goes into the general club assets and increases the value of each members share of the club based on their ownership percentage.

Suppose you have 5 members in your club with these ownership percentages

and you have an upcoming expense for \$200. You ask each person to contribute \$40 toward that expense and you record it as a fee.

This is actually the way the money will be divided up between the members.

While each person has contributed the same "Fee", they do not experience the same change in value of their share of the club.

Nor are they are they allocated the same amount of the deduction for the Expense. Santa has contributed \$40 but will be able to take a \$50 deduction for the expense. Queen has also contributed \$40 but she will only be able to take a \$20 deduction for the expense.

If you had recorded these contributions as payments, this problem would not exist. Each person would receive the full credit for the amount they'd contributed to their account. There is no reason to deposit money differently just because it is being used to pay expenses. Record all member contributions as payments so that each member's club ownership is correctly adjusted.

Transactions

11/15/2018	Account Sync	QUALIFIED DIVIDEND	50.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	1.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	5.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	10.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	15.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	20.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	25.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	30.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	35.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	40.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	45.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	50.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	55.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	60.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	65.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	70.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	75.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	80.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	85.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	90.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	95.00	5,100.00	0.00
11/15/2018	Account Sync	QUALIFIED DIVIDEND	100.00	5,100.00	0.00

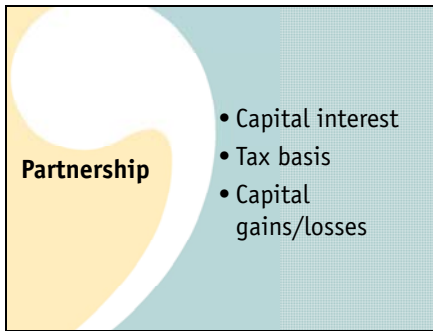
All your club's transactions pertaining to your club assets need to be recorded in the account they occur in either automatically by AccountSync or manually by your treasurer. It is very important that they be recorded on the correct dates and that your records be kept up to date. It is also important 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.

ASSETS  
=  
OWNERS EQUITY

So that's what's important to know in terms of the Assets side of your record keeping.

There are also important things to understand about how your club ownership is tracked.





As a member of a partnership,

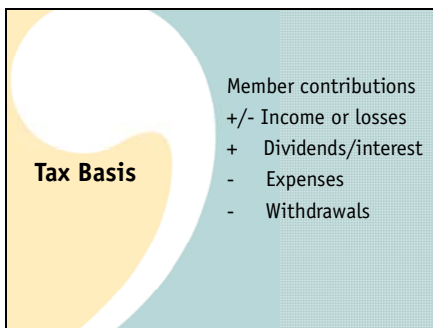
you have a capital interest in a business. There are similarities between this and the ownership interest you have in a corporation when you own stock. There are special tax rules that apply when funds are put into your club and when funds are taken out.

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 the information about 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.



Your tax basis 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 you've 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: 05/15/2014 Show Payments Since: 04/15/2011 Generate

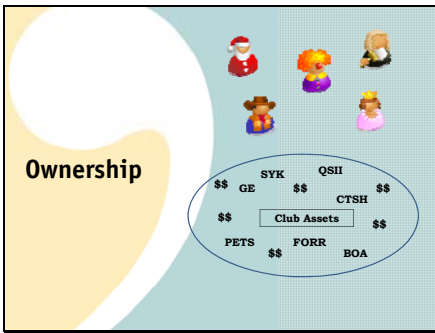
\*Using prices from market close for 05/15/2014

Name	Paid Since 04/15/2011	Total Paid	Tax Basis 04/15/2011	Units Since 04/15/2011	Units	Market Value	Percent
Eight, Member	75.13	760.56	780.53	1,571,242	68,048801	645.65	15.7%
Eleven, Member	25.00	326.00	346.01	1,267,752	55,575843	588.94	14.6%
Five, Member	0.00	476.96	495.32	0.000000	46,000000	451.76	10.8%
Four, Member	0.00	358.91	364.92	0.000000	35,313373	489.33	8.1%
Frederick, Laifu	25.03	590.63	611.23	1,868,054	58,533460	778.40	12.0%
Seven, Member	23.16	601.30	623.77	1,674,136	50,048074	787.91	13.1%
Six, Member	25.05	633.00	670.78	1,861,138	51,863382	720.73	12.0%
Two, Member	25.02	550.40	570.21	1,867,793	51,833028	705.30	12.0%
Two, Member	25.11	200.77	205.00	1,899,988	18,744453	232.28	3.9%
	225.52	4,408.15	4,773.25	16,782,091	432,859578	6,815.31	100.0%

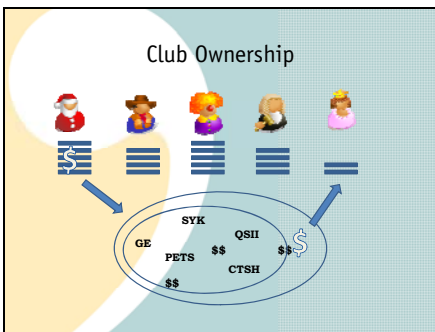
You can find out what your

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 and the

Current market value of your share of the club shown in this column.



To determine how to report your share of taxes and keep your tax basis accurate, we need to allocate income and expenses to each member. To do this, we need to keep track of your ownership percentage. Club members do not own a specific percentage of each of the individual assets of the club, they own a percentage of the total assets.



We account for your ownership using shares or units. Owning units is just like owning shares in a mutual fund. Each time you contribute money to your club you purchase units,

if you'd like to take some money out, you redeem units. 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 valuation report I showed you earlier.

The reason we track ownership using units is that bivio is designed to track unequal ownership. This gives you the greatest flexibility to have an investment club even if everyone has not or cannot contribute the same amount at the same time.

Each members percent of ownership is based on the number of units they own. The total value of their share on any day can be determined by multiplying the number of units they own by that days unit value.

Accounting > Members

bivio

Accounting Administration Communications  
Accounts Investments Members Reports Taxes

Member Summary for 04/01/2010

Name	Units	Market Value	Percent	Actions
Investment	44,083,370	720.52	1.0%	payments, no, transactions
MEMBER VALUE	570,848,825	8,360.27	100.0%	payments, no, transactions
Due	348,953,992	6,524.47	77.0%	payments, no, transactions
Dividends	292,402,991	4,860.11	5.9%	payments, no, transactions
Expenses	203,020,820	4,012.76	48.0%	payments, no, transactions
Other	591,492,218	10,390.25	123.0%	payments, no, transactions
Other	721,428,226	13,026.68	155.0%	payments, no, transactions
	2,879,213,618	46,942.96	560.0%	

One unit = \$17.25010

To properly account for this, member contributions and withdrawals are recorded a little differently than any other type of deposit or expense. They are recorded as

### Payments and

Withdrawals using forms you can access from the members screen. After you fill them in, we do the accounting to add or subtract the appropriate number of units to your account and to adjust your tax basis correctly.

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: The date the payments were deposited into the account.

Transaction Date: 05/05/2011

Member Valuation Date: Clubs typically choose one day per month as their Valuation Date, the date to convert member payments into club units, the same used over the fund's 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 use a different valuation method, you can specify the day the valuation occurs.

Member Valuation Date: 05/05/2011

Account: The account ID# which the payments were deposited.

Account: Fido Investing

Remarks: 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. Click

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

When your investments earn income it is divided up by the number of units and you are allocated your portion based on the number of units you own on the date the income is received. Ownership percentages may change every time 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.

**Individual Expenses**

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

Investment club accounting is designed to account for expenses that apply to all the members of the club and that can be shared either in proportion to each members ownership percentage or in an equal dollar amount by each member. It is not designed to account for expenses that do not apply to the entire club. We call these Individual expenses. Here are some examples of them:

**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

**Stock Analysis Software tools**-Again, unless your club feels this is a club expense that your club should use club funds to purchase for each member, this is an individual expense. If individuals want individual copies, they should purchase it for themselves directly. You should not purchase it from club accounts.

**Educational Materials for One members personal library**

**Individual share of club dinner**-unless you are dividing up a dinner tab based on member percentage ownership or equally between everyone, don't pay it with a club check or from a club account. There is no easy way to try and allocate the costs in any other way to individual members.

**Individual Expenses**

**NO BENEFIT**

Don't worry, there is

no benefit to paying these types of expenses from your club accounts. If you do so, you will only make your treasurers job harder for no reason. To keep things simple, have individuals pay expenses directly that only apply to them.

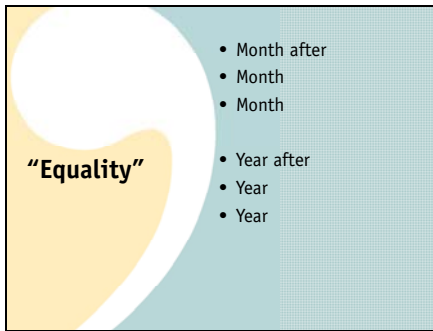
**Allocating Income and Expenses**

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

Member	Ownership	Qualified Investment Interest	Interest	Short Term Capital Gain	Long Term Capital Gain	Net Capital Gain	Net Profit
Investment	0.00	2.02	0.00	0.00	(2,612)	0.00	0.00
Member 1	0.12	26.24	0.04	202.00	(205.00)	(3.00)	(202.00)
Doc	0.07	47.81	0.09	(24.47)	(207.45)	(15.90)	(109.54)
Dianna	0.04	25.24	0.07	(2.46)	80.23	77.76	(94.20)
Grange	0.06	41.23	0.07	(22.77)	(213.62)	(15.82)	(109.91)
Harriet	0.04	25.48	0.04	206.61	(204.00)	(2.40)	(272.00)
Henry	0.10	114.08	0.10	(105.51)	(208.74)	(104.23)	(109.21)
<b>Total</b>	<b>0.62</b>	<b>411.55</b>	<b>0.33</b>	<b>(208.74)</b>	<b>(1,145.11)</b>	<b>(336.80)</b>	<b>(1,116.96)</b>

At the end of the year, each members income and expense allocations are tallied up and used to prepare the K-1 tax forms they will receive. As described earlier, K-1's tell you the taxable amounts you need to report and pay taxes on on your personal taxes. Your tax basis in the club is also adjusted by these amounts.

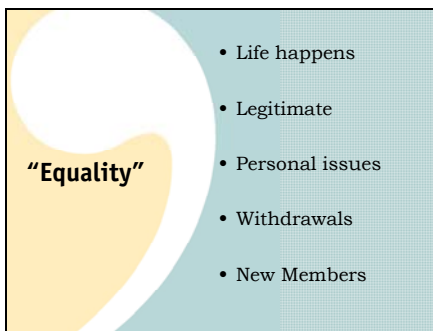
The amount each member is allocated is shown on the Member Tax allocations report



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. Just as with a mutual fund, the number of shares you own will depend on the amount of money you contribute and the price of a share on the date you make your contribution. If I own more shares than you do, I will receive a greater total amount of income. This makes sense. It is inevitable that different club members will own different numbers of units. An investment partnership is a long term undertaking. 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,

Life Happens

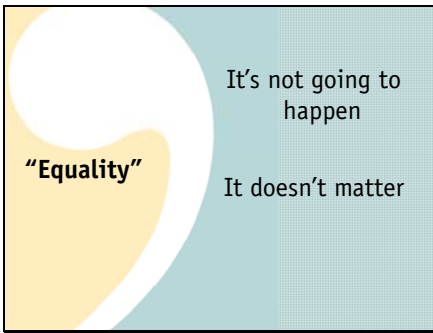
People miss payments for legitimate reasons

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

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

People may want to join your club

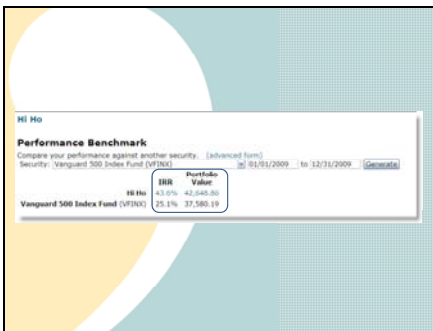
It doesn't make sense to make members leave your club or not allow new members to join if they will actively participate but are unable to have quite the same monetary stake as other members.



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

That equal ownership is just not going to happen.

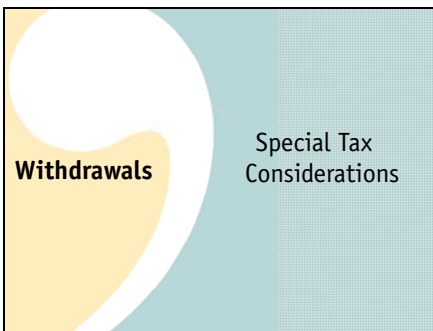
But the good news is that it doesn't matter. Your club accounting is designed to account for everyone's percentage of ownership accurately. If your treasurer is reconciling the books correctly each month, you can be sure your ownership is being tracked properly and you are being allocated the same amount 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 will benefit equally based on the number of units you own and the dates that you made contributions to the club. You are a group working together to learn to manage a mutual fund. The fund doesn't care who owns what.

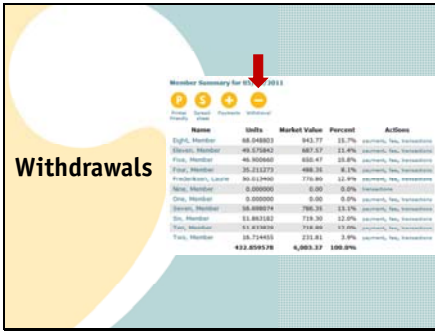
What matters is that each member is committed to participating in the group both monetarily and by providing research and education, not that each person owns exactly the same share of the club.



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.

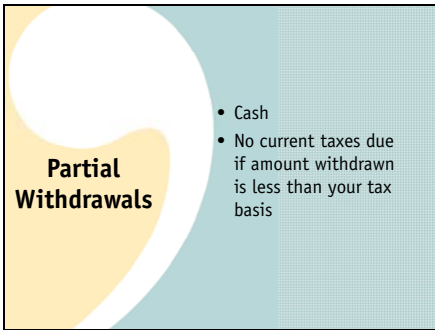
But, there are cases where you or another club member might need to make a withdrawal so it is interesting to understand how they work.





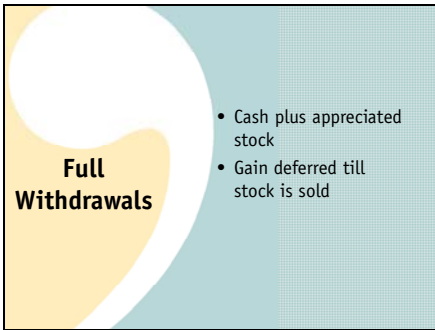
First, you need to understand that there is more you need to do when someone withdraws than just look at what their account is worth and write them a check. This is a business you are withdrawing money from and there is a lot of accounting we need to do to update your records correctly and prepare your 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 enter the withdrawal entry using a special withdrawal form.

You'll find it by selecting the withdraw button on the Accounting>Members page. We'll take the information you enter and adjust your club records correctly. We'll be discussing entering withdrawals in more depth in our treasurers training session later this month. 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.



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.

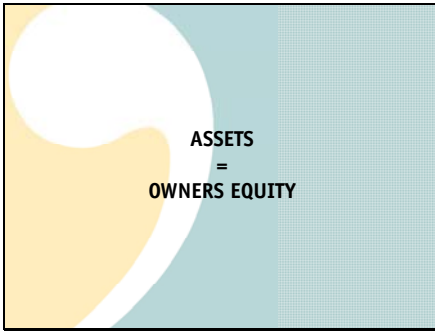


If you are paid for a complete withdrawal using cash plus appreciated stock,

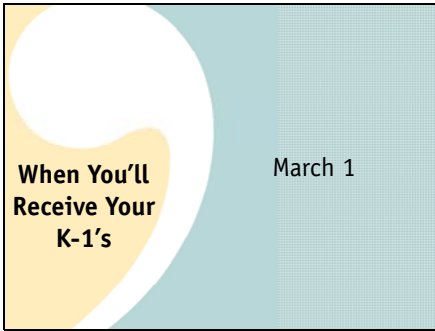
any gain you might need to report on the amount you receive will be deferred until you sell the stock. The basis in the stock you receive will be your tax basis in the club minus the amount of any cash you receive with the stock.

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 investments, perhaps to a point in time when you have some capital losses to use to offset them. If you never sold the stock, and it continued to show a gain when you died, your gain would never be taxed. The basis would step up to fair market value for the people that inherited it.



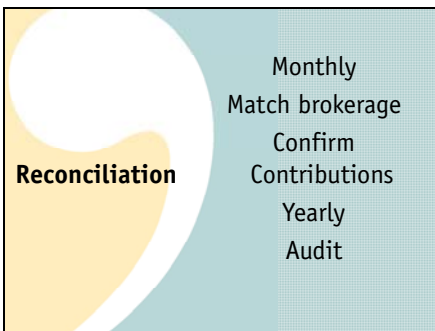


So those are some basics all the members of your club should understand about your club accounting. There are just a couple of other things to know about your finances.



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 the 1099 forms from your financial institutions.

Financial institutions have until February 15 to send them to your treasurer. You'll probably find that a reasonable date to expect the filled in forms from your treasurer is March 1.



As we've discussed, 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)

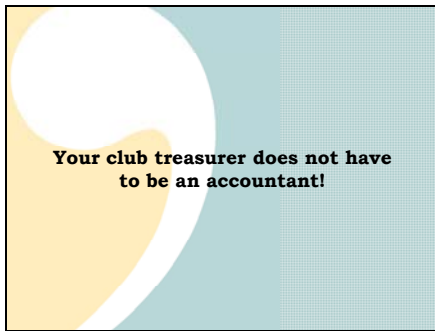
that your club records match the records from your brokerage.

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

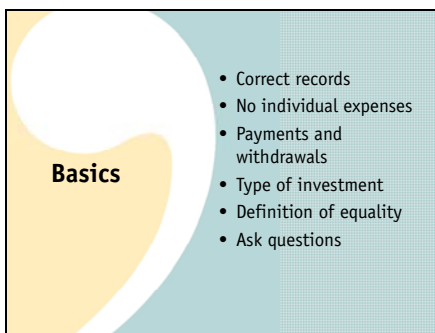
In addition, you should plan to do a yearly

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

Mistakes that affect taxes are usually easy to fix before taxes are filed. But things can become very difficult after that. It is in everyones best interest that members other than the treasurer are keeping an eye on the accuracy of your club records.



In summary, if all the members of your club have a basic understanding of your club finances your club treasurer does not have to be an accountant. In fact, your club accounting should be very simple and anyone should be able to do it. As we've been discussing, it is a little different than what people may expect or be used to. The only time it becomes difficult is when club members who don't have a basic understanding of things try and get their treasurers to do things that create problems. 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 reasoning behind it. Any club member should feel free to email us at [support@bivio.com](mailto:support@bivio.com) with any questions. We're glad to help clarify things for not only your treasurer but for any other member of your club.



Just to summarize the basics

Verify your records- this can't be stressed enough. 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.

Only use your club financial accounts for investment related transactions that apply to all club members

Record all member Contributions as payments and payouts 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. But let go of the need for everyone to own the same percentage of the club.

Ask us at [support@bivio.com](mailto: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.