

BEAR VALLEY MOUNTAIN COOPERATIVE 2, INCORPORATED  
DISCLOSURE DOCUMENT FOR  
PROSPECTIVE MEMBERSHIP PURCHASES

Effective Date:

The information contained in this disclosure document is accurate and correct as of 18 November 2018.

The Company:

Bear Valley Mountain Cooperative 2, Incorporated (“BVMC2,” “Cooperative” or “Co-op”) is a California consumer cooperative corporation pursuant to Title 1, Division 3, Part 2 of the California Corporations Code. It is organized and operated under California Corporations Code Sections 12200 and following, with office and mailing address of PO Box 5356 Bear Valley, California, 95223.

The Co-op is the successor in interest to consumer cooperative Bear Valley Mountain Cooperative, Incorporated (“BVMC”), formed in 2014 to purchase the ski area. BVMC was organized originally to obtain 501(c)(4) status as a social welfare non-profit. When Skyline won the bid for the mountain and BVMC signed the “collaboration agreement”, the IRS deemed that BVMC was a 501(c)(7) non-profit, a social club.

BVMC’s tax status has been a non-issue for the last 3 years, as it has preserved its capital and searched for ways to achieve its mission to move Bear Valley forward. However, upon performing due diligence in connection with the planned Adventure Company purchase, it was discovered that neither (c)(7) nor (c)(4) non-profit status are achievable. The tax code strictly limits what non-profits can and cannot do, and there is no one non-profit status that allows BVMC to pursue the projects identified by it or the business model which is necessary to effectuate BVMC’s goals. To move forward, BVMC needed to change its tax status to “for profit”. While remaining a consumer cooperative under California law, the IRS requires that a new entity be formed. Therefore, this entity, Bear Valley Mountain Cooperative 2, has been formed to be the successor in interest to BVMC. Each member of BVMC will get one share in the new entity, BVMC2, upon which BVMC will be

liquidated. There is no action required by members. The BVMC2 Articles of Incorporation and Bylaws, along with this updated member disclosure document are posted on the Co-op's website, [www.bvmcoop.org](http://www.bvmcoop.org), or may be received without charge by mail or email to any Member or prospective Member upon written request made to: [info@bvmcoop.org](mailto:info@bvmcoop.org). Additionally, requests for information from the Co-op regarding any of the matters set forth in this Disclosure should be directed to: [info@bvmcoop.org](mailto:info@bvmcoop.org) or any of the Member Directors listed below and on the BVMC website.

Like BVMC, the Co-op was formed by members of the Bear Valley community with the mission to preserve the unique characteristics of Bear Valley Mountain through community leadership and ownership. The Co-op believes that recreation in the greater Bear Valley area is inextricably linked to the economic vitality of Bear Valley Village and the surrounding Ebbetts Pass communities.

#### The Cooperative's Vision:

To provide safe and enjoyable year-round recreation in many modes to enthusiasts and their families, including but not limited to the following:

- Winter – Skiing, Snowboarding, and Snowmobiling, Ice-skating
- Summer - Mountain biking, Hiking, Road Cycling, Camps, and Events, Live Music, Kayaking and Paddle-boarding

The Co-op is exploring such projects with four goals in mind:

- (i) to complete the planned acquisition of and sustainably operate the Bear Valley Adventure Company ("BVAC"), reinvesting profits in BVAC operations and Bear Valley area improvements, and new opportunities;
- (ii) to design & build a recreation-oriented pavilion & clubhouse in Bear Valley Village;
- (iii) to collaborate with Skyline BV on ski area improvements which include the goal of a community-funded village lift project; and

- (iv) to promote the development of Bear Valley Village as an attractive destination for members of the community seeking to engage in outdoor recreation activities available in the area.

Future investments made by the Co-op will be subject to prior approval by Co-op Members in accordance with the Co-op's Bylaws and Financial Management Policy. Although no such agreement has been executed, it is anticipated that Co-op Members would be provided with certain benefits at any Co-op facility or enterprise in or around Bear Valley.

#### Membership:

Becoming a Member is voluntary and is available to any person at least 18 years of age who desires to further the community recreational purpose of the Co-op as described herein and either whose one share of Membership is converted from BVMC, or whose application is accepted by the Co-op's Board of Directors or Membership Committee, and who purchases one Membership share.

#### Risk Factors:

The Co-op is a corporation and, as such, protects owners from personal liability for obligations of the Co-op. Members' risks are therefore limited to the amount of their respective investments. The Membership Shares are not subject to any capital call or other feature that would under any circumstances require Members to invest additional moneys. Investments in the Co-op may not be suitable for all investors. Purchases of Membership Shares in the Co-op are not suitable for anyone who needs or expects a return on their investment beyond the value of community-oriented participation in preserving and improving Bear Valley as a recreational destination, or who cannot withstand a total loss of investment.

In particular, the Co-op's current Bylaws prevent it from declaring dividends or providing any return to Members except in the case of patronage benefits and liquidation. The Co-op has imposed restrictions upon the transfer of Memberships. Specifically, except as may be otherwise approved by the Board of Directors, Membership Shares are not transferable to anyone except back to the Co-op. Membership

Shares may be redeemed, only upon the condition that funds are available in accordance with the Co-op's Bylaws and total redemptions are fewer than five percent (5%) of total outstanding Shares for the relevant fiscal year.

As a property owner, there is a risk that the Co-op will be liable for property taxes and insurance. The Co-op intends to be both the property owner at BVAC and the property or asset owner at BVMC Pavilion, but may not be the managing operator of either business in which case it would not be liable for operating expenses associated with those ventures. There is a risk that the Co-op will at some point sell the BVAC property or the BVMC Pavilion, which would result in whatever reimbursement to the Co-op or its Members is provided for in the agreement to be entered into with management, and may result in a loss of privileges at any such sold property. Additionally, a Member wishing to redeem Shares back to the Co-op would run a risk that the Co-op would lack sufficient funds to redeem all Shares tendered, particularly in light of the fact that the Co-op intends to have no operations that would yield net earnings for such purpose and thus would rely on retained funds and continued sales of Membership Shares. As with all business ventures, the risk exists that the Co-op's operations will fail resulting in complete loss of each Member's Shares. In general, the risk factors outlined above may diminish the value of the Membership Shares or, in extreme instances, extinguish the value of them.

#### Offering Price Factors:

Membership Shares are purchased for a price of \$2,500.00 per share. The offering price was arrived at taking into consideration the varied economic circumstances of the Members of the broader community of people and businesses who may wish to support Bear Valley as an outdoor recreational resort, including residents and businesses in the village, in the Highway 4 corridor, and in the nearby regions of northern California. Additionally, the Share price reflects the Board of Directors' belief that the requisite number of Shares can be sold at that price in order to raise sufficient capital for the Co-op's objectives. The BVMC Board of Directors reserves the right to adjust the share price in the future if economic conditions dictate.

The BVMC has adopted a one Member = one share = one vote principle, and encourages families to purchase a share for each adult family Member. Individual shareholders who wish to purchase more than one share in their name, can support the co-op through a bear note. Each note is \$2,500. The note pays interest at 4% per year, with the interest paid as a credit to businesses associated with the Co-op including BVAC, the BVMC Pavilion and Skyline Resort. The BVMC Board of Directors reserves the right to amend these terms if changes in the economic landscape so dictate.

#### Use of Proceeds:

The Board will use Co-op capital to pursue the missions of the Co-op, including as described herein, turning to Members for specific approval for investments greater than \$500,000. Should the Board ever feel that Member capital exceeds the Co-op opportunities present, Members' capital will be returned at the appropriate net Share value. Until the closing of the purchase of the Adventure Company business or other Co-op investment, all proceeds of sales of Membership Shares will be held in an escrow or other separate account and will not be withdrawn or used for any purpose except toward a project otherwise authorized pursuant to the Bylaws.

#### Capitalization:

The minimum capitalization of the Co-op is \$1.0 Million (400 Shares). The Co-op plans to continue to offer Membership Shares for sale continuously and indefinitely into the future. In addition, and as necessary, the Co-op may obtain loans for additional capital, and may assume one or more loans as part of the purchase price of the above-described assets.

#### Description of Securities:

MEMBERSHIP SHARES MAY BE OFFERED, SOLD AND HELD ONLY BY RESIDENTS OF THE STATE OF CALIFORNIA. THE MEMBERSHIP SHARES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES OR BLUE SKY LAWS OF ANY STATE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION

NOR ANY STATE OR FOREIGN REGULATORY AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE DOCUMENT OR ENDORSED THE MERITS OF THIS OFFERING. PURSUANT TO THE BYLAWS OF THE BEAR VALLEY MOUNTAIN COOPERATIVE, INC., THE MEMBERSHIP SHARES MAY NOT BE OFFERED, SOLD OR TRANSFERRED TO ANY PERSON OR ENTITY EXCEPT TO THE BEAR VALLEY MOUNTAIN COOPERATIVE, INC. ANY ATTEMPTED TRANSFER TO ANY OTHER INDIVIDUAL OR ENTITY IS NULL AND VOID. THE MEMBERSHIP SHARES WILL NOT EARN DIVIDENDS OR SIMILAR DISTRIBUTIONS, AND ARE ENTITLED ONLY TO DISTRIBUTION, PRO RATA PER SHARE, OF ANY NET PROCEEDS FROM ANY SALE AND LIQUIDATION OF THE CO-OP. EACH MEMBER OF THE CO-OP IS ENTITLED TO ONLY ONE VOTE ON ANY MATTER, REGARDLESS OF THE NUMBER OF SHARES HELD BY ANY MEMBER.

The Membership Shares, and all rights and responsibilities pertaining to such Shares, are described more fully in the Bylaws of the Co-op, which are available on the Co-op's web site [www.oop.org](http://www.oop.org). The authorized Shares are issued in one class: individual Membership Shares. Upon purchase of a share, Members can opt to pay in full with a one-time payment of \$2,500 or to agree to a three (3) year payment plan (\$100 down payment and 36 monthly payments of \$70 which includes \$120 of interest). Each Member's Shares shall be accounted for on the Member registry of the Co-op; no certificates of Membership shall be issued to any Member.

The holder of each Membership Share is expected to be entitled to certain benefits that would include the following:

- Each Member can vote in annual elections for the Board of Directors and special elections on major issues. A Member may run to serve on the Board of Directors. Each Member has one equal vote.
- Subject to change by the Board or by a vote of Members, each Member in good standing is expected to be entitled to various benefits to be determined by each Co-op project
- Each Member who purchased a share by July 31st, 2014, will have

his or her name added to the Co-Op's Charter Member Plaque displayed prominently at the BVAC.

For more details, please see the description of benefits at the Co-op's web site at [www.bvmcoop.org](http://www.bvmcoop.org).

#### Plan of Distribution:

The Board of Directors has authorized the issuance and sale of up to 5,000 Membership Shares. The Board may also in the future authorize the issuance and sale of additional Shares depending upon the capital needs of the Co-op. The Co-op intends to offer Membership Shares continuously and indefinitely to raise as much capital as possible as permitted by the Articles and applicable law, subject to corresponding updates to the Co-op's investment disclosures. Proceeds from sales of Membership Shares will be held in escrow or similar separate account until invested in furtherance of the Co-op's goals as discussed herein.

#### Dividends, Distributions and Redemptions:

As stated in the Co-op's Bylaws, Membership Shares will not earn cash dividends or similar returns or distributions, except in the case of liquidation. The Co-op may create a patronage refund policy whereby patronage refunds are credited to a designated patronage fund on behalf of the patron Member. The Board may also designate benefits available to all Members throughout the recreational facilities to which the Cooperative has such rights.

Redemptions are subject to certain restrictions including a Membership Share redemption maximum of five percent (5%) of the outstanding Shares during any one year and adequate cash capital reserves to pay redeeming Members in order of notice of termination of Membership. The Co-op's Bylaws contain additional information regarding dividends, distribution and redemptions.

#### Officers and Key Personnel of the Company:

The Board of Directors (see below) has appointed the following officers of the Co-op:

Steve Troyer, President  
Peter Wolcott, Treasurer  
Kirk Mountain, Secretary

In addition, the Board of Directors intends to retain Paul Petersen as a Director and paid consultant for the Adventure Company operating entity to oversee the acquisition of the Adventure Company and related operational activities.

Directors of the Company:

The Board of Directors, appointed by the sole incorporator of the Co-op, are the same as for BVMC: Steve Troyer, Peter Wolcott, Todd Miller, Kimi Johnson, Kirk Mountain, Peter Duncan, and one open position. The Members will continue to elect a Board of Directors in accordance with the Bylaws of the Co-op, which provide for six (6) elected Member directors (“Member Directors”) and one nonmember director (“Nonmember Director”) who must also be approved by the Board of Directors. Directors will be elected for a staggered term whose length is determined according to the percentage of votes each elected Board member receives with the Directors receiving larger percentages of votes serving for longer initial terms. Vacancies occurring prior to the expiration of a Director’s term may be filled by appointment by the Board to complete the unexpired term of the departing Director. The Bylaws prevent any Member serving on the Board from being compensated or obtaining remuneration of any kind from the Co-op, except for reimbursement for reasonable expenses incurred in connection with a that Director’s service on behalf of the Board.

Federal Tax Aspects:

Purchases of Membership Shares, and contributions to the Co-op, are not tax deductible under federal or state income tax laws. Each individual and business considering the purchase of Membership should obtain individualized tax advice.