Berrett–Koehler Publishers

Connecting people and ideas

to create a world that works for all

OFFERING MEMORANDUM

October 14, 2020

THE BERRETT-KOEHLER GROUP, INC.

A California Corporation

Up to 89,166 Shares of Series B Preferred Stock (the “Shares”)
Purchase Price: $12.00 per Share
Total Offering: Up to $1,070,000

INVESTMENT IN SMALL BUSINESSES INVOLVES A HIGH DEGREE OF RISK, AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. SEE PART II FOR THE RISK FACTORS THAT MANAGEMENT BELIEVES PRESENT THE MOST SUBSTANTIAL RISKS TO AN INVESTOR IN THIS OFFERING.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED OR APPROVED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THESE AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION DOES NOT PASS UPON THE MERITS OF OR GIVE ITS APPROVAL TO ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE COMMISSION.

This Offering is being made to both accredited investors and non-accredited investors who are aligned with Berrett-Koehler’s mission, purposes, and steward-ownership as described in this Offering Memorandum.

Transfer of the Shares is restricted (see “Limited Transferability and Liquidity of Shares” in Section II, “RISK FACTORS”).

The Berrett-Koehler Group, Inc.
1333 Broadway, Suite 1000
Oakland, CA 94612
(510) 817-2277

POTENTIAL INVESTORS SHOULD NOTE:

The Shares are speculative and involve a high degree of risk. See “Risk Factors” at pages 11 to 16. Investors must be prepared to bear the economic risk of this investment for an indefinite period and be able to withstand a total loss of their investment. The Shares are subject to restrictions on transfer and resale and may not be transferred or resold without the Company’s consent and only as permitted under the Securities Act of 1933 and applicable state securities laws, pursuant to registration thereunder or exemption therefrom.

This Offering Memorandum (this "Offering Memorandum") does not constitute an offer to sell to, or a solicitation of an offer to buy from, anyone in any state or in any other jurisdiction in which such an offer or solicitation is not authorized. Except as otherwise indicated, this Offering Memorandum speaks as of the date hereof. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Company after the date hereof.

This Offering Memorandum does not purport to be all-inclusive or to contain all information that a prospective investor may desire in investigating the Company. Prospective investors must rely on their own examination of the Company and the terms of the offering, including the merits and risks involved in investing in the Shares. The contents of this Offering Memorandum should not be construed by prospective investors as investment, tax, or legal advice. Prior to making an investment decision regarding the securities, prospective investors should carefully review and consider this entire Offering Memorandum, the Exhibits and any amendments or supplements provided by the Company and consult their own counsel, accountants, and other advisors to the extent such prospective investors deem necessary.

TABLE OF CONTENTS

I. SUMMARY OF THE OFFERING 4
II. RISK FACTORS 12
III. DESCRIPTION OF BUSINESS 19
IV. USE OF PROCEEDS 24
V. CAPITAL STRUCTURE OF COMPANY 25
VI. DESCRIPTION OF THE SHARES 26
VII. PLAN OF DISTRIBUTION 30
VIII. MANAGEMENT AND PRINCIPAL SHAREHOLDERS 32
IX. FEDERAL TAX CONSIDERATIONS 33
X. FINANCIAL STATEMENTS 35
XI. MANAGEMENT'S DISCUSSION AND ANALYSIS 36
XII. HOW TO INVEST 38
XIII. EXHIBITS 39

EXHIBIT A: STOCK PURCHASE AGREEMENT
EXHIBIT B: AMENDED AND RESTATED ARTICLES
EXHIBIT C: OFFICER AND DIRECTOR INFORMATION
EXHIBIT D: FINANCIAL STATEMENTS THROUGH 06/30/20
EXHIBIT E: BERRETT-KOEHLER GROWTH PLANS
EXHIBIT F: 2019 BENEFIT REPORT
EXHIBIT G: SUMMER/FALL 2020 BERRETT-KOEHLER CATALOG
EXHIBIT H: USE OF PROCEEDS TABLE

THIS OFFERING MEMORANDUM CONTAINS ALL OF THE REPRESENTATIONS BY THE COMPANY CONCERNING THIS OFFERING, AND NO PERSON SHALL MAKE DIFFERENT OR BROADER

STATEMENTS THAN THOSE CONTAINED HEREIN. INVESTORS ARE CAUTIONED NOT TO RELY UPON ANY INFORMATION NOT EXPRESSLY SET FORTH IN THIS OFFERING MEMORANDUM.

I. SUMMARY OF THE OFFERING

The following information is a summary of only some of the information contained in this Offering Memorandum ("Offering Memorandum") and is qualified in its entirety by reference to the remainder of this Offering Memorandum, including the Amended and Restated Articles of Incorporation of the Company (the "Articles of Incorporation"), and the Stock Purchase Agreement, which are Exhibits to this Offering Memorandum.

The Company
The Berrett-Koehler Group, Inc. (the "Company" or "Berrett-Koehler" or "BK"), is a California Benefit Corporation that was formed on November 10, 1998, and that acquired complete ownership of Berrett-Koehler Publishers, Inc., which was formed on January 8, 1992. Its principal office is located at 1333 Broadway, Suite 1000, Oakland, CA 94612. Its phone number is (510) 817-2277. The Company's fiscal year ends on December 31 of each year. The people at the Company to contact regarding the Offering are David Marshall, CEO and CFO, who can be reached at dmarshall@bkpub.com, and Steven Piersanti, founder and senior editor, who can be reached at spiersanti@bkpub.com.

The Berrett-Koehler Group, Inc., is a parent or holding company with one wholly owned subsidiary: Berrett-Koehler Publishers, Inc., a California corporation. Both the parent and the subsidiary became California Benefit Corporations in October 2015.

The Investment Opportunity
Berrett-Koehler is one of the leading independent book publishers in the US, with global reach and global impact. Berrett-Koehler was recently named the Independent Publisher of the Year by *Foreword Reviews* magazine, which is the leading award for independent publishers. Berrett-Koehler was the first book publisher in the world to be both a certified B Corp and a Benefit Corporation. BK has also received many other honors.

Berrett-Koehler offers an investment opportunity that the company believes has extraordinary impact potential both because the company itself is a pioneer in groundbreaking steward-ownership practices—a model for others—and because the company's products are leading many shifts around the world toward more equitable, open, participative, and sustainable organizational and societal structures.

Among BK's groundbreaking steward-ownership and steward-leadership practices are:

- Being guided by the profound mission of "*Connecting People and Ideas to Create a World That Works for All.*"

- Establishing the Berrett-Koehler Constitution to enshrine the BK values of *Stewardship, Partnership, Quality, Inclusion,* and *Sustainability* and help the company live the values.

- Using the rigorous B Corp certification regimen and Benefit Corporation legal status to help protect the mission and purpose of the company and magnify its impact.

- BK is also pursuing the formation of the Berrett-Koehler Perpetual Purpose Trust ("PPT") to be a mission-based, steward owner of a portion of BK's Common Stock; the formation of this Perpetual Purpose Trust is intended to provide additional protection for the company's mission, values, and independence, as the PPT will not be focused on an exit strategy and will instead support preserving BK's mission, values, and independence into the future.

- Establishing BK Authors, Inc., and the BK Foundation to deepen BK's partnering with authors and connecting with and serving local and global communities.

- Being owned principally by members of its stakeholder groups—including employees, authors, customers, service providers, suppliers, sales partners, the BK Foundation, and BK Authors, Inc.

- Using pioneering partnership and stewardship practices in leadership and governance.

- Achieving much more diversity than the publishing industry as a whole in its staff composition (including 28% persons of color) and author composition (including over 50% women and/or persons of color in authors of books published in 2018 and 2019).

Berrett-Koehler also publishes many of the most groundbreaking and influential publications—in print, digital, and audio formats—on a broad range of topics, including steward-ownership, economic justice, ethical leadership, socially responsible business, environmental stewardship, community engagement, change tools and methods, project management, participative management, societal transformation, personal transformation, impact investing, conflict resolution, and numerous other topics. These publications have directly influenced many tens of millions of readers around the world, and they have impacted hundreds of millions of people in the organizations and communities led and supported by readers of the publications.

The extraordinary impact on many fronts of Berrett-Koehler Publishers as a company and of its publications is described in the article "The Far-Reaching Impact of Berrett-Koehler Publishers."

Several factors enhance the value of this investment opportunity and help reduce its risk:

- Berrett-Koehler is a 28-year-old company that has survived and prospered during multiple transformations of its industry, as well as during multiple economic downturns, including the 2001 recession, the 2008-09 "great recession, and the 2020 pandemic. See COVID-19 Pandemic under RISK FACTORS.

- Berrett-Koehler has a history of steady growth, well-established organizational structures, and a record of consistent profitability. Berrett-Koehler was profitable for each of the 16 years through 2018. In 2019, the company incurred a loss, and the 2020 pandemic-related economic downturn provided a temporary setback for the company. A full audit of Berrett-Koehler's financial s was completed for each year through 2019. See Financials, Risk Factors and Management's Discussion and Analysis for more information on the company's response to the pandemic. (The most recent auditors' reports are attached as part of the financial statements attached as Exhibit D.)

- Berrett-Koehler has extensive assets that can keep generating substantial revenues and profit for years to come and can be further exploited, including a massive amount of intellectual property (over 700 publications and publication agreements) and over 4,000 subsidiary rights agreements (many of which continue to generate revenues year-after-year). It is important to note that many BK publications continue generating substantial revenues for 10, 20, or more years after they are published—and some of the Company's original publications from 20 to 28 years ago still generate large revenues—thus providing a foundation for future growth.

- Berrett-Koehler also has well-established pipelines that are continuously generating new intellectual property, well-established structures for converting new publication projects into salable products that will generate future revenues and profit, and well-established competencies for enhancing the mission-supporting impact of new publication projects.

BK's management believes that several factors strengthen the growth potential of the company. In each of the past two years Berrett-Koehler has made the list compiled by *Publishers Weekly* of the fastest-growing independent publishers. Furthermore, BK is in the midst of transitioning from a modest-growth book publishing business model to a faster-growth media enterprise model. BK is continuing to emphasize its legacy business of publishing resources that offer self-directed and organizationally sponsored lifelong learning content to support personal, organizational, and societal change. At the same time, it is becoming more digital-driven and data-driven in its product development, distribution, and marketing.

Examples of this transformation are BK's innovative audiobook, online training, and digital marketing initiatives. Over time, with the aid of the investment the Company is currently seeking, these new digital products and services may lead to higher revenue growth and increased profits. BK's management also believes that cost of goods will likely decline as a percentage of revenues as fewer products require printing, inventory, physical distribution, and retail carrying costs, presumably leading to higher profitability. Please see "Description of Business" and "Berrett-Koehler Growth Plans" (which is attached as Exhibit E) for more information.

The COVID-19 pandemic has caused a global economic slowdown, but the book industry has proven to be remarkably resilient to the kinds of downturns affecting other industries. It has also led to a resurgence in distance learning and online education, areas in which Berrett-Koehler has pioneered. For example, when the pandemic struck hard in late March, the company was launching a 10-day rebroadcast of our most successful online product to date, the Servant Leadership Online Training Summit. Many registrants reached out to us to thank us for providing high-quality training they could do at home to help justify their positions and avoid layoffs. Our Leadership for a Changing World Online Summit in September 2020 attracted over 27,000 registrants from over 150 countries. We see companies and individuals investing more in such online training offerings both during the pandemic and in a post-Covid world as this becomes a more mainstream way of delivering continuing adult education.

Purposes of this Offering

This Offering (as defined below) is intended to achieve several objectives:

- To help fund the "Berrett-Koehler Growth Plans" as described in the attached Exhibit E, with the majority of the capital raised from the Offering to be used for those purposes;

- To support the Company's steward-ownership, steward-leadership, and steward-governance, as described below;

- To provide additional working capital for ongoing BK operations and for funding limited stock buybacks to help support the Company's steward-ownership (with up to a maximum of one-third of the capital raised from the Offering (as defined below) used for stock buybacks).

Steward-ownership, steward-leadership, and steward-governance

One of Berrett-Koehler's commitments is to "Stewardship," which is defined as "operating the business always in the interests of all stakeholders as well as the global commons," and another commitment is to "Sustainability," which is defined as "keeping BK mission-driven, values-based, independent, and owned and operated by its stakeholders while raising efficiency and performance, building financial resources, reducing debt, and fairly compensating all stakeholders for their contributions to BK's success."

To support these commitments, the Company is further committed to *steward-ownership* (which means ownership designed to achieve the mission and purposes of the Company and benefit all stakeholders of the Company); to *steward-leadership* (which means that the Company's leaders act as stewards who serve the purposes of the whole Company and serve all of the Company's stakeholders rather than seeking to benefit the interests of the leaders themselves); and to *steward-governance* (which means that the Company's governance practices are aligned to serve the purposes of the whole Company and to serve all the Company's stakeholders rather than seeking to benefit the interests of the decision-makers themselves).

BK management believes that steward-ownership is better, in the long run, for companies, communities, nations, and the world than having ownership be principally a matter of absentee, transitory, or speculative investment. BK management similarly believes that steward-leadership and steward-governance produce higher organizational performance, over the long run, than traditional leadership and governance approaches. Accordingly, this Offering is intended to help further establish an ownership structure and capital base for Berrett-Koehler that will allow it to remain independently owned and operated, in order to preserve BK's distinctive mission, purposes, character, and values. See "Risk Factors."

Securities Offered (the "Offering")

The Company is conducting an offering of its Series B Preferred Stock (the "Offering") under Section 4(a)(6) of the Securities Act of 1933, as amended (the "Securities Act") and Regulation Crowdfunding promulgated thereunder. The Offering is made pursuant to the Form C, as amended, filed by the Company with the SEC (as defined below) in October 2020 (the "Form C") and this Offering Memorandum, which is included therein (the "Offering Memorandum"). The Company is offering to both accredited and non-accredited investors up to $1,070,000 of Series B Preferred Stock (each a "Share" and, collectively, the "Shares") at a price of $12.00 per Share (the "Purchase Price"). for up to 89,166 Shares sold in the Offering. Any person or entity who holds at least one Series B Share is referred to as a "Series B Shareholder." The Shares have the relative rights, preferences, privileges and priorities specified in the Amended and Restated Articles of Incorporation of the Company, as amended by Articles of Amendment adopted on July 30, 2020, copies of which are attached as Exhibit B (the "Restated Articles").

The minimum amount or target amount to be raised in the Offering is $200,000 (the "Target Offering Amount") and the maximum amount to be raised in the offering is $1,070,000 (the "Maximum Offering Amount"). Each investor must purchase a minimum of 100 shares, for a minimum individual investment of $1,200 unless a smaller purchase is approved by the Company in its discretion. The Company is offering the Shares to prospective investors through the Crowdfund Mainstreet crowdfunding portal (the "Portal"). The Portal is registered with the Securities and Exchange Commission (the "SEC"), as a funding portal and is a funding portal member of the Financial Industry Regulatory Authority. The Company will pay the Portal a commission equal 6% of gross monies raised in the Offering. Investors should carefully review the Form C and this accompanying Offering Memorandum, which are available on the website of the Portal at www.crowdfundmainstreet.com.

The Shares may not be transferred by any investor during the one-year period beginning when the Shares are issued, unless the Shares are transferred: (i) to the Company; (ii) to an "accredited investor" as defined in Rule 501(a) of Regulation D (which is outlined in Section 7 hereto); (iii) as part of an offering registered with the SEC; or (iv) to a member of the family of the investor or the equivalent, to a trust controlled by the investor, to a trust created for the benefit of a member of the family of the investor or the equivalent, or in connection with the death or divorce of the investor or other similar circumstance. In addition, there is no ready market for the sale of the Shares and it may be difficult or impossible for an investor to sell or otherwise dispose of the

Shares. Furthermore, the investors are not permitted to assign the Shares without the Company's prior written consent in accordance with the terms of the Stock Purchase Agreement.

No person other than the Company has been authorized to provide prospective investors with any information concerning the Company or the Offering or to make any representation not contained in this Offering Memorandum. To invest in the Shares, each prospective investor will be required to (i) register for an investor account with the Portal, (ii) make representations regarding the investor's investment eligibility and complete a questionnaire to demonstrate his or her understanding of the risks involved in investing in the Shares and (iii) execute the Stock Purchase Agreement. The Company reserves the right to modify any of the terms of the Offering and the Shares at any time before the Offering closes.

Subscription and Offering Period

Subject to the terms of the Stock Purchase Agreement and the Form C and this related Offering Memorandum, the investor may subscribe to purchase the number of Shares equal to the quotient of the investor's subscription amount divided by the Purchase Price and shall pay the aggregate Purchase Price in the manner specified in the Form C and Offering Memorandum and as per the directions of the Portal through the Portal's website. Such subscription shall be deemed to be accepted by the Company only when the Stock Purchase Agreement is countersigned on the Company's behalf. No investor may subscribe for a Share in the Offering after the Offering campaign deadline as specified in the Offering Memorandum and on the Portal's website (the "Offering Deadline"). The Offering will commence on the date of the Offering Memorandum and will continue until the earlier of i) the Company's receipt of subscriptions for all of the Shares, ii) the Offering Deadline, or iii) such earlier date as the Company may, in its sole discretion, undertake one or more closings on a rolling basis (the "Offering Period").

If the Company raises at least the Target Offering Amount prior to the end of the Offering Period, the end date of the Offering Period may be accelerated, provided, that, the Offering Period must be at least 21 days. Investors that have committed funds will be notified of such change at least 5 business days prior to the new date.

Closing

Closing of the sale and purchase of the Shares pursuant to the Stock Purchase Agreement (the "Closing") shall take place through the Portal within five business days after such Closing (the "Closing Date"). The Company may hold additional "rolling closings," as the Company determines in its sole discretion. When the Company decides to hold a Closing, the Company will provide notice to investors that have made investment commitments of at least five business days' notice of the new deadline, and such investors have a right to cancel commitments for any reason until 48 hours prior to the new offering deadline. Any shares purchased before such a Closing will be issued and delivered to the purchaser in conjunction with the Closing. Funds invested will not begin to accrue dividends until issuance of the Shares.

Dividend

The Shares will earn a cumulative dividend ("Dividend") each year at annual rate of 4% of the Purchase Price. Dividends will be paid by July 1 each year for the 12-month period ending June 30 of the same year.

As long as funds are legally available, the Company is required to pay the Dividend each year. If the funds are not legally available, and the Company is unable to distribute the Dividend in any year, the Dividend will accrue and the Company's obligation to pay the Dividend will carry forward into future years.

For a more complete description of Dividend Rights, please review this Offering Memorandum in its entirety and Article 4, Section 2 of the Amended and Restated Articles of Incorporation.

Conversion
At the option of the holder of the Shares and at any time, the Shares may be converted into Common Stock on a one-to-one ratio, subject to adjustment. In addition, the Shares will automatically convert into Common Stock upon either i) an affirmative vote of the holders of at least sixty percent (60%) of the outstanding Series B Shares, or ii) completion of a firmly underwritten public offering of the Company's Common Stock at an offering price per share that, when applied to all outstanding shares of Common Stock and the shares offered and sold in the public offering, would total $30,000,000 or more.

For a more complete description of Conversion Rights, please review this Offering Memorandum in its entirety and Article 4, Section 5 of the Amended and Restated Articles of Incorporation.

Redemption Rights
By converting Series B Shares to Common Stock, a Series B holder may participate in any company stock buyback offered to Common shareholders and on the same terms as Common shareholders—including buybacks made by the ESOP. The decision to exercise this right is at the discretion of each individual Series B holder, and this right will continue for as long as each Series B holder holds Series B Stock.

Additionally, at any time after two years from the first issuance of the Series B Preferred, the Company may exercise a right to redeem all (but not less than all) outstanding Series B Shares by giving the holders of the Series B Preferred Shares thirty days' notice of the redemption. The Redemption Price shall equal the higher of i) the original price paid for the Shares plus any accrued but unpaid dividends and ii) the Fair Market Value ("FMV") as determined by the most recent ESOP valuation, minus ten percent.

For a more complete description of the Redemption Rights, please review this Offering Memorandum in its entirety, Article 4, Section 6 of the Amended and Restated Articles of Incorporation, and Article 8 of the Stock Purchase Agreement.

Liquidation:

Upon the liquidation of the Company the holders of the Shares will be entitled to a liquidation preference over the BK Common Stock, with such preference being in the amount of their original purchase price plus any accrued but unpaid dividends. The Shares will be on parity with shares of the Company's Series A Preferred Stock and the Series C Preferred Stock in the event of liquidation. For a more complete description of the Shares, please review this full Offering Memorandum as well as Article 4, Section 4 of the Amended and Restated Articles of Incorporation.]

Voting Rights and Protective Provisions
In general, the Preferred Stock shall vote together with the shares of Common Stock at Shareholder meetings and will be entitled to voting rights equal to the number of shares of Common Stock into which the Shares may be converted.

However, there are exceptions during which the Preferred Stock is entitled to vote as a separate class. Specifically, the Amended and Restated Articles of Incorporation and the Stock Purchase Agreement contain a variety of provisions intended to protect the rights of the Preferred Shareholders. For example, without the vote of the holders of the majority of the outstanding Preferred Stock, the Company shall not:

- Amend the Company's Articles of Incorporation in a manner that adversely affects the Series B Shares;

- Increase or decrease the number of the Company's authorized shares;

- Authorize shares of any new class or series of stock having rights, powers or privileges on parity with or senior to the Series B Shares.

- Modify the number of members of the Board of Directors.

- Redeem any shares or pay dividends on shares junior to the Series B Shares so long as there are any accrued and unpaid dividends on any Series of Preferred Stock.

- Make any changes to the company's annual ESOP contribution rates.

- Make any changes to the discount (10% as of the issuance of this Offering Memorandum) used to calculate the Redemption Price from the Fair Market Value associated with the annual ESOP valuation.

This is a summary of key provisions for which Preferred Shareholders are required to consent as a separate class, but it is not an exhaustive list. For a more complete description of the Voting Rights and Protective Provisions, please review this Offering Memorandum in its entirety, and Article 4, Section 3 of the Amended and Restated Articles of Incorporation.

Long-term investment

In keeping with the steward-ownership objectives described above, Berrett-Koehler is seeking investors in the current Offering who have a long-term investment perspective and who support BK's mission, values, and plans. There is currently no active trading market for Berrett-Koehler securities and the Company has no plans to list the Shares on any exchange. Furthermore, one of the terms of this Offering is that Shares purchased in this Offering may not be resold or transferred to any other party unless the shareholder demonstrates to the Company's satisfaction that the proposed transfer will comply with applicable securities laws.

II. RISK FACTORS

In deciding whether to participate in this Offering, prospective investors should carefully consider the risks related to purchasing and holding the Shares, including the risks described below. In addition to the risks described below, businesses are often subject to risks not foreseen or fully appreciated by management. In reviewing this Offering Memorandum, potential investors should keep in mind other possible risks that could be important.

These Securities have not been recommended or approved by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not passed upon the accuracy or adequacy of this document. The SEC does not pass upon the merits of any Securities offered or the terms of the Offering, nor does it pass upon the accuracy or completeness of any offering document or literature. These Securities are offered under an exemption from registration.

Forward-Looking Information May Prove Inaccurate. This Offering Memorandum and its Exhibits may contain certain forward-looking statements related to the prospects, plans, anticipated growth, anticipated performance, and other aspects of the Company that are based on the beliefs of BK management as well as assumptions made by and information currently available to BK management. Such statements reflect the current views of BK management with respect to future events and are subject to risks, uncertainties, and assumptions, including the other risk factors described herein. Actual results may vary materially from those described herein as anticipated, believed, estimated, or expected. There can be no assurance that the projected results will occur, that assumptions and projections will prove correct, or that unforeseen developments will not occur.

The COVID-19 Pandemic Is Disrupting Book Sales, Has Already Adversely Impacted Our Business and Operations, and Could Continue to Do So. Book publishing worldwide has experienced many kinds of major disruptions because of the coronavirus pandemic, including the closure of many bookstores, cancellation of many events at which books are used or sold, delays in payment by some sales partners, and disruptions of publishing supply chains (such as reductions in warehousing capacities). It is not known how long these disruptions will last or whether recent progress (such as in reopening bookstores) might be reversed by new waves of COVID-19 infections. In addition, the economic impact of the coronavirus pandemic (and fear of continuing financial impacts) may alter consumer confidence, behavior, and spending patterns, possibly resulting in a reduction of customers' demand for books going forward. Berrett-Koehler has been negatively affected by all of these disruptions, especially by the cancellation of many workshops, conferences, training events, and the like where many Berrett-Koehler authors speak, train, and sell books. Berrett-Koehler's revenues declined substantially in the second half of March 2020, in April 2020, and in May 2020. Berrett-Koehler benefitted from an increase in digital revenues, but that increase was not enough to compensate for the decline in print revenues during this period. Although print and overall revenues recovered in June 2020 nearly back up to their pre-pandemic levels, there can be no assurance that this recovery will be sustained.

The company temporarily closed its Oakland headquarters office in mid-March 2020 and is able to carry on most of its regular operations with employees working from home, but it is unknown how long the company staff will need to continue working this way and what negative impacts this work arrangement will have over the long term. The ultimate extent of the impact of COVID-19 on our business, financial condition, and results of operations will depend largely on continuing and future developments, including the duration and spread of the outbreak within the U.S. and around the world and the related impact on economic activity, events where books are sold, and business and consumer spending, all of which are uncertain and cannot be effectively predicted at this time. In A positive sign that the BK staff is adjusting well to working remotely, a late summer poll revealed that 70% of the staff prefer to make their homes their primary work spaces in a post-Covid world. Over time, this will allow the company to redirect investment and resources from physical office space to our growth initiatives.

The company has taken extensive measures in many areas of its business—such as expanding its digital marketing programs and digital products—and numerous company authors have pivoted all or most of their programs to virtual delivery, but it is not yet known how well these measures will mitigate the effects described above over the long term. The company applied for appropriate government relief programs at the national and state levels and has received over $700,000 of government loans (all of which the company expects to be forgiven because the company believes it has met the requirements for such forgiveness) but it is unknown how much additional benefit from government programs might be received or be needed.

Berrett-Koehler May Be Adversely Affected by Economic Trends and Other National and Global Developments. Berrett-Koehler's revenues and profitability were adversely affected by the economic slowdown in 2008 and 2009 and, as indicated above, has been adversely impacted by the COVID-19 pandemic. Future economic slowdowns, pandemics, terrorist strikes, wars, or other national or global events may have a similar adverse effect on the Company's growth and profitability. Berrett-Koehler's business is particularly prone to being adversely affected by any developments that cause business conferences, seminars, training programs, and similar events and programs to be cancelled or scaled back (as often happens during economic slowdowns), because a significant share of the sales and marketing of business books takes place in conjunction with such events and programs.

Speculative Investment. Investment in the Shares is speculative and involves a high degree of risk. Any investment could be lost entirely. For this reason, prospective investors should read this Offering Memorandum, and all exhibits carefully, should consult with their own attorney, accountant, or business advisor prior to making any investment decision, and should only invest if they can afford to lose their entire investment.

Limited Transferability and Liquidity of Shares. The Shares acquired in this Offering may not be sold or transferred to others unless the shareholder demonstrates to the Company's satisfaction that the proposed transfer will comply with applicable securities laws. The Shares may not be transferred by any investor during the one-year period beginning when the Shares are issued, unless the Shares are transferred: (i) to the Company; (ii) to an "accredited investor" as defined in Rule 501(a) of Regulation D (which is outlined in Section 7 hereto); (iii) as part of an offering registered with the SEC; or (iv) to a member of the family of the investor or the equivalent, to a trust controlled by the investor, to a trust created for the benefit of a member of the family of the investor or the equivalent, or in connection with the death or divorce of the investor or other similar circumstance. In addition, there is no ready market for the sale of the Shares and it may be difficult or impossible for an investor to sell or otherwise dispose of the Shares. Furthermore, the investors are not permitted to assign the Shares without the Company's prior written consent in accordance with the terms of the Stock Purchase Agreement.

The Shares will not be registered for sale to the public and any sale or transfer of the Shares to others must be in accordance with exemptions from registration provided by federal and state securities laws. There is currently no active trading market for securities of The Berrett-Koehler Group, Inc., and the Company has no plans to list the Shares on any exchange. Therefore, investors must acquire the Shares for investment purposes and not with a view to their resale. Investors in this Offering should assume that for an indefinite future there will be no market or financial return on the Shares (other than annual dividend payments) outside of the Redemption provisions offered by the Company and outlined in this Offering Memorandum, and they must be prepared to bear the economic risk of their investment until such time as their Shares are redeemed by the Company.

Non-Economic Objectives. In addition to the economic objectives in this Offering described elsewhere in this Offering Memorandum, Berrett-Koehler and some of its shareholders have non-economic objectives related to pursuing BK's distinctive publishing agenda, developing ongoing collaborative relationships between Berrett-Koehler and its various stakeholder groups (authors, customers, service providers, and others), and maintaining independent ownership rather than positioning itself to be acquired by another company at a profit. These non-economic objectives may conflict at times with the expectation of maximized financial return, which could impact the Company's ability to pay dividends on the Shares, complete redemptions of the Shares or to increase the fair market value of the Company to be paid upon possible future redemptions of the Shares. Furthermore, although BK management believes that this Offering will further these non-economic objectives, there can be no assurances that the Offering will do so to any material extent. In addition, although BK management has no present intention to depart from these non-economic objectives, there is no guarantee that such departure will not happen at some time in the future, whether intentionally or unintentionally.

The Company is a Benefit Corporation that is a certified B Corp under California law. Benefit corporations are required to have "the purpose of creating a general public benefit" in addition to any special public benefit set forth in its articles. The term "general public benefit" is defined as "a material positive impact on society and the environment, taken as a whole, as assessed against a third-party standard, from the business and operations of a benefit corporation." In considering the best interests of the benefit corporation, directors must consider the impact of any action or proposed action on all of the following:

- The shareholders;
- The employees and workforce;
- The interests of customers;
- Community and societal considerations;
- The local and global environment;
- The short-term and long-term interests of the corporation; and
- The ability of the corporation to accomplish its general, and any specific, public benefit purpose.

Directors also may consider any other pertinent factors or the interests of any other person or group. A director of a benefit corporation is not required to give priority to any particular factor or the interests of any particular person over any other factor or interests of any other person, unless the benefit corporation has stated its intention to give priority to a specific public benefit purpose identified in its articles of incorporation. An officer of a benefit corporation must also consider the interests and factors required to be considered by directors (see above) when:

- The officer has discretion to act with respect to a matter; or
- The matter may have a material effect on the shareholders, the employees and workforce, the interests of customers as beneficiaries, community and societal considerations, the local and global environment, the short-term and long term interests of the corporation, or the ability of the corporation to accomplish its general, and any specific, public benefit purpose.

In addition to Benefit Corporation status, by the end of 2020, BK's capitalization structure is projected to change so that the single largest shareholder in the Company will be a Perpetual Purpose Trust that is dedicated to preserving the Company's perpetual independence, values, mission of Connecting People and Ideas to Create a World That Works for All, and steward ownership, leadership, and governance by and on behalf of the Company's multiple stakeholders. The Trust shall be administered in such a manner that is best suited to advance such purpose and to further operational independence of the Company in order to advance the mission of the Company, even if the administration in furtherance of the purpose does not result in the maximization of income to the trust, the maximization of the value of any stock or other ownership interest owned by the trust, or the maximization of the profits or value of the Company for the benefit of the Company's shareholders.

The existence of other factors and concerns other than financial return could impact the Company's profitability, reputation, and its ability to repay the Shares.

Unusual Publication Agreements. The agreements that Berrett-Koehler has with its individual authors are unusual for the publishing industry in that authors may unilaterally elect to terminate their publication agreements with the Company without cause after a notice period "if the Author is not satisfied, in the Author's sole judgment, with any aspect of the relationship with the Publisher or with the Publisher's performance in any aspect of publishing and selling the Work." Under these Agreements, "the Author will send the Publisher written notification of intention to terminate the Agreement, along with a statement of problems causing dissatisfaction; the Publisher will then have six months after receiving such notification to remedy the problems to the satisfaction of the Author." If the publisher does not succeed in remedying the problems to the satisfaction of the author, termination would take effect four months after the end of the six-month notice period and would result in the loss by the Company of its right to continue to reprint the works that were the subject of each agreement, and therefore the right to sell those works once the existing inventories of the works were exhausted. Berrett-Koehler would also lose the right to make further subsidiary rights sales for those works, although all prior subsidiary rights agreements would remain in effect and BK would retain the right to its share of the proceeds from all prior subsidiary rights sales or licenses. While Berrett-Koehler's publishing agreements have attracted many authors to the Company precisely because of the freedom and control granted to authors, because of this termination provision it is possible that BK could, at any given time, lose a significant portion of its intellectual property assets either by coincidence or through the occurrence of an event that makes Berrett-Koehler relatively less attractive from the authors' perspective. To date, during Berrett-Koehler's more than 28-year history, only six authors have exercised this provision to terminate their publication agreements with Berrett-Koehler. Although BK management is unaware of any current circumstances that are likely to change the historically positive relationship between BK and its authors, the presence of the termination clause exposes Berrett-Koehler to the unusual risk of having its publishing rights canceled by the author, which could have a material adverse effect on Berrett-Koehler's business and financial condition. Furthermore, this termination clause might impede or possibly block the sales and/or reduce the sale price of Berrett-Koehler or its publication assets to a third-party purchaser, should such a sale be desired at some point in the future. However, BK management believes that the current benefits received by the Company from its unusual publishing agreement substantially outweigh the risks associated with those agreements and therefore expects to continue its prior practice by entering into similar agreements with authors in the future.

Industry Transition and Possible Impact on Future Growth. BK participates in an industry that is highly competitive and is experiencing a transition from a history focused on the production of physical books to a future focused on digital products and services. In response to that transition, BK's financial projections rely largely on new business strategies, and our plans for long-term growth may not be successful. BK is pursuing several areas for long term diversification including online trainings, online courses, and an expanded line of digital products and services. BK could move into these areas either through direct investment, partnership, or through acquisition, though BK may not be successful in this endeavor. While online education, direct to consumer sales, and expanded products and services all have the potential to drive increased sales growth and margin opportunities, BK may fail to execute in new business areas that are outside BK's historical core capacities and knowledge base. Each of these strategies. if unsuccessful, could result in financial loss or reputation damage.

Intangible Assets. Berrett-Koehler's principal assets are intangible – including publication agreements, subsidiary rights agreements, distribution agreements, and the Company's brand, trademarks, reputation, and relationships with customers, authors, service providers, and others – and the Company is dependent on these assets for its ongoing viability. To the degree that these intangible assets were lost or impaired, it would compromise the operations and prospects of the Company.

Leadership transition. The Company is dependent on key personnel and needs to successfully implement succession plans for senior management, as well as maintain the labor force to carry out daily operations. (In fact, during the last year, BK founder Steven Piersanti moved to the Senior Editor role as on such leadership transition.) The Company depends on key personnel for its success, including members of senior management. There can be no assurance that these individuals will remain employed by the Company, and some of these individuals are approaching retirement age. We may not be able to attract and retain key employees or successfully establish and implement succession plans, which could harm our business. There is competition to recruit and retain labor and the Company must stay competitive in recruiting and retaining the labor force and talent to carry out daily operations and to grow successfully.

Key Employees. The success or failure of Berrett-Koehler hinges largely on the efforts of key employees and the Company's ability to attract and retain highly skilled technical, managerial, and professional personnel who are competent in its areas of business operations. BK competes in the market for such personnel against numerous companies, including larger, more established companies with greater financial resources than BK's resources. BK may not be successful in attracting and retaining skilled personnel in the future as the staffing needs of the Company increase. The loss of key employees or the inability of Berrett-Koehler to attract and retain qualified employees, if either event occurs in the future, could have a material adverse impact on BK's business. No BK employees are party to employment or non-competition agreements, and the employment of all employees is at-will and could be terminated by the employees at any time. The Company maintains a key man life insurance policy in the amount of $1,000,000 that insures the life of BK founder and Senior Editor Steven Piersanti (with the Company as beneficiary), but no other BK employees are so insured by the Company.

Competition and Contingencies. The publishing industry is highly competitive and the competition within BK's particular market areas is heavy. Although BK has historically enjoyed some success in its markets, its past success may not accurately indicate the probability that it will succeed in the future. BK's ability to succeed in the future within this competitive environment is dependent to a greater or lesser degree upon a number of circumstances that are beyond its control, such as, for example, increases in paper and printing costs, changes in the practices and financial health of bookstores and online booksellers, and disruptions in other sales and distribution channels. The recent and ongoing movement of the book publishing industry to digital publishing, digital sales, and digital marketing creates many new challenges and complexities for all publishers, including Berrett-Koehler. While many of these factors also affect BK's competitors, some of these competitors may be better positioned to withstand any resulting adverse impact because of such reasons as being established longer than BK and having greater financial, marketing, and other resources than those available to BK.

Dependency on U.S. Distributor. During the year ended December 31, 2019, sales to one distributor, Penguin Random House Publisher Services (PRHPS), which distributes BK's books to U.S. bookstores, wholesalers, and other trade accounts, accounted for more than half of BK's total revenues. This dependence on PRHPS makes BK vulnerable to losses as a result of adverse changes in the operations or business of Peng or as a result of any deterioration in the relationship between BK and PRHPS.

Target Offering. If the Company raises at least the Target Offering Amount prior to the Offering Deadline, the Offering Deadline may be accelerated, provided, that, the Offering Deadline must be at least twenty-one days. Investors that have committed funds will be notified of such change at least five business days prior to the new end date.

If the Company determines that there are any material changes to the Offering, investors will be notified of such change and given instructions to reconfirm his or her investment commitment within 5 business days. If an investor does not reconfirm his or her investment commitment within such time period, the investor's investment commitment will be cancelled, and the committed funds will be returned.

Investors will have no assurance that the Company will receive sufficient funds to carry out the plans of the Company set forth in this Offering Memorandum and the Company's growth plans (Exhibit E), or that a certain number of other investors consider the Shares to be a good investment; investors should consider their funds at risk immediately upon delivery of the subscription payment to the Company.

No Accrual of Dividends Prior to Closing. Investors that have signed the Stock Purchase Agreement will contribute their committed investment amounts into the designated escrow account for the Offering (instructions are available on the Portal during the investment process). Once the Offering Amount has been raised and the Offering Period has ended, the committed investment amounts will be released from escrow upon the Company's satisfaction of the conditions set forth in the Stock Purchase Agreement, and the Offering will be deemed to have successfully closed (the "Closing"). Any shares purchased before such a Closing will be issued and delivered to the purchaser in conjunction with the Closing (see "Plan of Distribution"). Funds invested will not begin to accrue dividends until issuance of the Shares. In addition, if the Offering is cancelled, subscriptions will be returned without interest. Similarly, if a potential investor's subscription for Shares is rejected, his or her funds will be returned without interest.

Dilutive Effect. The Company may conduct financings in the future to raise additional working and expansion capital, which may increase the number of outstanding shares of the Company and may be at different prices and on different terms than the current financing. In the event of such financings, subscribers to the Shares may experience a significant dilutive effect. The Amended and Restated Articles do not contain provisions providing antidilution protection to investors in this Offering.

This list of risk factors does not purport to be complete, and it may not describe all of the risks and conflicts of interests relating to an investment in the Company. Some of the other risks of an investment in the Company are described elsewhere in this Offering Memorandum. Subscribers should read this entire Offering Memorandum and consult with their own legal and financial advisers before investing in the Company.

III. DESCRIPTION OF BUSINESS

Founded in 1992, Berrett-Koehler Publishers, Inc. is an independent publisher dedicated to the mission of "Connecting People and Ideas to Create a World that Works for All." BK has a history of steady growth, stable organizational structures, and a consistent record of profitability--but not because we've remained captive to a traditional print publishing model. Rather, BK has burnished an impressive reputation for innovation in a variety of dimensions--including (but hardly limited to) our embrace of stewardship-governance, our deep collaboration with authors, our early entrance into the eBook and digital audiobook marketplaces, and our latest foray into online training and summits.

Thanks to our win-win approach to working with all our stakeholders--and with our authors in particular--BK has assembled an impressive network of influencers who partner with us to promote our products and evangelize for "the BK Way." To reach customers, we leverage the most robust global print and digital distribution platforms available. We have a rich and exciting pipeline of forthcoming publications and an impressive portfolio of award-winning backlist content that we're systematically integrating into the digital side of the business. In sum, BK has positioned itself for both long-term sustainability as a print publisher and for future growth thanks to our ongoing, successful efforts to transition to a media enterprise.

Publishing Program. BK publishes books and other media that are designed to promote positive change at the individual, organizational and societal levels.

BK Currents titles advance social and economic justice by exploring the critical intersections between business and society. Offering a unique combination of thoughtful analysis and progressive alternatives, BK Currents titles promote positive change at the community, national, and global levels.

BK Business titles pioneer new and progressive leadership and management practices in all types of public, private, and nonprofit organizations. They promote socially responsible approaches to business, innovative organizational change methods, and more humane and effective organizations.

BK Professional titles help workplace specialists update their skills and stay up to date on cutting-edge developments in their professions. These titles empower project managers, product managers, human resource professionals, and health care professionals to lead the way toward more modern and collaborative workplaces.

BK Life titles help people create positive change in their lives and align their personal practices with their aspirations for a better world. They show people how they can improve their lives in ways that are beneficial for the families, organizations, communities, nations, and world in which they live and work.

Berrett-Koehler has published more than 700 new books in hardcover and/or paperback print format since 1992, almost all of which are still in print. Additionally, we acquired 127 additional titles from Management Concepts Press in 2017 and 7 titles from PoliPoint in 2011. More than 100 of BK's books have already gone into second, third, or even fourth editions, signifying their ongoing relevance and sales.

BK has made a rapid and broad conversion to digital publishing. All new BK books are published simultaneously in print format and multiple digital formats (ePub, universal PDF for e-books, audio). Altogether, more than 600 BK books have been converted into one or more digital formats (while still being available in print format).

In addition, nearly every BK title is now available in large-print format, Braille, and other alternative formats for visually impaired people. These books can be ordered at ReadHowYouWant.com or at Amazon.com.

BK publications have enjoyed notable sales success. Over 275 BK books have sold over 20,000 copies, including sales of all U.S. and foreign editions, which represents nearly a third of our total booklist. Sixty-two of these books have sold over 100,000 copies, and three have sold over 1,600,000 copies, again including sales of all U.S. and foreign editions.

BK books have appeared on all major U.S. bestseller lists -- including those of the *New York Times, Publishers Weekly, USA Today,* IndieBound, Book Sense, *Washington Post, Los Angeles Times, Denver Post, San Francisco Chronicle, BusinessWeek, and The Wall Street Journal* – as well as many international bestseller lists.

One of the keys to Berrett-Koehler's success has been our ability to retain our successful authors. More than 150 BK authors have already published multiple books with BK. These multiple-BK-book authors include 9 of our 10 bestselling authors. A factor driving Berrett-Koehler's success in retaining authors has been our uniquely collaborative manner of working with those authors. We don't believe publishers should boss authors around. At Berrett-Koehler, we partner with the authors to make decisions on the cover, title, and direction of the book. At the same time, we give tough, honest feedback in response to author ideas. The goal of this feedback is to make sure the reader will see each author's value as clearly as we do. We want to be the wind in our authors' sails.

When editing the book, we get detailed reviews from potential customers to help the authors decide how to hone their manuscript. When designing the book, we match the author with a freelance designer who has experience with and often love for the subject matter.

One of the most distinctive dimensions of BK's unique collaboration with authors is BK Authors Inc. Berrett-Koehler encouraged and supported the creation of this autonomous organization of BK authors who mentor, support, and assist each other. The programs of BK Authors Inc. include the annual BK Authors Retreat, the annual BK Authors Marketing Workshop, and an author-to-author mentoring program.

More than 100 BK books have won national awards, and some have won multiple awards.

Media Enterprise and Online Learning Business. BK is in the midst of transitioning from a traditional book publishing business model to a faster-growth media enterprise business focused on supporting personal, organizational, and societal change. Our mission is to connect people and ideas to create a world that works for all, and in service of that mission, we've expanded our offerings over the past 10 years beyond printed books to include audiobooks, online courses, online training events, online summits, video training programs, card decks, self-assessments, toolkits, and digital marketing initiatives.

As an example, our recently launched Online Training Programs (OTP) are based on a pre-launch content business model and include integrated editorial, marketing, and technology infrastructure components. The programs include online summits, courses, and fireside chats, ranging in price from $200 to $3,000. The initial free broadcast is followed by an evergreen course and online distribution product. These products are sold both directly to individuals and corporations and licensed for consumption through our multiple corporate and library distribution partners. In addition to generating revenue directly, these products drive trade and bulk sales of the print titles that inspired them.

In addition to providing new avenues for learning, BK's online products and services help people engage more deeply with our publications and our authors. We intend to continue to invest in and grow the media enterprise side of our business.

Company Culture and Diversity. We work hard to create a welcoming company culture. We believe that due in large part to our unique vision, ethos, and ownership structure, we have created a workplace where talented people from all backgrounds like to work: our average BK employee tenure is nine to ten years.

Berrett-Koehler values diversity in both its staff and authors. Over the past few years we have dedicated significant resources to increasing diversity among our staff and authors. For example, we created a paid internship program that is helping us find and recruit a more diverse array of interns, many of whom continue on and become full time staff members. As of 2020, 28% of BK Staff are persons of color, (according to Diversity in Publishing 2019 survey, approximately 24% of publishing staff in the US are non-white). Of our 2020 publications, 68% percent are written by women authors and 36 percent are written by authors of color, both well above the averages in the areas in which we publish, including business book publishing. Forty-five percent of our audiobooks are narrated by women. Forty-two percent of the speakers at our recent Leadership for a Changing World Summit were people of color and 50% were women. We intend to continue to make efforts to increase diversity and inclusion among our staff, authors, and speakers.

Markets and Sales Channels. Berrett-Koehler's target market includes millions of persons around the world who are interested in improving their personal lives, careers, workplaces, organizations, communities, countries, and the world. The prime target customers for BK publications are leaders, managers, human resource professionals, entrepreneurs, consultants, activists, life and business coaches, counselors, concerned citizens, and other change agents. These customers work in all types and sizes of businesses, in all areas and levels of government, and in all types of not-for-profit and community organizations. Also, many customers are students or faculty members at educational institutions.

The largest sales channel for Berrett-Koehler--representing more than 50 percent of BK's revenues--is the global trade marketplace, which includes chain and independent bookstores, online booksellers, other retail locations that sell books, and wholesalers. BK reaches this market through a global distribution agreement with industry leader Penguin Random House Publishers Services (PRHPS)—which is the distribution services arm of Penguin Random House and which represents such distinguished independent presses as National Geographic, Beacon Press, and Rizzoli. Penguin Random House has the largest U.S. sales forces and the largest international sales forces calling on chain bookstores, independent bookstores, and special sales accounts. And Penguin Random House also has the most advanced supply chain in the world for broad, timely, and efficient distribution of books across all channels.

We manage distribution of BK e-books through Ingram's CoreSource, which is the industry leader for digital distribution. And we will continue to maintain BK's extensive network of digital distribution partners, which is one of the largest and most comprehensive in the world (and one of the reasons why BK's digital revenues have continued to grow while digital revenues have fallen in the publishing industry as a whole). Digital revenues currently account for approximately 20% of total revenue, and our plan is for that number for grow over the coming years. For more on this, please see *Berrett-Koehler Growth Plans* in <u>Exhibit E</u>.

BK sells direct to its markets through multiple channels, including advanced direct marketing, catalogs, the BK website, other websites, the BK Blog, email campaigns, ads in the back of BK books, exhibits at professional conferences, sales to authors, college textbook marketing, corporate bulk sales, and sales through catalog marketers and other active marketers.

BK actively promotes and publicizes its publications through many online, print, phone, and mail methods to generate both direct and distributed sales. BK authors have appeared on ABC, NBC, CBS, PBS, CNN, Fox, CNBC, CSPAN-Book TV, NPR, Democracy Now, New Dimensions Radio, and scores of other television and radio outlets. BK books have been featured in *Time, Newsweek,* the *New York Times, USA Today,* the *Wall Street Journal,* the *Financial Times*, *The Economist*, *The Washington Post, AlterNet*, and hundreds of other magazines, newspapers, and online publications.

Subsidiary Rights Sales. BK has enjoyed remarkable success for a company our size in selling subsidiary rights to our publications. To date, we have made over 3,000 sales of foreign language translation rights, and BK books have been translated into 55 different languages, with some books being translated into more than 30 languages, or even over 45 languages. We've also sold approximately 1,000 other subsidiary rights – audio, video, electronic, book club, reprint, etc. – bringing the total number of subsidiary rights deals to over 4000.

These subsidiary rights sales are significant for BK's ongoing growth and financial health because many of them continue to generate revenues year-after-year without further expense or investment by BK. Currently, subsidiary rights account for approximately 9% of BK's revenue, and we expect that number will grow slightly over the coming years.

BK Suppliers and Service Providers. BK works with a worldwide network of suppliers and service providers to edit, design, produce, print, market, and sell its publications. The Company has a long-term contract with Penguin Random House Professional Services governing our English-language print trade distribution for both domestic and international markets, and we have a long-term contract with AIDC of Vermont to provide various services including website hosting and maintenance, book fulfillment for telephone, email, and website orders, and call center customer support. Beyond that, services are purchased on a "purchase order" or "job-by-job" basis. Many of these suppliers and service providers are listed on the inside back cover of the Berrett-Koehler catalog. They include:

- Over 500 manuscript reviewers who have brought either subject matter expertise or editorial expertise or a customer's perspective in helping authors revise and improve their manuscripts for publication. Many of these manuscript reviewers are so good at this process that they are asked to regularly review new book manuscripts.
- A smaller number of developmental editors who go beyond manuscript reviews to help rework manuscripts that need extra rounds of revision.
- Hundreds of copyeditors, book producers, book designers, cover designers, proofreaders, indexers, and other publishing professionals who turn manuscripts into well-edited and well-designed publications. Most of the design and production work on BK publications is done by outside teams of these professionals, who contract with and coordinate with BK's small design and production staff.
- A network of foreign rights agents who help BK arrange foreign language translations of its publications.

- Publicists, sales professionals, digital media professionals, and other marketing professionals who work with BK and our authors to create marketing materials and carry out marketing campaigns.
- Multiple service providers who help produce and market our online training programs.
- Printing, warehousing, and shipping services with which BK has long-time relationships.
- Many other service providers who are part of the BK community.

Note: Because this Offering Memorandum focuses primarily on details concerning the Company rather than the industry in which the Company operates or will operate, potential investors may wish to conduct their own separate investigation of the Company's industry to obtain broader insight in assessing the Company's prospects.

IV. USE OF PROCEEDS

The total proceeds to the Company if all of the Shares are sold will be $1,069,992. The Company cannot accurately predict how many Shares will be purchased, but the expenses of the Offering are anticipated to be approximately $80,000. Separate and apart from the offer and sale of the Shares through the Portal, the Company may also agree to issue Series B Preferred Shares in exchange for the cancelation of certain promissory notes or other obligations owed by the Company to creditors, or as compensation in lieu of cash.

The Company plans to use the net cash proceeds of the Offering to achieve several objectives:

- To help fund the "Berrett-Koehler Growth Plans" described in the document of that name (Exhibit E), with the majority of the capital raised from the Offering to be used for those purposes;

- To support the Company's steward-ownership, steward-leadership, and steward-governance, as described throughout this Offering Memorandum;

- To provide additional working capital for ongoing BK operations and for funding limited stock buybacks to help support the Company's transition to Perpetual Purpose Trust Ownership (with up to a maximum of one-third of the capital raised from the Offering to be used for stock buybacks).

- To cover the costs of compensation to the investment portal, legal fees, accounting fees, and any other fees associated with the Offering.

For more detail, see Exhibit H: Use of Proceeds Table.

V. CAPITAL STRUCTURE OF COMPANY

Common and Preferred Stock. The authorized capital stock of The Berrett-Koehler Group, Inc., consists of ten million, one hundred fifty thousand (10,150,000) shares, nine million six hundred seventy-five thousand (9,675,000) shares of which are Common Stock (the "Common Stock"), par value $.001 per share, and four hundred seventy-five thousand (475,000) shares of which are Preferred Stock (the "Preferred Stock"), par value $.001 per share. Thirty thousand (30,000) shares of the Preferred Stock are designated Series A Preferred Stock, two hundred eighty-five thousand (285,500) shares of the Preferred Stock are designated Series B Preferred Stock, and one hundred thousand (160,000) of the authorized shares of the Preferred Stock are designated Series C Preferred Stock.

The outstanding shares of Common Stock are fully paid and nonassessable. The holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of the shareholders and are entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available therefor. In the event of liquidation, dissolution, or winding up of The Berrett-Koehler Group, Inc., the holders of shares of Common Stock are entitled to share ratably in all assets remaining after payment of all debts and other liabilities and the claims of the various series of Preferred Stock. The Common Stock has no preemptive or conversion rights or other subscription rights.

The shares of The Berrett-Koehler Group, Inc., are owned by approximately 240 different shareholders, who include BK authors, BK employees, former BK employees, BK customers, BK service providers, BK suppliers, BK sales partners, supporters and friends of BK in the publishing community, and others. The officers and directors of Berrett Koehler, own, collectively (including shares owned by companies on which they serve as Directors), 38.8% of the issued and outstanding shares of the Company's stock. The largest block of stock (38.3% of the issued and outstanding shares) is owned by BK founder and Senior Editor Steven Piersanti. He has stated that it is his intention to donate and/or sell the majority of his shares, over a period of years, to the Perpetual Purpose Trust, Berrett-Koehler Foundation, the Berrett-Koehler ESOP, the BK Authors Cooperative, and/or a charitable remainder trust or other legal entity in a way that would help preserve the independent ownership of the Company, enhance its financial health, and strengthen its ability to pursue its mission and maintain its distinctive values.

ESOP Plan and Stock Buyback Program. The Berrett-Koehler Employee Stock Ownership Plan ("ESOP") provides a method of making Company ownership available to BK employees as well as offering incentive compensation and retirement benefits to employees. Under the terms of the ESOP, the shares that BK contributes to the ESOP are held by an ESOP trust and the value of the applicable number of shares is distributed to each participating employee over a period of years after such employee retires or otherwise leaves employment of the Company, in accordance with participation formulas set forth in the ESOP. Under the Company's incentive compensation plan that was in place between 2012 and 2019, in years in which the Company's pre-tax, pre-ESOP contribution profit ("pre-tax profit") was less than $50,000, no Company contribution to the ESOP was made; in years in which the pre-tax profit was between $50,000 and $299,999, the Company's contribution to the ESOP was 6.0% of the pre-tax profit, and this contribution was made issuing new shares or treasury shares to the ESOP; and in years in which pre-tax profit was $300,000 or more, the Company's contribution to the ESOP was 16.0%, and this contribution was used to purchase existing Common Stock tendered by shareholders who elect to sell some or all of their shares. And in accordance with a Board decision in November 2019, in years in which BK's profit before taxes and before the ESOP contribution is between $300,000 and $499,999, the Company will allocate 16 percent of the profit before taxes to an ESOP contribution; in years in which BK's profit before taxes and before the ESOP contribution is between $500,000 and $699,999, the Company will allocate 26 percent of the profit before taxes to an ESOP contribution; and in years in which BK's profit before taxes and before the ESOP contribution is $700,000 or greater, the Company will allocate 32 percent of the profit before taxes to an ESOP contribution. The ESOP will apply these contributions to the repurchase of shares of Common Stock from shareholders who wish to sell such shares.

Recent Company contributions to the ESOP have been the following: $84,946 in 2018, which was used to purchase 10,029 shares of Common Stock from BK shareholders; $49,297 in 2017, which was used to purchase 5,834 shares of Common Stock from BK shareholders; $62,709 in 2016, which was used to purchase 7,046 shares of Common Stock from BK shareholders; $104,707 in 2015, which was used to purchase 12,333 shares of Common Stock from BK shareholders; $70,291 in 2014, which was used to purchase 7,599 shares of Common Stock from BK shareholders; and $91,494 in 2013, which was used to purchase 9,032 shares of Common Stock from BK shareholders.

Dividends, Distributions, and Redemptions of Stock. In addition to the purchases described above by the ESOP of stock from Common Stock shareholders, during the past five years the Company has paid annual dividends of approximately $44,000 per year to Series A and Series B Preferred Stock holders in accordance with the terms of the Series A and Series B Preferred Stock and paid an average of approximately $50,000 per year for repurchase of ESOP shares of stock from current and previous employees of the Company under the terms of the ESOP for diversification and divesture of ESOP accounts.

VI. DESCRIPTION OF THE SHARES

The securities being offered by this Offering Memorandum are Series B Preferred Stock (the "Shares") of the Company. This section sets forth a summary of the terms of the Series B Preferred Stock. The following is a summary only. It is not intended to be an exhaustive description of the terms of the Shares and is qualified by reference to the Amended and Restated Articles of Incorporation and the Stock Purchase Agreement, which are attached as exhibits hereto.

Price Per Share. Twelve Dollars ($12.00).

Dividend Provisions. The holders of the Series B Preferred Stock shall be entitled to receive by July 1 of each year, but only out of funds legally available therefor, a cumulative dividend ("Dividend") at a per annum rate of four percent (4%) of the Purchase Price of each Share.

Dividends on the Series B Preferred shall have equal priority with the outstanding shares of the Company's Series A, Series B Preferred Stock and Series C Preferred Stock. All dividends on any series of Preferred Stock shall be paid in preference to any dividends on the Common Stock. In the event of an acquisition or the conversion of the Series B Preferred, a dividend will be paid on that series at the rate stated above, provided that such dividend will be pro-rated for the portion of the year elapsed since the previous July 1.

As long as funds are legally available, the Company is required to pay the Dividend each year. If the funds are not legally available, and the Company is unable to distribute the Dividend in any year, the Dividend will accrue and the Company's obligation to pay the Dividend will carry forward into future years.

For additional information about the Dividend Rights, please see Article 4, Section 2.1 of the Amended and Restated Articles of Incorporation (Exhibit B).

Liquidation Preference. Upon any liquidation, dissolution, or winding up of the Company, before any distribution may be made to the holders of the Common Stock, the holders of any Series of Preferred Stock shall be paid an amount per Share equal to the price originally paid for their preferred stock, plus all accrued and unpaid dividends thereon. The Shares of Series B Preferred will be on parity with the holders of Series A Preferred and Series C Preferred in the event of liquidation.

If the assets of the Company are insufficient to pay the foregoing liquidation preference to all of the holders of Preferred Stock, then all the assets of the Company shall be distributed among the holders of the Preferred Stock pro rata, on an equal priority basis. After the payment of the full liquidation preference of the Preferred Stock as set forth above, the remaining assets of the Company legally available for distribution, if any, shall be distributed among the holders of the Common Stock, with no participation by the holders of the Preferred Stock. An acquisition of the Company is deemed a liquidation for these purposes.

Conversion Rights. Optional Conversion. Any shares of Series B Preferred may, at the option of the holder, be converted into Common Stock on a one-to-one ratio, (subject to adjustment for stock splits, stock dividends, recapitalizations and the like), by providing written notice to the Company and complying with the procedures set forth in the Amended and Restated Articles.

Automatic Conversion. Each share of Series B Preferred shall automatically be converted into a share of Common Stock, based on the then-effective Conversion Price for such series, (A) at any time upon the vote or written consent of the holders of at least sixty percent (60%) of the outstanding shares of the Series B Preferred, or (B) immediately upon the closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities

Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Company with a price in the offering which, if paid for all outstanding shares of stock of the Company plus the shares sold in the offering, would result in aggregate proceeds of at least $30,000,000. Upon such automatic conversion, any accrued and unpaid dividends shall be paid in immediately available funds.

Conversion Ratio. Initially, each Share of Series B Preferred Stock is convertible into one share of Common Stock. The conversion ratio is subject to adjustment from time to time in the event of stock dividends, stock splits, reclassifications, mergers, and other similar events as set forth in the Amended and Restated Articles.

No Antidilution Protection. The Amended and Restated Articles do not contain provisions adjusting the conversion ratio to increase the number of shares of Common Stock into which the Series B Preferred is convertible in the event of certain "dilutive issuances" of stock for less than the purchase price of the Series B Preferred.

For a complete description of Conversion Rights, please see the Amended and Restated Articles of Incorporation (Exhibit B).

Redemption. By converting Series B Shares to Common Stock, a Series B holder may participate in any company stock buyback offered to Common shareholders and on the same terms as Common shareholders—including buybacks made by the company's Employee Stock Ownership Plan (ESOP). The decision to exercise this right is at the discretion of each individual Series B holder, and this right will continue for as long as each Series B holder holds Series B Stock.

Additionally, at any time after two years from the first issuance of the Series B Preferred, the Company may exercise a right to redeem all (but not less than all) outstanding Series B Shares by giving the holders of the Series B Preferred Shares thirty days' notice of the redemption. The Redemption Price shall equal the higher of i) the original price paid for the Shares plus any accrued but unpaid dividends and ii) the Fair Market Value ("FMV") as determined by the most recent ESOP valuation, minus ten percent.

For a more complete description of the Redemption Rights, please review this Offering Memorandum in its entirety, and Article 4, Section 6 of the Amended and Restated Articles of Incorporation, as amended by the Articles of Amendment adopted by the Company's shareholders on July 30, 2020.

Voting Rights. On all matters subject to a vote of the shareholders of the Company, the holders of the Series B Preferred Shares shall be entitled to the number of votes that equals the number of shares of Common Stock into which their Shares are convertible and will vote with the Common Stock on an as-if-converted basis.

Additionally, there are situations during which the Preferred Stock is entitled to vote as a separate class. Please see the "Protective Provisions" subsection below.

Protective Provisions. The consent of a majority of the shares of the Preferred shareholders shall be required for any action that (a) alters or changes the rights, preferences, or privileges of either series; (b) increases or decreases the authorized number of shares of the Company's capital stock; (c) creates any new class or series of shares having rights, preferences, or privileges senior to or on parity with either series of preferred stock; (d) results in the redemption of or payment of dividends to the holders of the Common Stock at such time as there are any accrued and unpaid dividends on the Preferred Stock; (e) results in any merger, other corporate reorganization, sale of control, or any transaction in which all or substantially all of the assets of the Company are sold or exclusively licensed; (f) increases or decreases the authorized size of the Company's board of directors; (g) results in total number of Common Stock shares issued to be more than 1,050,000 shares, adjusted for stock splits, stock dividends, etc.; (h) changes the company's annual ESOP contribution rates (i) changes the discount used to calculate the Redemption Price from the Fair Market Value associated with the annual ESOP valuation (10% as of the issuance of this Offering Memorandum) or (j) causes the Company to become a party to any agreement which by its terms restricts its right to pay dividends on or satisfy the redemption rights of the Preferred Stock, or otherwise restricts the Company's performance of its outstanding obligations in respect of the Preferred Stock.

Information Rights. Pursuant to the Stock Purchase Agreement, as soon as practicable after the end of each fiscal year of the Company, and in any event within one hundred eighty (180) days thereafter, the Company will furnish each Holder of Series B Preferred Shares an audited balance sheet of the Company, as at the end of such fiscal year, and an audited statement of income and cash flows of the Company, for such year, and budget projections for the upcoming year, all in reasonable detail. As soon as practicable after the end of each fiscal quarter of the Company, and in any event within forty five (45) days thereafter, to the extent requested by a Holder, the Company will furnish each Holder a balance sheet of the Company, as at the end of such fiscal quarter, and a statement of income and cash flows of the Company, for such quarter. Additionally, the Company shall provide all Shareholders with an annual report on the impact of the company. Each Holder shall also be entitled to standard inspection and visitation rights, provided, however, that these and reporting provisions shall terminate upon the effective date of the registration statement pertaining to the Company's first firm commitment underwritten public offering of its Common Stock registered under the 1933 Act or the termination of the a Holder's ownership of the Series B Preferred Shares.

Restrictions on Transfer. No shareholder will be permitted to transfer his or her Shares to any third party without demonstrating to the Company's satisfaction that the proposed transfer complies with applicable securities laws. The Shares may not be transferred by any investor during the one-year period beginning when the Shares are issued, unless the Shares are transferred: (i) to the Company; (ii) to an "accredited investor" as defined in Rule 501(a) of Regulation D (which is outlined in Section 7 hereto); (iii) as part of an offering registered with the SEC; or (iv) to a member of the family of the investor or the equivalent, to a trust controlled by the investor, to a trust created for the benefit of a member of the family of the investor or the equivalent, or in connection with the death or divorce of the investor or other similar circumstance. In addition, there is no ready market for the sale of the Shares and it may be difficult or impossible for an investor to sell or otherwise dispose of the Shares. Furthermore, the investors are not permitted to assign the Shares without the Company's prior written consent in accordance with the terms of the Stock Purchase Agreement.

VII. PLAN OF DISTRIBUTION

We are offering and selling Shares directly to both accredited and non-accredited investors. We are offering up to 89,166 Shares in the Offering. The Company is offering the Shares to prospective investors through the Crowdfund Mainstreet crowdfunding portal (the "Portal"). The Portal is registered with the Securities and Exchange Commission (the "SEC"), as a funding portal and is a funding portal member of the Financial Industry Regulatory Authority. The Company will pay the Portal a commission equal to 6% of gross monies raised in the Offering. Investors should carefully review the Form C and this accompanying Offering Memorandum, which are available on the website of the Portal at www.crowdfundmainstreet.com.

The minimum amount or target amount to be raised in the Offering is $200,000 (the "Target Offering Amount") and the maximum amount to be raised in the offering is $1,070,000 (the "Maximum Offering Amount"). Each investor must purchase a minimum of 100 shares, for a minimum individual investment of $1,200 unless a smaller purchase is approved by the Company in its discretion.

Generally, no sale may be made to the investor in this offering if the aggregate purchase price the investor pays is more than 10% of the greater of the investor's annual income or net worth. Different rules apply to accredited investors (as defined below) and to non-natural persons. Before making any representation that the investor's investment does not exceed applicable thresholds, we encourage the investor to review Rule 251(d)(2)(i)(C) of Regulation A, which states:

> "In a Tier 2 offering of securities that are not listed on a registered national securities exchange upon qualification, unless the purchaser is either an accredited investor (as defined in Rule 501 (§230.501)) or the aggregate purchase price to be paid by the purchaser for the securities (including the actual or maximum estimated conversion, exercise, or exchange price for any underlying securities that have been qualified) is no more than ten percent (10%) of the greater of such purchaser's:
>
> (1) Annual income or net worth if a natural person (with annual income and net worth for such natural person purchasers determined as provided in Rule 501 (§230.501)); or
>
> (2) Revenue or net assets for such purchaser's most recently completed fiscal year end if a non-natural person."

The definition of an "accredited investor" in SEC Rule 501(a) includes:

a. Any director, executive officer, or general partner of Company;

b. Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $1,000,000 (excluding any positive equity value of the person's primary residence);
c. Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
d. Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in SEC Rule 506(b)(2)(ii); and
e. Any entity in which all of the equity owners are accredited investors.

Prospective investors who meet the eligibility requirements and to whom the Company determines to issue Shares may subscribe to purchase by following the instructions in SECTION XII: HOW TO INVEST.

The Offering will commence on the date of the Offering Memorandum and will continue until the earlier of i) the Company's receipt of subscriptions for all of the Shares, ii) Offering Deadline, or iii) such earlier date as the Company may, in its sole discretion, undertake one or more closings on a rolling basis (the "Offering Period"). If the Company raises at least the Target Offering Amount prior to the end of the Offering Period, the end date of the Offering Period may be accelerated, provided, that, the Offering Period must be at least twenty-one days. Investors that have committed funds will be notified of such change at least five business days prior to the new date.

Closing of the sale and purchase of the Shares pursuant to the Stock Purchase Agreement (the "Closing") shall take place through the Portal within five business days after such Closing (the "Closing Date"). The Company may hold additional "rolling closings," as the Company determines in its sole discretion. When the Company decides to hold a Closing, the Company will provide notice to investors that have made investment commitments of at least five business days' notice of the new deadline, and such investors have a right to cancel commitments for any reason until forty-eight hours prior to the new offering deadline. Any shares purchased before such a Closing will be issued and delivered to the purchaser in conjunction with the Closing. Funds invested will not begin to accrue dividends until issuance of the Shares.

If the Company determines that there are any material changes to the Offering, investors will be notified of such change and given instructions to reconfirm his or her investment commitment within 5 business days. If an investor does not reconfirm his or her investment commitment within such time period, the investor's investment commitment will be cancelled and the committed funds will be returned.

Purchasers of the Shares will become parties to a Series B Preferred Stock Purchase Agreement in the form of Exhibit A to this Offering Memorandum, which will contain representations, warranties, covenants, and conditions on behalf of both the Company and purchasers of Shares.

The Company will pay all of the expenses of this Offering, including fees to the Company's legal counsel. Any investor desiring to engage separate legal counsel in connection with this Offering will be responsible for the fees and costs of such separate representation.

VIII. MANAGEMENT AND PRINCIPAL SHAREHOLDERS

Officers. BK's corporate officers are:

Chief Executive Officer and Chief Financial Officer: David Marshall
President and Publisher: Johanna Vondeling
Vice President of Sales and Marketing: Kristen Frantz
Vice President, Global and Digital Sales: Maria Jesus Aguilo
Vice President for Design and Production: Edward Wade
Editorial Director: Neal Maillet
Director of Professional Publishing: Lesley Iura
Corporate Secretary: Marilyn McConnell

Information about the officers noted above, as of December 31, 2019, including annual remuneration, can be found in the "Officer and Director Information" attached as Exhibit C hereto.

The Company maintains a key man life insurance policy in the amount of $1,000,000 that insures the life of BK Senior Editor Steven Piersanti (with the Company as beneficiary). No other BK employees are so insured by the Company.

BK currently employs 32 staff members, 27 of whom are full-time employees and five of whom are part-time employees. To address the decrease in sales from the pandemic-related 2020 downturn, BK staff members have been on the California Work Sharing Program since July 2020. This program is designed by the California Employment Development Department to prevent layoffs.

Board of Directors. There are currently twelve members of the Board of Directors of The Berrett-Koehler Group, Inc.: Bill Upton, Vice President of Operations for Edwards Brothers Malloy, BK supplier, and BK shareholder, and current Board Chair; Steven Piersanti, BK founder, senior editor, and BK shareholder; David Marshall, BK CEO and CFO; Johanna Vondeling, President and Publisher, Katie Sheehan, BK senior communications manager and representative of BK employees (in accordance with a rotating system where the most senior BK employee who has not yet served on the Board customarily serves for one or two years); Joyce Roché, former President and CEO of Girls, Inc., past board member of several publicly traded corporations, BK author, and BK shareholder; Jesse Lyn Stoner, BK author and founder of the Seapoint Center for Collaborative Leadership; Marilyn McConnell, president, CEO, and owner of American International Distribution Corporation (AIDC), a BK service provider; Pete Neuwirth, senior consulting actuary at CapAcuity and BK author; Ed Frauenheim, senior director of content at research and analytics firm Great Place to Work, and member of the board of the BK Authors group, and BK co-author of two books; Jack Perry, founder of independent publisher Warbler Press in New York City and publishing consultant; Paul Wright, founding board member of the Berrett-Koehler Foundation, which he now chairs.

Note: After reviewing the information concerning the background of the Company's officers, directors and other key personnel, potential investors should consider whether or not these persons have adequate background and experience to operate the Company and to make it successful. In this regard, the experience and ability of management are often considered the most significant factors in the success of a business.

Principal Shareholders. The only person or entity who owns 20% or more of the Common Stock and Preferred Stock currently outstanding is Steven Piersanti, the Company's founder and senior editor, who owns 366,623 shares of the Company's Common Stock and 2,000 shares of the Company's Series B Preferred Stock, representing 38.3% of the ownership of the Company.

The shares of Common Stock and Preferred Stock beneficially owned by all officers and directors of the Company as a group accounts for approximately 40% of the outstanding stock.

Litigation. The company was sued in Alameda County Court by Swift Property to recover back rent for the company only paying partial rent on our unoccupied office space of 10,000 square feet in downtown Oakland, California from June to July of 2020 during the shelter-in-place health orders by Alameda County health officials, and to recover future rent shortfalls. (The lawsuit does not seek punitive damages.) The company answered the lawsuit and is now in amicable discussions with the landlord to sublease or take over our space. We do not consider this ongoing negotiation to have a material effect on the Company's business, financial condition, or operations. Company Management is not currently aware of any other past, pending, or threatened litigation or administrative action which has had or may have a material effect on the Company's business, financial condition, or operations.

IX. FEDERAL TAX CONSIDERATIONS

The following summary describes the material United States federal income tax consequences of the purchase, ownership, and disposition of the Shares and certain other matters, but does not purport to be a complete analysis of all potential tax considerations. In particular, the following summary does not address potential state, local, or foreign tax considerations associated with owning the Shares, and does not address any tax considerations that may apply to any prospective shareholder's particular circumstances, including any circumstances unique to corporations, tax-exempt entities, partnerships, trusts, or ESOPs. No assurance can be given that the Internal Revenue Service ("IRS") will agree with the views expressed in this summary, or that a court will not sustain any challenge by the IRS in the event of litigation. This summary of the material United States federal income tax considerations is for general information only and is not tax advice. Each prospective shareholder is urged to consult its, his or her own tax advisor to determine the federal, state, local, foreign and other tax consequences of the purchase, ownership and disposition of the Shares in light of the prospective shareholder's particular circumstances.

Treatment of Dividend Payments. The dividends received by holders of the Shares will be includible in gross income and taxable as ordinary income for U.S. federal income tax purposes at the time such dividend is paid or accrued in accordance with such holder's regular method of tax accounting. In addition, payments of dividends should be treated as portfolio income under the passive loss rules. As portfolio income, these payments may not be offset by losses from a passive activity. For individuals, qualified dividends are subject to tax at rates up to 20 percent. The Company will report on an annual basis any dividends paid with respect to the Shares to each shareholder on a Form 1099-DIV.

Backup Withholding. Under federal income tax law, a holder of Shares may be subject to "backup withholding" under certain circumstances. Backup withholding applies to a shareholder who is a United States person if the shareholder, among other things, (i) fails to furnish his social security number or other taxpayer identification number ("TIN") to the Company, (ii) furnishes the Company an incorrect TIN, (iii) fails to report properly interest and dividends, or (iv) under certain circumstances, fails to provide the Company with a certified statement, signed under penalties of perjury, that the TIN provided to the Company is correct and that the holder is not subject to backup withholding. The backup withholding rate is 24% of "reportable payments". Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a United States person generally will be allowed as a refund or as a credit against that holder's U.S. federal income tax liability, provided the requisite procedures are followed. Potential investors should consult their tax advisors for additional information concerning the potential application of backup withholding to dividend payments received by them as a result of owning Shares.

Sale, Exchange, Redemption or Retirement of Shares. Assuming you hold Shares as a capital asset, you generally will recognize capital gain or loss upon a sale, exchange, redemption (to the extent the redemption is not treated as a dividend), retirement or other taxable disposition of Shares measured by the difference, if any, between (i) the amount of cash and the fair market value of any property received for the Shares, and (ii) the your adjusted tax basis in the Shares. The gain or loss will be long-term capital gain or loss if the Shares have been held for more than one year at the time of the sale or exchange. Long-term capital gains of non-corporate holders may be eligible for reduced rates of taxation. The deductibility of capital losses by both corporate and non-corporate holders is subject to limitations. A Shareholder's adjusted basis in the Shares generally will be the amount paid for the Shares, provided that a Shareholder's basis may be different if the Shares were received by gift or inheritance, or if certain other adjustments to the basis of Shares have been made.

Net Investment Income Tax. Certain U.S. persons who are individuals, estates or trusts to pay an additional 3.8% net investment income tax. This tax generally would apply to dividends on and capital gains from the sale or exchange of Shares and would be in addition to the dividend taxes and taxes on capital gains described above. Prospective investors should consult their tax advisors regarding the effect, if any, of the net investment income tax on the ownership or disposition of the Shares.

State, Local, and Foreign Taxes. In addition to the federal income tax aspects described above, prospective investors should consider potential state, local, and foreign tax consequences of an investment in the Shares. Each investor is urged to consult his own tax advisor to determine the impact any such taxes may have on the investor's unique tax situation.

Perpetual Purpose Trust Stock Acquisition. As indicated elsewhere in this Offering Memorandum, the Company and Steven Piersanti, the Company's founder, senior editor and largest current stockholder, intend to establish a Perpetual Purpose Trust to become a stockholder of the Company. Ownership of a portion of the Company's stock by the Perpetual Purpose Trust is intended to provide additional protection for the company's mission, values, and independence, as the Perpetual Purpose Trust will not be focused on or seek an exit strategy, but will instead support preserving the Company's mission, values, and independence into the future. A portion of the proceeds from the offer and sale of Shares in this offering will be used to acquire issued and outstanding Company stock to be held by the Perpetual Purpose Trust. The use of a Perpetual Purpose Trust structure as an ownership vehicle for mission-based enterprises is a relatively new legal structure and has not been the focus of detailed review by the Internal Revenue Service (the "IRS"). As a result, the Company cannot predict how the IRS will characterize and analyze the proposed transactions involving the Company and the Perpetual Purpose Trust. While the Company and its advisors believe that the proposed transfer of Company stock to the Perpetual Purpose Trust should not result in adverse income or gift tax consequences to the Company, the Perpetual Purpose Trust, or the Company's shareholders, the IRS may adopt a different characterization of the proposed transactions.

The foregoing section is set forth for general information only and is not meant as tax advice to any potential investor. Potential investors are encouraged to consult their own tax advisor(s) as to the tax impact of an investment in the Shares on their personal financial situation.

X. FINANCIAL STATEMENTS

Included as Exhibit D are the Company's audited balance sheet as of December 31, 2018 and December 31, 2019, and audited statements of income, cash flow, and stockholders' equity for each of the 12-month periods ending on those dates. Also included are the Company's unaudited balance sheet as of June 30, 2020 and unaudited statement of operations for the six months ended June 30, 2020. The unaudited interim financial statements were prepared by management and have not been reviewed or audited by any independent accounting firm. Also included is a summary of the Company's financial results for the period from 2012 to 2018.

XI. MANAGEMENT'S DISCUSSION AND ANALYSIS

Background on Financial Statements. Berrett-Koehler has operated on a calendar fiscal year (January 1 to December 31) from its inception until the present, and it plans to continue doing so in the future.

Berrett-Koehler's intellectual properties are the principal source of the Company's revenues. However, in keeping with accounting conventions for intangible assets, no value is assigned (except for income already earned) on the BK balance sheet to any of its intellectual properties, including (a) the more than 700 publication agreements it has signed; (b) the more than 3000 foreign translation rights agreements that it has signed; (c) the more than 1000 other subsidiary rights agreements (for video rights, audio rights; book club rights, electronic rights, reprint rights, etc.) it has signed; (d) the BK trademarks; or (e) other BK intellectual property assets. These intangible assets are a major part of BK's value.

To aid in analysis of this investment opportunity, this Offering Memorandum and the included financial documents include projections of future results. The projections constitute forward-looking statements that involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. The cautionary statements made in the "Risk Factors" section of this Offering Memorandum should be read as being applicable to all forward-looking statements wherever they appear in this Offering Memorandum. The Company's actual results could differ materially from the projections presented here.

Financial Statements Summary. Financial results for The Berrett-Koehler Group, Inc., from 2012 to 2018 are presented in the "Financial Statements Summary" that is also included in Exhibit D.

These results, combined with the 2018 and 2019 audited financial statements, show that show that the company has maintained a solid track record of revenue growth and profitability over its 28-year history.

2019 FINANCIAL RESULTS

After 16 years in a row—from 2003 to 2018—of earning a profit each year, Berrett-Koehler incurred a loss of $358,149 in 2019.

A principal reason for this 2019 loss is that we made large investments in growing the business in 2019, most of which we expected to pay off in growth and profit in 2021 and 2022 rather than in 2019 and 2020 (because of the long lead time from when an editor begins working, to when the editor signs new book projects, to when the manuscripts for those books are completed, to when the finished books are ready for sale—often two years or more). Specifically, by May 2019 we had 2.5 more editorial staff members than we had at the beginning of 2018, and this expanded editorial staff is increasing the number of titles that the company will publish in 2021 and going forward. We also increased our digital marketing staff, digital marketing initiatives, and online training program investments in 2019, which are already proving in 2020 to be important for the company's success because of the new economic environment.

Another reason for the 2019 loss is that a lot of company energy and focus between mid-2018 and mid-2019 was devoted to the BK leadership transition, which, after a long search and hiring process, resulted in David Marshall becoming CEO and CFO and Johanna Vondeling becoming President and Publisher, while Steve Piersanti changed his role to being a full-time Senior Editor. This consumed much of Steve's time during this period and significant amounts of David's, Johanna's, and other staff members' time, which diverted attention from our book publishing (including lowering the number of new 2019 publications), from online product development, and from marketing in 2019, thus lowering 2019 revenues. The company believes this was an important and needed leadership transition that has positioned the company for future growth.

Also contributing to our 2019 loss were increased inventory write-offs for slow selling inventory and one-time corrections to several financial accounts.

2020 FINANCIAL RESULTS

From a financial perspective, 2020 has been an up year, then down year, then up-again year for The Berrett-Koehler Group, Inc.

2020 started well for Berrett-Koehler, with increases in both revenue and profit in January and February above our business plan for the first two months of 2020. Then the COVID-19 pandemic hit the U.S. in the second week of March, and revenues declined sharply in the last half of March, in April, and in May 2020. Revenues in these three months were 46% below our business plan for the months (and the drop would have been greater had we not had a strong first half of March). This shortfall in revenues resulted in large losses for those months.

Fortunately, we started to see signs of recovery by May. A principal leading indicator of sales for Berrett-Koehler is the Point-of-Sales (POS) data of the sell-through of our titles within Amazon.com and other booksellers in North America; these data are reported by NPD BookScan. After we saw healthy POS numbers in the week ended March 7 and prior weeks, the POS numbers began to decline in the week ended March 14 and then bottomed out in the week ended April 11 at only 31% of baseline. (Baseline is the average weekly POS numbers during the 10 weeks before the pandemic hit the U.S.) Since that lowest week, POS data have been on a 12-week upward trend and have recovered to be close to or above the pre-pandemic baseline for the past five weeks.

This POS recovery translated into strong revenues in June 2020. BK's June revenues were 95% of our original plan for the month and well above our revenues in June 2019. The timing of the revenue increase is because sell-through of our titles through Amazon.com and other booksellers (which again is what POS measures) translates into reorders of those titles to our trade distributor, Penguin Random House Publisher Services (PRHPS). This in turn results in PRHPS fulfilling the orders, which is what generates sales for Berrett-Koehler. This process generally takes about a month—from when the titles sell through in the accounts until reorders are placed and fulfilled and then credited as sales to Berrett-Koehler.

And the good news is that the strong June revenues—combined with the Payroll Protection Plan loan of nearly $700,000 that Berrett-Koehler received from the federal government (all of which is expected to be forgiven and thus count as income)—returned Berrett-Koehler to profitability for the first six months of 2020. See the June 30, 2020, preliminary and unaudited statement of operations, which shows profit before income taxes of $95,265 for the first half of the year.

The major reason for the decline in revenues starting mid-March appears to be that conferences, workshops, speaking events, training events, and other training programs—which account for a large part of the sales of BK titles—were cancelled all over the world because of the COVID-19 pandemic. Much of the recovery of BK revenues later in the spring and early summer appears to be due to the fact that a great many BK authors quickly pivoted to providing their training programs, workshops, speaking events, and the like virtually, and Berrett-Koehler as a company further accelerated our virtual marketing initiatives and digital product offerings. These pivots have transformed BK revenues to be less dependent on in-person training events, conferences, and gatherings than they were when the pandemic hit. As a result, our revenues are now less negatively impacted by the effects of the continuing pandemic than they were in the early months of the pandemic.

The proceeds of the offering will improve the company's liquidity and flexibility in investing in its growth plans, but this additional equity is not necessary to the continued viability of the business. Investment from existing common and preferred shareholders is not required for the company to maintain its viability or continue its operations, but such shareholders are invited to invest in this round. The company's primary sources of liquidity come from its organic sales of knowledge-based products and services and from its $2.2 million revolving line of credit with Beneficial State Bank, of Oakland, California. Depending on whether the company reaches its minimum raise of $200,000 or its maximum of $1,070,000, it projects using the proceeds of this offering within six to eighteen months

Berrett-Koehler is a viable company with strong growth prospects as outlined in more detail in section III. DESCRIPTION OF THE BUSINESS, and *Berrett-Koehler Growth Plan* in Exhibit E.

XII. HOW TO INVEST

To invest in the Securities, each prospective investor will be required to (i) register for an investor account with the Portal, (ii) make representations regarding the investor's investment eligibility and complete a questionnaire to demonstrate his or her understanding of the risks involved in investing in the Securities and (iii) execute the Stock Purchase Agreement. The Company reserves the right to modify any of the terms of the Offering and the Securities at any time before the Offering closes.

Investors should be aware that legal counsel to the Company represented the Company only in the preparation of this Offering Memorandum and the conduct of this Offering and did not undertake to represent the interests of prospective investors. Prospective investors are encouraged to seek the advice of their own legal counsel in connection with their potential purchase of the Shares.

In preparation of this Offering Memorandum, counsel has relied on representations and statements of the Company's officers as to facts regarding the Company, its directors, officers, shareholders, and their respective affiliates. Counsel expresses no opinion regarding any factual matter set forth in this Offering Memorandum. Potential investors should consult their advisors regarding an investment in the Company and conduct any due diligence that they deem appropriate to verify the accuracy of the representations and information set forth in this Offering Memorandum.

XIII. EXHIBITS

EXHIBIT A: STOCK SUBSCRIPTION AND PURCHASE AGREEMENT
EXHIBIT B: AMENDED AND RESTATED ARTICLES OF INCORPORATION
EXHIBIT C: OFFICER AND DIRECTOR INFORMATION
EXHIBIT D: FINANCIAL STATEMENTS THROUGH 06/30/20
EXHIBIT E: BERRETT-KOEHLER GROWTH PLANS
EXHIBIT F: 2019 BENEFIT REPORT
EXHIBIT G: SUMMER/FALL 2020 BERRETT-KOEHLER CATALOG
EXHBIT H: USE OF PROCEEDS TABLE

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BERRETT-KOEHLER GROWTH PLANS

EXHIBIT F

2019 BENEFIT REPORT

You may download the latest BK Benefit Report (2019 as of the date of this Offering Memorandum) at: https://www.bkconnection.com/benefit-report-of-berrett-koehler-publishers

EXHIBIT G

SUMMER/FALL 2020 BERRETT-KOEHLER CATALOG

You may download the latest BK Catalog (Summer/Fall 2020 as of the date of this Offering Memorandum) at: https://ideas.bkconnection.com/download-the-latest-bk-catalog

EXHIBIT H

USE OF PROCEEDS TABLE

Item	$200,000 Level	$400,000 Level	$600,000 Level	$800,000 Level	$1,070,0000 Level
Berrett-Koehler Growth Plans & Working Capital	$115,000	$210,000	$305,000	$405,000	$505,000
Steward-Ownership & Steward Governance	$60,000	$100,000	$100,000	$100,000	$100,000
Limited stock buybacks to support transition to Perpetual Purpose Trust	$0	$55,000	$145,000	$230,000	$315,000
Offering expenses (legal, portal, accounting)	$25,000	$35,000	$50,000	$65,000	$80,000
TOTAL	**$200,000**	**$400,000**	**$600,000**	**$800,000**	**$1,070,000**