

FRANCHISE DISCLOSURE DOCUMENT



Black Rifle Coffee Company LLC
 (a Delaware limited liability company)
 1144 South 500 West
 Salt Lake City, UT 84101
 385.262.7184
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 www.blackriflecoffee.com

A “Black Rifle Coffee Company” franchisee will operate a retail coffee shop business featuring, among other things, fresh roasted coffee beverages and grab-and-go baked goods for on-premises and carry-out consumption, and related sales of retail merchandise and apparel in a modern, technical environment.

The total investment necessary to begin operation of a Black Rifle Coffee Company franchised business ranges from \$1,455,750 to \$3,099,000. This includes \$60,000 to \$110,000 that must be paid to the franchisor or an affiliate.

If you enter into a Development Agreement to develop multiple Shops, when you sign the Development Agreement you will pay the full franchise fee of \$35,000 for the first Shop and \$17,500 for each additional Shop to be developed under the Development Agreement. The development fee is applied toward the franchise fee payable for each Shop developed after the first one, and the balance of the franchise fee of \$17,500 is due and payable when you sign the second and each additional Franchise Agreement for a Shop developed under the Development Agreement. For example, the total investment for five Shops ranges from \$7,278,750 to \$15,495,000, of which \$300,000 to \$550,000 must be paid to the franchisor or an affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Legal Department, 1144 South 500 West, Salt Lake City, UT 84101 (legal@blackriflecoffee.com and 385.262.7184).

The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

The issuance date of this Franchise Disclosure Document is June 8, 2023.

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit H.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit F includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only “Black Rifle Coffee Company” business in my area?	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What’s it like to be a “Black Rifle Coffee Company” franchisee?	Item 20 or Exhibit H list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the Table of Contents.

What You Need to Know About Franchising *Generally*

Continuing responsibility to pay fees. You may have to pay royalties and other fees even if you are losing money.

Business model can change. The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

Supplier restrictions. You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

Operating restrictions. The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

Competition from franchisor. Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

Renewal. Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit B.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About This Franchise

Certain states require that the following risk(s) be highlighted:

Out-of-State Dispute Resolution. The franchise agreement and development agreement both require you to resolve disputes with us by mediation and litigation in Utah. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in Utah than in your own state.

Supplier Control. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

Certain states may require other risks to be highlighted. Check the “State Specific Addenda” (if any) in Exhibit G to see whether your state requires other risks to be highlighted.

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Item 1 The Franchisor and any Parents, Predecessors, and Affiliates

The Franchisor

The Franchisor is Black Rifle Coffee Company LLC. In this disclosure document (“**FDD**”), we refer to “Black Rifle Coffee Company LLC” as “**we**”, “**us**”, “**our**”, “**BRCC**”, or the “**Company**”. We were organized as a Delaware limited liability company on December 1, 2017. We conduct business under the name “Black Rifle Coffee Company.” We do not do business under any other name. Our principal place of business is at 1144 South 500 West, Salt Lake City, Utah 84101. We also maintain offices at 355 Spencer Lane, San Antonio, Texas 78201. Our agents for service of process are listed on Exhibit C to this Franchise Disclosure Document.

Our Parents, Predecessors, and Affiliates

We have no predecessors. Our corporate parents and affiliates are as follows (all of which have their principal place of business at 1144 South 500 West, Salt Lake City, Utah 84101, none offer products to our franchisees, and none have ever offered franchises):

Good Beans LLC is a Delaware limited liability company organized on October 12, 2018.	Good Beans is our parent entity. It is a holding company and does not operate in any line of business.
Authentic Brands LLC is a Delaware limited liability company organized on June 5, 2018.	Authentic Brands is Good Beans’ parent entity. It is a holding company and does not operate in any line of business.
BRC Inc. is a Delaware public benefit corporation organized on October 26, 2021.	BRC is Authentic Brands’ parent entity. It is a holding company that is traded on the New York Stock Exchange under the ticker symbol “BRCC”, and does not operate in any line of business.
BRCC Operating Company LLC is a Delaware limited liability company organized on November 6, 2019.	BRCC Operating Company operates Company-owned BRCC Shops.
Free Range American Media Company LLC is a Delaware limited liability company organized on September 5, 2019.	Free Range American produces a podcast focused on promoting our brand.
Signal Mountain Media Works LLC is a Texas limited liability company organized on December 29, 2017.	Signal Mountain produces YouTube videos and other digital media content for us.
Grounds and Hounds Coffee Company LLC is a Delaware limited liability company organized on June 5, 2018.	Grounds and Hounds conducts online retail sale of bagged coffee and merchandise (not under the “Black Rifle Coffee Company” marks) with a focus on home delivery.

Independent Coffee Solutions LLC is a Delaware limited liability company organized on January 13, 2020.	Independent Coffee Solutions operates coffee roasting facilities for manufacturing contracts.
BRCC GG LLC is a Utah limited liability company organized on March 25, 2021.	BRCC GC administers the gift card program for our e-commerce customers.
1144 SLC LLC is a Delaware limited liability company organized on January 6, 2020.	1144 SLC owns the real estate at our Salt Lake City office.
Spencer 355 LLC is a Delaware limited liability company organized on April 25, 2018.	Spencer 355 owns the real estate at our San Antonio office.
621 Manchester LLC is a Delaware limited liability company organized on March 16, 2021.	621 Manchester owns the real estate at our Manchester, Tennessee roasting facility.
BRCC Copperfield LLC is a Delaware limited liability company organized on July 9, 2021.	BRCC Copperfield owns the real estate for our Company-owned BRCC Shop located in Copperfield, Texas.
SBEA Merger Sub LLC is a Delaware limited liability company organized on October 27, 2021.	SBEA Merger Sub LLC was formed as part of a de-SPAC transaction prior to BRC Inc. becoming publicly traded on the NYSE.

Our ultimate parent company, BRC Inc., entered into a Business Combination Agreement with Authentic Brands and other parties. On February 9, 2022 a series of transactions were completed, as contemplated by the Business Combination Agreement, that resulted in Authentic Brands becoming a subsidiary of BRC Inc., with BRC Inc. acting as sole managing member of Authentic Brands as a public benefit corporation (the “**Business Combination**”). Authentic Brands’ management makes up the majority of BRC Inc., and represents the majority of the continuing operations of BRC Inc. On February 10, 2022, BRC Inc. began trading on the New York Stock Exchange under the symbol “BRCC”.

The Franchise Offered

We offer franchises for the establishment and operation of “Black Rifle Coffee” businesses (“**BRCC Shops**”) that specialize in fresh roasted coffee beverages and baked goods for on-premises and carry-out consumption, as well as related sales of retail merchandise and apparel in a modern, technical environment.

BRCC Shops are characterized by our system (the “**System**”). Some of the features of our System are our distinctive products; signage; distinctive interior and exterior design and accessories; operational procedures; standards and specifications; quality of products and services offered; recipes and preparation techniques; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, menus, the Proprietary Marks (defined below), as well as advertising and promotional programs. We may periodically change parts of the System.

You must operate your BRCC Shop in accordance with our standards and procedures, as set out in our Confidential Brand Standards Manual (the “**Manual**”). We will lend you, or make available electronically, a copy of the Manual for the duration of the Franchise Agreement. In addition, we will grant you the right to use our marks, including the mark “Black Rifle Coffee Company” and any other trade names and marks that we designate in writing for use with the System (the “**Proprietary Marks**”).

BRCC Shops will be operated from an indoor structure that need not be free-standing, in a target size of approximately 2,800 square feet and are decorated to meet our specifications (including the use of our trade dress, trademark, and design).

We offer to enter into franchise agreements (“**Franchise Agreements**”) with qualified entities and persons (“you”) that wish to establish and operate BRCC Shops. We award franchises in our discretion, and in order to be qualified to become our franchisee, we will consider many factors that include, among other things, a prospective franchisee’s financial resources, educational and work background, personality fit, and ability to work with our team. A copy of the form Franchise Agreement is attached to this FDD as Exhibit A-1.

In this disclosure document, “you” means the person or legal entity with whom we enter into an agreement. The term “you” also refers to the direct and indirect owners of a corporation, partnership, limited liability company, limited liability partnership, or trust that signs a Franchise Agreement as the “Franchisee” or a Development Agreement as the “Developer”.)

We may also offer area development agreements (“**Development Agreements**”) to qualified parties (“**Developers**”). Our current form of Development Agreement is attached to this Disclosure Document as Exhibit A-2. If you sign a Development Agreement, we will grant you the right, and you will accept the responsibility, to establish an agreed-upon number of BRCC Shops within an agreed-upon designated area (the “**Development Area**”), under an agreed-upon timetable (the “**Development Schedule**”). Each BRCC Shop will be constructed and operated under a separate Franchise Agreement. The Franchise Agreement for the first BRCC Shop developed under the Development Agreement will be in the form attached to the Development Agreement. The Franchise Agreement for each additional BRCC Shop developed will be in the form of the Franchise Agreement that we generally offer to new franchisees at that time.

Applicable Regulations

You must comply with all local, state, and federal laws that apply to your BRCC Shop operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, restrooms, drinking facilities, etc. For example, you must obtain real estate permits (e.g., zoning), real estate licenses, and operational licenses. There are also regulations that pertain to handling consumer data, sanitation, healthcare, labeling, caloric information, nutrition disclosures, allergen disclosures, food preparation, food handling, and food service. You will be required to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your BRCC Shop. Finally, you must also follow the Payment Card Industry Data Security Standards and comply with applicable privacy laws relating to customer credit card transactions. We recommend that you examine and consider the impact of these and all applicable laws, regulations, and standards before entering into any agreement with us. The laws in your state or municipality may be more or less stringent, and there may be specific laws or regulations in your state or municipality

regarding the operation of a BRCC Shop. You should consult with your attorney concerning those and other local laws and ordinances that may affect your Franchised Business' operation.

Competition

You can expect to compete in your market with locally-owned businesses, as well as with national and regional chains, that offer coffee and baked goods, and other items that may compete with the products offered at a BRCC Shop. The market for these items is well-established and very highly competitive. These businesses vigorously compete on the basis of factors such as price, service, store location, and product quality. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, seasonal population fluctuation, and travel patterns. To the extent that customers may be able to buy "Black Rifle Coffee Company" brand products from other sources (for example, other BRCC Shops, retailers, or our website), you may appear to, or actually, compete with other sellers of "Black Rifle Coffee Company" brand products.

Item 2

Business Experience

The following individuals have management responsibility for the sale or operation of the franchise offered by this disclosure document. Unless otherwise noted, the individual primarily works from our headquarters in Salt Lake City, Utah.

Chief Executive Officer and Member, Board of Directors Evan D. Hafer
Mr. Hafer is the founder of Black Rifle Coffee Company LLC. Since October 2014, he has served as our Chief Executive Officer and on our Board of Directors.

Co-CEO and Member, Board of Directors Thomas E. Davin
Mr. Davin has served as our Co-Chief Executive Officer since January 2019 and on our Board of Directors since September 2018. From September 2011 to September 2018, Mr. Davin served as Chief Executive Officer for 5.11 Inc. in Irvine, California.

Chief Financial Officer Gregory J. Iverson
Mr. Iverson has served as our Chief Financial Officer since April 2020. From April 2018 to September 2019, he served as Chief Financial Officer of Overstock.com in Salt Lake City, Utah.

Chief Branding Officer Mathew Best
Mr. Best has served us since January 2015, in the capacity of co-founder and Chief Branding Officer. He also served on our Board of Directors from December 2017 to February 2022. Mr. Best works in San Antonio.

Chief Marketing Officer Christopher Mondzelewski
Mr. Mondzelewski has served as our Chief Marketing Officer since May 2023. He previously was at MARS Petcare of Franklin, Tennessee from July 2011 to April 2023 in various roles, most recently in the role of Chief Growth Officer.

Chief Operating Officer J. Toby Johnson
Ms. Johnson has served as our Chief Operating Officer since August 2021, and on our Board of Directors from August 2020 to July 2021 until assuming her current role. Previously, Ms. Johnson was Senior V.P. of Sales and Snacks for Campbell Soup Company in Charlotte, North Carolina from July 2020 to August 2021. She served at PepsiCo as its Region V.P. for Frito Lay (December 2017 to June 2020) in Plano, Texas.

Chief Technology Officer

Christopher Clark

Mr. Clark has served as our Chief Technology Officer since May 2022. He previously served as Senior V.P. and Chief Information Officer for Levi Strauss & Co. from April 2017 to April 2022. He works primarily from Fort Worth, Texas.

Chief Human Resources Officer

Martin Manning

Mr. Manning has served as our Chief Human Resources Officer since August 2022. He previously served as Chief Human Resources Officer for Ascend Learning from June 2015 to July 2022.

General Counsel and Corporate Secretary

Andrew McCormick

Mr. McCormick has served as our General Counsel and Corporate Secretary since September 2021. He previously served as General Counsel and Corporate Secretary for Laird Superfood Inc. from February 2019 to September 2021. Mr. McCormick also served as an attorney for Hogan Lovells US LLP from January 2014 to February 2019 in Denver, Colorado.

Vice President of Development

Owen Hutchison

Mr. Hutchison has served as our V.P. of Development since May 2022. He previously served as Director of Store Development for Starbucks from June 2016 to May 2022. He works primarily from Fort Worth, Texas.

Item 3**Litigation**

In re Overstock, Inc. Securities Litigation (US District Ct., D. Utah, filed Sept. 27, 2019, Case No. 2:19-cv-00709-DAK-EJF). In this shareholder class action, the lead plaintiff, The Mangrove Partners Master Fund, Ltd., alleges that Overstock.com, Inc. and three of its current or former officers, including Overstock's former CFO, Gregory Iverson, violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The consolidated complaint in this matter was filed March 2020. Defendants filed a motion to dismiss and on September 28, 2020, the court granted the motion and entered a judgment in favor of the defendants. The plaintiff filed a motion to amend its complaint on October 23, 2020 and filed a notice of appeal on October 26, 2020. The United States District Court of Utah granted the plaintiff's motion to amend its complaint on January 6, 2021 and the Tenth Circuit Court dismissed the plaintiff's appeal on January 8, 2021. The plaintiffs filed their amended complaint on January 11, 2021. Defendants filed a motion to dismiss plaintiffs' amended complaint, and on September 20, 2021, the court granted defendants' motion and entered judgment in favor of defendants. On October 18, 2021, the plaintiffs filed a Notice of Appeal, appealing the ruling of the district court to the United States Court of Appeals for the Tenth Circuit. Defendants are awaiting a ruling from the Tenth Circuit that heard oral argument on the appeal on February 9, 2023.

Gunaseelan v. Byrne (US District Ct., D. Del., filed Nov. 22, 2019, Case No. 1:19-cv-02182-UNA). This shareholder derivative action (along with another one that was subsequently filed in the US District Court for the District of Delaware, entitled *Randall v. Byrne* (Case No. 1-19-cv-02287)) arises from the same set of facts as securities class action discussed above. The two derivative actions were consolidated on January 21, 2020. They assert claims alleging breach of fiduciary duty and name Mr. Iverson among the defendants. The consolidated case remains stayed pending the outcome of plaintiffs' appeal to the Tenth Circuit in the securities class action discussed above.

Tang Capital Partners, LP, v. BRC Inc. (US District Ct., S.D.N.Y., filed April 28, 2022, Case No. 1:22-cv-03476-RWL). Plaintiff Tang Capital Partners, LP filed this breach of contract action

against defendant BRC Inc. alleging that defendant is in violation of the language contained in a warrant agreement to the detriment of plaintiff. Defendant filed a motion to dismiss the complaint for failure to state a claim upon which relief could be granted on July 29, 2022. After hearing oral arguments on February 14, 2023, the Court partially granted defendant's motion to dismiss, dismissing plaintiff's request for a declaratory judgment only. On March 22, 2023, Defendant filed an answer and affirmative defenses denying plaintiff's claim for breach of contract. Discovery is proceeding.

1791 Management LP, v. BRC Inc., Authentic Brands LLC, Black Rifle Coffee Company LLC, et. al. (Sup. Ct. Cal., Orange County, filed May 20, 2022, Case No. 30-2022-01260703-CU-FR-CJC). Plaintiff alleged breach of contract and various claims of fraud under California law, similar to the allegations in *Tang* (above) with respect to warrant agreements. Defendants filed a motion to dismiss due to improper choice of forum on July 5, 2022. The Court granted the motion in part on December 13, 2022, dismissing four of plaintiff's claims but kept the case in the California court, resulting in plaintiff filing an amended complaint on January 3, 2023. Plaintiff now has two active claims, for which Defendant has renewed its motion to dismiss. Discovery has not yet been demanded.

Strategy and Execution, Inc, v. Black Rifle Coffee Company LLC (US District Ct., W.D. Tex., filed February 3, 2023, Case No. 5:23-cv-00135-FB). Plaintiff Strategy and Execution, Inc. filed a complaint against defendant Black Rifle Coffee Company LLC alleging breach of contract and anticipatory breach of contract with respect to certain royalties and intellectual property claims. On April 4, 2023, defendant filed a partial motion to dismiss several of the claims, which is currently pending.

Other than the five cases described above, no litigation is required to be disclosed in this Item.

Item 4

Bankruptcy

No bankruptcy is required to be disclosed in this Item.

Item 5

Initial Fees

Initial Franchise Fee

The initial franchise fee is \$35,000, nonrefundable, and due when you sign the Franchise Agreement. The initial franchise fees we collected in 2022 ranged from \$0 to \$35,000.

Development Fee

If you sign the Development Agreement, you must pay us a development fee in an amount equal to the total of \$35,000 for the first BRCC Shop that you will develop plus \$17,500 for each additional BRCC Shop that you agree to open according to the Development Schedule (you will have to pay the remaining \$17,500 balance of the initial franchise fee when you sign the franchise agreement for each new BRCC Shop). The amount of the development fee will vary based on the number of BRCC Shops you choose to develop under the Development Agreement. The development fee must be paid in lump sum and is non-refundable. We did not enter into any Development Agreements in our last fiscal year.

If you sign a Development Agreement, then we will discount the initial franchise fee for the BRCC Shops that you develop under that agreement, as explained above.

If you are in compliance with your obligations under the Development Agreement, then when you enter into the Franchise Agreements with us for the BRCC Shops required under the Development Agreement, then we will credit to you the following amounts from the development fee that you paid to us (up to a maximum of the total development fee that you paid to us):

Credit toward the initial franchise fee for the first BRCC Shop
required under the Development Agreement \$35,000

Credit toward the initial franchise fee for each additional BRCC Shop
required under the Development Agreement \$17,500

Initial Inventory

Before you open for business, you must purchase certain initial inventory from us. This initial inventory will include coffee and drinkware for in-shop beverage preparation, all branded paper products, and merchandise for retail sale, including bagged coffee, gear, apparel, and drinkware. We estimate that the cost of the initial inventory that you must buy from us will be approximately \$25,000 to \$75,000.

Item 6

Other Fees

Type of Fee	Amount	Due Date	Remarks
Royalty (Note 1)	6% of Gross Sales (Note 2)	Payable weekly, by Friday (Note 3)	
Marketing Contribution (Note 1)	4% of Gross Sales	Same as royalties.	Currently, allocated as 2% to the Marketing Fund and 2% to be spent by you on local marketing and promotion. We have the right to change this allocation upon notice.
Supplier/Vendor or Supplies Approval (Note 4)	Cost of inspection of supplier's facilities and/or test of supplier's samples, plus our reasonable related costs and expenses	Upon demand	Only due if you propose a new supplier or vendors (or particular suppliers) that we have not previously approved
Product and Equipment Purchases	Will vary	Upon delivery or as agreed	We charge you for products and equipment you purchase from or through us.
Inspection or Audit (Note 5)	Cost of inspection or audit plus our	Upon demand	Only due if inspection or audit discloses that information provided to us

Type of Fee	Amount	Due Date	Remarks
	reasonable related costs and expenses		was materially inaccurate or misleading
Interest	Interest is 1.5% per month on missed, overdue, or insufficient payments.	Upon demand.	Only due if you do not make proper payment on time. Interest begins to accrue when payment was initially due. If a maximum interest rate applies under your state's law, then interest will not exceed that maximum rate.
Renewal Fee	Greater of \$17,500 or 50% of our then-current initial franchise fee	Due upon execution of Renewal Agreement	Payable upon renewal of the Franchise Agreement on the terms described in that agreement. The renewal fee is due instead of a new initial franchise fee.
Transfer Fee	Greater of \$17,500 or 50% of our then-current initial franchise fee, plus any applicable broker fees	At the time of transfer	Only due if you propose a transfer. For a transfer upon disability or death of the franchisee's principal, or a simple assignment for the convenience of ownership, we will not charge a transfer fee (but ask instead to be reimbursed for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting the transaction).
Securities Offering Fee	\$10,000 (or our reasonable costs and expenses, if more)	Upon demand	Only due if you or an affiliate engage in a securities offering. You also must indemnify us (see below).
Relocation Fee	\$2,500 plus our reasonable costs and expenses	At the time of relocation	Only due if you propose to relocate your franchise.
Additional Training	\$1,500 per person	Upon demand	Only due if you ask to send more than the required number of people to be trained or if someone that we trained leaves your employ, in which case you must enroll

Type of Fee	Amount	Due Date	Remarks
			her/his replacement in our training program. If so, we may require you to pay this discounted per person training fee.
Cost of Enforcement or Defense (Note 6)	Will vary under circumstances	Upon demand	See Note 6
Insurance	Actual costs	Upon demand	Only due if you fail to purchase the required business insurance, and we exercise our right to buy insurance for you (we are not obligated to do so).
Indemnification	All costs and expenses, including attorneys' fees	Upon demand	Only due if the indemnification clause is involved. You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the BRCC Shop, including related securities offerings.
Technology Fee (Note 1)	Currently no Technology Fee	Payable in the same manner and time as Royalty	We have the right to charge a Technology Fee in the future upon notice to Franchisee.
Additional Tech and Card Processor Vendor Fees	Variable	As incurred.	Fees by tech and card processing vendors that provide products and/or services to you beyond those covered by the Technology Fee must be paid directly to those vendors in the ordinary course of business.
Invoices for purchases; reimbursement	Will vary depending on how much you order or have not paid	Upon demand	Due only as explained in Note 8.
Liquidated Damages	If due, will vary. Please see Note 7.	If incurred	Only due if we terminate your Franchise Agreement due to default or if you abandon your operation. (Note 7)

Type of Fee	Amount	Due Date	Remarks
Document Preparation Fee	\$500 (or our reasonable attorneys' fees, whichever is greater)	At the time you request an amended agreement from us	Due at the time we prepare an amendment or a non-transfer assignment of an existing agreement

Notes to Item 6 table:

1. **Fees.** The fees listed in the Item 6 tables are payable only to us or our affiliates (except for the Additional Tech and Card Processor Vendor Fees, which may be paid to a vendor). All fees due to us or our affiliates (such as royalty fees, advertising contributions, amounts due for your purchases from us or our affiliates, and other amounts due under the Franchise Agreement) must be paid through electronic funds transfer (using the ACH network). We may debit this account to collect these amounts. You must keep a sufficient balance in the account from which the ACH deductions are made to pay all of the fees due under the Franchise Agreement. We have the right to change payment method requirements. All of the fees payable to us or our affiliates are uniformly imposed and collected, although in certain instances, we may waive the requirement to pay some of these fees. None of the fees payable to us or our affiliates are refundable.

We will have the right to make inflation adjustments to the fixed-dollar amounts under the Franchise Agreement (but not the Initial Franchise Fee) if there are changes in the Index from the year in which you signed the Franchise Agreement. "**Index**" means the Consumer Price Index published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we can designate a reasonable alternative measure of inflation.

2. **Gross Sales.** As used in the Franchise Agreement, "Gross Sales" means all revenue from the sale of all items and services at your BRCC Shop (including offsite sales), as well as all other income of every kind that relates to, derives from, or originates from your BRCC Shop. Gross Sales include the redemption of BRCC gift cards, barter proceeds, as well as the proceeds of any business interruption insurance policies. Gross Sales excludes sales taxes and other taxes that you collect from your customers and remit to the appropriate taxing authorities, as well as proper and legitimate deductions for revenue from the initial sale of BRCC gift cards, customer returns of merchandise, employee discounts (up to 40%), discounts given to customers for BRCC's systemwide program for military and first responders, sales or promotional discounts, and discounts on discontinued merchandise, and loyalty program redemptions. (BRCC has the right to limit or eliminate one or more of the above exclusions (except for taxing authority remittances).
3. **Accounting Periods.** Payments and sales reports are due weekly, with each week running from Sunday at the instant before 12:00:01 am through the next Saturday at the instant just after 11:59:59 pm (your local time). Payments are due in our account on Friday (although we may initiate ACH debits earlier so that the funds reach our account on time).

Certain reports (for example, P&L's) will be due on a Period-by-Period basis. For this purpose, "**Period**" means a regular calendar month (but we reserve the right to switch to a four or five-

week “retail calendar” for the purpose of organizing books and records (typically, with 13 Periods in a year)).

4. **Supplier/Vendor, Supplies Approval.** If you wish to sell or use any product that we have not already approved, or buy products from a vendor that we have not already approved, you must follow the procedure under the Franchise Agreement. Among other things, that includes submitting samples of the proposed item as well as other information, for inspection and testing. You or the proposed vendor will pay the reasonable cost of the inspection and evaluation and the actual cost of any testing.
5. **Inspection or Audit.** If we conduct an inspection or audit of your records and find that any payments due to us have been understated or underpaid, then you must immediately pay us, upon demand, the understated or underpaid amount plus interest from the date any amount was due until paid. If an inspection or audit shows that the information provided to us was materially inaccurate or misleading (or it cannot be determined whether it was materially inaccurate or misleading because you did not maintain and preserve the required records), then you also must reimburse our costs and expenses, including accounting and attorneys’ fees connected with the inspection or audit. An understatement of Gross Sales or underpayment of 2% or more in any report is deemed to be materially inaccurate and misleading.
6. **Cost of Enforcement or Defense.** If a claim for amounts you owe to us is asserted in any legal proceeding before a court of competent jurisdiction, or if we or you must enforce the Franchise Agreement or a related agreement (including non-compete agreements) in a judicial or arbitration proceeding, we will be entitled to reimbursement of our costs, including reasonable accounting and attorneys’ fees, resulting from this proceeding. You also will be responsible for our costs of enforcement if your personnel do not comply with their confidentiality or non-competition obligations. This fee will only become due if: (i) you are in default under the Franchise Agreement, in which case you must reimburse us for our expenses (including reasonable attorneys’ fees) in enforcing or terminating the agreement; (ii) if we successfully defend claims from you regarding the Franchise Agreement; or (iii) if we incur costs in your defense except where a court with competent jurisdiction determines the claim or expense was caused solely by our gross negligence or willful misconduct.
7. **Liquidated Damages.** If the Franchise Agreement is terminated or if you permanently close the Store before the term of the Franchise Agreement expires, then you will have to pay liquidate damages. Liquidated damages begin from the earlier of the termination date or the date that you cease to operate the Store. You will have to pay these liquidated damages in a lump sum amount, which will be equal to the mathematical product of: (a) the Store’s weekly average Gross Sales for the 104 weeks (two years) before termination of permanent closure (or if the Store has not been operating for 104 weeks, the average of the weeks of actual operation)); (b) multiplied by the Royalty fee rate, multiplied by the lesser of 104 weeks (two years) or the number of weeks remaining in the Term of the Franchise Agreement.
8. **Invoices for purchases; Reimbursement.** We have the right to require you to pay us (via ACH), within ten days of our prior written notice (accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, that we choose to pay on your behalf, or for which you otherwise did not make payment. This includes late or deficient payment for items that you purchased from us or from our affiliates.

Item 7**Estimated Initial Investment****YOUR ESTIMATED INITIAL INVESTMENT**

**Table A:
FRANCHISE AGREEMENT**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Initial Franchise Fee (Note 1)	\$35,000	\$35,000	Lump Sum	Upon signing Franchise Agreement	Us
Lease (Note 2)	\$35,000	\$65,000	As incurred	Before opening, as incurred	Landlord
Utility Deposit (Note 3)	\$750	\$1,500	As incurred	Before opening, as incurred	Utility Providers
Architect Fees (Note 4)	\$30,000	\$85,000	As incurred	Before opening, as incurred	Third Parties
Construction Costs (Note 4)	\$800,000	\$1,900,000	As incurred	Before opening, as incurred	Third Parties
Expenses for Initial Training (Note 5)	\$40,000	\$59,500	As incurred	Before opening, as incurred	Third Parties
Business Licenses and Permits (Note 6)	\$5,000	\$10,000	As incurred	Before opening, as incurred	Licensing Authorities
Business Insurance (Note 7)	\$2,000	\$5,000	As incurred	Before opening, as incurred	Insurance Providers
Initial Inventory (Note 8)	\$40,000	\$90,000	As incurred	Before opening, as incurred	Us, Approved Suppliers

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
IT, Computer Hardware & Software, Drive-Thru Technologies (Note 9)	\$93,000	\$98,000	As incurred	Before opening, as incurred	Approved Vendor
Furniture, Fixtures, & Eqpt (Note 10)	\$225,000	\$250,000	As incurred	Before opening, as incurred	Approved Suppliers
Signage (Note 10)	\$25,000	\$110,000	As incurred	Before opening, as incurred	Approved Suppliers
Grand Opening Marketing Program (Note 11)	\$15,000	\$20,000	As incurred	Before and during opening	Various
Professional Fees (Note 12)	\$10,000	\$20,000	As incurred	Before opening, as incurred	Accountants, Attorneys, and Consultants
Additional Funds (3 months) (Note 13)	\$100,000	\$350,000	As incurred	After opening	Various
Total	\$1,455,750	\$3,099,000			

YOUR ESTIMATED INITIAL INVESTMENT

Table B: DEVELOPMENT AGREEMENT

(Assumes a Development Agreement for three Restaurants (Note 14))

If you become a Developer, you will pay us an initial fee as described in Item 5. For each Shop you develop under the Development Agreement, you can expect to have an initial investment as estimated above for a start-up franchise, subject to potential increases over time or other changes in circumstances. If you sign a Development Agreement, your professional fees (such as legal and financial) may be higher. The following chart shows your estimated initial investment to open three Black Rifle Coffee Company Shops; if you sign a Development Agreement for more than three Black Rifle Coffee Company Shops, then your investment will be proportionally higher (including, for example, additional initial franchise fees, which are \$17,500 for each Shop as

described in Item 5 above). (You must develop at least two Shops under a Development Agreement.)

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
Initial Investment – Shop #1	\$1,455,750	\$3,099,000	Varies	Varies	Varies
Initial Investment – Shop #2	\$1,455,750	\$3,099,000	Varies	Varies	Varies
Initial Investment – Shop #3	\$1,455,750	\$3,099,000	Varies	Varies	Varies
Total	\$4,367,250	\$9,297,000			

Notes to Tables:

We do not offer direct or indirect financing for any part of the initial investment. We do not guarantee your note, lease, or obligations. None of the fees payable to us or our affiliates are refundable. We cannot estimate whether and to what extent fees payable to third parties may be refunded.

1. **Initial Franchise Fee.** The franchise fee is \$35,000, as described in Item 5, and is used to defray our costs for providing training, promotional assistance and materials, site selection guidance, and other services.
2. **Lease.** You must purchase or lease a space at which to operate your BRCC Shop. The estimate is for lease payments covering four months' rent (rent for the first three months of operation and one month's security deposit). The estimate assumes a BRCC Shop that is approximately 2,800 square feet, with rent at \$40 to \$75 per square foot per year, and no obligation to pay rent during the build-out period (before you actually open for business).

BRCC Shop locations include downtown store fronts, suburban centers, entertainment centers, and shopping centers.

Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided based on factors such as competition and market conditions in your area, the type and nature of improvements needed to the premises, the size of the BRCC Shop, the terms of the lease, and the desirability of the location. If you cannot negotiate a pre-opening rent abatement your costs will be higher. If you choose to buy (instead of leasing) the real estate for your BRCC Shop, you will incur additional costs that we cannot estimate.

3. **Utility Deposit.** You may be required to pay deposits before the installation or beginning of service of telephone, gas, electric and other utilities. This estimate excludes utility tap fees which are typically covered by the landlord.

4. **Architect's Fees and Construction Costs.** The cost of construction depends upon the size and condition of the premises, the nature and extent of leasehold improvements required, including awning, general construction, permits, architectural fees and legal fees. The location, age and size of the BRCC Shop and the extent of landlord participation in the build-out significantly affect that cost. The lower figure assumes that the cost of leasehold improvements is borne by the landlord through a tenant improvement allowance for leasehold improvements. The range of figures in the table above includes the cost of reasonable renovation or leasehold improvements. The extent of the required leasehold improvements may vary widely depending upon the existing facility and modifications required to accommodate a coffee shop/bakery operation. The architect's fee is not included in the total estimate for construction and is shown as a separate entry in the above chart. The estimate is a range based upon a 2,500 square foot shopping center end cap/dark shell, to a 2,800 square foot freestanding, newly constructed pad site. If you incur higher build-out costs, then your total expenditure will be higher as well.
5. **Initial Training Expenses.** You are responsible for making arrangements and paying the expenses for any persons attending the training program, including transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodation you choose. The estimate provided contemplates the training of 1 franchisee owner for 4 days attending the Owner Training, and 4 people (the operating owner, store manager, and 2 designees) for approximately 20 days in attendance at the Operator / Management Training in accordance with the training schedule in Item 11. The estimate assumes a per diem cost per person of \$300 to \$500 and a travel allowance of \$3,000 to \$3,500 per person.
6. **Business Licenses and Permits.** This estimate includes costs relating to business license requirements, health and safety regulations (including occupancy), employment regulations, food handling regulations, music and entertainment (including license fees to copyright and other intellectual property owners and vending and gaming licenses). You should not consider this list as comprehensive. The laws in your state, county or municipality may be more or less stringent. You are advised to examine these laws before purchasing a franchise from us. You may need to hire accountants and/or legal counsel to assist you in obtaining required licenses and permits and other legal compliance, which is shown as a separate entry in the above chart.
7. **Business Insurance.** The estimate is to pay for 12 months' insurance coverage under the required minimums under your Franchise Agreement, both before and after you open your BRCC Shop. The cost of insurance will vary based on the type of policies procured, nature and value of physical assets, gross revenues, number of employees, square footage, geographical location, size, and contents of the business, and other factors bearing on risk exposure.
8. **Initial Inventory.** These amounts represent your initial inventory of food and beverage supplies, small wares, branded and unbranded paper goods, to-go packaging, apparel, and merchandise for the initial phase of operating the coffee shop. An estimated range of \$25,000 to \$75,000 of the initial inventory amount represents inventory which you must purchase from us.
9. **IT, Computer Hardware & Software, and Drive-Thru Technologies.** The estimated initial investment includes costs related to the mandatory purchase of POS System hardware and software as well as video surveillance, security cameras, audio equipment,

IT networking, electronic menu boards, televisions, and drive-thru technologies for the Franchised Business. We reserve the right to implement as a part of our standards and specifications contained in the Manuals the requirement that you obtain approved accounting, reporting and operational software. We do not currently anticipate that any required software will be customized and proprietary, thus the terms and conditions of any software license or other agreement which may be required to be executed by you in connection with software are not known to us at this time. Our current POS System is the NCR ALOHA point-of-Sale. Our current Back Office System is the NCR Back Office (NBO). We have the right to change both the POS and Back Office Systems.

10. **Furniture, Fixtures, Equipment, and Signage.** You must furnish your Franchised Business in accordance with our standards. This will include certain required equipment, furniture, fixtures, trade dress, and signage. These costs will vary depending on the size and condition of the Franchise BRCC Shop. Your required equipment will include the necessary coffee and equipment systems, dry and cold storage equipment, work areas and all other equipment required to properly operate the BRCC Shop. Your furniture, fixtures, equipment, trade dress, and signage must be obtained from our approved or your pre-approved supplier and conform to our standards, including standards related to the use of our trademarks as set forth in the Brand Manual.
11. **Grand Opening Marketing Program.** You are responsible for grand opening marketing and promotional programs in conjunction with the initial launch of your BRCC Shop, an amount which we estimate will range between \$15,000 and \$20,000. These programs include marketing spanning from 60 days before opening to no later than 180 days post-opening, and may include food and beverage giveaways, and related direct labor.
12. **Professional Fees.** The estimate is for legal, accounting, administrative, traffic studies, demographic studies, and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors, type of financing, lease negotiations, and the permitting process in your city. The hourly rates for advisors, accountants, and legal professionals will also vary.
13. **Additional Funds.** You will need capital to support on-going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Our estimate is based on our own business experience and information and that of our affiliates. The estimates do not and cannot account for the impact of future inflation.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period.

You will need to have staff on-hand before opening to prepare the Store for opening, training, orientation, and related purposes. We estimate that you will need approximately 200 hours of staff time to get ready for your opening. Your staffing costs will depend on the prevailing wage rates in your area.

The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the Store; timing of your Store opening; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen.

You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. Extensive start-up costs may be involved, depending upon your circumstances.

14. **Development Agreements.** Please refer to Table A, above, for the Estimated Initial Investment for expenses associated with opening a single Shop under a Franchise Agreement.

Item 8 **Restrictions on Sources of Products and Services**

Required Purchases of Goods and Services

You must operate the Franchised Business in conformity with the methods, standards, and specifications that we require (whether in the Manual or otherwise). Among other things, these standards require that you must:

- sell or offer for sale only those products and services, using the equipment and other items, that we have approved in writing for you to offer and use at your Franchised Business;
- sell or offer for sale all those products and services, using the equipment and other items, and employing the techniques that we specify in writing;
- not deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent;
- stop using and offering for use any products or services that we at any time disapprove in writing (recognizing that we have the right to do so at any time).

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved, the deviation will become our exclusive property.

We have the right to designate only one supplier for certain items used at the Franchised Business in order to take advantage of marketplace efficiencies, and to maintain BRCC brand standards. We are presently the only approved supplier for coffee, some food items, and some furniture, fixtures, and equipment you are required to purchase for the operation of your Franchised Business.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval as to those items. We estimate that the cost of your purchases and leases from sources that we designate or approve, as well as purchases in accordance with our standards and specifications, will be approximately 90% of the total cost of establishing a Franchised Business and approximately 80% of the cost of continued operation of the franchise.

You must allow us or our agents, at any reasonable time, to inspect the Franchised Business and to remove samples of items or products, without payment, in amounts reasonably necessary for inspection or testing by us or a third party to determine whether those samples meet our then-current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Franchised Business fails to conform to our specifications.

Approval of Alternative Suppliers

If you want to buy any supplies, or any other items from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. We will provide our decision within sixty days after we have received your proposal. When considering whether to approve any particular possible supplier, we will consider (among others) the following factors:

- whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications;
- whether the supplier has adequate quality controls, insurance, capability, and capacity to supply the System's needs promptly and reliably; and
- whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies.

Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable cost of the inspection and the actual cost of the tests). We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers.

Our criteria for approving a proposed supplier include various quality related factors, including for example the supplier's history, its other production work, product quality, quality controls, and related benchmarks. We typically will provide you with our response to a proposed new supplier within 30-45 days, but that vary depending on factors such as the nature of the item that is proposed for our consideration and the supplier's cooperation and response. We have the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria (if we revoke our approval, we will notify you in writing). You may not buy items from any supplier that we do not approve in writing, and you must stop buying items from any supplier that we may have approved but later disapprove.

We (and possibly one of our affiliates) are the only designated supplier for certain items (including coffee for use in store and some retail items including bagged coffee, merchandise, and certain apparel) that you must buy for the operation of your Franchised Business. None of our officers

own any interest in any other approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business.

We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "Allowances") offered by suppliers to you or to us (or our affiliates) based upon franchisee purchases of products, equipment, and other goods and services. These Allowances include those based on System-wide purchases of products, equipment and other items. We may either retain the credit of any volume discounts, rebates or incentives received as a result of your purchases or contribute all or a portion of them to the Marketing Fund, should such a fund be established.

We and our affiliates derive revenue based on franchisee purchases. During the fiscal year ended December 31, 2022, we derived revenue in the amount of \$4,292,634 (out of the company's total revenue of \$301,313,145 from its financial statements for fiscal year 2022, that is, 0.0142% of that total) from the sale of products to our franchisees and licensees.

We have no purchasing or distribution cooperatives at the current time. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the BRCC Shops in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would be in the best interests of the System or the licensed network of BRCC Shops.

We have the right to negotiate prices and terms with suppliers for the benefit of our franchisees. Currently, we or our affiliates have negotiated arrangements with suppliers for the benefit of our franchisees for certain food and equipment purchases.

We do not provide material benefits to franchisees based on a franchisee's purchase of particular products or services or use of a designated or approved supplier

Insurance

You are required to obtain and maintain, throughout the term of the Franchise Agreement, certain minimum insurance types and coverages, including:

- commercial general liability insurance protecting against any and all claims for personal, bodily and/or property injury occurring in or about the BRCC Shop and protecting against assumed or contractual liability under the Franchise Agreement with respect to the BRCC Shop and your operations, with such policy to be placed with minimum limits of \$1,000,000 combined single limit per occurrence and \$2,000,000 general aggregate per location;
- comprehensive automobile liability insurance, including owned, non-owned and hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than \$1,000,000 combined single limit for both bodily injury and property damage;
- statutory workers' compensation insurance and employer's liability insurance for a minimum limit equal to at least the greater of \$1,000,000 or the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type

- insurance as may be required by statute or rule of the state in which the BRCC Shop is located;
- data theft and cybersecurity coverage with limits of liability not less than \$500,000 combined single limit;
 - employment practices liability insurance with limits of liability not less than \$1,000,000 combined single limit;
 - foodborne illness coverage shall be included within the general liability coverage noted above, with coverage of at least \$1,000,000 combined single limit for both bodily injury and property damage;
 - commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers' liability) to not less than \$4,000,000 total limit of liability (to provide at least those coverages and endorsements required in the underlying policies);
 - property insurance providing coverage for direct physical loss or damage to real and personal property in minimum coverage of \$500,000 for the building and \$250,000 for contents coverage (with no more than a \$5,000 deductible) for all risk perils, including the perils of flood and earthquake (plus appropriate coverage for boiler and machinery exposures and business interruption/extra expense exposures, written on an actual loss sustained basis, as well as coverage for food spoilage of at least \$25,000, including wind or named storm deductible at 2% with \$25,000 minimum per occurrence deductible);
 - products liability insurance with limits of liability not less than \$1,000,000, which policy will be considered primary;
 - fire, lightning, vandalism, theft, malicious mischief, flood (if in a special flood-hazard area), sprinkler damage, and the perils described in extended-coverage insurance with primary and excess limits of not less than the full-replacement value of the supplies, furniture, fixtures, equipment, machinery, inventory, and plate glass (with no more than a \$2,000 deductible); and
 - any other insurance coverage that is required by federal, state, or municipal law.

These policies must all include us and any entity in which we have an interest, as well as our affiliates, and each of our respective members, managers, shareholders, directors, officers, partners, employees, servants, and agents, as additional insured parties.

Item 9**Franchisee's Obligations**

This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other item of this disclosure document.

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	1.2, 5	10	11, 12
b.	Pre-opening purchase/leases	5, 6, 7, and 14	10	11
c.	Site development and other pre-opening requirements	3.2, 5	1, 2, and 10	5, 6, 7, 11
d.	Initial and ongoing training	3.1 and 6	Not applicable	11
e.	Opening	3.3, 3.7, 5, and 8.2	10	5, 6, 7, 11
f.	Fees	2.2.6, 4, 5.1.2, 5.9, 6.2, 6.4, 6.5, 7.1.1, 7.1.4, 8.4.7, 9.2.9, 11.2, 12.5, 12.7, 13, 14, 16.5.10, 16.7.1, 16.11, 17.7, 18, 19.10, 21.4., 27.9	4, 11	5, 6
g.	Compliance with standards and policies/operating manual	1.6, 2.2, 3.4, 5, 6, 7, 8, 10, 12, 13.8, 14, and 15	11	8, 11, 15
h.	Trademarks and proprietary information	1.1, 7.4, 8.9, 9, and 10	6, 7, 8, and 11	13, 14
i.	Restrictions on products/services offered	1.5 and 7	Not applicable	8, 16
j.	Warranty and customer service requirements	8	Not applicable	15
k.	Territorial development and sales quotas	1.3	2, 5, 6	12
l.	Ongoing product/service purchases	7	Not applicable	8
m.	Maintenance, appearance and remodeling requirements	5 and 8.8	Not applicable	11
n.	Insurance	15	11.3	7, 8, 11

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
o.	Advertising	3.6, 3.7, and 13	Not applicable	6, 11
p.	Indemnification	8.17.2, 9.2.9, 16.11.2, 21, and Ex. C	11.9, 15	14
q.	Owner's participation / management / staffing	8, 8.3	Not applicable	11, 15
r.	Records and reports	4.2, 12, and 15.5	Not applicable	6, 11
s.	Inspections and audits	3.8, 6.4, 7.1, 8.11 and 12	Not applicable	6, 11
t.	Transfer	8.10, 16 and 19.5	11.4, 12	17
u.	Renewal	2.2	Not applicable	17
v.	Post-termination obligations	11.1.1, 12.1.2, 18, 19.3, and 19.5	11.6	17
w.	Non-competition covenants	19	11.7	17
x.	Dispute resolution	27	11.14	17
y.	Taxes/permits	4.2.2.1, 5.4, 8.7, and 20	11.8	Not applicable
z.	Other: Personal Guarantee	Ex. B	Ex. B	15

Item 10 **Financing**

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

Item 11 **Franchisor's Assistance, Advertising, Computer Systems, and Training**

Except as listed below, we are not required to provide you with any assistance.

Pre-Opening Assistance:

Before you open your Franchised Business, we will:

1. Provide services in connection with your site, including:
 - Site selection guidelines, counseling, and assistance as we deem advisable (*Franchise Agreement, Section 1.2*);
 - One on-site evaluation without a separate charge upon receipt of a completed site selection package submission (*Franchise Agreement, Section 1.2*);

- Written notice of approval or disapproval of the proposed site within 30 days of receiving your site selection package submission (*Franchise Agreement, Section 1.2*); and
 - Review of lease or sublease key business terms, design plans, and renovation plans for the BRCC Shop (*Franchise Agreement, Section 3.3*);
2. Make available our standard layout, design and image specifications for a BRCC Shop, including:
 - Plans for exterior and interior design and layout (*Franchise Agreement, Section 3.3*); and
 - Written specifications for fixtures, furnishings, equipment, and signage (*Franchise Agreement, Section 3.3*), including the names of approved suppliers (however, we do not supply these items directly nor do we assist with delivery or installation);
 3. Provide you with a copy of the Brand Manual (as more fully described below in this Item 11 of this FDD) (*Franchise Agreement, Section 3.5*);
 4. Provide you with training (as more fully described below in this Item 11 of this FDD) (*Franchise Agreement, Section 3.1*);
 5. Assist you in developing your Grand Opening Marketing Program (*Franchise Agreement, Section 3.6*);
 6. Inspect and evaluate your BRCC Shop before it first opens for business (*Franchise Agreement, Section 3.8*); and
 7. Provide a representative to be present at the opening of the BRCC Shop (*Franchise Agreement, Section 3.4*).

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Franchised Business.

Continuing Assistance:

We are required by the Franchise Agreement to provide certain assistance and service to you during the operation of your Franchised Business:

1. Provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine (*Franchise Agreement, Section 3.9*);
2. Periodically offer you the services of certain of our representatives, such as field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations (*Franchise Agreement, Section 3.9*); and
3. Provide ongoing training that we periodically deem appropriate, at such places and times that we deem proper (*Franchise Agreement, Section 6.4*)

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Franchised Business.

Typical Length of Time Before Start of Operations and Site Selection Process:

You must obtain our prior written approval for your proposed site of a BRCC Shop.* Once we have approved your proposed site, you will enter into a Franchise Agreement with us that is specific to that franchised location. When your BRCC Shop opens for business, the development right for that BRCC Shop will be satisfied. You must open your Franchised Business within one year from the date you sign the Franchise Agreement (if you have signed a Development Agreement, then by the required date under the development schedule of that Development Agreement). If you do not do so, that will be a default under both the Development Agreement and the Franchise Agreement for which we have the right to terminate those agreements.

* If you have a mutually-agreeable site by when the Franchise Agreement is signed, then that will become the “Accepted Location” under your Franchise Agreement. If not, then you will sign the Site Section Addendum (found as Exhibit G to the Franchise Agreement) and follow the procedures there for the limited purpose of finding a mutually-agreeable site that will become the Accepted Location under the Franchise Agreement. Under the Site Selection Addendum and the Franchise Agreement, you will have the right to propose a site to us for our review and approval (*Franchise Agreement Section 5*). We will not typically select or mandate that you use a site that we have pre-selected. In reviewing a site that you propose, we will consider various factors which may include some or all of demographics, site characteristics (such as foot traffic), neighborhood economics, the presence and location of other businesses (including competitors), building design, suitability for our brand, etc. Any review that we conduct of the proposed site, key lease terms, and other details concerning your site are for our benefit only, and to evaluate the proposed site against our internal standards. We are not contractually limited as to when we must review or approve or disapprove a proposed site.

We estimate the length of time between the signing of the Franchise Agreement and the time you open your BRCC Shop at 270 to 360 days. Factors that may affect this time period include your ability to acquire financing or permits, build out your location, have signs and equipment installed in your location, and complete the required training. You should have a suitable location and signed lease within 90 days of signing the Franchise Agreement. If you do not have a mutually-agreed upon site for your BRCC Shop or if you do not open your BRCC Shop on a timely basis, then we will have the right to terminate the Franchise Agreement and you will not be entitled to a refund.

Prices

We may provide periodic guidance and assistance to you in establishing prices. We will not set the prices for the products and services offered at your BRCC Shop, although we will have the right to set reasonable restrictions on the maximum and minimum prices you may charge for the products and services offered and sold at your BRCC Shop (subject to applicable law).

Advertising:

For each Week, you must contribute or spend an amount equal to 4% of the Gross Sales of the Franchised Business for marketing (the “**Marketing Contribution**”). We will have the right to allocate your Marketing Contribution among the following: (a) the Marketing Fund; (b) the Regional Fund established for your area (if there is one; we are not required to establish a

Regional Fund for your area); and (c) for you to spend on local marketing and promotion. Currently, we allocate the Marketing Contribution as follows:

2% of Gross Sales	To be contributed to the Marketing Fund; and
2% of Gross Sales	For you to spend on local marketing and promotion.

We have the right to periodically change the allocation of the Marketing Contribution. If we make a change, we will give you at least 30 days' advance written notice of that change, which will take effect as stated in the notice.

The Marketing Fund. We have a Marketing Fund, and the following provisions (and others in the Franchise Agreement) apply:

- (1) We have sole decision-making authority and direction over all marketing programs, and any concepts, materials, and media used in such programs.
- (2) The Marketing Fund, all contributions to that fund, and the fund's earnings, are used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System.
- (3) The Marketing Fund is not and will not be our asset. We will prepare and make available to you upon request an annual statement of the operations of the Marketing Fund as shown on our books.
- (4) Although the Marketing Fund is intended to be of perpetual duration, we have the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.
- (5) None of the amounts that we will collect in connection with the Marketing Fund are used for marketing that is principally a solicitation for the sale of franchises.
- (6) As to the Marketing Fund: (a) we are not required to spend any particular amount on marketing in the area where your Store is located; and (b) if there are unspent amounts in the Marketing Fund at fiscal year-end, those amounts are carried over by the Marketing Fund for expenditure in the following year. We do not currently have an advertising council composed of franchisees that advises us on advertising policies.
- (7) We will make an annual accounting of the Marketing Fund available upon request. The Marketing Fund will not be audited.
- (8) Company- or affiliate-owned Stores contribute to the Marketing Fund based on the same calculations that apply to a franchised Store.

Regional Fund. If we have two or more franchisees operating in the same geographic DMA, or other circumstances arise that suggest it would be helpful, we have the right (but not the obligation) to establish a Regional Fund for that DMA. DMAs ("**Designated Market Areas**") are

determined by Nielsen Media Research. We do not currently have any Regional Funds. If we establish a Regional Fund for your area, the following provisions (and others in the Franchise Agreement) will apply:

- (1) If a Regional Fund for the geographic area in which the Franchised Business is located has already been established when you start operating under the Franchise Agreement, then you will have to immediately become a member of that Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is later established, then you will have to join that Regional Fund within thirty days after we give you notice that the Regional Fund is established. You will not be required to join more than one Regional Fund per individual BRCC Shop.
- (2) Each Regional Fund will be organized and governed in a form and manner, and start operations on a date, that we have approved, in writing. Voting will be on the basis of one vote per full-service BRCC Shop (regardless of number of owners or whether the shop is franchised or owned by us or our affiliates).
- (3) Regional Funds will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized marketing materials for use by the members in regional marketing. Regional Funds may not use marketing, advertising, promotional plans, or materials without our prior written consent.
- (4) Although, if established, a Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.
- (5) Any amounts that we require you to contribute to a Regional Fund will count toward your required local marketing expenditures.

Local Marketing. You may be required to spend a certain amount on local marketing and promotion on a continuous basis throughout the term of your Franchise Agreement. Currently, this requirement is set at a minimum of 2% of your Gross Sales.

- (1) Local marketing and promotion includes only the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying.
- (2) We will apply certain criteria in reviewing and evaluating the local marketing that you conduct. All of your local marketing must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing, advertising, or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans. If we do not give our approval within 14 days, we will have been deemed to disapprove of the plans or materials. Any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property.

- (3) We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.
- (4) You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

Grand Opening Marketing Program. You are responsible for grand opening marketing and promotional programs in conjunction with the BRCC Shop's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we must have approved in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program is in addition to your required Marketing Contribution for the Franchised Business, and must begin 60 days before the scheduled opening date for your Franchised Business and must be completed no later than 180 days after the Franchised Business starts to operate. The Grand Opening Marketing Program will be subject to our marketing standards and requirements. The estimated cost of a typical Grand Opening Marketing Program ranges from \$15,000 to \$20,000.

IT, Computer, and POS Requirements:

We have the right to require you to use certain brands, types, makes, and/or models of communications, computer systems, hardware, and software to be used by, between, or among BRCC Shops, and in accordance with our standards, including:

1. back office systems, data, audio, video (including managed video security surveillance, which we have the right to monitor to the extent permitted by law), telephone, voice messaging, retrieval, and transmission systems for use at BRCC Shops, between or among BRCC Shops, and between and among the Franchised Business, and you, and us;
2. point of sale (POS) and back office system (currently, NCR ALOHA and NBO);
3. physical, electronic, and other security systems and measures;
4. printers and other peripheral devices;
5. archival back-up systems;
6. internet access mode (e.g., form of telecommunications connection) and speed;
7. technology used to enhance and evaluate the customer experience, including all drive-thru technologies;
8. digital and virtual menu boards and related technology, hardware, software, and firmware;
9. front-of-the-house WiFi and other connectivity service for customers;
10. cloud-based back-end management systems and storage sites;
11. in-shop music systems;

12. consumer-marketing oriented technology (including affinity and rewards hardware and software, facial and other customer-recognition technology, and approved social media/networking sites); and
13. any other computer software programs or accounting system software we may develop or have developed for us, which you must install and maintain according to our standards including software for online training.

You must install, use, maintain, update, and replace (as needed) the computer system and required software at your own expense. You must pay us or third party vendors the initial and ongoing fees in order to install, maintain, and continue to use the required software, hardware, and other elements of the computer system. You must implement and periodically make upgrades and other changes (at your expense) to the computer system and required software as we reasonably request. These upgrades and changes may be in conjunction with a minor refurbishment or as otherwise needed.

We estimate that the cost of purchasing the required Computer System hardware and software will typically range between \$93,000 and \$98,000 (as explained in Item 7 of this FDD). The estimated annual cost of computer maintenance, POS subscriptions, support, and upgrades is \$23,000 to \$25,000 (although if you choose more expensive equipment or high levels of computer support and training, your costs will go up). Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software. You will not be able to implement, use, or otherwise engage with AI Sources unless we have given our prior written consent. “**AI Source**” means any resource, online or otherwise, that is for the purpose of gathering, implementing, or otherwise using information from you using artificial intelligence technology, including ChatGPT and other sources.

You must comply with all specifications that we issue with respect to the computer system and the required software, and with respect to computer upgrades, at your expense. Under the Franchise Agreement, you must afford us independent, unimpeded, and complete access to your computer system and required software, including all information and data maintained thereon, in the manner, form, and at the times that we request. We will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).

Operating Manual:

We will loan you a copy of our Brand Manual (in such format as we deem appropriate) for your use during the term of the Franchise Agreement. The Brand Manual contains our standards and specifications for you to follow in the operation of your BRCC Shop. The Brand Manual will at all times remain our sole property and you will agree under the terms of the Franchise Agreement to treat the Brand Manual as confidential and to promptly return any and all copies to us following termination or expiration of the Franchise Agreement. (*Franchise Agreement Section 10*).

We reserve the right to periodically update and modify the contents and format of the Brand Manual (which currently has 404 pages or screens), which includes links to online content. The Table of Contents of the current Brand Manual is found as Exhibit E to this FDD.

Training:**OWNER TRAINING PROGRAM**

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Day 1 – Overview of Operations & Tools to Support (Sales, Team, Customer Experience, Merchandising, Reporting)	2 hours	6 hours	Texas, Tennessee, Florida, Virginia, or a future certified training store
Day 2 – Overview of Operations & Tools to Support (Café, Cleanliness, Inventory, Reporting)	2 hours	6 hours	(same)
Day 3 – Evaluation of Operations & Tools to Support (Drive Thru, Labor, Cash Reporting)	2 hours	6 hours	(same)
Day 4 – Evaluation of Operations & Tools to Support (LTOs, Food, Waste, Evaluating)	2 hours	6 hours	(same)
Totals	8 hours	24 hours	

OPERATOR / MANAGEMENT TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Phase 1 – 5 Days Team Member Training	Up to 10 hours	Up to 30 hours	Texas, Tennessee, Florida, Virginia, or a future certified training store
Phase 2 – 5 Days Supervisor Training & Trainer Certification	Up to 15 hours	Up to 25 hours	(same)
Phase 3 – 10 Days Manager Training	Up to 25 hours	Up to 55 hours	(same)
Totals	Up to 50 hours	Up to 110 hours	

TEAM MEMBER/SUPERVISOR TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Orientation	4 hours	0 hours	In Store
Supervisor Food Safety Training	9 hours	0 hours	Online
Store Set-up		8 hours (15 people)	In Store
Day 1 – Team Member & Supervisor Training	1 hours	7 hours	In Store
Day 2-4 – Team Member & Supervisor Training	2 hours Supervisor, 1 hours Team Member	4 hours Supervisor, 4 hours Team Member	(same)
Day 5-6 – Friends & Family (Mock Service)	0 hours	5 hours Supervisors (3) 15 hours team Member (16)	(same)
Totals	16-17 hours	24-34 hours	

Our training program is coordinated by our Franchise District Manager and Operations Manager, and is conducted by a manager-level team member plus a seasoned team of certified training BRCC Shop team members.

Initial Owner Training will be conducted over a four-day period at a location of our choosing (typically in Texas, Tennessee, Florida, or Virginia), as outlined above. This training program focuses on franchisee owners that will not be the day-to-day Operating Owner of their Franchised Business.

Initial Operator and Management Training programs will be conducted over a four-week period at a location of our choosing (typically in Texas, Tennessee, Florida, or Virginia), as outlined above. We conduct training as frequently as we determine it necessary to hold a training class. The instructional materials for our training programs include the Manual, lecture, discussions, online programs, and practice.

Under the Franchise Agreement, the Operating Owner and BRCC Shop Manager must attend and successfully complete, to our satisfaction, the Owner Training program and Management Training program, respectively. You must complete training at least 60 days before you open your BRCC Shop. You may send up to two additional individuals to the initial training program. If you wish to send additional individuals (beyond the Operating Owner, BRCC Shop Manager, and Additional Trained Personnel) to the initial training program, and we agree to have them join the session, then you must pay us a discounted training fee.

If for any reason your Operating Owner and/or BRCC Shop Manager cease active management or employment at the Franchised Business, or if we revoke the certification of your Operating Owner or your BRCC Shop Manager to serve in that capacity, then you must enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. Under the Franchise Agreement, you will agree to pay us a discounted training fee (currently \$1,500) for each replacement individual to be trained, with payment to be made in full before training starts.

We may require that you and your Operating Owner, BRCC Shop Manager and Additional Trained Personnel attend such refresher courses, seminars, and other training programs as we may reasonably require periodically. We may further require you to enroll each of your employees in web-based training programs relating to the Retail Products and Services that will be offered to customers of the BRCC Shop.

We will bear the cost of providing the instruction and required materials, except for additional and replacement training. You are responsible for making arrangements and paying all of the expenses, wages, and compensation for your staff that attends the training program.

All initial training required under the Franchise Agreement must be completed to our satisfaction before your BRCC Shop may open for business, which should occur within twelve months of the effective date of the Franchise Agreement (failure to complete training as required would be a default under the Franchise Agreement).

Item 12

Territory

Development Agreement

If we grant you the right to open more than one BRCC Shop, we will enter into a Development Agreement with you. Under the Development Agreement, you will be granted a specified number of franchise rights to open and operate a BRCC Shop within a specified geographic area ("**Development Right**"). The Development Right will be subject to a time schedule that specifies the date by which you must develop and open your BRCC Shop. We may elect in our sole discretion to grant you an exclusive territory to develop. In that event, all Franchise Fees for Development Rights granted must be paid to us at the time of signing the Development Agreement. These prepaid Franchise Fees are nonrefundable, even if you do not open the number of BRCC Shops that you have been granted rights for. Development Rights are not saleable or transferable to any third parties.

Under the Development Agreement, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control. We will, however, provide a protected territory under the Development Agreement, within which (subject to certain limitations) we will not open or permit another party to open a BRCC Shop.

Franchise Agreement

Under the Franchise Agreement, you have the right to establish and operate one BRCC Shop at a specific approved location. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control.

We reserve all rights to sell our products and services under the Marks in the Territory through alternative distribution channels, as discussed below. There is no minimum sales requirement, market penetration or other contingency that will affect your right to operate your location during the term of your Franchise Agreement, unless you are in default of your obligations to us.

You may not change the location of your Franchised Business without our written consent, which we are not required to give. If you wish to relocate, you must identify a new location for the Franchised Business that meets our approval, in accordance with our then-current site selection procedures, within 90 days. If you do not identify a site within this time period, we may terminate the Franchise Agreement.

We may, but have no obligation to, consider granting to you the right to establish additional BRCC Shops under other franchise agreements if you are in compliance with the Franchise Agreement, demonstrate that you have the financial strength to open an additional BRCC Shop, and propose to open another BRCC Shop in an area and at a location we approve. The Franchise Agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises.

We reserve all rights not expressly granted in the Franchise Agreement. For example, we or our affiliates may own, operate or authorize others to own or operate BRCC Shops regardless of location and may operate other kinds of businesses in any location. Although we do not currently do so and have no plans to do so, we and our affiliates may own, acquire, conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Marks, including a product or service similar to those you will sell at your Franchised Business. There are no limitations on us soliciting or accepting orders from within the geographic area near your store (including by Alternative Distribution Channels (as explained below), and we will not compensate you for sales we might make there or elsewhere.




In addition, we and our affiliates may sell products and services under the Marks in any location through any method of distribution other than a dedicated BRCC Shop location, including, licensing our designs for use in other formats, and sales through such channels of distribution as the Internet and other non-traditional retail locations. These non-traditional locations include sports arenas, train stations, airports, seasonal or “pop-up” stores, large retailers, convenience stores, and mall kiosks (“**Alternative Distribution Channels**”). Additionally, our packaged coffee and ready-to-drink beverages are sold online and in certain retailers’ stores.

The Franchise Agreement grants you only the right to operate your BRCC Shop, and does not grant you any right to engage into other business opportunities for the sale and distribution of “Black Rifle Coffee Company” products or services through any other channel (including Alternative Distribution Channels, catering, and delivery) without our prior written consent, which we are not obligated to provide. Any delivery or catering activities that you undertake must be conducted in accordance with the procedures that we specify in the Brand Manual or otherwise in writing. If we do approve a catering or delivery proposal, that will not extend to later proposals that you make for additional catering or delivery activities. We also have the right (but not the obligation) to establish a catering program that may include online and telephone ordering

features, on our own and/or in conjunction with one or more outside vendors (the “**Catering Program**”). If we establish a Catering Program, you must participate and pay the fees and costs associated with doing so. We also have the right to require that you conduct delivery only through BRCC Shop staff or only through approved third-party delivery vendors (“**TPD Providers**”). We have the right to approve or disapprove of any delivery services, TPD Providers, and other vendors (including aggregators), including the arrangements that you propose to make with any TPD Provider.

Item 13**Trademarks**

Under the Franchise Agreement, we will license you the right to use certain Proprietary Marks, including the principal marks described below:

Mark	U.S. Trademark Registration No.	Registration Date
Black Rifle Coffee Company	5,126,812	January 24, 2017
	6,128,533	August 18, 2020
	5,276,490	August 29, 2017
	5,290,520	September 19, 2017
	6,296,367	March 16, 2021
	6,237,149	January 5, 2021

The registrations noted above appear on the Principal Register of the U.S. Patent and Trademark Office (USPTO). We intend to file, when due, affidavits of use and affidavits of incontestability, as well as a renewal application, for the marks listed above.

There are no currently effective determinations of the USPTO, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols which is relevant to their use in this state or any other state in which the Franchised Business is to be located. There are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in this state or elsewhere.

We have the right to substitute different Proprietary Marks for use in identifying the System if our currently owned Proprietary Marks can no longer be used or if we determine that updated or changed Proprietary Marks will be beneficial to the System. In such circumstances, you must adopt the new Proprietary Marks at your expense.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we would defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against those third party claims, suits, or demands.

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and agree to do the things that, in our counsel's opinion, may be necessary to carry out such defense or prosecution, such as becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we agree to reimburse you for your out of pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

Item 14 Patents, Copyrights, and Proprietary Information

We own common law copyrights in the Manuals, our recipe books, certain artwork and drawings, and advertising materials, and we will make these available to you. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement.

We will provide to you, under the terms of the Franchise Agreement, standard floor plans and specifications for construction of a BRCC Shop. You may be required to employ a licensed architect or engineer, who will be subject to our reasonable approval, to prepare plans and specifications for construction of your BRCC Shop, based upon our standard plans. These revised plans will be subject to our approval. You will be entitled to use the plans only for the construction of a single BRCC Shop at the site approved in the Franchise Agreement, and for no other purpose. We will require your architect and contractor to agree to maintain the confidentiality of our plans and to assign to us any copyright in the derivative plans they create.

There are no currently effective determinations of the U.S. Copyright Office or any court concerning any of our copyrights. There are no currently effective agreements under which we derive our rights in the copyrights and that could limit your use of those copyrighted materials. The Franchise Agreement does not obligate us to protect any of the rights that you have to use any copyright, nor does the Franchise Agreement impose any other obligation upon us concerning

copyrights. We are not aware of any infringements that could materially affect your use of any copyright in any state.

Confidential Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Brand Manual. We will lend you one set of our Brand Manual, which we have the right to provide in any format we choose (including paper or digital), for the term of the Franchise Agreement.

You must at all times accord confidential treatment to the Brand Manual, any other Brand Manuals we create (or that we approve) for use with the Franchised Business, and the information contained in the Brand Manual. You must use all reasonable efforts to maintain this information as secret and confidential. You may never copy, duplicate, record, or otherwise reproduce the Brand Manual and the related materials, in whole or in part (except for the parts of the Brand Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Brand Manual will always be our sole property. You must always maintain the security of the Brand Manual.

We may periodically revise the contents of the Brand Manual, and you must consult the most current version and comply with each new or changed standard. If there is ever a dispute as to the contents of the Brand Manual, the version of the Brand Manual that we maintain will be controlling.

Confidential Information

Except for the purpose of operating the BRCC Shop under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know how concerning the operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of a BRCC Shop. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show that came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, you must require each of your Principals and your Store Managers to sign confidentiality covenants. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the BRCC Shop. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current forms for this agreement are attached as Exhibit F to the Franchise Agreement). Once signed, you must provide us with a copy of each executed confidentiality agreement.

Patents

No patents are material to the franchise. If it becomes advisable to us at any time to acquire a patent, you will be obligated to use the acquired patent as we may require.

Item 15 Obligation to Participate in the Actual Operation of the Franchise Business

The Franchise Agreement requires that you (or your Operating Owner or one of your designated Management Personnel who will assume primary responsibility for the franchise operations and who we have previously approved in writing) must devote full time, energy, and best efforts to the management and operation of the Franchised Business, and must successfully complete the initial training program. Your BRCC Shop must be managed at all times by you (or your Operating Owner or BRCC Shop Manager) or by a manager who has completed our initial training program to our satisfaction. The Operating Owner must own at least 25% of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Owner to hold a smaller interest. You must obtain personal covenants from your Management Personnel, supervisors, and principals regarding confidentiality, Proprietary Marks, and non-competition. There is no requirement that you obtain a spousal guarantee.

Item 16 Restrictions on What Franchisee May Sell

You must offer and sell only those products and services that we have approved. We may change the approved product offerings and any related merchandising and promotional materials at any time. You must use only displays, forms and other paper and plastic products imprinted with the Proprietary Marks.

All food and beverage products must be prepared and served only by properly trained personnel in accordance with the Manual. All items offered from the BRCC Shop will be sold only at retail to customers unless otherwise approved by us.

We may prescribe standard uniforms and attire for all BRCC Shop personnel, from time to time. The BRCC branded apparel must be acquired directly from us unless we approve otherwise.

We have the right to add other authorized products and services that you must offer. These changes also may include new, different or modified equipment or fixtures necessary to offer such products and services. There are no limits on our right to make these changes.

Item 17 Renewal, Termination, Transfer and Dispute Resolution

THE FRANCHISE RELATIONSHIP

The table that follows lists important provisions of the Franchise Agreement, which is attached as Exhibit A to this Franchise Disclosure Document. Please read the portions of the agreement referred to in this chart for a full explanation of these key provisions.

FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	2.1	Term expires on the earlier to occur of: (a) ten years from BRCC Shop's opening date; or (b) eleven years from the Effective Date of the Franchise Agreement

THE FRANCHISE RELATIONSHIP

The table that follows lists important provisions of the Franchise Agreement, which is attached as Exhibit A to this Franchise Disclosure Document. Please read the portions of the agreement referred to in this chart for a full explanation of these key provisions.

FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
b.	Renewal or extension of the term	2.2	Renewal of right to operate the franchised business for two additional five-year terms by signing our then-current franchise agreement (which may contain terms and conditions materially different from those in your original agreement), subject to contractual requirements described in "c" below
c.	Requirements for you to renew or extend	2.2.1 to 2.2.9	Timely written notice of intent to renew; refurbishment to comply with our then-current standards; compliance with agreement terms during agreement term and at time of renewal; timely compliance with all financial obligations; execution of then-current franchise agreement (which may contain terms and conditions materially different from those in your original agreement); payment of renewal fee; execution of renewal agreement with general release; compliance with then-current personnel and training requirements; and demonstrated right to remain in accepted location.
d.	Termination by you	Not applicable	(Subject to applicable state law.)
e.	Termination by us without cause	Not applicable	
f.	Termination by us with cause	17	Default under Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement.
g.	"Cause" defined – curable defaults	17.3	All defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	17.1 to 17.2	Abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	18 to 19	Cease operating Franchised Business, payment of amounts due, and others; see §§ 18.1 to 18.12, 19.

THE FRANCHISE RELATIONSHIP

The table that follows lists important provisions of the Franchise Agreement, which is attached as Exhibit A to this Franchise Disclosure Document. Please read the portions of the agreement referred to in this chart for a full explanation of these key provisions.

FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
j.	Assignment of contracts by us	16.1	There are no limits on our right to assign the Franchise Agreement.
k.	"Transfer" by you – definition	16.4	Includes any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security, direct, or indirect interest in: (a) the Franchise Agreement; (b) you; (c) any or all of your rights and/or obligations under the Franchise Agreement; and/or (d) all or substantially all of the assets of the Franchised Business.
l.	Our approval of transfer by you	16.4 to 16.5	You may not make any transfers without our prior consent.
m.	Conditions for our approval of transfer	16.5	Release, signature of new Franchise Agreement (which may contain terms and conditions materially different from those in your original agreement), payment of transfer fee, and others; see §§ 16.5.1 to 16.5.10.
n.	Our right of first refusal to acquire your business	16.6	We have the right (not obligation) to match any bona fide offer.
o.	Our option to purchase your business	18.4 to 18.5	Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at the lesser of cost or fair market value.
p.	Your death or disability	16.7	Representative must promptly apply for our approval to transfer interest and pay reasonable costs we incur in reviewing transfer.
q.	Non-competition covenants during the franchise term	19.2 to 19.6	Prohibits engaging in "Competitive Business" (meaning any foodservice business as to which the sale of coffee and coffee-based or flavored beverages comprises 5% or more of its gross revenues) during the Franchise Agreement term with no other temporal or geographical limitation.
r.	Non-competition covenants after the franchise is	19.2 to 19.6	Prohibits engaging in Competitive Business within 5 miles of (a) Accepted Location for your BRCC Shop

THE FRANCHISE RELATIONSHIP

The table that follows lists important provisions of the Franchise Agreement, which is attached as Exhibit A to this Franchise Disclosure Document. Please read the portions of the agreement referred to in this chart for a full explanation of these key provisions.

FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
	terminated or expires		and (b) any other BRCC Shop. Applies for two years after expiration, termination, or a transfer.
s.	Modification of the agreement	25.2	By mutual agreement in writing.
t.	Integration/merger clause	25.1	Subject to state law: Final complete agreement with exhibits is binding and supersedes all prior agreements. Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.
u.	Dispute resolution by arbitration or mediation	27	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Franchise Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Section 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	27.2	Any action you bring against us must be brought only within courts with jurisdiction over Salt Lake City, Utah. Any action we bring against you may be brought in jurisdiction where we maintain our principal place of business. Your state law may impact this provision.
w.	Choice of law	27.1	Utah law governs the Franchise Agreement. Your state law may impact this provision.

DEVELOPMENT AGREEMENT			
	Obligation	Section in Development Agreement	Summary
a.	Length of the franchise term	3	The Development Schedule term will be agreed upon by the parties before entering into the Development Agreement
b.	Renewal or extension of the term	Not Applicable	
c.	Requirements for you to renew or extend	Not Applicable	
d.	Termination by you	Not Applicable	(Subject to applicable state law.)
e.	Termination by us without cause	Not Applicable	
f.	Termination by us with cause	11.5	<p>Failure to meet the Development Schedule; default under Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement. Termination of the Development Agreement does not constitute a default under any of your Franchise Agreements.</p> <p>This clause, like many of those in the Development Agreement, incorporate by reference the corresponding provisions of the Franchise Agreement. Please also see § 11 of the Development Agreement.</p>
g.	"Cause" defined – curable defaults	11.5 and 13	Please also see §§ 17.1 and 17.2 of the Franchise Agreement.
h.	"Cause" defined – non-curable defaults	11.5 and 13	Abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	11.6	Cease operating Franchised Business, payment of amounts due, and others; see §§ 18.1 to 18.12, 19 of the Franchise Agreement.
j.	Assignment of contracts by us	9.2	There are no limits on our right to assign the Development Agreement.

DEVELOPMENT AGREEMENT			
	Obligation	Section in Development Agreement	Summary
k.	"Transfer" by you – definition	11.4 and 12	Includes any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security, direct, or indirect interest in: (a) the Development Agreement; (b) you; (c) any or all of your rights or obligations under the Development Agreement; or (d) all or substantially all of the assets of the developer's business.
l.	Our approval of transfer by you	11.4 and 12	You may not make any transfers without our prior consent.
m.	Conditions for our approval of transfer	11.4 and 12	Your compliance with the agreement, a release, the buyer's signature of a new Development Agreement (which may contain terms and conditions materially different from those in your original agreement), the payment of transfer fee, and others; please also see §§ 16.5.1 to 16.5.10 of the Franchise Agreement.
n.	Our right of first refusal to acquire your business	11.1	We have the right (not obligation) to match any bona fide offer. Please also see § 16.6 of the Franchise Agreement.
o.	Our option to purchase your business	11.1	We can acquire your lease or sublease for the premises, and purchase your equipment, material, and inventory at cost or fair market value after termination or expiration. Please also see §§ 18.4–18.5 of the Franchise Agreement
p.	Your death or disability	11.3	Representative must promptly apply for our approval to transfer interest and pay reasonable costs we incur in reviewing transfer. Please also see § 16.7 of the Franchise Agreement.
q.	Non-competition covenants during the franchise term	11.6	Prohibits engaging in "Competitive Business" (meaning any foodservice business as to which the sale of coffee and coffee-based or flavored beverages comprises 5% or more of its gross revenues) during the Franchise Agreement term with no other temporal or geographical limitation.
r.	Non-competition covenants after the franchise is terminated or expires	11.6	Prohibits engaging in Competitive Business within 5 miles of (a) Accepted Location for your BRCC Shop and (b) any other BRCC Shop. Applies for two years after expiration, termination, or a transfer.

DEVELOPMENT AGREEMENT			
	Obligation	Section in Development Agreement	Summary
s.	Modification of the agreement	14	By mutual agreement in writing.
t.	Integration/merger clause	14	Subject to state law: Only the terms of the Development Agreement are binding. Notwithstanding the foregoing, nothing in the Development Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	11.14 and 27	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Development Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. Please also see § 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	11.14 and 27	Any action you bring against us must be brought only within courts with jurisdiction over Salt Lake City, Utah. Any action we bring against you may be brought in jurisdiction where we maintain our principal place of business. Your state law may impact this provision.
w.	Choice of law	11.14 and 27	Utah law governs the Franchise Agreement. Your state law may impact this provision.

Item 18**Public Figures**

We do not use any public figures to promote our franchise.

Item 19**Financial Performance Representations**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a

franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Legal Department, 1144 South 500 West, Salt Lake City, UT 84101 (email -legal@blackriflecoffee.com), the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20 **Outlets and Franchisee Information**

Table No. 1
Systemwide Outlet Summary for 2020 to 2022

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2020	0	3	+3
	2021	3	8	+5
	2022	8	11	+3
Company-Owned	2020	0	1	+1
	2021	1	8	+7
	2022	8	15	+7
Total Outlets	2020	0	4	+4
	2021	4	16	+12
	2022	16	26	+10

Notes to all Item 20 charts:

- (1) All details are as of our fiscal year ends, which fall on December 31 each year.
- (2) States not listed had no activity during the relevant time frame.
- (3) We also have two company owned retail locations ("Retail Stores"), described below. These Retail Stores operate independently of the System and are materially different than the franchise offered under this disclosure document.

Type of Outlet	Location	Offerings
Production Facility- Adjacent Retail Shop	Manchester, TN	Retail sale of bagged coffee and branded merchandise
Headquarters-Adjacent Retail Shop	Salt Lake City, UT	Retail sale of bagged coffee and branded merchandise; brewed-on-site beverages for sampling purposes.

- (4) Retailers in Springfield, Mo. and Pigeon Forge, Tenn. sell “Black Rifle Coffee Company” branded coffee in their establishments, and there are also licensed “kiosks” operating inside the Dallas Cowboys Stadium (AT&T Stadium) as well as the Bass Pro Shops corporate HQ. Our bagged coffee and ready-to-drink beverages are sold online and in certain retailers’ stores. We may enter into additional similar relationships in the course of the next year.

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
for 2020 to 2022

State	Year	Number of Transfers
All	2020	0
	2021	0
	2022	0
Total	2020	0
	2021	0
	2022	0

Table No. 3

Status of Franchised Outlets
for 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
FL	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
GA	2020	0	2	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
OK	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
TN	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TX	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
UT	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
VA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Total	2020	0	3	0	0	0	0	3
	2021	3	5	0	0	0	0	8
	2022	8	3	0	0	0	0	11

Table No. 4
Status of Company-Owned Outlets
for 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
AZ	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	2	0	0	0	2
TN	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
TX	2020	0	1	0	0	0	1
	2021	1	5	0	0	0	6
	2022	6	5	0	0	0	11
UT	2020	0	0	0	0	0	0
	2021	0	1	0	0	0	1
	2022	1	0	0	0	0	1
Total	2020	0	1	0	0	0	1
	2021	1	7	0	0	0	8
	2022	8	7	0	0	0	15

Table No. 5
Projected Openings for 2023
(as of December 31, 2022)

State	Franchise Agreements Signed but Outlets Not Yet Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Affiliate-Owned Outlets in the Next Fiscal Year
Arizona	0	0	0
Florida	0	1	1
Georgia	1	0	0

State	Franchise Agreements Signed but Outlets Not Yet Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Affiliate-Owned Outlets in the Next Fiscal Year
Louisiana	0	0	0
Montana	0	0	0
Nevada	1	0	0
North Carolina	0	0	0
Oklahoma	0	0	0
South Carolina	1	1	0
Tennessee	0	0	0
Texas	5	3	3
Utah	1	1	0
Virginia	2	2	0
Total	11	8	4

The names, addresses, and telephone numbers of our franchisees as of our fiscal year ending December 31, 2022 are listed in Exhibit H. The name and last known home address and telephone number of every one of our franchisees who has had an agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under an agreement during the one-year period ending December 31, 2022, or who has not communicated with us within ten weeks of the date of this disclosure document, is also listed in Exhibit H. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisees have signed a confidentiality clause in a Franchise Agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with our company.

As of the date of this franchise disclosure document, there are no Black Rifle Coffee Company franchisee associations in existence regardless of whether they use our trademarks or not.

Item 21

Financial Statements

Attached to this disclosure document are the following exhibits:

Exhibit F-1	BRC Inc.'s consolidated financial statements of BRC Inc. as of December 31, 2022 and 2021, and for the three years ended December 31, 2022
Exhibit F-2	BRC Inc.'s unaudited financial statements for the period from January 1, 2023 through March 31, 2023
Exhibit F-3	BRC Inc.'s guarantee of performance

Our fiscal years end each year on December 31st.

Item 22**Contracts**

Exhibit A-1	Franchise Agreement with Exhibits A – Data Sheet B – Guarantee, Indemnification, & Acknowledgements C – List of Principals D – ACH – Authorization Agreement for Direct Debit E – ADA Certification F – Sample Form of Non-Disclosure & Non-Competition Agreement G – Site Selection Addendum H – Lease Rider I – Index to Defined Terms
Exhibit A-2	Development Agreement with Exhibits A – Data Sheet B – Guarantee, Indemnification, & Acknowledgements C – List of Principals D – Form of Franchise Agreement
Exhibit D	Form of General Release
Exhibit G	State-Specific Addenda

Item 23**Receipts**

The last two pages of this disclosure document (Exhibit L) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy of the receipt page and please keep the other copy together with this disclosure document.

EXHIBIT A-1

Franchise Agreement with Exhibits

Black Rifle Coffee Company LLC Franchise Agreement

**Black Rifle Coffee Company LLC
Franchise Agreement**

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Exhibits:

- | | | | |
|---|--|---|---|
| A | Data Sheet | E | ADA Certification |
| B | Guarantee, Indemnification, and Acknowledgement | F | Sample Form of Non-Disclosure and Non-Competition Agreement |
| C | List of Principals | G | Site Selection Addendum |
| D | ACH - Authorization Agreement for Prearranged Payments (Direct Debits) | H | Lease Rider |
| | | I | Index to Defined Terms |

Black Rifle Coffee Company LLC Franchise Agreement

THIS BLACK RIFLE COFFEE COMPANY FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of _____ (the "**Effective Date**") by and between:

- Black Rifle Coffee Company LLC, a Delaware limited liability company with its principal place of business at 1144 South 500 West, Salt Lake City, UT 84101 ("**we**," "**us**," "**our**," "**Franchisor**", "**BRCC**", or the "**Company**"); and
- _____, a [corporation organized in] [limited liability company organized in] the State of _____ and having offices at _____ ("**you**" or the "**Franchisee**").

Introduction

We and our affiliates (as defined below) own a format and system relating to the establishment and operation of "Black Rifle Coffee Company" retail coffee shop businesses that feature, among other things, fresh roasted coffee beverages, grab-and-go baked goods, and retail merchandise and apparel in a modern, technical environment (each a "**BRCC Shop**"). BRCC Shops specialize in the sale of beverages and BRCC branded products, which may include Proprietary Items (as defined in this Agreement) as well as non-Proprietary Items (collectively, the "**Retail Products**"). The services associated with offering Retail Products to consumers are referred to as the "**Services**".

Among the distinguishing characteristics of a BRCC Shop are that it operates under our "BRCC" System. Our System includes (among other things): Retail Products; signage; distinctive interior and exterior design and accessories; opening hours; operational procedures; standards and specifications; quality and uniformity of products and services offered; recipes and preparation techniques; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, menus, the Proprietary Marks (defined below), as well as advertising and promotional programs (together, the "**System**").

We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names (for example, the mark "BLACK RIFLE COFFEE COMPANY" and logo), service marks, trademarks, logos, emblems, and indicia of origin (for example, the "BLACK RIFLE COFFEE COMPANY" mark and logo), as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our "**Proprietary Marks**"). We and our affiliates continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of Retail Products and Services marketed under those marks and under the System, and to represent the System's standards of quality, cleanliness, appearance, and service.

We develop and award franchise rights to third party franchisees, such as you. You will be in the business of operating a BRCC Shop, using the same brand and Proprietary Marks as other independent businesses that operate other BRCC Shops under the System (including some operated by our affiliates). We will not operate your BRCC Shop for you, although we have (and will continue) to set standards for BRCC Shops that you will have chosen to adopt as yours by signing this Agreement and by your day-to-day management of your BRCC Shop according to our brand standards.

You have asked to enter into the business of operating a BRCC Shop under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.

In recognition of all of the details noted above, the parties have chosen to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this Agreement, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:

1 GRANT

1.1 *Rights and Obligations.* We grant you the right, and you accept the obligation, all under the terms (and subject to the conditions) of this Agreement:

1.1.1 To operate one BRCC Shop under the System (the “**Franchised Business**”);

1.1.2 To use the Proprietary Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Proprietary Marks and the System); and

1.1.3 To do all of those things only at the Accepted Location (as defined in Section 1.2 below).

1.2 *Accepted Location.* The street address of the location for the Franchised Business approved under this Agreement is specified in Exhibit A to this Agreement, and is referred to as the “**Accepted Location.**”

1.2.1 When this Agreement is signed, if you have not yet obtained (and we have not yet approved in writing) a location for the Franchised Business, then:

1.2.1.1 you agree to enter into the site selection addendum (the “**Site Selection Addendum,**” attached as Exhibit G to this Agreement) at the same time as you sign this Agreement; and

1.2.1.2 you will then find a site which will become the Accepted Location after we have given you our written approval for that site and you have obtained the right to occupy the premises, by lease, sublease, or acquisition of the property, all subject to our prior written approval and in accordance with the Site Selection Addendum.

1.2.2 We have the right to grant, condition, and/or to withhold approval of the Accepted Location under this Section 1.2. You agree that our review and approval of your proposed location, under this Section 1.2 or pursuant to the Site Selection Addendum, does not constitute our assurance, representation, or warranty of any kind that your Franchised Business at the Accepted Location will be profitable or successful (as further described in Section 5 of the Site Selection Addendum).

1.2.3 You agree not to relocate the Franchised Business without our prior written consent. Any proposed relocation will be subject to our review of the proposed new site under our then-current standards for site selection, and we will also have the right to take into

consideration strategies for our development of Company-owned BRCC Shops, commitments that we have made to other franchisees, licensees, landlords, real estate developers, and other parties relating to the proximity of a new BRCC Shop to their establishment. If you wish to relocate, then you must pay us a relocation fee of Two Thousand Five Hundred Dollars (\$2,500) and you also must reimburse us (in advance) for the costs and expenses that we reasonably expect to incur (including, if we deem necessary to visit the proposed new location, the costs of travel, lodging and meals for our representatives to visit the proposed location), and our legal fees and related expenses incurred in connection with reviewing, approving, and documenting your relocation of the Franchised Business to a new site (the “**Relocation Expenses**”). The parties will reconcile the Relocation Expenses within thirty (30) days after you have reopened your BRCC Shop at the new location, based on a statement of our actual Relocation Expenses, at which time: **(a)** we will refund to you the unused balance of the funds that you have advanced as compared to our actual Relocation Expenses; or **(b)** you will pay us the additional amount necessary to fully reimburse us for our actual Relocation Expenses.

- 1.3 *Protected Area.* During the term of this Agreement, we will not operate, nor will we grant to any other party the right to operate, a BRCC Shop within the area that is specified as your “**Protected Area**”, if any, in the Data Addendum (Exhibit A), subject to the limitations in Sections 1.4 through 1.7 below. Your Protected Area may differ from another franchisee’s Protected Area due to such factors as differences in population densities, traffic patterns, and other factors that we may consider in our sole discretion.
- 1.4 *Our Reserved Rights.* We and our affiliates reserve all rights that are not expressly granted to you under this Agreement. Therefore, among other things, we have the sole right to do any or all of the following (despite proximity to your Protected Area and/or Franchised Business as well as any actual or threatened impact on sales at your Franchised Business):
- 1.4.1 We have the right to establish, and franchise others to establish, BRCC Shops anywhere outside the Protected Area;
 - 1.4.2 We have the right to establish, and license others to establish, businesses that do not operate under the System and that do not use the Proprietary Marks licensed under this Agreement, even if those businesses also offer or sell products and services that are the same as or similar to those offered from the Franchised Business, no matter where those businesses are located;
 - 1.4.3 We have the right to establish, and license others to establish, BRCC Shops at any Non-Traditional Facility or Captive Market Location (as defined below) inside or outside the Protected Area;
 - 1.4.4 We have the right to conduct catering and delivery service, as provided in Section 1.6 below;
 - 1.4.5 We have the right to acquire (or be acquired) and then operate any business of any kind, anywhere (but not to be operated as a BRCC Shop inside the Protected Area); and
 - 1.4.6 We have the right to market and sell any of our Retail Products in grocery stores and other retailers, or otherwise, through any channel of distribution (including alternative

distribution channels such as e-commerce), anywhere (but not from another BRCC Shop operating inside the Protected Area).

1.4.7 Definitions.

1.4.7.1 The term “**Captive Market Location**” is agreed to include, among other things, non-foodservice businesses of any sort within which a BRCC Shop or a branded facility is established and operated (including, for example, hotels, resorts, and large box retailers).

1.4.7.2 The term “**Non-Traditional Facility**” includes, among other things, college campuses, schools, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

1.5 *Limits on Where You May Operate.*

1.5.1 You may offer and sell the Retail Products only: **(a)** in accordance with the requirements of this Agreement and the procedures set out in the Brand Manual (defined below); and **(b)** to customers of the Franchised Business.

1.5.2 You agree not to offer or sell any products or services (including the Retail Products) through any means other than through the Franchised Business at the Accepted Location (including your agreement not to offer or sell Services or Retail Products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, e-commerce sites, through other businesses, and/or through any other electronic or print media).

1.5.3 You agree that you will offer and sell the Retail Products from the Accepted Location only to retail customers:

1.5.3.1 Face to face, for consumption on the BRCC Shop premises;

1.5.3.2 Face to face, for personal carry-out consumption; and/or

1.5.3.3 As provided in Section 1.6 below.

1.5.4 You further understand that we will not prohibit other BRCC Shops or food service business (whether owned or franchised by us or by our affiliates) from delivering Retail Products to customers at any location, whether inside or outside of the Protected Area.

1.6 *Delivery and Catering.* You agree that BRCC Shops are primarily intended for on-premises and off-premises carry-out consumption, and that we have the right to approve or disapprove any activity(ies) proposed to take place outside the BRCC Shop, including delivery and catering activities. We will consider various factors in determining whether to permit you to provide delivery and/or catering services from the Franchised Business (whether directly and/or through third parties), including the period of time you have been operating your Franchised Business, your sales volume, whether you have met certain quality standards and other benchmarks, and other standards that we may determine. In addition:

- 1.6.1 You agree not to engage in delivery and/or catering services, whether inside or outside of the Protected Territory, unless you have obtained our prior written consent as to each proposed delivery and/or catering order.
- 1.6.2 Any delivery or catering activities that you undertake must be conducted in accordance with the procedures that we specify in the Brand Manual (as defined in Section 3.5) or otherwise in writing. By granting approval to any one or more proposals to cater or deliver, we will not be deemed to have given our approval to, or waived our right to disapprove or condition our approval of, any ongoing or additional catering or delivery activities.
- 1.6.3 We have the right (but not the obligation) to establish a catering program that may include online and telephone ordering features, on our own and/or in conjunction with one or more outside vendors (the "**Catering Program**"). If we establish a Catering Program, you agree to participate and to pay the fees and costs associated with doing so.
- 1.6.4 We have the right to require that you conduct delivery only through BRCC Shop staff and/or approved third-party delivery vendors ("**TPD Providers**"). We will have the right at all times to approve or disapprove of any such delivery services, TPD Providers, and other vendors (including aggregators), including the arrangements that you propose to make with any TPD Provider.
- 1.6.5 All delivery and catering sales that you make in any manner will be considered as part of the Gross Sales (see Section 4.2.2 below) of your Franchised Business.
- 1.7 *Other Brands.* You understand that we may operate (or be affiliated with companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, or as a franchisee) in addition to the "Black Rifle Coffee Company" brand, and also that we may acquire other brands (or be acquired by a company that operates other brands) (collectively, "**Other Brands**"). You understand and agree that this Agreement does not grant you any rights with respect to any such Other Brands.

2 TERM AND RENEWAL

- 2.1 *Term.* The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire upon the earlier to occur of: (a) ten (10) years following the date the Franchised Business is first open to the public; or (b) expiration or earlier termination of your lease, if any.
- 2.2 *Renewal.* You will have the right to renew your rights to operate the Franchise Business for two (2) additional consecutive successor terms of five (5) years each, so long as you have satisfied all of the conditions specified in Sections 2.2.1 through 2.2.9 before each such renewal:
- 2.2.1 You agree to give us written notice of your choice to renew at least twelve (12) months before the end of the term of this Agreement (but not more than fifteen (15) months before the term expires).
- 2.2.2 You agree to remodel and refurbish the Franchised Business to comply with our then-current standards in effect for new BRCC Shops (as well as the provisions of Section 8.8 below).

- 2.2.3 At the time of renewal: **(a)** you must be in compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates) and **(b)** in our reasonable judgment, you must have been in compliance during the term of this Agreement, even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet those obligations.
- 2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the Marketing Fund, and/or the Regional Fund, as well as your vendors (including your lessors, suppliers, staff, and all other parties with whom you do business), throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations). You must be current with respect to your financial and other obligations to your lessor, suppliers, and all other parties with whom you do business.
- 2.2.5 You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which will not supersede this Section 2), and which you agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage Royalty Fee and marketing contribution). Your direct and indirect owners must also sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (In this Agreement, the term “**entity**” includes a corporation, a limited liability company, a partnership, a trust, and/or a limited liability partnership.)
- 2.2.6 Instead of a new initial franchise fee, you agree to pay to us a renewal fee of Seventeen Thousand Five-Hundred Dollars (\$17,500) or fifty percent (50%) of our then-current initial franchise fee charged to new BRCC Shop franchisees (whichever is more).
- 2.2.7 You agree to sign and deliver to us a renewal agreement that will include a mutual general release (which will be effective as of when signed as well as the date of renewal), in a form that we will provide (which will include limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, members, managers, agents, and employees. Your affiliates and your respective direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.
- 2.2.8 You and your personnel must meet our then-current qualification and training requirements.
- 2.2.9 You agree to present to us satisfactory evidence that you have the right to remain in possession of the Accepted Location for the entire renewal term of this Agreement.

3 OUR DUTIES

- 3.1 *Training.* We will provide you with the training specified in Section 6 below.
- 3.2 *Site Selection.* We will provide the site selection assistance that we think is needed, but you will retain the sole responsibility for choosing a viable site (even though we will have provided assistance and our opinions on the options), which will be subject to our final approval as provided in Section 5.3 below.

- 3.3 *Standard Layout and Equipping of a BRCC Shop.* We will make available to, at no additional charge, our standard layout, design and image specifications for a BRCC Shop, including the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We have the right to modify our standard layout plans and specifications as we deem appropriate periodically (however, once we have provided those plans and specifications to you, we will not further modify the layout plans and specifications for the initial construction of your BRCC Shop). We will also provide the site selection and lease assistance called for under Section 5.4 below.
- 3.4 *Opening and Additional Assistance.* We will provide a representative to be present at the opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Brand Manual (defined below).
- 3.5 *Brand Manual.* We will lend to you one (1) copy of (or provide you with access to) our confidential brand manuals and other written instructions relating to the operation of a BRCC Shop (the "**Brand Manual**"), in the manner and as described in Section 10 below, for your use only in connection with your BRCC Shop and only during the term of this Agreement.
- 3.6 *Marketing Materials.* We will assist you in developing the Grand Opening Marketing Program (defined below). We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.
- 3.7 *Marketing Funds.* We will administer the Marketing Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.
- 3.8 *Inspection Before Opening.* We will evaluate the Franchised Business before it first opens for business. You agree to not open the Franchised Business to customers or otherwise start operation until you have received our prior written approval to do so. You agree to provide us with written notice of the date that you intend to start operating at least forty-five (45) days in advance of the planned opening date.
- 3.9 *Assistance.* We will provide you with assistance and/or advice in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as a field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations.
- 3.10 *Services Performed.* You agree that any of our designees, employees, agents, or independent contractors (such as an "area representative") may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).
- 3.11 *Our Decision-Making.* In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: **(a)** to take into account, as we see fit, the effect on, and the interests of, other franchised and Company-owned or affiliated businesses and systems; **(b)** to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; **(c)** to test market various items in some or all parts of the System; **(d)** to introduce new Proprietary Items, products that are not Proprietary Items, and operational equipment; and/or **(e)** to allocate resources and new developments between and among systems, and/or

our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.

- 3.12 *Confirmation of Performance.* After we have performed our pre-opening obligations to you under this Agreement, we may ask that you execute and deliver to us a confirmation (the “**Confirmation of Performance**”), in a form we reasonably request, confirming that we have performed those obligations. If we ask you to provide us with such a certificate, you agree to execute and deliver the Confirmation of Performance to us within one (1) week after our request. However, if you do not reasonably believe that we have performed all of our pre-opening obligations, you must, within that same one (1) week period, provide us with written notice specifically describing the obligations that we have not performed. Not later than one (1) week after we complete all the obligations specified in that notice that we agree were unperformed, you agree to execute and deliver the Confirmation of Performance to us. You agree to do so even if we performed such obligations after the time performance was due under this Agreement. The term “pre-opening obligations” means the obligations we have to you under this Agreement that must be performed before you open your BRCC Shop.

4 FEES; SALES REPORTING

- 4.1 *Initial Franchise Fee.* You agree to pay us an initial franchise fee of Thirty-Five Thousand Dollars (\$35,000) (the “**Initial Franchise Fee**”). The Initial Franchise Fee is due and payable to us on the day that you sign this Agreement. The Initial Franchise Fee is not refundable. The Initial Franchise Fee is payable in consideration of the services that we provide to you in connection with helping you to establish your new BRCC Shop.

- 4.2 *Royalty Fee and Sales Reports.* For each Week during the term of this Agreement, you agree to: (a) pay us a continuing royalty fee in the amount equal to six percent (6%) of the Gross Sales of the Franchised Business (“**Royalty Fees**” or “**Royalties**”); and (b) report to us your Gross Sales, in the form and manner that we specify (a “**Sales Report**”), by the time specified in Section 4.3 below. As used in this Agreement:

4.2.1 The term “**Gross Sales**” means all revenue from the sale of all Retail Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (including offsite sales and whether or not permitted under this Agreement), including the redemption of BRCC gift cards, barter proceeds, as well as the proceeds of any business interruption insurance policies. Gross Sales include payments in cash or credit and regardless of theft, or of collection in the case of credit. Gross Sales excludes sales taxes and other taxes that you collect from your customers and remit to the appropriate taxing authorities, as well as proper and legitimate deductions for revenue from the initial sale of BRCC gift cards, customer returns of merchandise, employee discounts (up to 40%), discounts given to customers for BRCC’s systemwide program for military and first responders, sales or promotional discounts, and discounts on discontinued merchandise, and loyalty program redemptions. (BRCC has the right to limit or eliminate one or more of the above exclusions (except for taxing authority remittances).

4.2.2 The term “**Period**” means a calendar month, or, at our election a four or five-week retail accounting interval during the year for the purpose of organizing books and records (typically, with thirteen Periods in approximately one year). We have the right to establish the schedule for Periods with reasonable advance notice to you.

- 4.2.3 The term “**Week**” means a calendar week, starting each Sunday at one instant before 12:00:01 am (local time) and ending at one instant after 11:59:59 pm the following Saturday.
- 4.3 *Due Date.* All payments required by Section 4.2 above and Section 13 below must be made by ACH (as specified below) by Friday of each Week (the “**Due Date**”), based on the Gross Sales of the previous Period. In addition, you agree to all of the following:
- 4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request. You also agree to deliver the Sales Report to us by the Due Date based on the sales of the previous Week.
- 4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement. Among other things, to implement this requirement, you agree to sign and return to us our current form of “ACH - Authorization Agreement for Prearranged Payments (Direct Debits),” a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.3.2), and you agree to: **(a)** comply with the payment and reporting procedures that we may specify in the Brand Manual or otherwise in writing; and **(b)** maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement. If we elect to use ACH withdrawal to sweep payment of any fees due us under this Agreement, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: **(i)** you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and **(ii)** if you do not do so, then you agree to pay us upon demand the amounts due and also reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose. You also agree that we may initiate an ACH withdrawal earlier than the Due Date so that the funds are actually transferred by the bank into our account on the Due Date.
- 4.3.3 You agree that your obligations to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully-earned (by us), and due as soon as you are first open to the public.
- 4.3.4 You agree not to, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the Marketing Fund, the Regional Fund, our affiliates, suppliers, or others.
- 4.3.5 You agree that if you do not provide us, as requested, with access to your Computer System to obtain sales information or, if we require pursuant to Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Week(s) that we choose (which may be those with your highest grossing sales), and that you agree to pay the Royalties and Marketing Contribution on that amount by our deduction of that amount from your direct debit account.
- 4.4 *No Subordination.* You agree: **(a)** not to subordinate to any other obligation your obligation to pay us the Royalty Fee and/or any other amount payable to us, whether under this Agreement

or otherwise; and **(b)** that any such subordination commitment that you may give without our prior written consent will be null and void.

- 4.5 *Late Payment.* If we do not receive any payment due under this Agreement (and if the Marketing or Regional Funds do not receive payment due) on or before the due date, then that amount will be deemed overdue. If any payment is late, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). Our entitlement to such interest will be in addition to any other remedies we may have. Any report that we do not receive on or before the due date will also be deemed overdue.
- 4.6 *Document Preparation Fee.* You will pay us a document preparation fee of Five Hundred Dollars (\$500) for any required amendment to this Agreement, or our reasonable attorneys' fees, whichever is greater.
- 4.7 *Other Funds Due.* You agree to pay us via ACH, as set forth in Section 4.3.2, within ten (10) days of our prior written notice (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.
- 4.8 *Index.* We have the right to adjust, for inflation, the fixed-dollar amounts (that is, those expressed in a numeral and not as a percentage of Gross Sales) under this Agreement (except for the Initial Franchise Fee) once a year to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.7, the term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.
- 4.9 *Funds.* You agree to make all payments to us in U.S. Dollars to such bank account as we may periodically designate in writing (or as we otherwise direct in writing).

5 FRANCHISED BUSINESS LOCATION, CONSTRUCTION AND RENOVATION

- 5.1 *Opening Deadline.* You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. You agree to establish the Franchised Business and have it open and in operation within twelve (12) months after the Effective Date of this Agreement. **Time is of the essence.**
- 5.2 *Site for the BRCC Shop.* As provided in Section 1.2 above, if you do not have (and we have not approved in writing) a location for the BRCC Shop as of the Effective Date, then you must find and obtain the right to occupy (by lease, sublease, or acquisition of the property) premises that we find acceptable to serve as your BRCC Shop, all in accordance with the Site Selection Addendum.
- 5.3 *Our Review and Your Responsibilities.* Any reviews that we conduct of the proposed site, key lease terms, and other details concerning your site are for our benefit only, and to evaluate the proposed site against our internal standards. In addition:
- 5.3.1 You agree that our review, comments about, and even our approval of a proposed site, key lease or sublease terms, design plans, and/or renovation plans for the BRCC Shop is not (and shall not be deemed) our recommendation, endorsement, and/or guarantee

of the suitability of that location or the terms of the lease, sublease, and/or purchase agreement. You further agree that you will only utilize commercial leasing brokers or representatives that we have approved in advance.

- 5.3.2 You agree to take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, and/or purchase agreement for the site are beneficial and acceptable to you (including retaining your own legal counsel to review the lease). Additionally, no matter to what extent (if any) that we participate in any lease, sublease, and/or purchase negotiations, discussions with the landlords or property owners, and/or otherwise in connection with reviewing the lease, sublease and/or purchase agreement, you have to make the final decision as to whether or not the proposed contract is sensible for your business, and the final decision as to whether or not to sign the lease, sublease, and/or purchase agreement is yours, and we will not be responsible for the terms and conditions of your lease, sublease, and/or purchase agreement.
- 5.3.3 You agree that: **(a)** any standard layout and equipment plans that we provide to you, as well as any review and comments that we provide to the plans that you develop for your BRCC Shop, are not meant to address the requirements of any Operating Codes (as defined in Section 8.7 below); **(b)** our standard plans or comments to your modified plans, will not reflect the requirements of, nor may they be used for, construction drawings or other documentation that you will need in order to obtain permits or authorization to build a specific BRCC Shop; **(c)** you will be solely responsible to comply with all local laws, requirements, architectural needs, and similar design and construction obligations associated with the site, at your expense; and **(d)** our review, comment, and approval of your plans will be limited to reviewing those plans to assess compliance with our standards (including issues such as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain Retail Products and services that are central to the purpose, atmosphere, and functioning of BRCC Shops).
- 5.3.4 You agree that our recommendation or acceptance of the Accepted Site indicates only that we believe that the Accepted Site falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the Accepted Site.
- 5.3.5 We will not review nor may our approval be deemed to address whether or not you have complied with any of the Operating Codes, including provisions of the Americans with Disabilities Act (the "**ADA**"); and you agree that compliance with such laws is and will be your sole responsibility.
- 5.3.6 You acknowledge that we will have no liability to you or any regulatory authority if you fail to obtain and/or maintain any necessary licenses or approvals required for the operation of the Franchised Business.
- 5.4 *Lease Review.* You agree to provide us with a copy of the proposed lease, sublease, or purchase agreement for the Accepted Location, and you agree not to enter into that lease, sublease, or purchase agreement until you have received our written approval. We have the right to condition our approval of the lease, sublease, or purchase agreement upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement, including, that you and the landlord execute a lease rider substantially in the form attached to this Agreement as Exhibit H. You also agree:

- 5.4.1 to provide us with a copy of the fully signed lease and/or sublease, including a signed lease rider (in the form attached as Exhibit H), before you begin construction or renovations as the Accepted Location;
 - 5.4.2 that our recommendation or acceptance of the proposed lease, sublease, or purchase agreement for the Accepted Location indicates only that we believe that the lease, sublease, or purchase agreement falls within the acceptable criteria for sites and premises;
 - 5.4.3 es that we have established as of the time of our recommendation or acceptance of the lease, sublease, or purchase agreement for the Accepted Location;
 - 5.4.4 that our acceptance of the proposed site as well as your proposed lease, sublease, or purchase agreement for the Accepted Site does not constitute any guarantee or warranty, express or implied, of the successful operation or profitability of your BRCC Shop operated at the Accepted Site (and that our acceptance indicates only that we believe that the Accepted Site and the terms of the lease, sublease, or purchase agreement fall within our own internal criteria);
 - 5.4.5 that we have advised that you have your own attorney review and evaluate the lease, sublease, or purchase agreement;
 - 5.4.6 that if we do not approve a proposed site as to which you have incurred time or expenses to evaluate or secure, we will not reimburse you for those expenses; and
 - 5.4.7 under no circumstances will you make any public announcement or press release concerning a proposed site without (a) our prior written approval; and (b) before we designate that location as an Accepted Site.
- 5.5 *Preparing the Site.* You agree that promptly after obtaining possession of the Accepted Location, you will do all of the following things:
- 5.5.1 obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;
 - 5.5.2 purchase or lease equipment, fixtures, furniture and signs as required under this Agreement (including the specifications we have provided in writing, whether in the Brand Manual or otherwise);
 - 5.5.3 complete the construction and/or remodeling as described in Section 8.8 below, and installation of all equipment, fixtures, furniture and signs and decorating of the Franchised Business in full and strict compliance with plans and specifications for the Franchised Business that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements;
 - 5.5.4 obtain all customary contractors' partial and final waivers of lien for construction, remodeling, decorating and installation services; and
 - 5.5.5 purchase an opening inventory of Retail Products and other materials and supplies.
- 5.6 *Construction or Renovation.* In connection with any construction or renovation of the Franchised Business (and before you start any such construction or renovation) you agree to

comply, at your expense, with all of the following requirements, which you agree to satisfy to our reasonable satisfaction:

- 5.6.1 You agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary architectural drawings and equipment layout and specifications for site improvement and construction of the Franchised Business based upon standard layout, design and image specifications we will furnish to you (depending on whether, for example, your Franchised Business will be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). The materials that you submit to us must include a description of any modifications to our specifications (including requirements for dimensions, interior and exterior design and layout, equipment, fixtures, furnishings, signs, and decorating materials) required for the development of a Franchised Business. Our approval will be limited to conformance with our standard image specifications and layout, and will not relate to your obligations with respect to any applicable Operating Codes, including the ADA. After we have responded to your preliminary plans and you have obtained any permits and certifications, you agree to submit to us, for our prior written approval, final architectural drawings, plans and specifications. We will have the right to request changes and approve, and although we will not supervise or otherwise oversee your project, we have the right to make site visits during the construction process to ensure that the approved plans and specifications are being adhered to in accordance with our brand prototype and standards. We will not unreasonably withhold our approval of your adapted plans, provided that such plans and specifications conform to our general criteria. Once we have approved those final plans, you cannot later change or modify the plans without our prior written consent.
- 5.6.2 You agree to comply with all Operating Codes, including the applicable provisions of the ADA regarding the construction and design of the Franchised Business. Additionally, before opening the Franchised Business, and after any renovation, you agree to execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit E, to certify that the Franchised Business and any proposed renovations comply with the ADA.
- 5.6.3 You are solely responsible for obtaining (and maintaining) all permits and certifications (including, zoning permits, licenses, construction, building, utility, health, sign permits and licenses) which may be required by state or local laws, ordinances, or regulations (or that may be necessary or advisable due to any restrictive covenants relating to your location) for the lawful construction and operation of the Franchised Business. You must certify in writing to us that all such permits and certifications have been obtained.
- 5.6.4 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and to complete all improvements.
- 5.6.5 You agree to obtain (and maintain) during the entire period of construction the insurance required under Section 15 below; and you agree to deliver to us such proof of such insurance as we may reasonably require.
- 5.7 *Pre-Opening.* Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Brand Manual, and/or that we may otherwise specify in writing.

- 5.8 *Reporting Development Costs.* Within ninety (90) days after the Franchised Business first opens for business, you agree to give us a full written breakdown of all costs associated with the development and construction of the Franchised Business, in the form that we may reasonably find acceptable or that we may otherwise require.

6 OPERATING OWNER, PERSONNEL, AND TRAINING

6.1 *Operating Owner and Management.*

- 6.1.1 One of the parties that owns an interest in you must serve as your “**Operating Owner**.” The Operating Owner must supervise the operation of the Franchised Business and must own at least twenty-five percent (25%) of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Owner to hold a smaller interest. The Operating Owner (and any replacement for that individual) must have qualifications reasonably acceptable to us to serve in this capacity, complete our training program as described below, must have authority over all business decisions related to the Franchised Business, must have the power to bind you in all dealings with us, and must have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.
- 6.1.2 You must inform us in writing whether the Operating Owner will assume full-time responsibility for the daily supervision and operation of the Franchised Business. If not, then you must employ a full-time Store Manager (a “**Store Manager**”) with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business.
- 6.1.3 If you do not have a Store Manager then you must employ at least one (1) general manager and at least one (1) assistant manager (or someone serving in an equivalent capacity, subject to our prior written approval) at all times in the Franchised Business throughout the term of this Agreement, who have successfully completed, to our satisfaction, our initial training program and any additional training that we may require of such persons. You agree to pay us a discounted training fee in the amount of One Thousand Five Hundred Dollars (\$1,500) for each additional person to be trained.
- 6.1.4 The Franchised Business must at all times be under the active full-time management of either Operating Owner or Store Manager (who must have successfully completed our initial training program to our satisfaction).
- 6.1.5 The term “**Additional Trained Personnel**” means BRCC Shop personnel, in addition to the Operating Owner and Store Manager, who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such person will perform in operating the Franchised Business.

6.2 *Initial Owner and Management Training.*

- 6.2.1 **Owner Training.** The Operating Owner must attend and successfully complete, to our satisfaction, the Owner Training program that we offer at the location that we specify.

6.2.2 Brand Management Training.

6.2.2.1 The Operating Owner (or alternatively, your Store Manager if applicable) must also attend and successfully complete, to our satisfaction, the Management Training program that we offer at a location that we specify. Your initial general manager and assistant general manager must also attend. (The Operating Owner or Store Manager will train your subsequently hired general managers and assistant managers.)

6.2.2.2 You may send up to four (4) individuals to the Management Training to our designated training facilities (which may be in Texas, Tennessee, Utah, or elsewhere). If you wish to send additional individuals to be trained (including retraining of the Operating Owner, Store Manager, and/or Additional Trained Personnel) to the Management Training program, you must obtain the prior written approval of the Director of Retail Training and pay us a training fee in the amount set forth in Section 6.1.3.

6.3 *Additional Obligations and Terms Regarding Training.*

6.3.1 If for any reason your Operating Owner and/or Store Manager cease active management or employment at the Franchised Business, or if we revoke the certification of your Operating Owner or your Store Manager to serve in that capacity, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in Management Training program within thirty (30) days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the Management Training program, to our reasonable satisfaction, as soon as it is practical to do so. You agree to pay us a training fee in the amount of One Thousand Five Hundred Dollars (\$1,500) for each replacement individual to be trained, with payment to be made in full before training starts.

6.3.2 We may require that you and your Operating Owner, Store Manager, and Additional Trained Personnel attend such refresher courses, seminars, and other training programs as we may reasonably require periodically.

6.3.3 We may require you to enroll each of your employees in web-based training programs relating to the Retail Products and Services that will be offered to customers of the BRCC Shop.

6.3.4 All of your trainees must sign and deliver to us a personal covenant of confidentiality in substantially the form of Exhibit F to this Agreement.

6.3.5 Training Costs and Expenses.

6.3.5.1 We agree to bear the cost of providing the instruction and required materials, except as otherwise provided in Sections 6.2, 6.3, 6.4, and 6.5 of this Agreement.

6.3.5.2 You agree to bear all expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees. Training may

take place at one or more locations that we designate, including Texas, Tennessee, Utah, or elsewhere.

6.3.5.3 You also agree to cover all of your employees at all times (including the pre-opening period, and including those attending training) under the insurance policies required in Section 15 below.

6.3.5.4 We have the right to reduce the duration or content of our training programs for any trainee who has prior experience with our System or in similar businesses.

6.4 *Additional On-Site Training.* You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses. Additionally, if you do not pass one or more mystery shopper visits and/or inspections, then we have the right to determine that you are not operating your BRCC Shop in accordance with our brand standards, and we may place you in default of this Agreement and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business.

6.5 *Conventions and Meetings.* You agree to attend the conventions and meetings that we may periodically require and to pay a reasonable fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that you choose to send). You will also be responsible for all of the other costs of attendance, including travel, room and board, and your employees' wages, benefits and other expenses.

7 PURCHASING AND SUPPLY

The requirements of this Section 7 apply to Proprietary Items (Section 7.2), Input Items that you must purchase or otherwise source from approved suppliers (Section 7.1), and Input Items that you must otherwise purchase or source in accordance with our standards and specifications (Section 7.3).

7.1 *Input Items.* You agree to buy all ingredients, equipment, furniture, supplies, paper products, merchandise, apparel, materials (such as packaging), and other products and services used (or offered for sale) at the BRCC Shop (together, "**Input Items**") only from suppliers that we designate (which will include BRCC for coffee and other items) and/or have approved (and whom we have not subsequently disapproved). (The term Input Items also includes any pre-packaged Retail Products that you buy from approved suppliers.) In this regard, the parties further agree:

7.1.1 In determining whether we will approve any particular supplier for an Input Item, we will consider various factors, including: **(a)** whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; **(b)** whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; **(c)** whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and/or **(d)** whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may

include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae).

- 7.1.2 For the purpose of this Agreement, the term “**supplier**” includes, but is not limited to, manufacturers, distributors, resellers, and other vendors. You agree that we have the right to appoint only one supplier for any particular product, ingredient or item (which may be us or one of our affiliates).
- 7.1.3 You agree to offer and sell only Retail Products and Services at the Franchised Business. You may not offer or sell anything at the Franchised Business that is not a Retail Product or a Service.
- 7.1.4 If you want to buy any Input Item from an unapproved supplier (except for Proprietary Items, which are addressed in Section 7.2 below), then you must first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier’s facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential.
- 7.1.5 You agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some BRCC Shops with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of BRCC Shops, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Input Items, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of BRCC Shops. We have the right to approve or disapprove of the suppliers who may be permitted to sell Input Items to you. Any of our affiliates that sell Input Items to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell Input Items to you, or to withhold certain discounts that might otherwise be available to you.
- 7.1.6 You agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, “**Allowances**”) offered by suppliers to you or to us (or our affiliates) based upon your purchases of Input Items. These Allowances include those based on purchases of products, paper goods, ingredients, beverages, and other items (such as packaging). You assign to us or our designee all of your right, title and interest in and to any and

all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.

- 7.1.7 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.
- 7.2 *Proprietary Items.* You agree that: **(a)** we have the right to require that certain Retail Products that you offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such items are our proprietary products (“**Proprietary Items**”); **(b)** we have the right to require that you purchase and offer Proprietary Items (as well as any packaging bearing the Proprietary Marks) only from us, our affiliates, and/or our designated suppliers, and not to offer or sell any other such products at or from the Franchised Business; and **(c)** we have the right to determine whether any particular item (now or in the future) is or will be deemed a “Proprietary Item.”
- 7.3 *Specifications.* In addition to the provisions of Sections 7.1 and 7.2 above, as to those Input Items that we do not require you to buy or otherwise source from approved suppliers and that are not proprietary items (as specified in Section 7.2 above), you agree to purchase or otherwise source those Input Items only in accordance with the standards and specifications that we specify in the Brand Manual or otherwise in writing.
- 7.4 *Use of the Marks.* You agree to use all Logo Items that we require and not to use any items that are a substitute for a Logo Item without our prior written consent. The term “**Logo Items**” is agreed to include all marketing materials, signs, decorations, paper goods (including and all forms and stationery used in the Franchised Business). You agree that all Logo Items that you use will bear the Proprietary Marks in the form, color, location, and manner we prescribe (and that all such Logo Items will be subject to our prior written approval as provided in Section 13.8 below).
- 7.5 *Manufacturing.* You agree not to produce or otherwise manufacture any items in your BRCC Shop (except for Retail Products that we have otherwise authorized and approved for production in the Brand Manual or otherwise in writing).
- 7.6 *Payment of BRCC Invoices.* In the event that you do not pay an invoice from BRCC for your purchases from us when due, we reserve the right to initiate payment for the delinquent invoice via ACH, as set forth in Section 4.3.2 above.

8 YOUR DUTIES

In addition to all of the other duties specified in this Agreement, for the sake of brand enhancement and protection, you agree to all of the following:

- 8.1 *Importance of Following Standards.* You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other “Black Rifle Coffee Company” franchisees in order to develop and maintain our brand and operating standards, to provide customer service to customers and participants, to increase the demand for the Retail Products and Services sold, by all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.

8.2 *Opening.* In connection with the opening of the Franchised Business:

- 8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.
- 8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above. Subject to availability and scheduling, we will send a representative to attend the opening; and you agree not to open the Franchised Business without our representative present. If we cannot provide our representative on the date that you propose to first open the Franchised Business for business, then you must reschedule such opening to a date on which our representative can be in attendance; provided, that we will not unreasonably delay opening of the Franchised Business due to these considerations.
- 8.2.3 You will not open the Franchised Business until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including to materials, quality of work, signage, decor, paint, and equipment, and we have given you our prior written approval to open, which we will not unreasonably withhold.
- 8.2.4 You agree not to open the Franchised Business until the Operating Owner, Store Manager, and Additional Trained Personnel have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business's customers.
- 8.2.5 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.

8.3 *Staffing.*

- 8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service customers and to comply with staffing and service criteria, which may include without limitation specified positions that we may designate from time to time as necessary or appropriate for providing quality member experience according to our standards. We will provide our requirements for service/function positions that we may establish from time to time and which will be set forth in our Brand Manual.
- 8.3.2 For the sake of efficiency and to enhance and protect our brand you and your staff must, at all times, cooperate with us and with our representatives, and conduct the operation of the business in a first-class and professional manner in terms of dealing with customers, vendors, and our staff as well.
- 8.3.3 Your employees must comply with such dress code and other brand standards as we may reasonably require, which may include use of branded (or other "**uniform**") apparel, and otherwise identify themselves with the Proprietary Marks at all times in the manner we specify (whether in the Brand Manual or otherwise in writing) while on the job for the Franchised Business. We may also require that you (and that you ensure that your employees also) comply with our brand standards concerning personal appearance (including dress code, footwear, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at work stations, etc.).

- 8.3.4 You agree that you will seek to develop, cultivate, and maintain a cooperative, cordial, and respectful work environment for your staff and among all of the owners of the Franchised Business.
- 8.4 *Operate According to Our Standards.* To ensure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Brand Manual or otherwise in writing. In this regard, you agree to do all of the following:
- 8.4.1 You agree to maintain in sufficient supply, and to use at all times only the items, Retail Products, equipment, services, materials, and supplies that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.
- 8.4.2 You agree: **(a)** to sell or offer for sale only those Services, items, and Retail Products using the standards and techniques that we have approved in writing for you to offer and use at your Franchised Business; **(b)** to sell or offer for sale all Services, items, and Retail Products using the standards and techniques that we specify in writing; **(c)** not to deviate from our standards and specifications; **(d)** to stop using and offering for use any Services or Retail Products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and **(e)** that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property.
- 8.4.3 You agree to permit us, or our agents, at any reasonable time, to inspect the Retail Products, equipment and to remove samples of items or Retail Products, without payment, in amounts reasonably necessary for testing by us or an independent third party to determine whether the Retail Products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.
- 8.4.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify, and to periodically make upgrades and other changes to such items at your expense as we may reasonably request in writing. Without limiting the above, you agree that changes in our System standard may require you to purchase new and/or additional equipment for use in the Franchised Business.
- 8.4.5 You agree not to install or permit to be installed on or about the premises of the Franchised Business, without our prior written consent, any fixtures, furnishings, equipment, machines, décor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.
- 8.4.6 You agree to immediately notify us in writing if you or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein.
- 8.4.7 You agree to purchase or lease, and use, the music system and playlist that we require, and pay fees to the licensing organization associated with playing that music.

- 8.5 *Use of the Premises.* You may use the Accepted Location only for the purpose of operating the Franchised Business and for no other purpose. You agree not to co-brand or permit any other business to operate at the Accepted Location.
- 8.6 *Hours and Days of Operation.* You agree to keep the Franchised Business open and in normal operation for such hours and days as we may periodically specify in the Brand Manual or as we may otherwise approve in writing.
- 8.7 *Health Standards and Operating Codes.* You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. You agree to fully and faithfully comply with all Operating Codes applicable to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you are in compliance with any Operating Codes. As used in this Agreement, “**Operating Codes**” means all applicable laws, codes, ordinances, and/or regulations (whether federal, state, municipal, and/or local) that apply to the Services, Retail Products, construction and design of the BRCC Shop, and/or other aspects of operating the Franchised Business (including the ADA, laws pertaining to employment, etc.).
- 8.7.1 You agree to send us, within two (2) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.
- 8.7.2 You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Services you will offer, sell, and provide. Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business.
- 8.7.3 You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.
- 8.8 *Your Franchised Business:*
- 8.8.1 *Franchised Business Condition, Maintenance.* You agree that at all times, you will maintain the Franchised Business in a high degree of sanitation, repair, and condition. In addition, you agree to make such repairs and replacements to the BRCC Shop as may be required for that purpose (but no others without our prior written consent), including the periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor that we may reasonably require. You also agree to obtain maintenance services from qualified vendors for any equipment as we may specify and maintain those service agreements at all times. Your maintenance and upkeep obligations under this Section 8.8,1 are separate from those with respect to periodic upgrades that we may require regarding fixtures, furnishings, equipment, decor, and signs, and Section 8.8.2 below with respect to Major Remodeling. You also agree to complete a Minor Refurbishment as we may reasonably require, which will not be more than once every three (3) years. (The term “**Minor Refurbishment**” includes Computer Upgrades as defined in Section 14 below.)
- 8.8.2 *Major Remodeling.* In addition to the maintenance and upkeep obligations requirements under Section 8.8.1 above, you agree to refurbish the Franchised

Business at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new BRCC Shops, including remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, "**Major Remodeling**"). In this regard, the parties agree that:

8.8.2.1 You will not have to conduct a Major Remodeling more than once during the initial ten (10) year term of this Agreement (and not in an economically unreasonable amount); provided, however, that we may require Major Remodeling more often if a Major Remodeling is required as a pre-condition to renewal (as described in Section 2.2.2 above); and

8.8.2.2 You will have one (1) year after you receive our written notice within which to complete a Major Remodeling (but, in the case of a renewal, the Major Remodeling must be completed before you may renew).

8.9 *Use of the Marks.* You agree to follow all of our instructions and requirements regarding any marketing and promotional materials, signs, decorations, merchandise, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos (including our requirements as to the form, color, location, and manner for making use of those marks).

8.10 *Depending on your type of Entity:*

8.10.1 *Corporation.* If you are a corporation, then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** maintain stop transfer instructions on your records against the transfer of any equity securities and will only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; **(c)** not issue any additional shares (whether voting securities or securities convertible into voting securities); and **(d)** maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.

8.10.2 *Partnership/LLP.* If you are a general partnership, a limited partnership, or a limited liability partnership (LLP), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all of your general and limited partners; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.

8.10.3 *LLC.* If you are a limited liability company (LLC), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all members and managers in your

LLC; and **(d)** maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

- 8.10.4 *Trust*. If you are a trust, then you agree to: (a) confine your commercial activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; (b) furnish us with a copy of your trust agreement as well as such other documents as we may reasonably request, and any amendments thereto; (c) prepare and furnish to us, upon request, a current list of all of your trustees and beneficiaries; and (d) consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any trustee's rights and/or obligations, and against any beneficiary's interest, without our prior written approval.
- 8.10.5 *Guarantees*. If the Franchisee under this Agreement is an entity, then you agree to obtain, and deliver to us, a guarantee of your performance under this Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct, indirect, and beneficial: (a) shareholder of a corporate Franchisee; (b) member of a limited liability company Franchisee; (c) partner of a partnership Franchisee; (d) partner of a limited liability partnership Franchisee; and/or (e) trustee and beneficiaries of a franchisee that is a trust.
- 8.11 *Quality-Control and Customer Survey Programs*. We may periodically designate an independent evaluation service to conduct a "mystery shopper," "customer survey," "food safety," and/or similar quality-control and evaluation programs with respect to BRCC Shops. You agree to participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to: **(a)** immediately implement any remedial actions we require; and **(b)** reimburse us for the expenses we incur as a result thereof (including the cost of having the evaluation service re-evaluate the Franchised Business, our inspections of the Franchised Business, and other costs or incidental expenses).
- 8.12 *Prices*.
- 8.12.1 We may periodically provide suggested retail pricing; however (subject to Section 8.12.2 below), you will always have the right to set your own prices.
- 8.12.2 You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Retail Products and Services offered and sold at the BRCC Shop under this Agreement. You will have the right to set the prices that you will charge to your customers; provided, however, that (subject to applicable law): **(a)** if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and **(b)** if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.
- 8.13 *Environmental Matters*. Both parties recognize and agree that there are changing standards in this area in terms of applicable law, competitors' actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to

environmental, sustainability, and energy for the System through the Brand Manual, and you agree to abide by those standards.

- 8.14 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the BRCC Shop. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without compensation to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.
- 8.15 *Suspending Operation.* You agree to immediately suspend operating the Franchised Business and promptly notify us in writing if: **(a)** any equipment used, or Retail Products or Services sold, at the Franchised Business deviate from our standards; **(b)** any equipment used, or Retail Products or Services sold, at the Franchised Business fail to comply with applicable laws or regulations; and/or **(c)** you fail to maintain the equipment, Franchised Business premises, personnel, or operation of the Franchised Business in accordance with any applicable law or regulations. In the event of such closing, you agree to immediately notify us, in writing, and also remedy the unsafe, or other condition or other violation of the applicable law or regulation. We also have the right to direct that you immediately suspend operating the Franchised Business if we independently determine that any of the above conditions exist or for consumer safety if we become aware of any material health violations that could endanger the general public. You agree not to reopen the Franchised Business until after we have inspected the Franchised Business premises (physically or otherwise), and we have determined that you have corrected the condition and that all equipment used, or Retail Products or Services to be sold, at the Franchised Business comply with our standards. This Section 8.15 does not limit or restrict our other rights under this Agreement.

9 PROPRIETARY MARKS

- 9.1 *Our Representations.* We represent to you that we own (and/or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks, and that we have taken (and will take) all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Proprietary Marks.
- 9.2 *Your Agreement.* With respect to your use of the Proprietary Marks, you agree that:
- 9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear one of our then-current logos.
- 9.2.2 You will use the Proprietary Marks only for the operation of the Franchised Business and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).

- 9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name “Black Rifle Coffee Company” without prefix or suffix (except with our prior written approval).
- 9.2.4 During the term of this Agreement and any renewal of this Agreement, you agree to identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary Marks, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business (visible to customers, visible only to your staff, and otherwise as we may designate in writing).
- 9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.
- 9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.
- 9.2.7 You agree not to use the Proprietary Marks: **(a)** as part of your corporate or other legal name; **(b)** as part of any e-mail address, domain name, social networking site page, or other identification of you in any electronic medium (except as otherwise provided in Section 14.11); and/or **(c)** in any human relations (HR) document or materials, including job applications, employment agreements, pay checks, pay stubs, and the like.
- 9.2.8 You agree to: **(a)** comply with our instructions in filing and maintaining requisite trade name or fictitious name registrations; and **(b)** execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, including any additional license agreements we may require for use of the Proprietary Marks on the Internet or in other marketing.
- 9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:
- 9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You agree to communicate only with us, our affiliates, our counsel, or your counsel regarding any such infringement or challenge. You acknowledge that we have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.
- 9.2.9.2 Defense and Costs:
- (a) *If You Used the Marks in Accordance with this Agreement*: If you have used the Proprietary Marks in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof, and we agree to reimburse you for your out-of-pocket litigation costs in

doing such acts and things (except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement). .

- (b) *If You Used the Marks But Not in Accordance with this Agreement*: If you used the Proprietary Marks in any manner that was not in accordance with this Agreement (including our instructions), then we will still defend you, but at your expense, against such third party claims, suits, or demands (including all of the costs of defense as well as the cost of any judgment or settlement). You agree to reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement.

- 9.2.9.3 If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, then you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be necessary to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

9.3 *Your Acknowledgements*. You agree that:

- 9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.
- 9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.
- 9.3.3 Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given you our express prior written consent to do so).
- 9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.
- 9.3.5 Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.
- 9.3.6 The license that we have granted to you under this Agreement to use our Proprietary Marks is not exclusive, and therefore we have the right, among other things:
- 9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Retail Products and Services;
- 9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to you and other licensees; and

9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.

9.4 *Change to Marks.* We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different, updated, or changed Proprietary Marks will be beneficial to the System. In such circumstances, you agree to adopt the new Proprietary Marks and that your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

10 CONFIDENTIAL BRAND MANUAL

10.1 *You Agree to Abide by the Brand Manual.* In order to protect our reputation and goodwill and to maintain our standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Brand Manual. We will lend to you (or permit you to have access to) one (1) copy of our Brand Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.

10.2 *Format of the Brand Manual.* We will have the right to provide the Brand Manual in any one or more format that we determine is appropriate (including paper and/or by making some or all of the Brand Manual available to you only in electronic form, such as through an internet website or an extranet), and we may change how we provide the Brand Manual from time to time. If at any time we choose to provide some or all of the Brand Manual electronically, you agree to immediately return to us any and all physical copies of the portions of the Brand Manual that we have previously provided to you.

10.3 *We Own the Brand Manual.* The Brand Manual will at all times remain our sole property and you agree to promptly return the Brand Manual (including any and all copies of some or all of the Brand Manual) when this Agreement expires and/or is terminated.

10.4 *Confidentiality and Use of the Brand Manual.*

10.4.1 The Brand Manual contains our proprietary information and you agree to keep the Brand Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will insure that your copy of the Brand Manual will be available at the Franchised Business premises in a current and up-to-date manner. Whenever the Brand Manual is not in use by authorized personnel, you agree to maintain secure access to the Brand Manual at the premises of the Franchised Business, and you agree to grant only authorized personnel (as defined in the Brand Manual) with access to the security protocols for the Brand Manual.

10.4.2 You agree to never make any unauthorized use, disclosure, and/or duplication of the Brand Manual in whole or in part.

10.5 *You Agree to Treat the Brand Manual as Confidential.* You agree that at all times, you will treat the Brand Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and

confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.

- 10.6 *Which Copy of the Brand Manual Controls.* You agree to keep your copy of the Brand Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to ensure that the Brand Manual is kept current and up to date. You also agree that if there is any dispute as to the contents of the Brand Manual, the terms of the master copy of the Brand Manual that we maintain will be controlling. Access to any electronic version of the Brand Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.
- 10.7 *Revisions to the Brand Manual.* We have the right to revise the contents of the Brand Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Brand Manual and to comply with each new or changed standard.
- 10.8 *Modifications to the System.* You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques) as if they were part of this Agreement at the time when you and we signed this Agreement. You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

11 CONFIDENTIAL INFORMATION

11.1 Confidentiality.

- 11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use (for yourself and/or for the benefit of any other person, persons, partnership, entity, association, or corporation) any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You agree that you will divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.
- 11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by another party that has the right to publish or communicate that information.
- 11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business must execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be on a form that we provide, which form will, among other things, designate us as a third-party beneficiary of such covenants with the independent right to enforce them.

- 11.1.4 As used in this Agreement, the term “**Confidential Information**” includes, without limitation, our business concepts and plans, business model, financial model, recipes, food preparation methods, equipment, printing and digital document management methods, operating techniques, marketing methods, processes, formulae, manufacturing and vendor information, results of operations and quality control information, financial information, sales, royalty rates, accounting chart, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the Brand Manual, customer profiles, preferences, or statistics, menu breakdowns, itemized costs, franchisee composition, territories, and development plans, this Agreement and other agreements related to the Franchised Business, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made before or at the time any Confidential Information is disclosed to you.
- 11.2 *Securities Law Compliance.* You agree that you are aware our parent company, BRC Inc. is publicly traded on the New York Stock Exchange under the symbol BRCC. You understand that as a franchisee, it is possible from time to time that Confidential Information you receive or become aware of may contain material, non-public information regarding Black Rifle Coffee Company and that the United States securities laws prohibit any persons who have such material, non-public information from purchasing or selling securities of the disclosing party or its affiliates on the basis of such information or from communicating such information to any person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities on the basis of such information.
- 11.3 *Consequences of Breach.* You agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

- 12.1 *Accounting Records and Sales Reports.*
- 12.1.1 With respect to the operation and financial condition of the Franchised Business, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.
- 12.1.2 With respect to the Franchised Business, you agree to maintain for at least seven (7) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed periodically in the Brand Manual or otherwise in writing, including: **(a)** daily cash reports; **(b)** cash receipts journal and general ledger; **(c)** cash disbursements and weekly payroll journal and schedule; **(d)** monthly bank statements, bank reconciliations, daily deposit slips, and cancelled checks; **(e)** all tax returns; **(f)** supplier’s invoices (paid and unpaid); **(g)** dated daily and weekly cash register journals and POS reports in accordance with our standards; **(h)** periodic balance sheets, periodic profit and loss statements, and periodic trial balances; **(i)** operational schedules and weekly inventory records; **(j)** records of promotion and

coupon redemption; and **(k)** such other records that we may periodically and reasonably request. You agree to allow us access to review all of these records as specified below in Section 12.6.

- 12.1.3 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us. We have the right to require you to use only an approved bookkeeping service and an approved independent certified public accountant. You agree to provide to the accounting service provider complete and accurate information that we or the accounting service provider require, and agree that we will have full access to the data and information that you provide to the accounting service provider or through the designated program. Nothing in this clause requires your CPA to share with us its advice or guidance to you.
- 12.1.4 Each Period, you agree to submit to us, in the form we specify and/or utilizing our Required Software (as that term is defined in Section 14.1.2 below), the Sales Report for the immediately preceding Period. You agree to submit the report to us by whatever method that we reasonably require (whether electronically through your use of our Required Software or otherwise) for our receipt no later than the times required under Section 4.3 above. You agree that if you do not submit those reports to us in a timely manner, and/or if you do not permit us to access your Computer System as provided, we will have the right to charge you for the costs that we incur in auditing your records.

12.2 *Financial Statements.*

- 12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.
- 12.2.2 In addition, after each quarterly Period during the term of this Agreement after the opening of the Franchised Business, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): **(a)** a quarterly and fiscal year-to-date profit and loss statement and a periodic balance sheet (which may be unaudited) for the Franchised Business; **(b)** reports of those income and expense items of the Franchised Business for the reported Period that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); **(c)** if we request, copies of all state sales tax returns for the Franchised Business; and **(d)** if we request, copies of withholding remittances. You agree to provide to us the materials required by Sections 12.2.2(a) and 12.2.2(b) above within thirty (30) days following the end of the applicable quarter, and the materials required by Sections 12.2.2(c) and 12.2.2(d) within ten (10) days after you have filed those returns with the appropriate taxing authorities.

- 12.2.3 Upon our request, you agree to take a physical inventory of the stock at your BRCC Shop and to provide us with a written report on the results of that inventory.
- 12.2.4 You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2. You also agree to provide us with copies of your federal, state, and local income tax returns within ten (10) days of when you file those returns and within one hundred and eighty (180) days of each fiscal year end. If you do not meet your obligation to provide us with access to your books and records, as well as copies of required accounting records and financial statements, as specified in this Section 12, or if you fail to provide us with required reports (such as Sales Reports), then we will have the right to require you to have your annual financial statement prepared on a review basis by an independent certified public accountant that is reasonably satisfactory to us (however, if you have failed on more than one occasion to meet the foregoing standards, then we will have the right to require that your annual financial statement be prepared on an audited basis by an independent certified public accountant that is reasonably satisfactory to us).
- 12.2.5 You agree that upon our request, and for a limited period of time, you will provide us (and/or our agents, such as our auditors) with passwords and pass codes necessary for the limited purpose of accessing your Computer System in order to conduct the inspections specified in this Section 12. You also agree that you will change all passwords and pass codes after the inspection is completed.
- 12.3 *Additional Information.* You also agree to submit to us (in addition to the Sales Reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Brand Manual or otherwise in writing, including: **(a)** information in electronic format; **(b)** restated in accordance with our financial reporting periods; **(c)** consistent with our then-current financial reporting periods and accounting practices and standards; and/or **(d)** as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or our company. The reporting requirements of this Section 12.3 will be in addition to, and not in lieu of, the electronic reporting required under Section 14 below.
- 12.4 *PCI Compliance and Credit Cards; Cryptocurrency.* With respect to processing customer payments by credit and debit cards, you agree to do all of the following:
- 12.4.1 You agree to comply with all of our policies regarding customer payment by credit and/or debit cards, including for example the required use of credit and/or debit cards and other payment methods offered by Payment Vendors, minimum purchase requirements for a customer's use of a credit and/or debit card, and other such requirements that we may set out in the Brand Manual.
- 12.4.2 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Payment Vendors**") that we may periodically designate as mandatory. The term "**Payment Vendors**" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").

- 12.4.3 You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.
- 12.4.4 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.
- 12.4.5 In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.
- 12.4.6 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.

You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

- 12.4.7 You agree not to accept any payments related to your Franchised Business in the form of any cryptocurrency.
- 12.5 *Our Right to Inspect Your Books and Records.* We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any payments in any report to us, then this will constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). If we conduct an inspection because you did not timely provide Sales Reports to us, or if an inspection discloses that you understated your sales, in any report to us (and/or underpaid your Royalties), by two percent (2%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connection with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.
- 12.6 *Operational Inspections.* In addition to the provisions of Section 12.6 above, you also grant to us and our agents the right to enter upon the Franchised Business premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Brand Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights

under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. You further agree to pay us our then-current per diem fee for our representative(s) and to reimburse us for our reasonable travel expenses if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request that is permitted under this Agreement.

13 MARKETING

13.1 *Marketing Contribution.*

13.1.1 For each Week during the term of this Agreement, you agree to contribute or spend an amount equal to four percent (4%) of your Franchised Business' Gross Sales during the preceding Week (the "**Marketing Contribution**"), allocated as provided in Section 13.1.2 below. You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 13). In addition to the Marketing Contribution, you agree to spend a minimum sum specified in Exhibit A to this Agreement to conduct the Grand Opening Marketing Program (as further described in Section 13.5 below).

13.1.2 We will have the right to allocate your Marketing Contribution in the proportion that we designate among the following: **(a)** the marketing and promotional fund for the U.S. (the "**Marketing Fund**"); **(b)** any Regional Fund established for your area, as provided in Section 13.3 below (but we are not required to establish a Regional Fund for your area); and **(c)** to be spent by you on local marketing and promotion.

13.1.3 We currently allocate the Marketing Contribution as follows:

2%	To be contributed to the Marketing Fund; and
2%	To be spent by you on local marketing and promotion, as specified in Section 13.4 below.

13.1.4 We have the right to periodically make changes to the allocation of the Marketing Contribution by giving you at least thirty (30) days prior written notice of the change, and those changes will take effect as stated in the notice.

13.1.5 No part of the Marketing Contribution shall be subject to refund or repayment under any circumstances.

13.2 *Marketing Fund.* We have the right (but not the obligation) to establish, maintain, and administer the Marketing Fund. All of the following provisions apply to the Marketing Fund:

13.2.1 We (or our designee) have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree that the Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to

ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.

- 13.2.2 The Marketing Fund, all contributions to that fund, and any of that fund's earnings, are used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for BRCC Shops and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the BRCC Shops operated under the System).
- 13.2.3 You agree to contribute the portion of the Marketing Contribution allocated to the Marketing Fund in the manner and at the times that are specified above in Section 4.3. The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System. All sums you pay to the Marketing Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs that benefit both franchisees and the Black Rifle Coffee Company brand as a whole. The Marketing Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Marketing Fund.
- 13.2.4 The Marketing Fund is not and will not be our asset. We will prepare and make available to you upon reasonable request an annual statement of the operations of the Marketing Fund as shown on our books.
- 13.2.5 Although once established the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.
- 13.2.6 We have the right to establish a "BRCC television" network (the content of which we will own) and sell advertising on that network, and require you to install video screens

that feature (among other things) the BRCC television network. We will have the right to retain all revenue derived from the BRCC television network.

13.2.7 We will not use the Marketing Fund for solicitations that are primarily for the purpose of promoting the sale of new franchises.

13.3 *Regional Fund.* If we have two (2) or more franchisees operating in the same geographic “DMA”, we have the right to designate any DMA for purposes of establishing a Regional Fund. As used in this Agreement, DMA means a designated market area, as determined by Nielsen Media Research. If a Regional Fund for the DMA in which the Franchised Business is located has been established at the time you commence operations under this Agreement, then you must immediately become a member of such Regional Fund. If a Regional Fund for the DMA in which the Franchised Business is located is established during the term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date we give you notice that the Regional Fund has been established. In no event will you be required to join more than one Regional Fund for the Franchised Business, and your contributions to the Regional Fund will count toward your required local marketing expenditures as set forth in Section 13.4 below. The following provisions will apply to each such Regional Fund:

13.3.1 Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we must have approved in advance, in writing.

13.3.2 Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing.

13.3.3 No marketing, advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 13.8 below.

13.3.4 Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we specify in Section 13.1.2 above, at the time required under Section 4.3 above, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require. We also have the right to require that you submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.

13.3.5 Voting will be on the basis of one vote per full-service BRCC Shop, and any full-service BRCC Shops that we (or our affiliates) operate in the region will have the same voting rights as those owned by franchisees. Each franchised BRCC Shop in the Regional Fund shall have one vote no matter how many people own the Franchisee entity.

13.3.6 A majority of the BRCC Shop franchisees in the Regional Fund may vote to increase the amount of each BRCC Shop franchisee’s contribution to the Regional Fund by up to an additional two percentage points (200 basis points) of each BRCC Shop’s Gross Sales. You must contribute to the Regional Fund in accordance with any such vote by the Regional Fund to increase each BRCC Shop’s contribution as provided in this section.

13.3.7 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will

not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.

- 13.4 *Local Marketing and Promotion.* You must spend such amounts on local marketing and promotion as we specify in Sections 13.1.3 and 13.1.4 above on a continuous basis (monthly if not otherwise as agreed with us in writing). As used in this Agreement, the term “local marketing and promotion” will consist only of the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, photocopying, and contributions you make to a Regional Fund; however, the parties agree that local marketing may not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:
- 13.4.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons (however, you may also include within local marketing and promotion food give-aways, but only the wholesale cost plus direct labor associated with the food give-aways);
 - 13.4.2 Charitable, political, or other contributions or donations; and/or
 - 13.4.3 The value of discounts provided to consumers.
- 13.5 *Grand Opening Marketing Program.* In addition to the Marketing Contribution, you are responsible for grand opening marketing and promotional programs in conjunction with the Franchised Business’ initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the “**Grand Opening Marketing Program**”). The estimated cost of a typical Grand Opening Marketing Program ranges from \$15,000 to \$20,000, should begin sixty (60) days before the scheduled commencement date for the Franchised Business, and should be completed no later than one hundred eighty (180) days after the Franchised Business commences operation, and is subject to the provisions of Section 13.8 below.
- 13.6 *Materials Available for Purchase.* We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.
- 13.7 *Standards.* All of your local marketing and promotion materials and events held at your BRCC Shop must: **(a)** be in the media, and of the type and format, that we may approve; **(b)** be conducted in a dignified manner; and **(c)** conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, promotional plans, or conduct onsite events at your BRCC Shop unless and until you have received our prior written approval, as specified in Section 13.8 below.
- 13.8 *Our Review and Right to Approve All Proposed Marketing.* For all proposed local marketing and promotion, advertising, and promotional plans, you (or the Regional Fund, where applicable) must submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval. If you (or the Regional Fund) have not received our written approval within fourteen (14) days after we have received those

proposed samples or materials, then we will be deemed to have disapproved of them. You agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to sign such documents) that we deem reasonably necessary to give effect to this provision.

- 13.9 *Rebates.* You agree that periodic rebates, give-aways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, give-aways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.
- 13.10 *Considerations as to Charitable Efforts.* You agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions, positions, and/or make statements that are (or that may be perceived by the public to be) taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.
- 13.11 *Additional Marketing Expenditure Encouraged.* You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

14 TECHNOLOGY

- 14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:
- 14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among BRCC Shops, and in accordance with our standards, including: **(a)** back office and point of sale systems, data, audio, video (including managed video security surveillance, which we have the right to monitor to the extent permitted by law), telephone, voice messaging, retrieval, and transmission systems for use at BRCC Shops, between or among BRCC Shops, and between and among the Franchised Business, and you, and us; **(b)** point-of-sale (POS) (defined in Section 14.6 below); **(c)** physical, electronic, and other security systems and measures; **(d)** printers and other peripheral devices; **(e)** archival back-up systems; **(f)** internet access mode (e.g., form of telecommunications connection) and speed; **(g)** technology used to enhance and evaluate the customer experience; **(h)** digital and virtual menu boards and related technology, hardware, software, and firmware; **(i)** front-of-the-house Wi-Fi and other connectivity service for customers; **(j)** cloud-based back-end management systems and storage sites; **(k)** in-shop music systems under Section 8.4.7 above; and **(l)** consumer-marketing oriented technology (including affinity and rewards hardware and software, facial and other customer-recognition technology, and approved social

media/networking sites) (collectively, all of the above are referred to as the “**Computer System**”).

- 14.1.2 We will have the right, but not the obligation, to develop or have developed for us, or to designate: **(a)** computer software programs and accounting system software that you must use in connection with the Computer System (including applications, technology platforms, and other such solutions) (“**Required Software**”), which you must install and maintain; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; **(c)** the media upon which you must record data; and **(d)** the database file structure of your Computer System. If we require you to use any or all of the above items, then you agree that you will do so. The term “Required Software” also includes the affinity program cards that is required under Section 12.5 above.
- 14.1.3 You agree to install, use, maintain, update, and replace (as needed) the Computer System and Required Software at your expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.
- 14.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, “**Computer Upgrades**”) (which may be in conjunction with a Minor Refurbishment or as is otherwise needed).
- 14.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.
- 14.1.6 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).
- 14.1.7 Each Week, you agree to pay us a technology fee in our then-current amount (presently, there is no technology fee, but we have the right as circumstances warrant to start requiring the payment of a technology fee (and to change the fee periodically) by giving you written notice one or more Weeks before that change takes effect). You may also be charged fees by tech vendors that provide products and/or services to you, and you agree to pay those charges in the ordinary course of business.
- 14.2 *Data.*
- 14.2.1 You agree that all data relating to the Franchised Business that you collect, create, provide, or otherwise develop on your Computer System (whether or not uploaded to our system from your system and/or downloaded from your system to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you. In this Agreement, references to “data” exclude consumers’ credit card and/or other payment information.

- 14.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.
- 14.2.3 In order to operate your Franchised Business under this Agreement, we hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Franchised Business. You agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.
- 14.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, or at the time of any transfer of an interest in you and/or of the Franchised Business.
- 14.3 *Data Requirements and Usage.* We may periodically specify in the Brand Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System installed at the Franchised Business, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. In addition:
- 14.3.1 You agree to abide by all applicable laws pertaining to the privacy of consumer, employee, vendor, and transactional information ("**Privacy Laws**").
- 14.3.2 You agree to comply with our standards and policies that we may issue (without any obligation to do so) pertaining to the privacy of consumer, employee, vendor, and transactional information. If you become aware (and/or if you should be aware) that there is a conflict between our standards and policies and Privacy Laws, then you agree to: **(a)** comply with the requirements of Privacy Laws; **(b)** immediately give us written notice of such conflict; and **(c)** promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.
- 14.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.
- 14.3.4 You agree to implement at all times appropriate physical and electronic security as is necessary to secure your Computer System, including complex passwords that you change periodically, and to comply with any standards and policies that we may issue (without obligation to do so) in this regard.
- 14.4 *Extranet.* You agree to comply with our requirements (as set forth in the Brand Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term "**Extranet**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). The Extranet may include, among other things, the Brand Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as

may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.

- 14.5 *No Separate Digital Sites.* Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term “**Digital Site**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, You Tube, Snapchat, Pinterest, Instagram, etc.), blogs, vlogs, podcasts, applications to be used on mobile devices (e.g., iOS or Android apps), the metaverse, and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply:
- 14.5.1 You agree that you will not establish or use any Digital Site without our prior written approval.
- 14.5.2 Any Digital Site that you own or that is maintained by or for your benefit will be deemed “marketing” under this Agreement, and will be subject to (among other things) our right of review and prior approval under Section 13.8 above.
- 14.5.3 Before establishing any Digital Site, you agree to submit to us, for our prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including, proposed screen shots, links, and other content), and non-visible content (including, meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.
- 14.5.4 You may not use or modify such Digital Site without our prior written approval as to such proposed use or modification.
- 14.5.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Manual or otherwise in writing (including requirements pertaining to designating us as the sole administrator or co-administrator of the Digital Site).
- 14.5.6 If we require, you agree to establish such hyperlinks to our Digital Site and others as we may request in writing.
- 14.5.7 If we require you to do so, you agree to make weekly or other periodic updates to the Digital Site to reflect information regarding specials and other promotions at your Franchised Business.
- 14.5.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.
- 14.6 *POS Systems.* You agree to record all sales only on integrated computer-based point of sale systems we approve or on such other types of cash registers and other devices (such as iPads,

touch screens, printers, bar code readers, card readers, cash drawers, battery back-up, etc.) that we may designate in the Brand Manual or otherwise in writing ("**POS Systems**"), which will be deemed part of your Computer System. You agree to utilize any program, software program, and/or system which we, in our discretion, may require (including mobile or remote device, application and payment systems), and you agree to record all Gross Sales and all sales information on such equipment. We may designate one or more third party suppliers or servicers to provide installation, maintenance, and/or support for the POS System, and you agree to enter into and maintain such agreements (including making such payments) as we or the third party suppliers and/or servicers require in connection with the installation, maintenance, and/or support for the POS System. The POS System is part of the Computer System. You agree to at all times maintain a continuous high-speed Ethernet-cabled (not wireless) connection to the Internet to send and receive POS data to us.

- 14.7 *Gift Cards and Incentive Programs.* You agree to offer for sale, and to honor for purchases by customers, all gift cards and other incentive or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile payment and/or customer affinity applications); and you agree to do all of those things in compliance with our standards and procedures for such programs (which may be set out in the Brand Manual or otherwise in writing). You agree to abide by the written standards that we establish and disseminate (in the Brand Manual or otherwise) with respect to gift card residual value. For this purpose, you must purchase the software, hardware, and other items needed to sell and process gift cards, and to contact with the supplier of gift cards and gift card processing services, as we may specify in writing in the Brand Manual or otherwise. You must also pay such transaction fees as may be required by the vendors of the gift card system. You agree not to sell, issue, or redeem coupons, gift certificates and gift cards other than gift cards that we have approved in writing.
- 14.8 *E-Mail.* You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: **(a)** the content of such electronic advertisements or solicitations; and **(b)** your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003"), the Federal Telephone Consumer Protection Act, and the Canada Anti-Spam Law (known as "CASL"). (As used in this Agreement, the term "**electronic communication**" includes all methods for sending communication electronically, whether or not currently invented or used, including e-mails, text messages, app- and/or internet-based communication, and faxes.)
- 14.9 *Outsourcing.* You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor's agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent. You also agree not to implement, use, or otherwise engage with AI Sources without our prior written consent. The term "**AI Source**" means any resource, online or otherwise, that is for the purpose of gathering, implementing, or otherwise using information from you using artificial intelligence technology, including ChatGPT and other sources.

- 14.10 *Telephone Service.* You agree to use the telephone service for the BRCC Shop that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business, and you agree to sign the forms necessary to implement this clause.
- 14.11 *Changes.* You agree that changes to technology are dynamic and likely to occur during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards as if this Section 14 were periodically revised by us for that purpose, and you also agree to pay vendors' charges for those new items and services.
- 14.12 *Electronic Communication – Including E-Mail, Texts, and other Messaging.* You agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated under this Agreement) (together, "**Official Senders**") to you during the term of this Agreement.
- 14.12.1 In order to implement the terms of this Section 14.11, you agree that: **(a)** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; **(b)** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and **(c)** you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.
- 14.12.2 The consent given in this Section 14.11 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.
- 14.12.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as "john.smith@BRCCshops.com or "jane.jones@BRCCfranchisee.com") (the "**Permitted E-mail Address**") in connection with the operation of the Franchised Business, under the standards that we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business.

15 INSURANCE

- 15.1 *Required Insurance Coverage.* Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least "A-" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (however, you agree that we may reasonably specify additional coverages and higher policy limits in the Brand Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and/or other relevant changes in circumstances), the following (all subject to the additional requirements of this Section 15):
- 15.1.1 Commercial general liability insurance (subject to Section 15.2 below) protecting against any and all claims for personal, bodily and/or property injury occurring in or about the BRCC Shop and protecting against assumed or contractual liability under this Agreement with respect to the BRCC Shop and your operations, with such policy to be placed with minimum limits of One Million Dollars (\$1,000,000) combined single limit per occurrence and Two Million Dollars (\$2,000,000) general aggregate per location; provided, however, that at our election, such minimum limits may be periodically increased. This coverage shall not exclude losses due to assault, battery, and/or the use or brandishing of firearms.
 - 15.1.2 Comprehensive automobile liability insurance (subject to Section 15.2 below), including owned, non-owned and hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than One Million Dollars (\$1,000,000) combined single limit for both bodily injury and property damage. Such policy must have the contractual exclusion removed, unless you provide separate evidence that contractual liability for automobile exposure is otherwise insured.
 - 15.1.3 Statutory workers' compensation insurance and employer's liability insurance (all subject to Section 15.2 below) for a minimum limit equal to at least the greater of One Million Dollars (\$1,000,000) or the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the BRCC Shop is located.
 - 15.1.4 Data theft and cybersecurity coverage (subject to Section 15.2 below) with limits of liability not less than Five Hundred Thousand Dollars (\$500,000) combined single limit.
 - 15.1.5 Employment practices liability insurance (subject to Section 15.2 below) with limits of liability not less than One Million Dollars (\$1,000,000) combined single limit.
 - 15.1.6 Foodborne illness coverage (subject to Section 15.2 below) shall be included within the general liability coverage noted in Section 15.1.1 above, with coverage of at least

One Million Dollars (\$1,000,000) combined single limit for both bodily injury and property damage.

- 15.1.7 Commercial umbrella liability insurance (subject to Section 15.2 below) with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers' liability) to not less than Four Million Dollars (\$4,000,000) total limit of liability. Such umbrella liability must provide at a minimum those coverages and endorsements required in the underlying policies.
- 15.1.8 Property insurance (subject to Section 15.2 below) providing coverage for direct physical loss or damage to real and personal property in minimum coverage of Five Hundred Thousand Dollars (\$500,000) for the building (or greater amount, if required by your lease), and Two Hundred and Fifty Thousand Dollars (\$250,000) for contents coverage (with no more than a \$5,000 deductible) for all risk perils, including the perils of flood and earthquake. Appropriate coverage must also be provided for boiler and machinery exposures and business interruption/extra expense exposures, written on an actual loss sustained basis. The policy should include coverage for food spoilage of at least Twenty-Five Thousand Dollars (\$25,000), off-premises service interruption, ordinance and law, civil authority, as well as sewer and drain back up. The policy or policies must value property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance must not be less than 90% of the full replacement value of the BRCC Shop, its furniture, fixtures, equipment, and stock (real and personal property). If the BRCC Shop is located on real property that you own, the building must be insured for its full replacement value. The policy should include wind or named storm deductible at 2% with Twenty-Five Thousand Dollars (\$25,000) minimum per occurrence deductible. Any deductibles contained in such policy will be subject to our review and approval.
- 15.1.9 Products liability insurance in an amount not less than One Million Dollars (\$1,000,000), which policy will be considered primary.
- 15.1.10 Fire, lightning, vandalism, theft, malicious mischief, flood (if in a special flood-hazard area), sprinkler damage, and the perils described in extended-coverage insurance with primary and excess limits of not less than the full-replacement value of the supplies, furniture, fixtures, equipment, machinery, inventory, and plate glass having a deductible of not more than Two Thousand Dollars (\$2,000) and naming us as loss payee.
- 15.1.11 Any other insurance coverage that is required by federal, state, or municipal law (subject to Section 15.2 below).
- 15.1.12 All coverages must be written with no coinsurance penalty.
- 15.2 *Additional Terms Applicable to All Policies.* In addition to the other provisions of this Section 15 (above and those below), you agree that:
- 15.2.1 All policies listed in Section 15.1 above (unless otherwise noted below) must contain such endorsements as we will periodically specify in the Brand Manual.
- 15.2.2 All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).

- 15.2.3 All public liability and property damage policies must: **(a)** list as additional insureds, us and any other entities in which we have an interest (as well as all other entities affiliated with us), and each of those parties' respective members, managers, shareholders, directors, officers, partners, joint venturers, employees, servants, and agents, and their successors and assigns; and **(b)** contain a provision that we, although named as an additional insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees, including as additional insureds.
- 15.2.4 You agree to provide us with sixty (60) days' advance written notice in the event of cancellation, change, and/or non-renewal of any policy, in the manner provided in Section 24 below.
- 15.3 *Construction Coverages.* In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, you agree to require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such builder's risk insurance policies and bonds with such endorsements as are set forth in the Brand Manual, all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 15.1 above.
- 15.4 *Other Insurance Does Not Impact your Obligation.* Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally, the requirements of this Section 15 will not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including other BRCC Shops that you (and/or your affiliates) operate under the System.
- 15.5 *Certificates of Insurance.* At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy (and also on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date), you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates must expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and must expressly provide that any interest of same therein will not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.
- 15.6 *Required Coverages are Minimums.* You agree that the specifications and coverage requirements in this Section 15 are minimums only, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Franchised Business.
- 15.7 *Obtaining Coverage.* If you fail to maintain or acquire insurance, we will have the right (but not the obligation) to obtain insurance coverage on your behalf, in which case we will invoice you for the insurance premiums plus our reasonable expenses, and you agree to pay those invoices within five (5) days after we send them to you.

16 TRANSFER OF INTEREST

- 16.1 *By Us.* We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.
- 16.2 *Your Principals.* Each party that holds any interest whatsoever in you (whether directly, indirectly, and/or beneficially) (each, a “**Principal**”), and the interest that each Principal holds in you (directly, indirectly, and/or beneficially) is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, and/or their respective interests in you, to change without complying with this Agreement.
- 16.3 *Principals.* We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be so amended automatically upon written notice to you.
- 16.4 *By You.* You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals’) business skill, financial capacity, and personal character. Accordingly:
- 16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.
- 16.4.1.1 As used in this Agreement, the term “**transfer**” is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any direct or indirect interest in: **(a)** this Agreement; **(b)** you; **(c)** any or all of your rights and/or obligations under this Agreement; and/or **(d)** all or substantially all of the assets of the Franchised Business.
- 16.4.1.2 Any purported assignment or transfer that does not have our prior written consent as required by this Section 16 will be null and void and will also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.
- 16.4.2 If you are an entity (other than a partnership, limited liability partnership, or a trust), then you agree that: (a) without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and (b) the recipient of any such security or other interest will become a Principal under this Agreement, if we designate them as such.
- 16.4.3 If you are a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal.
- 16.4.4 If you are a trust, then the trustee(s) of that trust shall not, without our prior written consent, admit additional trustees, remove a trustee, or otherwise materially alter the

powers of any trustee, nor admit new beneficiaries or change beneficiaries. Each trustee in such a trustee will automatically be deemed to be a Principal.

- 16.4.5 Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you. Any such transaction shall also be deemed a “transfer” under this Agreement.
- 16.4.6 You also agree that in the case of any proposed transfer, you authorize us to truthfully answer questions posed to us by the proposed transferee, including providing that party with information relating to your BRCC Shop (such as sales reports) (although we will have the right not to provide any or all such information).
- 16.5 *Transfer Conditions.* We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:
- 16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, claims arising under this Agreement, any other agreement between you and us, and/or your affiliates, our affiliates, and federal, state, and local laws and rules.
- 16.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.
- 16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.
- 16.5.4 We will have the right to require the transferee to execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, higher Royalties and Marketing Contribution fees.
- 16.5.5 If we request, then you must conduct Major Remodeling and purchase new equipment to conform to the then-current standards and specifications of new BRCC Shops then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.8.2 within the time period that we specify.

- 16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).
- 16.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.
- 16.5.8 A Principal of the transferee whom we designate to be a new Operating Owner, and those of the transferee's Operating Owner, Store Manager, and Additional Trained Personnel as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).
- 16.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer. The transfer fee will be Seventeen Thousand Five-Hundred Dollars (\$17,500) or fifty percent (50%) of our then-current initial franchise fee charged to new BRCC Shop franchisees (whichever is more). If any party has engaged a broker with respect to the transfer, you must also pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer. (If we or any of our affiliates (or persons who work for us or our affiliates) were the party to introduce you to a buyer, then you agree to also pay us a fee of three percent (3%) of the total compensation paid to you in connection with the transaction.)
- 16.5.10 The transferor must acknowledge and agree that the transferor will remain bound by the covenants contained in Sections 19.3, 19.4, and 19.5 below.
- 16.6 *Right of First Refusal.* If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following will apply:
- 16.6.1 You (or the Principal who proposes to sell his/her interest) must promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase will occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.
- 16.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that will not constitute a waiver of any other provision of this Agreement,

including all of the requirements of this Section 16, with respect to another proposed transfer.

- 16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we will promptly designate an independent appraiser and you will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination (or, if unable to reach a single determination, a valuation determined by a majority vote of those appraisers), which determination will be binding upon both you and us. Both parties will equally share the cost of any such appraisal.
- 16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you (including one-half (½) of the cost of an appraisal, if any, conducted under Section 16.6.3 above) against any payment to you.
- 16.7 *Death or Incapacity.* If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within six (6) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting your proposed transaction, including our attorneys' fees.
- 16.7.1 In addition, if the deceased or incapacitated person is the Operating Owner, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.
- 16.7.2 For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: **(a)** for a period of thirty (30) or more consecutive days; or **(b)** for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.
- 16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.
- 16.8 *Consent to Transfer.* Our consent to a transfer that is the subject of this Section 16 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be

deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

- 16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar BRCC Shop.* You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Accepted Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.
- 16.10 *Bankruptcy Issues.* If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including the terms of Sections 16.4, 16.5, and 16.6 above.
- 16.11 *Securities Offers.* All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.
- 16.11.1 You agree that: **(a)** no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; **(b)** our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and **(c)** we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above.
- 16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 21.5.2 below) in connection with the offering.
- 16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.
- 16.11.4 You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 16.11 commences. Any such offering will be subject to all of the other provisions of this Section 16, including the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.
- 16.11.5 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and

expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

17 DEFAULT AND TERMINATION

- 17.1 *Automatic with no notice and no opportunity to cure.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: **(a)** if you become insolvent or make a general assignment for the benefit of creditors; **(b)** if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; **(c)** if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(d)** if proceedings for a composition with creditors under any state or federal law is instituted by or against you; **(e)** if a material final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); **(f)** if you are dissolved; or if execution is levied against your business or property; **(g)** if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or **(h)** if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.
- 17.2 *With Notice and no opportunity to cure.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):
- 17.2.1 If you do not obtain an Accepted Location for the Franchised Business within the time limits specified under the Site Selection Addendum, or if you do not construct and open the Franchised Business within the time limits specified in Sections 5.1 and 8.2 above (and within the requirements specified in Sections 5 and 8.2 above);
- 17.2.2 If at any time: **(a)** you cease to operate or otherwise abandon the Franchised Business for two (2) or more consecutive business days and/or two (2) or more business days within any week (during which you are otherwise required to be open, and without our prior written consent otherwise, unless necessary due to an event of force majeure as defined in Section 22 below); **(b)** you lose the right to possession of the premises; **(c)** forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we will not unreasonably withhold, subject to Section 1.2.3 above);
- 17.2.3 If you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;
- 17.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business and/or if you fail to comply with the requirements of Section 8.15 above;

- 17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;
- 17.2.6 If you fail to comply with the requirements of Section 19 below;
- 17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Brand Manual or other Confidential Information in your possession;
- 17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Section 16.7 above;
- 17.2.9 If you maintain false books or records, submit any false reports (including information provided as part of your application for this franchise) to us, or circumvent Gross Sales reporting by accepting payments on devices or in currencies that do not integrate into your POS system and are not input into your POS System;
- 17.2.10 If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not the default is specifically listed in this Section 17 or whether each such default has been cured after notice;
- 17.2.11 If, after receipt of notice from us of a violation of the provisions of Sections 7.1 and/or 8.4 above, you continue to purchase any Input Items from an unapproved supplier, or if you sell anything from the BRCC Shop that is not a Retail Product or a Service;
- 17.2.12 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or
- 17.2.13 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.
- 17.3 *With Notice and Opportunity to Cure.*
- 17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: **(a)** immediately initiating a remedy to cure such default; **(b)** curing the default to our satisfaction; and **(c)** promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

- 17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.
- 17.4 *Bankruptcy.* If, for any reason, this Agreement is not terminated pursuant to this Section 17, and this Agreement is assumed, or assignment of same to any person or entity who has made a *bona fide* offer to accept an assignment of this Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(a)** the name and address of the proposed assignee; and **(b)** all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment or assumption of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment or assumption of this Agreement.
- 17.5 *Our Rights Instead of Termination.* If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement.
- 17.6 *Reservation of Rights under Section 17.5.* If any rights, options, or arrangements are terminated or modified in accordance with Section 17.5 above, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.
- 17.7 *General Damages.* You agree that you will pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).
- 17.8 *Liquidated Damages.*
- 17.8.1 You acknowledge and agree that if this Agreement is terminated as a result of your default, including without limitation your abandonment or permanent closure of the Franchised Business before the expiration of the term of this Agreement, such termination may result in lost future revenue and profits to the Franchisor, harm to the goodwill associated with the System and the Proprietary Marks, and increased costs to us to redevelop or re-franchise the market in which the Franchised Location is located. The Franchisor and you agree that such damages may be difficult to quantify or estimate. Therefore, you will pay us, as liquidated damages for the premature termination of this Agreement, and not as a penalty for breaching this Agreement or in lieu of any other payment, a lump sum equal to the weekly average of the Franchised Business' Gross Sales for the 104-week (two years) period preceding the termination (or if the Franchised Business has not been operating as a Store for 104 weeks, the weekly average of the Franchised Business' Gross Sales for the actual period of

operations preceding the termination), multiplied by the Royalty rate, multiplied by 104 weeks (two years). Notwithstanding the foregoing, if the number of weeks remaining between our written notice of termination or the occurrence of an event of termination and the date on which the term of this Agreement would otherwise have expired is less than 104 weeks, then the time period for calculating the amount of liquidated damages will be the number of weeks remaining in the Term. Liquidated Damages are payable on demand.

- 17.8.2 The parties to this Agreement acknowledge that a precise calculation of the full extent of the damages the Franchisor will incur in the event of termination of this Agreement is difficult in the extreme and agree that the payment provided for under Section 17.8.1 above is reasonable in light of the damages the Franchisor will incur in the event of termination. In addition to our right to the payment of liquidated damages as provided for in Section 17.8.1, we are not otherwise limited in our ability to recover other monies due under the Agreement (including, without limitation, under Section 18.7 below) and to otherwise seek damages or equitable relief for the harm caused by the conduct which gave rise to the termination, as well as for any other of your defaults under the Agreement, and to obtain such other relief in law or equity as provided for in this Agreement, including enforcing your compliance with the post-termination obligations set forth in this Agreement; provided, that we will not seek to recover damages for lost future revenue or profits in excess of the liquidated damages specified in Section 17.8.1 above.

18 OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you will forthwith terminate, and all of the following will take effect (except to the extent otherwise permitted under a separate valid franchise agreement between you and/or one of your affiliates and us):

- 18.1 *Cease Operation.* You agree to: **(a)** immediately and permanently stop operating the Franchised Business; and **(b)** never directly or indirectly represent to the public that you are a present or former franchisee of ours (other than in a personal resume, cv, or job application).
- 18.2 *Stop Using Marks and Intellectual Property.* You agree to immediately and permanently cease to use, in any manner whatsoever, all aspects of the System, including any confidential methods, procedures and techniques associated with the System, the marks “BRCC” and “Black Rifle Coffee Company” and any and all other current and former Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the foregoing, you agree to stop making any further use of any and all signs, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.
- 18.3 *Cancel Assumed Names.* You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the marks “BRCC” and “Black Rifle Coffee Company” and any and all other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.
- 18.4 *Premises.* We will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which the BRCC Shop is operated and/or for the building in which the BRCC Shop is operated.

- 18.4.1 If we do not elect or if we are unable to exercise any option we may have to acquire the lease or sublease for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises (including pursuant to Section 18.5 below), you will make such modifications or alterations to the premises operated under this Agreement (including, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other BRCC Shops, and must make such specific additional changes thereto as we may reasonably request for that purpose. In addition, you will cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other print and online identifiers, whether or not authorized by us, that you have while operating the Franchised Business, and must promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business directories, including online directories, or at our request transfer same to us.
- 18.4.2 If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) will have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.
- 18.5 *Our Option to Buy Your Assets.* We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that "fair market value" will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost. If you own the building and real estate upon which the BRCC Shop is located, we have the right (but not the obligation) to purchase the building and real estate from you at fair market appraised value. If we elect to exercise any option to purchase provided in this Section, we will have the right to set off all amounts due from you.
- 18.6 *No Use of the Marks in Other Businesses.* You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction, counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.
- 18.7 *Pay All Sums Due.* You agree to promptly pay all sums owing to us and our affiliates (regardless of whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.
- 18.8 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration

of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which will be in addition to amounts due to us under Section 18.11 below.

- 18.9 *Return Confidential Information.* You agree to immediately return to us the Brand Manual and all other manuals, records, and instructions containing confidential information (including, any copies of some or all of those items, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.
- 18.10 *Right to Enter and Continue Operations.* In order to preserve the goodwill of the System following termination, we (or our designee) will have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose of continuing the Franchised Business's operation and maintaining the goodwill of the business.
- 18.11 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.
- 18.12 *Offsets.* We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

19 COVENANTS

- 19.1 *Full Time Efforts.* You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Operating Owner) will devote full time, energy, and best efforts to the management and operation of the Franchised Business.
- 19.2 *Understandings.*
- 19.2.1 You agree that: **(a)** pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; **(b)** the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; **(c)** in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; **(d)** we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our System if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and **(e)** restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.
- 19.2.2 As used in this Section 19, the term "**Competitive Business**" is agreed to mean any foodservice business as to which the sale of coffee and coffee-based beverages (in any combination or individually) comprise five percent (5%) or more of its gross revenues.
- 19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:

- 19.3.1 Divert or attempt to divert any actual or potential business or customer of any BRCC Shop to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.
- 19.3.2 Own, maintain, develop, operate, engage in, assist, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.
- 19.4 *Where Restrictions Apply.* During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 16 above, these restrictions will apply only (a) within five (5) miles of the Accepted Location; and (b) within five (5) miles of any then-existing or planned BRCC Shop business that is then-currently operated or planned elsewhere. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a valid franchise agreement with us or one of our affiliates.
- 19.5 *Post-Term.* You further covenant and agree that, for a continuous period of two (2) years after (a) the expiration of this Agreement, (b) the termination of this Agreement, and/or (c) a transfer as contemplated in Section 16 above:
- 19.5.1 You will not directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, and/or transfer the Accepted Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Accepted Location; and
- 19.5.2 You also agree that, by the terms of any conveyance, selling, assigning, leasing or transferring your interest in the Accepted Location, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate this Section is not operated at the Accepted Location for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.
- 19.6 *Non-Compliance.* Any time during which you do not comply with the requirements of this Section 19, whether such non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the two-year obligation specified above.
- 19.7 *Publicly-Held Entities.* Section 19.3.3 above will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "**publicly-held corporation**" will be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.
- 19.8 *Personal Covenants.* You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Operating Owner, Store Manager, and Additional Trained Personnel and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in the form provided in Exhibit F to this Agreement. If you do not obtain execution of the covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 17.2.6 above.

- 19.9 *Construction.* The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.
- 19.10 *Claims Not a Defense.* You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.
- 19.11 *Covenant as to Anti-Terrorism Laws.* You and the owners of your business ("**Owners**") agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.
- 19.12 *Defaults.* You agree that if you violate this Section 19, that would result in irreparable injury to us for which no adequate remedy at law may be available, and accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

20 TAXES, PERMITS, AND INDEBTEDNESS

- 20.1 *Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.
- 20.2 *Payment of Trade Creditors.* You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Franchised Business.
- 20.3 *Your Right to Contest Liabilities.* If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.
- 20.4 *Compliance with Law.* You agree to comply with all Operating Codes and to timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any Operating Codes are in conflict with the terms of this Agreement, the Brand Manual, or our

other instructions, you agree to: **(a)** comply with said laws; **(b)** immediately provide us with written notice describing the nature of the conflict; and **(c)** cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.

- 20.5 *Notice of Violations and Actions.* You agree to notify us in writing within two (2) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within two (2) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

- 21.1 *Independent Contractor Relationship.* The parties agree that:

21.1.1 this Agreement does not create a fiduciary relationship between them;

21.1.2 you are the only party that will be in day-to-day control of your franchised business, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements under which you operate alter that basic fact;

21.1.3 nothing in this Agreement and nothing in our course of conduct is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and

21.1.4 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.

- 21.2 *Notice of Status.* At all times during the term of this Agreement and any extensions hereof, you will hold yourself out as an independent contractor operating the business pursuant to a franchise from us both to the public and also to your staff. You agree to take such action as may be necessary to do so, including exhibiting a notice of that fact in conspicuous places at the Accepted Location, the content and placement of which we reserve the right to specify in the Brand Manual or otherwise.

- 21.3 *No Contracts in our Name.* It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission in your conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.

- 21.4 *Indemnification.*

21.4.1 You agree to indemnify and hold each of the Franchisor Parties harmless against any and all Expenses arising directly or indirectly from any Claim, as well as from any claimed breach by you of this Agreement. Your indemnity obligations shall: **(a)** survive the expiration or termination of this Agreement, and shall not be affected by any insurance coverage that you and/or any Franchisor Party may maintain; and

(b) exclude any Claim and/or Expense that a court with competent jurisdiction determines was caused solely by a Franchisor Party's gross negligence and/or willful misconduct.

21.4.2 *Procedure.* We will give you notice of any Claim and/or Expense for which the Franchisor Parties intend to seek indemnification; however, if we do not give that notice, it will not relieve you of any obligation (except to the extent of any actual prejudice to you). You will have the opportunity to assume the defense of the Claim, at your expense and through legal counsel reasonably acceptable to us, provided that in our judgment, you proceed in good faith, expeditiously, and diligently, and that the defense you undertake does not jeopardize any defenses of the Franchisor Parties. We shall have the right: **(a)** to participate in any defense that you undertake with counsel of our own choosing, at our expense; and **(b)** to undertake, direct, and control the defense and settlement of the Claim (at your expense) if in our sole judgment you fail to properly and competently assume defense of the Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between your interest and that of any Franchisor Party.

21.4.3 *Definitions.* As used in this Section 21.4, the parties agree that the following terms will have the following meanings:

21.4.3.1 **"Claim"** means any allegation, cause of action, and or complaint asserted by a third party that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including any claim associated with your operation of the BRCC Shop, sale of Retail Products or Services, events occurring at the BRCC Shop, data theft or other data-related event, or otherwise, whether asserted by a customer, vendor, employee, or otherwise), a violation of the Operating Codes, and/or any default by you under this Agreement (including all claims, demands, causes of action, suits, damages, settlement costs, liabilities, fines, penalties, assessments, judgments, losses, and Expenses). For the sake of clarify, the parties confirm that the indemnification obligations under Sections 9.2.9.2(b) and 16.11.2 are included within this definition of a Claim.

21.4.3.2 **"Expenses"** includes interest charges; fees for accountants, attorneys and their staff, arbitrators, and expert witnesses; costs of investigation and proof of facts; court costs; travel and living expenses; and other costs and expenses associated with litigation, investigative hearings, or alternative dispute resolution, whether or not a proceeding is formally commenced.

21.4.3.3 **"Franchisor Parties"** means us and our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, members, managers, agents, and employees.

21.4.4 We agree to indemnify you with respect to your use of the Proprietary Marks as provided in Section 9.2.9.2(a) above.

22 FORCE MAJEURE

22.1 *Impact.* Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes reasonably beyond its control (except as otherwise provided in Section 22.1), including: (a) acts of nature; (b) acts of war, terrorism, or

insurrection; (c) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, environmental emergencies, public health emergencies, epidemics, pandemics, and/or other casualties; and/or (d) our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business. If any such delay occurs, any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

22.2 *Transmittal of Funds.* The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of Section 22.1 above.

23 APPROVALS AND WAIVERS

23.1 *Request for Approval.* Whenever this Agreement requires our prior approval or consent, you agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.

23.2 *No Warranties or Guarantees.* You agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.3 *No Waivers.* No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that will not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

24 NOTICES

24.1 Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by certified U.S. mail (return receipt requested), or by other means that provides the sender with evidence of delivery, rejected delivery, and/or attempted delivery. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of delivery, rejected delivery, and/or attempted delivery.

24.2 Notices shall be sent to the address designated on the signature page of this Agreement (unless a party changes its address for those notices by giving prior written notice to the other party in the manner specified above). If the parties have designated a specific e-mail address, then notices sent to that e-mail address (which may be changed as noted above) will be considered effective when sent, only if the sender also provides a copy of the notice via overnight delivery carrier within twenty-four (24) hours of sending the e-mail.

- 24.3 The Brand Manual, any changes that we make to the Brand Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 24.

25 ENTIRE AGREEMENT AND AMENDMENT

- 25.1 *Entire Agreement.* This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements, communications, and representations. The parties confirm that: **(a)** they were not induced by any representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and **(b)** they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. However, nothing in this Agreement or any other document is meant to (or shall have the effect of) disclaiming any representation that we made in our Franchise Disclosure Document (“**FDD**”) (including its exhibits).
- 25.2 *Amendment.* Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26 SEVERABILITY AND CONSTRUCTION

- 26.1 *Introductory Paragraphs.* The parties agree that the introductory paragraphs of this Agreement, under the heading “Introduction,” are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here in full.
- 26.2 *Severability.* Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.
- 26.3 *No Third Party Rights.* Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.
- 26.4 *Captions Don't Amend Terms.* All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.
- 26.5 *Including.* The parties agree that when used in this Agreement, the terms “include”, “includes”, and “including” shall be understood to mean “including but not limited to”.

- 26.6 *Survival.* All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.
- 26.7 *Expenses.* Each party agrees to bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.
- 26.8 *Counterparts.* This Agreement may be signed in counterparts, and signature pages may be exchanged by electronic means, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

27 APPLICABLE LAW AND DISPUTE RESOLUTION

- 27.1 *Choice of Law.* This Agreement takes effect when we accept and sign this document. This Agreement will be interpreted and construed exclusively under the laws of the State of Utah, which laws will prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Utah choice-of-law rules); provided, however, that if the covenants in Section 19 of this Agreement would not be enforced as written under Utah law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 27.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of Utah (or any other state) that would not otherwise apply if the words in this Section 27.1 were not included in this Agreement.
- 27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over Salt Lake City, Utah. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.
- 27.2.1 The parties agree that this Section 27.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.
- 27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.
- 27.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.
- 27.3 *Mediation.* Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location in or nearest to Salt Lake City, Utah.
- 27.4 *Parties Rights Are Cumulative.* No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

- 27.5 *Injunctions.* Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.
- 27.6 **WAIVER OF JURY TRIALS.** EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.
- 27.7 **MUST BRING CLAIMS WITHIN ONE YEAR.** EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER (EXCLUDING CLAIMS SEEKING INDEMNIFICATION), SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.
- 27.8 **WAIVER OF PUNITIVE DAMAGES.** EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED (INCLUDING LOST FUTURE ROYALTIES).
- 27.9 *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: (a) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including Sections 9 and 17 above); and/or (b) successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

28 ACKNOWLEDGMENTS

- 28.1 *No Waivers.* Nothing in this Agreement is meant as, or may be construed, or otherwise interpreted: (a) as a waiver of any state law that may apply to you; nor (b) as a disclaimer of any statement or representation that we have made in our FDD.
- 28.2 *Your Investigation.* We have recommended that you conduct an independent investigation of the business franchised under this Agreement.
- 28.3 *No Warranties or Guarantees.* We do not make (and do not permit anyone speaking on our behalf) to make any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business contemplated by this Agreement.
- 28.4 *Your Advisors.* We recommended that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement.
- 28.5 *No Conflicting Obligations.* Each party represents and warrants to the other party that there are no other agreements, court orders, or any other legal obligations that would preclude or in

any manner restrict that party from: **(a)** negotiating and entering into this Agreement; **(b)** exercising its rights under this Agreement; and/or **(c)** fulfilling its obligations and responsibilities under this Agreement.

- 28.6 *Your Responsibility for the Choice of the Accepted Location.* You agree that you have sole and complete responsibility for the choice of the Accepted Location; that we have not (and will not be deemed to have, even by our requirement that you use a location service and/or our approval of the site that is the Accepted Location) given any representation, promise, or guarantee of your success at the Accepted Location; and that you will be solely responsible for your own success at the Accepted Location.
- 28.7 *Your Responsibility for Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised BRCC Shop, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.
- 28.8 *Our Advice.* Our advice is only that; our advice is not a guarantee of success; and you must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.
- 28.9 *Your Independence.* You agree that:
- 28.9.1 you are the only party that employs your staff (even though we may provide you with advice, guidance, and training);
 - 28.9.2 we are not your employer nor are we the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);
 - 28.9.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;
 - 28.9.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and
 - 28.9.5 you have made (and will remain always responsible for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.
- 28.10 *Success Depends on You.* The success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided, as well as other factors.

We make no representations or warranties as to the potential success of the business venture contemplated under this Agreement.

- 28.11 *General Release.* If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, “Releasors”) freely and without any influence forever release (and covenant not to sue) us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively “Releasees”), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, “claims”), which any Releasor now owns or holds or may at any time have owned or held, including, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the BRCC Shops and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. You understand as well that you may later learn of new or different facts, but still, it is your intention to fully, finally, and forever release all of the claims that are released above. This includes your waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that “[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.”). You agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement.

IN WITNESS WHEREOF, intending to be legally bound by this Agreement, the parties have duly signed and delivered this Agreement as of the Effective Date.

Black Rifle Coffee Company LLC
Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

By: _____

Name: _____

Title: _____

Address for Notices:

1144 South 500 West
Salt Lake City, UT 84101
Attn: Legal Department
E-mail: legal@blackriflecoffee.com

Address for Notices:

Attn: _____
E-mail: _____

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET

¶	Section Cross-Reference	Item
1	1.2	The Accepted Location under this Agreement will be: _____ _____
2	1.3	Subject to Section 1.3 of this Agreement, the Protected Area, if any, under this Agreement will be: _____ _____ [or ... a circle with a radius of _____ miles and its center at the front door of the Shop but excluding _____ _____.]
3	13.1	The Marketing Contribution will be four percent (4%) of your BRCC Shop's Gross Sales.

Initials

Franchisee

Franchisor

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT B
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce Black Rifle Coffee Company LLC (“**Franchisor**”) to sign the Black Rifle Coffee Company Franchise Agreement between Franchisor and _____ (“**Franchisee**”), dated _____, 202____ (the “**Agreement**”), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee’s obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor’s affiliates) will be punctually paid and performed (the “**Guarantee**”). Defined terms in the Agreement shall have the same meaning in this Guarantee.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor’s demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract (including another franchise agreement) with Franchisor and/or its affiliates.
- S/he waives any right to require Franchisor to: **(a)** proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); **(b)** proceed against or exhaust any security from Franchisee; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or **(d)** give notice of demand for payment by Franchisee.
- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor’s affiliates).
- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor’s affiliates) and/or any amendment to the Agreement.
- S/he will be personally bound by all of Franchisee’s covenants, obligations, and promises in the Agreement.
- S/he agrees to be personally bound by all of Franchisee’s covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks), **Section 11** (generally regarding confidentiality), **Section 16** (generally regarding transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.

- S/he understands that: **(a)** this Guarantee does not grant her/him any rights under the Agreement (including but not limited to the right to use any of the Proprietary Marks or the System licensed to Franchisee under the Agreement); **(b)** s/he has read, in full, and understands, all of the provisions of the Agreement that are referred to above in this paragraph, and that s/he intends to fully comply with those provisions of the Agreement as if they were printed here in full; and **(c)** s/he has had the opportunity to consult with a lawyer of her/his own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 27** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of Utah, and that in the event of any conflict of law, Utah law will prevail (without applying Utah conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons has signed this Guarantee effective as of the Effective Date of the Agreement.

(signed in his/her personal capacity)

(signed in his/her personal capacity)

(signed in his/her personal capacity)

Printed Name: _____

Printed Name: _____

Printed Name: _____

Date: _____

Date: _____

Date: _____

Home Address:

Home Address:

Home Address:

Black Rifle Coffee Company LLC
 FRANCHISE AGREEMENT
 EXHIBIT C
LIST OF PRINCIPALS

Name of Principal	Home Address	Percentage Interest Held in Franchisee

Initials

_____ Franchisee

_____ Franchisor

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT D

**AUTHORIZATION AGREEMENT FOR ACH PAYMENTS
(DIRECT DEBITS FOR ROYALTY, MARKETING CONTRIBUTION, AND OTHER FEES)**

_____ (Name of Person or Legal Entity)

_____ (Tax ID Number (FEIN))

The undersigned depositor ("**Depositor**" or "**Franchisee**") hereby authorizes Black Rifle Coffee Company LLC ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**" or "**Bank**") to debit or credit such account(s) pursuant to our instructions.

_____ Depository/Bank Name

_____ Branch Name

_____ City

_____ State

_____ Zip Code

_____ Bank Transit/ABA Number

_____ Account Number

This authorization is to remain in full and force and effect until sixty (60) days after we have received written notification from Franchisee of its termination.

Printed Name
of Depositor: _____

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT E
ADA CERTIFICATION

Black Rifle Coffee Company LLC (“**Franchisor**” or “**us**”) and _____ (“**Franchisee**” or “**you**”) are parties to a franchise agreement dated _____, (the “**Franchise Agreement**”) for the _____ operation of a _____ Franchised Business at _____ (the “**Franchised Business**”).

- In accordance with Section 5.6.2 of the Franchise Agreement, you certify to us that, to the best of your knowledge, the Franchised Business and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act.
- You acknowledge that you are an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Franchised Business.
- You acknowledge that we have relied on the information contained in this certification.
- You agree to indemnify us and our officers, directors, members, managers, shareholders, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with your compliance with the Americans with Disabilities Act, as well as the costs (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) related to the same.

Acknowledged and Agreed:

Franchisee

By: _____

Printed Name: _____

Title: _____

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT F-1

SAMPLE FORM OF
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
*(to be signed by Franchisee with its
executive/management staff)*

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“**Agreement**”) is made on _____, 202____, by and between _____ (the “**Franchisee**”), and _____, who is a Principal, manager, supervisor, member, partner, or a person in an executive or managerial position with, Franchisee (the “**Member**”).

Background:

A. Black Rifle Coffee Company LLC (“**Franchisor**”) owns (and/or is a licensee for) a format and system (the “**System**”) relating to the establishment and operation of Black Rifle Coffee Company businesses operating in structures that bear Franchisor’s interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a “**BRCC Shop**”).

B. Franchisor identifies BRCC Shops by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark “BRCC”) and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the “**Proprietary Marks**”).

C. Franchisor and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate a BRCC Shop (the “**Franchised Business**”) and to offer and sell Retail Products, Services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Member, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. Member agrees that Member will not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of Member’s employment by Franchisee. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential will be deemed confidential for purposes of this Agreement.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Member will receive valuable specialized training and

confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business or of any Franchised Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System; or

(ii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member will not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located within a three (3) mile radius of the Accepted Location.

(d) As used in this Agreement, the term "same as or similar to the Franchised Business" means any foodservice business as to which the sale of coffee and coffee-based beverages (in any combination or individually) comprise five percent (5%) or more of its gross revenues.

(e) As used in this Agreement, the term "Post-Term Period" means one (1) year from the date of termination of Member's employment with Franchisee (except as may otherwise be required under applicable law). Any period of non-compliance with this requirement shall not count toward satisfying this requirement.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

7. Employer. Member hereby acknowledges and agrees that Franchisee is its employer, and that Franchisor does not employ Member, is not a “joint employer” with Franchisee, nor does Franchisor have anything to say about Member’s employment relationship to Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

MEMBER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT F-2

SAMPLE FORM OF
NON-DISCLOSURE AGREEMENT
*(to be signed by Franchisee with its
non-management staff)*

THIS NON-DISCLOSURE AGREEMENT (“**Agreement**”) is made on _____, 202____, by and between _____ (the “**Franchisee**”) and _____, who is an employee of Franchisee (the “**Employee**”).

Background:

A. Black Rifle Coffee Company LLC (“**Franchisor**”) owns a format and system (the “**System**”) relating to the establishment and operation of Black Rifle Coffee Company businesses in structures that bear Franchisor’s interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a “**BRCC Shop**”).

B. Franchisor identifies BRCC Shops by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark “BRCC”) and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the “**Proprietary Marks**”).

C. Franchisor and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate a BRCC Shop (the “**Franchised Business**”) and to offer and sell Retail Products, Services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Employee, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. Confidential Information. Member agrees that Member will not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of Member’s employment by Franchisee. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential will be deemed confidential for purposes of this Agreement.

2. Injunctive Relief. Employee acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Employee agrees to pay all costs (including reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

3. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Employee agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Employee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Employee agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

4. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

5. Third-Party Beneficiary. Employee hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

7. Employer. Employee hereby acknowledges and agrees that Franchisee is its employer, and that Franchisor does not employ Employee, is not a "joint employer" with Franchisee, nor does Franchisor have anything to say about Employee's employment relationship to Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Employee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE

By: _____

Name: _____

Title: _____

EMPLOYEE

By: _____

Name: _____

Title: _____

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT G

SITE SELECTION ADDENDUM

Black Rifle Coffee Company LLC (“**Franchisor**” or “**us**” or “**we**”) and _____ (“**Franchisee**” or “**you**”) have entered into a Black Rifle Coffee Company Franchise Agreement dated _____ (“**Franchise Agreement**”) and wish to supplement its terms as set out below in this Site Selection Addendum (the “**Addendum**”). The parties agree as follows:

AGREEMENT

1. **Time to Locate Site:** Within ninety (90) days after the date of this Addendum, you agree to acquire or enter into a binding lease/sublease (collectively, a “**lease**”), commercial real estate that is properly zoned for the use of the business that you will conduct under the Franchise Agreement (the “**Franchised Business**”) at a site that we approve in writing as provided below. You must provide us with a copy of the signed purchase agreement or lease (and you need to close/settle on the property if purchasing). We have the right to require that you only use commercial brokers that we have approved in advance.

a. Such location must be within the following area: _____

(the “**Site Selection Area**”).

b. The only reason that the Site Selection Area is described is for the purpose of selecting a site for the Franchised Business. The Site Selection Area is not the “Protected Area” (if any) under Section 1.3 of the Agreement nor does Section 1.3 apply to the Site Selection Area.

c. If you do not acquire or lease a site (that we have approved in writing) for the Franchised Business in accordance with this Addendum by not later than one hundred and eighty (180) days after the date of this Addendum, that will constitute a default under Section 17.2 of the Franchise Agreement and also under this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 17.2 of the Franchise Agreement.

2. **Site Evaluation Services:** We will provide you with our site selection guidelines, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we deem advisable. We will perform one (1) on-site evaluation as we may deem advisable in response to your requests for site approval without a separate charge. If we perform any additional on-site evaluations, you must reimburse, as applicable, us for all reasonable expenses that we incur in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals. We will not provide on site evaluation for any proposed site before we have received from you a completed site approval form for the site (prepared as set forth in Section 3 below).

3. **Site Selection Package Submission and Approval:** You must submit to us, in the form that we specify: **(a)** a completed site approval form (in the form that we require); **(b)** such other information or materials that we may reasonably require; and **(c)** an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We will have thirty (30) days after receipt of all such information and materials from you to approve or disapprove the proposed site as the location for the Franchised Business. We have the right to approve or disapprove any such site to serve as the

Accepted Location for the Franchised Business. If we do not approve a proposed site by giving you written notice within the 30-day period, then we will be deemed to have disapproved the site.

4. **Lease Responsibilities:** After we have approved a site, you must execute a lease, which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the lease rider attached to the Franchise Agreement as Exhibit H. However, even if we examine the lease, we are not responsible for review of the lease for any terms other than those contained in the lease rider.

5. **Accepted Location:** After we have approved the location for the Franchised Business and you have leased or acquired that location, the location will constitute the **Accepted Location** described in Section 1.2 of the Franchise Agreement. The Accepted Location will be specified on Exhibit A to the Franchise Agreement, and will become a part the Franchise Agreement.

a. You hereby agree that our approval of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Our approval of the site indicates only that we believe the site complies with our minimum acceptable criteria solely for our own purposes as of the time of the evaluation. The parties each acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria that we used could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control.

b. We will not be responsible for the failure of a site (even if we have approved that site) to meet your expectations as to revenue or operational criteria.

c. You agree that your acceptance of a franchise for the operation of the Franchised Business at the site is based on your own independent investigation of the suitability of the site.

6. **Construction:** This Addendum will be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum will be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein will have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

Black Rifle Coffee Company LLC
Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT H
LEASE RIDER

THIS ADDENDUM (the "**Addendum**") has been executed as of this ___ day of _____, 202___, by and between _____ ("**Franchisee**") and _____ ("**Landlord**"), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein ("**Lease**") dated as of _____, 202___ for the premises located at _____, in the State of ____ ("**Premises**").

Franchisee has also entered (or will also enter) into a Franchise Agreement ("**Franchise Agreement**") with Black Rifle Coffee Company LLC ("**Franchisor**") for the development and operation of a Black Rifle Coffee Company business at the Premises, and as a condition to obtaining Franchisor's approval of the Lease, the Lease for the Premises must contain the provisions contained in this Addendum.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord agrees to deliver to Franchisor a copy of any notice of default by Franchisee or termination of the Lease at the same time such notice is delivered to Franchisee. Franchisor agrees to deliver to Landlord a copy of any notice of termination under the Franchise Agreement. Franchisee hereby consents to that exchange of information by Landlord and Franchisor.
2. Franchisee hereby assigns to Franchisor, with Landlord's irrevocable and unconditional consent, all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment will be effective unless and until: (a) the Franchise Agreement is terminated or expires without renewal; and (b) Franchisor has notified the Franchisee and Landlord in writing that Franchisor assumes Franchisee's obligations under the Lease.
3. Franchisor will have the right, but not the obligation, to cure any breach of the Lease (within fifteen (15) business days after the expiration of the period in which Franchisee had to cure any such default by Franchisee, should Franchisee fail to do so) upon giving written notice of its election to Franchisee and Landlord, and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.
4. Franchisee and Landlord agree that Franchisor will have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.
5. If Franchisor assumes the Lease, as provided above, Franchisor may, without Landlord's prior consent, sublet and/or assign the Lease to another franchisee of Franchisor to operate a Black Rifle Coffee Company business at the Premises provided that the proposed franchisee has met all of Franchisor's applicable criteria and requirements and has executed a franchise agreement with Franchisor. Landlord agrees to execute such further documentation to confirm its consent to an assignment permitted under this Addendum as Franchisor may reasonably

request. Upon such assignment to a franchisee of Franchisor, Franchisor will be released from any further liability under the terms and conditions of the Lease.

6. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents will have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that if the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a Black Rifle Coffee Company business (unless Franchisor takes an assignment of the lease, as provided above). Landlord agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided that Franchisor will bear the expense of repairing any damage to the Premises as a result thereof.
7. If Landlord is an affiliate or an owner of Franchisee, Landlord and Franchisee agree that if Landlord proposes to sell the Premises, before the sale of the Premises, upon the request of Franchisor the Lease will be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the Premises is located.
8. Landlord agrees that during and after the term of the Lease, it will not disclose or use Franchisor's Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Landlord's obligations under the Lease. "**Confidential Information**" as used herein will mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Franchisee to Landlord, or otherwise obtained by Landlord, regarding the design and operations of the business located at the Premises, including, without limitation, all information identifying or describing the floor plan and layout, furnishings, equipment, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, techniques, trade dress, "look and feel," design, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Landlord acknowledges that all such Confidential Information belongs exclusively to Franchisor.
9. Landlord agrees that: (a) Franchisor has granted to only one party, the Franchisee, the right to use Franchisor's proprietary trade name, trademarks, service marks logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively the "**Proprietary Marks**") at the Premises under the terms of the Franchise Agreement; and (b) Franchisor has not granted any rights or privileges to use the Marks to Landlord.
10. Landlord and Franchisee agree that the Premises will be used solely for the operation of a Black Rifle Coffee Company business.
11. Landlord and Franchisee agree that any default by Franchisee under the Lease will also constitute a default under the Franchise Agreement, and any default by Franchisee under the Franchise Agreement will also constitute a default by Franchisee under the Lease.
12. Landlord and Franchisee agree that the terms in this Addendum will supersede any contrary terms in the Lease and that they will not later amend the lease in a manner that supersedes the terms in this Addendum.

13. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.

14. Landlord and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, will also be sent to Franchisor at _____ (attention _____), or to such other address as Franchisor may specify by giving written notice to Landlord.

WITNESS the execution hereof under seal.

Landlord:

Franchisor*

Franchisee:

Date:

Date:

Date:

Subscribed and sworn to before me this ____ day of _____, 202____.

Subscribed and sworn to before me this ____ day of _____, 202____.

Subscribed and sworn to before me this ____ day of _____, 202____.

Notary Public

Notary Public

Notary Public

My Commission expires:

My Commission expires:

My Commission expires:

* The Franchisor has signed this lease rider only to acknowledge its terms and not to accept any obligations under the lease.

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT I
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EXHIBIT A-2

Development Agreement with Exhibits



Black Rifle Coffee Company LLC
1144 South 500 West
Salt Lake City, UT 84101

_____, 202_____

Re: **Development Agreement**

Dear _____:

We are pleased to be entering into this Development Agreement (the "**Development Agreement**") with you. As used in this Development Agreement, the terms "**you**", "**your**", and "**Developer**" mean _____ (a _____), and the terms "**we**", "**us**", and "**BRCC**" mean Black Rifle Coffee Company LLC (a Delaware limited liability company).

1. **Development.** This Development Agreement relates to the terms under which you will develop "Black Rifle Coffee Company" retail businesses that feature, among other things, fresh roasted coffee beverages, grab-and-go baked goods, and retail merchandise and apparel in a modern, technical environment (each a "**BRCC Shop**") within the "**Development Area**" that is specified on the attached Data Sheet (Exhibit A). Each BRCC Shop will be established under the terms of a separate Franchise Agreement (the "**Franchise Agreement**") for that BRCC Shop, which will specify, among other things, the approved location of that BRCC Shop.
2. **Development Schedule.** You agree to establish each of the BRCC Shops in the Development Area according to the development schedule that is specified on the attached Data Sheet (Exhibit A) (the "**Development Schedule**").
3. **Term.** The term of this Development Agreement starts only when both parties have signed below, and will end upon the earlier of (a) the last date specified in the Development Schedule (the "**Term**"), or (b) the date when you have fulfilled all of your obligations to develop the number of BRCC Shops specified in the Development Schedule (unless this Development Agreement is sooner terminated).
4. **Fees and Credits.**
 - 4.1 **Fees.**
 - a. In consideration of the development rights granted in this Development Agreement, you agree to pay us, upon signing this Development Agreement, a development fee as specified on the attached Data Sheet (Exhibit A) (the "**Development Fee**"). The Development Fee will be non-refundable.

- b. For each BRCC Shop that you develop and operate in the Development Area pursuant to the Development Schedule, BRCC will credit \$17,500 from the Development Fee that you paid to us toward the Initial Franchise Fee due under the Franchise Agreement for that BRCC Shop, and provided that you are in compliance with your obligations under this Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us (and our affiliates).
- c. The application of your Development Fee to the initial franchise fee due for each Shop that you are required to develop under this Development Agreement will be as follows:

For this Shop	We will apply this credit from the Development Fee that you paid toward the initial franchise fee due under the Franchise Agreement	Balance of the initial franchise fee that will be due when you sign the Franchise Agreement for this Shop
First	\$35,000	None
Second	\$17,500	\$17,500
Third	\$17,500	\$17,500
Fourth	\$17,500	\$17,500
Fifth	\$17,500	\$17,500

- 4.2 All payments that are due under this Development Agreement must be made without deduction or offset, including for any taxes or other amounts.
- 4.3 All payments shall be made in U.S. Dollars, by wire-transfer or ACH payment to a bank account that we designate in writing for that purpose.
5. Protected Development Area. During the Term of this Development Agreement we will not establish, nor license anyone other than you to establish, a BRCC Shop in the Development Area (subject to Section 6 below) so long as you (and your affiliates) are in compliance with this Development Agreement and all of the Franchise Agreements between you (and your affiliates) and us (and our affiliates).
6. Reservation of Rights.
- 6.1 Except as otherwise specifically provided above in Section 5, we retain all other rights (including those specified in Section 11.1 below), and therefore we have the exclusive right (among others), and on any terms and conditions we deem advisable, and without granting you any rights therein, to do any or all of the following (and, in each case, despite their proximity to the Development Area, and despite their actual or threatened impact on sales at any BRCC Shop):

- a. advertise and promote the “Black Rifle Coffee Company” trademarks anywhere (together with other marks that we specify in writing for use by franchisees and others, the “**Proprietary Marks**”);
- b. fulfill, and license others to fulfill, customer orders by providing and permitting catering and delivery services in the Development Area;
- c. establish (and license or franchise others to establish) BRCC Shops anywhere outside the Development Area;
- d. establish (and license or franchise others to establish) businesses that neither operate under the “Black Rifle Coffee Company” system of operations, as further defined in the Franchise Agreement (the “**System**”), nor use the Proprietary Marks (even if those businesses offer products that are the same as or similar to those offered from BRCC Shops), no matter where those businesses are located (so long as those businesses are not “BRCC Shops” operated inside the Development Area);
- e. acquire (or be acquired) and then operate any business of any kind, anywhere inside and outside the Development Area (so long as those businesses are not “BRCC Shops” operated inside the Development Area);
- f. establish, and license others to establish, BRCC Shops at any Non-Traditional Facility and/or any Captive Market Location (both as defined below) inside or outside the Development Area; and
- g. to market, sell and distribute, or license others to market, sell and distribute, directly or indirectly, our Retail Products (as defined in the Franchise Agreement) and other items bearing the Proprietary Marks (such as merchandise), through any channel of distribution (including alternative distribution channels such as e-commerce), so long as those sales are not made from a BRCC Shop operated inside the Development Area.

The term “**Non-Traditional Facility**” includes, among other things, college campuses, schools, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

The term “**Captive Market Location**” is agreed to include, among other things, non-foodservice businesses of any sort within which a BRCC Shop or a branded facility is established and operated (including, for example, hotels and resorts).

7. Other Brands. You understand that we may operate (or be affiliated with companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, or as a franchisee) in addition to the Black Rifle Coffee Company brand operated under the Proprietary Marks, and also that we may acquire other brands (or be acquired by a company that operates other brands) (collectively, “**Other Brands**”). This Development Agreement does not grant you any rights with respect to any such Other Brands.

8. *No License to use the Marks.* This Development Agreement does not grant you any right or license to use, in any manner whatsoever, our Proprietary Marks or System. To the extent that we will be licensing those rights to you, that license will be set out under the terms and subject to the conditions of each separate Franchise Agreement.
9. *Signing of the Franchise Agreements.*
 - 9.1 You must sign a separate Franchise Agreement for each BRCC Shop. The form of the Franchise Agreement for each BRCC Shop developed under this Development Agreement (and for all renewals of those Franchise Agreements) shall be in the form of our then-current Franchise Agreement.
 - 9.2 You must sign the Franchise Agreement for each BRCC Shop and submit those to us for countersignature not more than ten (10) days after you sign the lease or purchase property for that BRCC Shop.
 - 9.3 You may propose that an entity different than Developer become the “franchisee” (the “**Franchisee Entity**”) under individual Franchise Agreements, and we will not withhold our consent, so long as: (a) the Franchisee Entity is a direct wholly-owned subsidiary of Developer or under common control with the Developer; (b) you provide us with reasonable detail that we request concerning the Franchisee Entity; and (c) Developer guarantees the Franchisee Entity’s obligations and performance under the applicable Franchise Agreement.
 - 9.4 Each BRCC Shop shall be located at a site that we have approved, within the Development Area, as provided in Section 10 below.
10. *BRCC Shop Development and Site Approval.*
 - 10.1 For each site that you propose for a BRCC Shop, you must comply with the site development requirements under the Franchise Agreement, modified by Sections 10.2 and 10.3 below.
 - 10.2 For each proposed site for a BRCC Shop, Developer agrees to provide BRCC, in the form specified by BRCC, a completed site approval package, and such other information or materials relating to the proposed site that BRCC may reasonably require. BRCC will respond to Developer’s proposal of a site for approval within thirty (30) days after receipt of all information that BRCC reasonably requests concerning the proposed site. Developer agrees not to proceed to acquire, lease, sublease, or otherwise secure a site without BRCC’s prior written approval.
 - 10.3 If Developer will occupy the premises from which the BRCC Shop is conducted under a lease or sublease, Developer agrees that it will make a bona fide good faith effort to have the landlord consider, adopt, and sign the Lease Rider in the form that is appended to the Franchise Agreement (as specified in the Franchise Agreement), before signing said lease or sublease, and that Developer will also sign that Lease Rider and promptly provide a copy to BRCC for its countersignature as well.
11. *Provisions of the Franchise Agreement Incorporated By Reference.* The parties agree that the provisions of the following sections of the Franchise Agreement are incorporated by reference into this Development Agreement as if they were printed in this Development Agreement (here, and in full text), and that the provisions noted above also apply to this Development Agreement

(except that reference to the “Franchisee” in those provisions shall refer to you, as the “Developer,” under this Development Agreement and references to the “Protected Territory” in the Franchise Agreement shall apply to the Development Territory under this Development Agreement):

This Section of this Development Agreement	Incorporates this Section of the Franchise Agreement here, by reference	Relating to
11.1	1.4	Reserved Rights
11.2	11	Confidential Information
11.3	15	Insurance
11.4	16	Transfer of Interest (and also see Section 12 below)
11.5	17	Default and Termination (and also see Section 13 below)
11.6	18	Obligations upon Termination or Expiration
11.7	19	Covenants
11.8	20	Taxes, Permits, and Indebtedness
11.9	21	Independent Contractor and Indemnification (and also see Section 15 below)
11.10	22	Force Majeure
11.11	23	Approvals and Waivers
11.12	24	Notices
11.13	26	Severability and Construction
11.14	27	Applicable Law and Dispute Resolution (You specifically acknowledge and agree that the provisions in Section 27 of the Franchise Agreement apply to this Development Agreement as well. Among other things, the provisions of Section 27 provide (in the detail spelled out in the Franchise Agreement) that you agree that Utah law shall exclusively govern the terms of this Development Agreement (but not applying Utah conflict of laws rules), that the parties agree to waive any right trial by jury, that the parties agree to waive the right to seek or collect punitive damages, that the parties must first mediate any dispute before bringing an action in court; that the venue for any action that you file against us will be exclusively in the courts with jurisdiction over Salt Lake City, Utah that you waive participation in a common or class action against us, and that all legal actions you bring must be brought within one (1) year from the occurrence of the facts giving rise to such claim or action – all as described in Section 27 of the Franchise Agreement, excluding claims for indemnification). Nothing in this Section 11.14 is intended by the parties to invoke the application of any

This Section of this Development Agreement	Incorporates this Section of the Franchise Agreement here, by reference	Relating to
		franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of Utah (or any other state) that would not otherwise apply without this Section 11.14.)
11.15	28	Acknowledgments

12. Transfers. In addition to the provisions of Section 11.4 above:

12.1 You understand and agree that we have entered into this Development Agreement in reliance on your promise and commitment to establish and operate an agreed-upon number of BRCC Shops, and that as a result, you agree that it would not be unreasonable for us to withhold our consent to a transfer of some, but not all, of the Franchise Agreements separate from one another, and in any case, separate from the rights set forth under this Development Agreement (if this Development Agreement has not at the time of a proposed transfer either expired or terminated); and

12.2 If there is a proposed transfer of any of the Franchise Agreements and/or Franchisee Entities separate from a transfer of Developer, this Development Agreement, and all of the other Franchise Agreements and Franchisee Entities, and if BRCC approves the proposed transfer, then with each such Franchise Agreement and/or Franchisee Entity, BRCC shall have the right to require the transferee to sign the then-current form of franchise agreement as specified in the transfer section of the franchise agreement that applies pre-transfer.

13. Defaults.

13.1 In addition to the provisions of Section 11.5 above and the applicable cure periods stated therein, you understand and agree that you will be in default under this Development Agreement if you:

- a. do not meet your obligations under the Development Schedule; and/or
- b. fail to provide us with any information or documents we have the right to request under this Development Agreement or any other agreement between you (and/or your affiliates) and us (and/or our affiliates).
- c. If you are in default under this Development Agreement, then we will have the right to: (i) terminate this Development Agreement by giving you written notice of termination, which will take effect immediately (unless otherwise required under applicable law); and/or (ii) take any lesser action instead of terminating this Development Agreement, including suspending or eliminating your rights to the Development Area.

- 13.2 A default under this Development Agreement shall not constitute a default under any Franchise Agreement between the parties.
14. Entire Agreement and Amendment. This Development Agreement (including its exhibits), together with the provisions that are incorporated by reference pursuant to Section 11 above, as well as the Data Sheet that is attached to this Development Agreement, together constitute the entire, full, and complete agreement between the parties concerning the subject matter of this Development Agreement, and supersede all prior agreements, representations, and other communications. The parties confirm that: (a) they were not induced by any representations other than the words of this Development Agreement (and the Data Sheet, as well as the provisions of the Franchise Agreement that are incorporated by reference) before deciding whether to sign this Development Agreement; and (b) they relied only on the words written in this Development Agreement (and the Data Sheet, and the provisions of the Franchise Agreement that are incorporated by reference) in deciding whether to enter into this Development Agreement (however, nothing in this Agreement is meant to disclaim any statement included in our franchise disclosure document). Except for those changes permitted to be made unilaterally by BRCC under this Development Agreement, no amendment, change, or variance from this Development Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.
15. Indemnity. In addition to the provisions of Section 11.9 above, you agree to indemnify, defend, and hold harmless us, our owners and affiliates, and our (and our affiliates') officers, directors, members, managers, employees, and agents against any and all claims arising directly or indirectly from, as a result of, or in connection with your conduct and/or operation of the business contemplated under this Development Agreement, as well as the costs of defending against them (including reasonable attorneys' fees, reasonable costs of investigation, court costs, and arbitration fees and expenses).
16. Captions. The headings and captions in this Development Agreement are merely for the sake of convenience and are not meant (and shall not be deemed) to change or have any affect upon the meaning of the Agreement. When used in this Development Agreement, the term "including" means "including but not limited to" in each instance.
17. Cooperation. Developer and BRCC agree to cooperate and act reasonably with one another in carrying out their respective rights and undertaking their respective responsibilities under their Development Agreement.
18. FTC Franchise Rule Exemption. Developer represents and warrants to BRCC, and agrees, that Developer (combined with its affiliates) has: (a) operated businesses of all kinds for over five years; and (b) a net worth of over \$6,165,500. Developer understands that BRCC will rely on this representation in entering into the transaction contemplated under this Development Agreement under an exemption from the FTC Franchise Rule.

19. Confirmation that You Read and Understand the Franchise Agreement. You acknowledge that you have read and understand the Franchise Agreement attached to this Development Agreement as Exhibit D (including the provisions of the Franchise Agreement that are referenced (and/or incorporated by reference) into this Development Agreement via Section 11 above (including the waiver of jury trial, the waiver of punitive damages, the mediation and venue clauses, and the provision waiving participation in a common or class action).

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound by this Agreement, have entered into this Agreement as of the Effective Date written below.

Black Rifle Coffee Company LLC

[Developer entity]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

Address for Notices:

Address for Notices:

1144 South 500 West
Salt Lake City, Utah 84101
Attn: Legal Department

Attn: _____

Exhibits:

- A** – Data Sheet
- B** – Guarantee, Indemnification, and Acknowledgment
- C** – List of Principals in Developer
- D** – Current Form of Franchise Agreement

Exhibit A - Data Sheet

The Development Area under this Development Agreement shall be:

The present political boundaries of the Cities of _____ (subject to Sections 5 and 6 of this Development Agreement).

Initialed

BRCCDeveloper

The Development Fee under this Development Agreement shall be:

How Development Fee Calculated	Total Development Fee
\$35,000 for the first BRCC Shop	\$35,000
\$17,500 for each additional BRCC Shop	\$ _____
Total	\$ _____

Initialed

BRCCDeveloper

The Development Schedule under this Development Agreement shall be:

By this date:	Cumulative Total Number of BRCC Shops That You Agree To Have Open and in Operation in the Development Area
	One (1)
	Two (2)
	Three (3)
	Four (4)
	Five (5)

Initialed

BRCCDeveloper

Black Rifle Coffee Company LLC
Development Agreement

Exhibit B

Guarantee, Indemnification, and Acknowledgment

In order to induce Black Rifle Coffee Company LLC (“**BRCC**”) to sign the “Black Rifle Coffee Company Development Agreement” between BRCC and _____ (“**Developer**”), dated _____ (the “**Development Agreement**”), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to BRCC and its successors and assigns that all of Developer’s obligations (monetary and otherwise) under the Development Agreement as well as any other contract between Developer and BRCC (and/or BRCC’s affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon BRCC’s demand, s/he will immediately make each payment required of Developer under the Development Agreement and/or any other contract with BRCC and/or its affiliates.
- S/he waives any right to require BRCC to: **(a)** proceed against Developer for any payment required under the Development Agreement (and/or any other contract with BRCC and/or its affiliates); **(b)** proceed against or exhaust any security from Developer; **(c)** pursue or exhaust any remedy, including any legal or equitable relief, against Developer; and/or **(d)** give notice of demand for payment by Developer.
- Without affecting the obligations of the undersigned persons under this Guarantee, BRCC may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Developer, or settle, adjust, or compromise any claims against Developer. Each of the undersigned persons waive notice of amendment of the Development Agreement (and any other contract with BRCC and BRCC’s affiliates) and notice of demand for payment by Developer, and agree to be bound by any and all such amendments and changes to the Development Agreement (and any other contract with BRCC and BRCC’s affiliates).
- S/he will defend, indemnify and hold BRCC harmless against any and all losses, damages, liabilities, costs, and expenses (including without limitation reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Developer to perform any obligation of Developer under the Development Agreement (and any other contract with BRCC and BRCC’s affiliates) and/or any amendment to the Development Agreement.
- S/he will be personally bound by all of Developer’s covenants, obligations, and promises in the Development Agreement.
- S/he agrees to be personally bound by all of Developer’s covenants, obligations, and promises in the Development Agreement, which include, but are not limited to, those found in the following Sections of the Development Agreement: **Section 8** (generally regarding trademarks), **Section 11.2** (generally regarding confidentiality), **Sections 11.4 and 12** (generally regarding Transfers), **Section 11.6** (generally regarding obligations upon termination or expiration of this Development Agreement), and **Section 11.7** (generally regarding covenants against competition) of the Development Agreement.

- S/he understands that: **(a)** this Guarantee does not grant them any rights under the Development Agreement (including but not limited to the right to use any of BRCC’s marks such as the “Black Rifle Coffee Company” marks); **(b)** that they have read, in full, and understand, all of the provisions of the Development Agreement that are referred to above in this paragraph (including the provisions of the franchise agreement that are incorporated into this Development Agreement), and that they intend to fully comply with those provisions of the Development Agreement as if they were printed here; and **(c)** that they have had the opportunity to consult with a lawyer of their own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 11.14** of the Development Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions) that are incorporated by reference there from Section 27 of the Franchise Agreement attached as Exhibit E to the Development Agreement. Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of Utah, and that in the event of any conflict of law, Utah law will prevail (without applying Utah conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons has signed this Guarantee as of the date of the Development Agreement.

_____	_____	_____
(signed in his personal capacity)	(signed in his personal capacity)	(signed in his personal capacity)
Printed Name: _____	Printed Name: _____	Printed Name: _____
Date: _____	Date: _____	Date: _____
Home Address: _____	Home Address: _____	Home Address: _____
_____	_____	_____
_____	_____	_____

Black Rifle Coffee Company LLC
Area Development Agreement

Exhibit C

List of Principals

Name of Principal	Home Address	Percentage Interest Held in Developer

Initials

Developer

BRCC

Black Rifle Coffee Company LLC
Area Development Agreement

Exhibit D

Form of Franchise Agreement

EXHIBIT B**List of State Administrators**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p>CALIFORNIA Commissioner Dep’t of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677</p>	<p>NEW YORK New York State Dep’t of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, NY 10005 (212) 416-8236</p>
<p>HAWAII Commissioner of Securities Dep’t of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 205 Honolulu, HI 96813 / (808) 586-2722</p>	<p>NORTH DAKOTA North Dakota Securities Dep’t State Capitol – Dep’t 414 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712</p>
<p>ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second St. Springfield, IL 62706 (217) 782-4465</p>	<p>RHODE ISLAND Dep’t of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527</p>
<p>INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681</p>	<p>SOUTH DAKOTA Div. of Insurance Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563</p>
<p>MARYLAND Office of the Attorney General Securities Div. 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360</p>	<p>VIRGINIA State Corporation Commission Div. of Securities and Retail Franchising 1300 East Main St., 9th Floor Richmond, VA 23219 (804) 371-9051</p>
<p>MICHIGAN Florida Attorney General’s Office Corporate Oversight Div., Franchise Section 525 West Ottawa St., 1st Floor Lansing, MI 48913 (517) 335-7567</p>	<p>WASHINGTON Dep’t of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, WA 98501 (360) 902-8760</p>
<p>MINNESOTA Minnesota Dep’t of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600</p>	<p>WISCONSIN Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139</p>

EXHIBIT C**List of Agents for Service of Process**

We intend to register this disclosure document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner Dep’t of Financial Protection & Innovation 320 West Fourth St., Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	NEW YORK Secretary of State One Commerce Plaza 99 Washington Av., 6 th Floor Albany, NY 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Dep’t of Commerce & Consumer Affairs Bus. Reg. Div., Securities Compliance Branch 335 Merchant St., Room 205 Honolulu, HI 96813 / (808) 586-2722	NORTH DAKOTA North Dakota Securities Commissioner State Capitol 600 East Boulevard Av., Fifth Floor Bismarck, ND 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second St. Springfield, IL 62706 (217) 782-4465	RHODE ISLAND Director of Dep’t of Business Regulation Dep’t of Business Regulation Securities Div., Building 69, First Floor John O. Pastore Center - 1511 Pontiac Av. Cranston, RI 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681	SOUTH DAKOTA Div. of Insurance Director of the Securities Regulation 124 South Euclid Av., Suite 104 Pierre, SD 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	VIRGINIA Clerk of the State Corporation Commission 1300 East Main St., 1 st Floor Richmond, VA 23219 (804) 371-9733
MICHIGAN Florida Attorney General’s Office Corporate Oversight Div., Franchise Section 525 West Ottawa St., 1st Floor Lansing, MI 48913 (517) 335-7567	WASHINGTON Director of Dep’t of Financial Institutions Securities Div. – 3rd Floor 150 Israel Road, Southwest Tumwater, WA 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Minnesota Dep’t of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101 (651) 539-1600	WISCONSIN Div. of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-2139

EXHIBIT D**Form of General Release**

The following is our current general release language that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the release.

Franchisee, its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the "Franchisee Group"), hereby forever release and discharge, and forever hold harmless Black Rifle Coffee Company LLC, its current and former affiliates and predecessors, and their respective shareholders, partners, members, managers, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "Franchisor Group"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Franchised Business.

Each party represents and warrants to the others, and agrees, that it may later learn of new or different facts, but that still, it is that party's intention to fully, finally, and forever release all of the Demands that are released above. This includes the parties' waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.") The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Franchised Business. The Franchisee Group and its owners represent and warrant that they have not asserted (nor made an assignment or any other transfer of any interest in) the claims, causes of action, suits, debts, agreements, or promises described above.

EXHIBIT E**Table of Contents to Brand Manual**

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Training	236-372
Policies	373-378
Admin	379-381
HR	382-391
Marketing / PR / Events	392-394
Safety	401-404
Misc.	404
Total	404

EXHIBIT F

Audited Financial Statements

EXHIBIT F-1

Audited Financial Statements

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-41275

BRC Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

87-3277812

(I.R.S. Employer Identification No.)

1144 S. 500 W

Salt Lake City, UT 84101

(Address of principal executive office, zip code)

(801) 874-1189

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.0001 par value	BRCC	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes No Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value as of June 30, 2022, of the registrant's common stock held by non-affiliates based on the reported closing price on the New York Stock Exchange on such date was \$269,812,228.

As of March 8, 2023, the registrant had (i) 58,378,857 shares of Class A Common Stock, and (ii) 153,181,442 shares of Class B Common Stock outstanding.

BRCC - 2023 FDD (161)

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement relating to BRC Inc.'s 2023 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

Item 8. Financial Statements and Supplementary Data

BRC Inc.

Audited Consolidated Financial Statements of BRC Inc. as of December 31, 2022 and 2021 and for the three years ended December 31, 2022

Report of Independent Registered Public Accounting Firm (PCAOB ID: 42)	F-1
Consolidated Balance Sheets	F-2
Consolidated Statements of Operations	F-3
Consolidated Statements of Stockholders' Deficit	F-4
Consolidated Statements of Cash Flows	F-6
Notes to Consolidated Financial Statements	F-8

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of BRC Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of BRC Inc. (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

Adoption of ASU No. 2016-02

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases in 2022 due to the adoption of Accounting Standards Updated (ASU) No. 2016-02, *Leases (Topic 842)*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2020.

San Antonio, Texas
March 15, 2023

BRC Inc.

CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, except unit amounts)

	December 31	
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 38,990	\$ 18,334
Accounts receivable, net	22,337	7,442
Inventories	77,183	20,872
Prepaid expenses and other current assets	6,783	6,377
Total current assets	145,293	53,025
Property and equipment, net	59,451	31,114
Operating lease, right-of-use asset	20,050	—
Identifiable intangibles, net	225	167
Other	315	2,776
Total assets	\$ 225,334	\$ 87,082
Liabilities and stockholders' equity/members' deficit		
Current liabilities:		
Accounts payable	\$ 12,429	\$ 17,387
Accrued liabilities	36,660	22,233
Deferred revenue and gift card liability	9,505	7,334
Current maturities of long-term debt, net	2,143	11,979
Current operating lease liability	1,360	—
Current maturities of finance lease obligations	95	85
Total current liabilities	62,192	59,018
Non-current liabilities:		
Long-term debt, net	47,017	22,712
Finance lease obligations, net of current maturities	221	228
Operating lease liability	19,466	—
Other non-current liabilities	502	334
Total non-current liabilities	67,206	23,274
Total liabilities	129,398	82,292
Commitments and Contingencies (Note 18)		
Series A preferred equity, less issuance costs (151,406 units authorized, issued and outstanding as of December 31, 2021)	—	154,281
Stockholders' equity/members' deficit:		
Preferred stock, \$0.0001 par value, 1,000,000 shares authorized; no shares issued or outstanding	—	—
Class A common stock, \$0.0001 par value, 2,500,000,000 shares authorized; 57,661,274 shares issued and outstanding as of December 31, 2022	5	—
Class B common stock, \$0.0001 par value, 300,000,000 shares authorized; 153,899,025 shares issued and outstanding as of December 31, 2022	16	—
Class C common stock, \$0.0001 par value, 1,500,000 shares authorized; no shares issued or outstanding as of December 31, 2022	—	—
Additional paid in capital	129,508	—
Accumulated deficit	(103,733)	(19,996)
Members' deficit (18,769 Class A units and 73,890 Class B units authorized, issued and outstanding as of December 31, 2021)	—	(129,495)
Total BRC Inc.'s stockholders' equity/members' deficit	25,796	(149,491)
Non-controlling interests	70,140	—
Total stockholders' equity/members' deficit	95,936	(149,491)
Total liabilities, Series A preferred, and stockholders' equity/members' deficit	\$ 225,334	\$ 87,082

See notes to consolidated financial statements.

BRC INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in Thousands)

	Year Ended December 31		
	2022	2021	2020
Revenue, net	\$ 301,313	\$ 233,101	\$ 163,909
Cost of goods sold	202,134	143,414	94,500
Gross profit	99,179	89,687	69,409
Operating expenses:			
Marketing and advertising	38,169	36,358	25,513
Salaries, wages and benefits	64,286	38,746	24,194
General and administrative	64,486	26,162	13,922
Total operating expenses	166,941	101,266	63,629
Operating income (loss)	(67,762)	(11,579)	5,780
Non-operating income (expenses):			
Interest expense	(1,593)	(2,033)	(1,047)
Other income (expense), net	339	(55)	(227)
Change in fair value of earn-out liabilities	(209,651)	—	—
Change in fair value of warrant liabilities	(56,675)	—	—
Change in fair value of derivative liabilities	(2,335)	—	—
Total other expense, net	(269,915)	(2,088)	(1,274)
Earnings (loss) before income taxes	(337,677)	(13,667)	4,506
Income tax expense	367	178	185
Net income (loss)	\$ (338,044)	\$ (13,845)	\$ 4,321
Less: Net loss attributable to non-controlling interest	(255,138)		
Net loss attributable to BRC Inc.	\$ (82,906)		
Net loss per share attributable to Class A Common Stock ⁽¹⁾			
Basic and diluted	\$ (1.62)		
Weighted-average shares of Class A Common Stock outstanding ⁽¹⁾			
Basic and diluted	51,246,632		

⁽¹⁾For the year ended December 31, 2022, net loss per share of Class A Common Stock and weighted-average shares of Class A Common Stock outstanding is representative of the period from February 9, 2022 through December 31, 2022, the period following the Business Combination, as defined in *Note 1 - Organization and Nature of Business*. For more information, refer to *Note 16 - Net Loss per Share*.

See notes to consolidated financial statements.

BRC INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(Amounts in Thousands, except for number of shares)

	Shares							Additional Paid-In Capital	Accumulated Deficit	Non- Controlling Interest	Total Stockholders' Equity (Deficit)
	Members' Interest	Class A Common Stock	Class B Common Stock	Class C Common Stock	Class A Common Stock	Class B Common Stock	Class C Common Stock				
Balance at January 1, 2020	\$ 9,223	—	—	—	\$ —	\$ —	\$ —	\$ —	(10,472)	\$ —	\$ (1,249)
Equity-based compensation	1,929	—	—	—	—	—	—	—	—	—	1,929
Non-employee equity-based compensation	1,384	—	—	—	—	—	—	—	—	—	1,384
Issuance of members units, net of issuance costs of \$559	16,551	—	—	—	—	—	—	—	—	—	16,551
Series A preferred discount amortization	(870)	—	—	—	—	—	—	—	—	—	(870)
Repayment of notes receivable from members	56	—	—	—	—	—	—	—	—	—	56
Repurchase member units	(125,000)	—	—	—	—	—	—	—	—	—	(125,000)
Net income	—	—	—	—	—	—	—	—	4,321	—	4,321
Balance at December 31, 2020	\$ (96,727)	—	—	—	\$ —	\$ —	\$ —	\$ —	(6,151)	\$ —	\$ (102,878)
Equity-based compensation	3,204	—	—	—	—	—	—	—	—	—	3,204
Non-employee equity-based compensation	1,492	—	—	—	—	—	—	—	—	—	1,492
Series A preferred discount amortization and equity distribution	(34,511)	—	—	—	—	—	—	—	—	—	(34,511)
Repurchase of member units	(2,953)	—	—	—	—	—	—	—	—	—	(2,953)
Net loss	—	—	—	—	—	—	—	—	(13,845)	—	(13,845)
Balance at December 31, 2021	\$ (129,495)	—	—	—	\$ —	\$ —	\$ —	\$ —	(19,996)	\$ —	\$ (149,491)
Equity-based compensation prior to Business Combination	308	—	—	—	—	—	—	—	—	—	308
Non-employee equity-based compensation prior to Business Combination	241	—	—	—	—	—	—	—	—	—	241
Series A preferred discount amortization prior to Business Combination	(6,621)	—	—	—	—	—	—	—	—	—	(6,621)
Repurchase of member units prior to Business Combination	(1,599)	—	—	—	—	—	—	—	—	—	(1,599)
Net loss prior to Business Combination	—	—	—	—	—	—	—	—	(2,691)	—	(2,691)
Effect of Business Combination	137,166	44,009,874	139,106,323	1,388,125	4	14	—	(103)	(831)	(83,319)	52,931
Equity-based compensation after Business Combination	—	—	—	—	—	—	—	820	—	3,217	4,037

Non-employee equity-based compensation after Business Combination	—	—	—	—	—	—	—	—	—	608	608							
First Tier vesting event	—	694,062	9,926,563	(694,062)	—	1	—	38,783	—	133,589	172,373							
Second Tier vesting event	—	694,063	9,926,562	(694,063)	—	1	—	60,803	—	195,154	255,958							
Warrant redemption	—	6,376,346	—	—	1	—	—	24,924	—	68,235	93,160							
Applicable premium vesting	—	6,196	820,310	—	—	—	—	3,153	—	8,922	12,075							
Common Unit redemption	—	5,880,733	(5,880,733)	—	—	—	—	1,128	—	(1,128)	—							
Net loss after Business Combination	—	—	—	—	—	—	—	—	(80,215)	(255,138)	(335,353)							
Balance at December 31, 2022	\$	—	57,661,274	153,899,025	—	\$	5	\$	16	—	\$	129,508	\$	(103,733)	\$	70,140	\$	95,936

See notes to consolidated financial statements.

BRC Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Year Ended December 31		
	2022	2021	2020
Operating activities			
Net income (loss)	\$ (338,044)	\$ (13,845)	\$ 4,321
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	4,383	2,895	1,375
Equity-based compensation	6,079	3,204	1,929
Non-employee equity-based compensation	849	1,492	1,384
Amortization of debt issuance costs	317	358	133
Loss on extinguishment of debt	—	726	—
Bad debt expense (recovery)	—	(51)	195
Loss from equity method investment	—	—	52
Loss on disposal of property and equipment	—	70	—
Change in fair value of warrant liabilities	209,651	—	—
Change in fair value of earn-out liabilities	56,675	—	—
Change in fair value of derivative liability	2,335	—	—
Changes in operating assets and liabilities:			
Accounts receivable, net	(14,895)	(3,761)	(2,956)
Inventories	(56,311)	(4,831)	(10,897)
Prepaid expenses and other assets	(184)	(5,283)	(1,054)
Accounts payable	(6,146)	4,646	7,032
Accrued liabilities	15,986	3,636	6,717
Deferred revenue and gift card liability	2,171	2,719	3,315
Operating lease liability	776	—	—
Other liabilities	168	334	—
Net cash provided by (used in) operating activities	(116,190)	(7,691)	11,546
Investing activities			
Purchases of property and equipment	(30,404)	(19,287)	(9,760)
Net cash used in investing activities	(30,404)	(19,287)	(9,760)
Financing activities			
Proceeds from issuance of long-term debt, net of cash paid for debt issuance costs of \$279, \$338 and \$591 in 2022, 2021 and 2020, respectively	51,314	38,402	16,436
Repayment of long-term debt	(38,761)	(20,058)	(7,333)
Repayment of and restricted cash for capital lease obligations	—	(1,663)	(451)
Repurchase of member units	—	—	(125,000)
Repayment of notes receivable from members	—	—	56
Issuance of Series A preferred equity, net of cash paid for issuance costs of \$4,897	—	—	145,103
Payment of Series A preferred dividends	—	(7,001)	—
Distribution and redemption of Series A preferred equity	(127,853)	—	—
Financing lease obligations	3	—	—
Proceeds from Business Combination, including PIPE investment	337,957	—	—
Payment of Business Combination costs	(31,638)	—	—
Redemption of Class A and Class B shares	(20,145)	—	—
Redemption of Incentive Units	(3,627)	—	—
Net cash provided by financing activities	167,250	9,680	28,811
Net increase (decrease) in cash, cash equivalents, and restricted cash	20,656	(17,298)	30,597
Beginning cash, cash equivalents, and restricted cash	18,334	35,632	5,035
Ending cash, cash equivalents, and restricted cash	\$ 38,990	\$ 18,334	\$ 35,632

See notes to consolidated financial statements.

BRC Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Amounts in Thousands)

	Year Ended December 31		
	2022	2021	2020
Non-cash operating activities			
Accrued other assets	\$ —	\$ 750	\$ —
Deferred transaction costs	\$ —	\$ 1,214	\$ —
Recognition of right-of-use operating lease assets	\$ 20,050	\$ —	\$ —
Non-cash investing and financing activities			
Series A preferred equity exchange for PIPE shares	\$ 26,203	\$ 1,406	\$ —
Accrued Series A preferred equity distribution and related discount amortization	\$ 5,390	\$ 27,510	\$ 870
Capital expenditures financed through credit facilities and capital leases	\$ —	\$ —	\$ 6,430
Accrued capital expenditures	\$ 2,279	\$ 803	\$ 140
Supplemental cash flow information			
Cash paid for income taxes	\$ 277	\$ 147	\$ 114
Cash paid for interest	\$ 1,279	\$ 719	\$ 1,007

See notes to consolidated financial statements.

BRC Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Unit/Share and per Unit/Share Amounts)
December 31, 2022

1. Organization and Nature of Business

BRC Inc., a Delaware public benefit corporation, previously entered into a Business Combination Agreement, dated as of November 2, 2021, as amended by the First Amendment to Business Combination Agreement, dated as of January 4, 2022 (the "First Amendment" and the Business Combination Agreement as so amended, the "Business Combination Agreement"), each by and among BRC Inc., SilverBox Engaged Merger Corp I, a Delaware corporation, Authentic Brands LLC, a Delaware limited liability company, and certain other parties thereto. On February 9, 2022 (the "Closing Date"), as contemplated by the Business Combination Agreement, a series of transactions (the "Business Combination") were completed (the "Closing") for an estimated value of \$1,839,815 as a result of which Authentic Brands became a subsidiary of BRC Inc., with BRC Inc. acting as sole managing member thereof as a public benefit corporation.

BRC Inc. conducts substantially all of its business through its solely managed subsidiary, Authentic Brands, and its subsidiaries which are consolidated in these financial statements. Authentic Brands, through its wholly-owned subsidiaries, purchases, roasts, and sells high quality coffee, coffee accessories, and branded apparel through its online channels and business networks. Authentic Brands also develops and promotes online content for the purpose of growing its brands.

Unless the context indicates otherwise, references to "the Company," "we," "us" and "our" refers to BRC Inc. and its consolidated subsidiaries following the Closing.

2. Summary of Significant Accounting Policies**Basis of Presentation and Consolidation**

The Company has prepared the consolidated financial statements and accompanying notes in accordance with generally accepted accounting principles in the United States of America. The consolidated financial statements reflect the financial position and operating results of the Company including wholly-owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

The Business Combination was accounted for as a reverse recapitalization transaction between entities under common control, whereas Authentic Brands was considered the accounting acquirer and predecessor entity. The Business Combination was reflected as the equivalent of Authentic Brands issuing stock for the net assets of SilverBox, accompanied by a recapitalization with no incremental goodwill or intangible assets recognized.

Authentic Brands was determined to be the predecessor entity to the Business Combination based on a number of considerations, including:

- Authentic Brands former management making up the majority of the management team of BRC Inc.;
- Authentic Brands former management nominating or representing the majority of BRC Inc.'s board of directors;
- Authentic Brands representing the majority of the continuing operations of BRC Inc.; and
- The chief executive officer of Authentic Brands having voting control of the combined company.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities in the consolidated financial statements and accompanying notes. Such estimates include but are not limited to estimated losses on accounts receivable, inventory reserves, undiscounted future cash flows and the fair value of assets or asset groups for the purpose of assessing impairment of long-lived assets, liabilities for contingencies, equity-based compensation, estimates for sales returns and related allowance, loyalty rewards, and deferred revenue. Actual results could differ materially from those estimates.

Revenue from Contracts with Customers

The Company adopted the provisions of Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, or Accounting Standards Codification 606 (“ASC 606”) on January 1, 2019. There were no impacts to the timing of revenue recognition upon the adoption of the standard. Revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products. Revenue also excludes any amounts collected on behalf of third parties, including sales and indirect taxes. Revenue recognition is evaluated through the following five steps:

1. Identification of the contract with a customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contract; and
5. Recognition of revenue when or as a performance obligation is satisfied.

Sources and Timing of Revenue

The Company’s revenue is derived from product sales through its e-commerce websites and direct to businesses. In addition, the Company derives revenues from Company-operated store locations, and franchise and license agreements. Revenues from the sale of products and merchandise are recognized when control of the product passes to the customer, typically at the date of delivery of the merchandise to the customer and in an amount that reflects the expected consideration to be received in exchange for such goods. As such, customer orders are recorded as deferred revenue prior to delivery of products. As the Company ships high volumes of packages through multiple carriers, it is not practical for the Company to track the actual delivery date of each shipment. Therefore, the Company uses estimates to determine which shipments are delivered and, therefore, recognize revenue at the end of the period. Delivery date estimates are based on average transit times calculated based on factors such as the type of carrier, the fulfillment source, the delivery destination and historical transit time experience. Actual shipping times may differ from the Company’s estimates. Costs to obtain or fulfill a contract with a customer are expensed as incurred and are generally not significant.

Revenues from Company-operated stores are recognized when payment is tendered at the point of sale as the performance obligation has been satisfied. Store revenues are reported excluding sales, use or other transaction taxes that are collected from customers and remitted to taxing authorities.

Deferred Revenue

Deferred revenue consists of amounts billed to or received from customers prior to delivery of products. The Company recognizes such amounts in revenues as the product is delivered.

Gift Cards

Gift cards are offered through the Company’s e-commerce websites through the form of an e-certificate. When a gift card is purchased, the Company recognizes a corresponding liability for the full amount of the gift card, which is recorded in “Deferred revenue and gift card liability” on the consolidated balance sheets. Gift cards can be redeemed online and on the Company’s website. When a gift card is redeemed, the Company reduces the corresponding liability and recognizes revenue. There are no expiration dates to the gift cards. While the Company will continue to honor all gift cards presented for payment, the Company may determine the likelihood of redemption, based on historical experience, is deemed to be remote for certain cards due to long periods of inactivity. In these circumstances if the Company also determines there is no requirement for remitting balances to government agencies under unclaimed property laws, unredeemed card balances may then be recognized as breakage income, which is included in “Revenue, net” on the consolidated statements of operations. The Company recorded no breakage income for the years ended December 31, 2022, 2021 and 2020.

Loyalty Rewards Program

In August 2020, BRCC LLC established its BRCC Loyalty Points rewards program (the “Loyalty Program”), which is primarily a spend-based program. BRCC’s customers who establish an online account are enrolled in the Loyalty Program. Under the program, there are two levels in which customers can participate. Subscription customers (in the BRCC Coffee Club or subscribed to another subscription product type) are considered to be in the highest tier and earn 3.0% on

purchases. Non-subscription customers earn 1.0% on purchases. In addition to earning points on purchases, customers can earn points through other activities. BRCC reserves the right in its sole discretion to modify, change, add, or remove activities which can be accomplished to earn points at any time. Under the Loyalty Program, customers may redeem rewards as they reach minimum thresholds per reward. The Company reserves the right to modify, change, add, or remove rewards and their points thresholds at any time. BRCC loyalty points will expire if there is no account activity (i.e., if there is no new purchase made or order placed) in a period of twelve months. Conversion of rewards are non-changeable after redemption, have no cash value, and are non-transferrable. A portion of rewards are expected to expire and not be redeemed and will be recognized as income over time. Based on historical expiration rates, the Company estimates a certain percentage of rewards to expire and reassesses this estimate on a quarterly basis. The Company recognized \$1,033 and \$368 of income related to expired rewards for the years ending December 31, 2022 and 2021, respectively, which was included in "Revenue, net" on the consolidated statement of operations.

The Company defers revenue associated with the points earned through purchases that are expected to be redeemed, net of estimated unredeemed loyalty points. When a customer redeems an earned reward, the Company recognizes revenue for the redeemed product and reduces the related deferred revenue liability. The deferred revenue liability is included in "Deferred revenue and gift card liability" on the consolidated balance sheets.

For those points that are earned through other activities, the Company recognizes the redemption of these points as a discount to the transaction price at time of sale.

The following table provides information about changes in our deferred revenue and gift card liability during the years ended December 31, 2022 and 2021:

January 1, 2021	\$	4,615
Increase from deferral of revenue		7,782
Decrease from revenue recognition		(5,063)
December 31, 2021	\$	7,334
Increase from deferral of revenue		7,426
Decrease from revenue recognition		(5,255)
December 31, 2022	\$	9,505

Franchise Store Revenues

Franchise rights may be granted through franchise agreements that set out the terms of the arrangement with the franchisee. The franchise agreements require that the franchisee remit continuing fees to the Company as a percentage of the applicable store's revenues in exchange for the license of the intellectual property associated with BRCC's brands. In addition, a portion of these fees are used for national marketing campaigns. Continuing fees represent a portion of the consideration the Company receives under the franchise agreement. Continuing fees are typically billed and paid monthly. Continuing fees are recognized as the related store sales occur.

Under the franchise agreement, BRCC sells product to its franchisees. The revenue associated with these product sales are recognized when control of the product passes to the franchisee, typically at the date of delivery of the merchandise to the franchisee and in an amount that reflects the expected consideration to be received in exchange for such goods.

The franchise agreements also typically require upfront franchise fees such as initial fees paid for the execution of a franchise agreement. The fees associated with these agreements are typically billed and paid when a new franchise agreement becomes effective. The Company has determined that the services it provides in exchange for upfront franchise fees, which primarily relate to pre-opening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services provided to the Company's franchisees. As a result, upfront franchise fees are recognized as revenue over the term of each respective franchise agreement, generally 10 years. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property. Revenues from continuing fees and upfront franchise fees are presented within Revenue in the consolidated statements of operations.

License Revenues

License rights may be granted through license agreements that set out the terms of the Company's arrangement with the licensee. The Company's license agreements require that the licensee remit continuing fees to the Company as a percentage of the applicable store's revenues in exchange for the license of the intellectual property associated with

BRCC's brands. In addition, licensed store revenues consist of product sales to the licensee. The revenue associated with these product sales are recognized when control of the product passes to the licensee, typically at the date of delivery of the merchandise to the licensee and in an amount that reflects the expected consideration to be received in exchange for such goods. Continuing fees are recognized as the related store sales occur.

The Company's license agreements also typically require upfront license fees such as initial fees paid for the execution of a license agreement. The fees associated with these agreements are typically billed and paid when a new license agreement becomes effective. The Company has determined the services it provides in exchange for upfront license fees, which primarily relate to initial license set up and are not individually distinct from the ongoing services it provides to its licensees. As a result, upfront license fees are recognized as revenue over the term of each respective license agreement, generally 10 years. Revenues for these upfront license fees are recognized on a straight-line basis, which is consistent with the licensee's right to use and benefit from the intellectual property. Revenues from continuing fees and upfront license fees are presented within "Revenue, net" in the consolidated statements of operations.

Disaggregation of Revenue

The Company disaggregates revenue by sales channel. The Direct to Consumer channel is principally comprised of revenue from our e-commerce websites and subscription services directly to the consumer. The Wholesale channel includes product revenue sold to an intermediary and not directly to the consumer. The Outpost channel includes revenue from Company-operated stores, gift cards, franchise store and licensing.

The following table disaggregates revenue by sales channel:

	December 31		
	2022	2021	2020
Direct to Consumer	\$ 159,022	\$ 165,299	\$ 137,724
Wholesale	119,360	55,761	23,351
Outpost	22,931	12,041	2,834
Total net sales	<u>\$ 301,313</u>	<u>\$ 233,101</u>	<u>\$ 163,909</u>

Substantially all revenue is generated from customers located in the United States. One customer and their affiliate represents 12% of revenue for the year ended December 31, 2022. No customers for the years ended December 31, 2021 and 2020 exceeded 10% of revenue.

Sales Returns and Discounts

The Company's product sales contracts include terms that could cause variability in the transaction price for items such as discounts, credits, charge backs, or sales returns. Accordingly, the transaction price for product sales includes estimates of variable consideration to the extent it is probable that a significant reversal of revenue recognized will not occur.

The Company inspects returned items when they arrive at its processing facilities. The Company refunds the full cost of the merchandise returned if the returned item is defective or the Company or its partners have made an error, such as shipping the wrong product. If the return is not a result of a product defect or a fulfillment error and the customer initiates a return of an unopened item within 30 days of delivery, for most products the Company refunds the full cost of the merchandise less the original shipping charge and actual return shipping fees. If the customer returns an item that has been opened or shows signs of wear, the Company issues a partial refund minus the original shipping charge and actual return shipping fees. Coffee products are not eligible for returns. Revenue is recorded net of estimated returns. The Company records an allowance for returns based on current period revenues and historical returns experience. The Company analyzes actual historical returns, current economic trends and changes in order volume and acceptance of its products when evaluating the adequacy of the sales returns allowance in any accounting period. The allowance for sales returns and charge backs was \$942 and \$199 as of December 31, 2022 and 2021, respectively, and included in accounts receivable.

Shipping and Handling Fees and Costs

Shipping and handling is considered a fulfillment activity, as it takes place prior to the customer obtaining control of the merchandise, and fees charged to customers are included in net revenue upon completion of the performance obligation.

Segment Information

The Company reports operations as a single reportable segment and manages the business as a single-brand consumer products business. This is supported by the operational structure, which includes sales, product design, operations, marketing, and administrative functions focused on the entire product suite rather than individual product categories or sales channels. Our chief operating decision maker reviews financial information on a consolidated basis and does not regularly review financial information for individual sales channels, product categories or geographic regions that would allow decisions to be made about allocation of resources or performance.

Cost of Goods Sold

Cost of goods sold includes product costs, labor costs, occupancy costs, outbound shipping costs, handling and fulfillment costs, credit card fees, and royalty fees, and is recorded in the period incurred.

Cash, and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents also include proceeds due from credit card transactions with settlement terms of less than five days. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances, and it believes credit risk to be minimal.

Accounts Receivable

Accounts receivable consist primarily of trade amounts due from business customers at period end. Accounts receivable are recorded at invoiced amounts and do not bear interest. From time to time, the Company grants credit to some of its business customers on normal credit terms. The Company maintains an allowance for doubtful accounts receivable based upon its business customers’ financial condition and payment history, and its historical collection experience and expected collectability of accounts receivable. The allowance for doubtful accounts receivable was \$156 and \$112 as of December 31, 2022 and 2021, respectively.

Inventories

Inventories are stated at the lower of standard cost, which approximates First In , First Out (FIFO), or net realizable value. The Company records inventory reserves for obsolete and slow-moving inventory. Inventory reserves are based on inventory obsolescence trends, historical experience and application of the specific identification method. Finished goods includes allocations of labor and occupancy expenses.

Property and Equipment

Property and equipment are stated at cost with depreciation calculated using the straight-line method over the estimated useful lives of the related assets or the term of the related finance lease, whichever is shorter. Leasehold improvements are amortized over the shorter of the term of the related leases or estimated useful lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in earnings for the period. The cost of maintenance and repairs are charged to earnings as incurred; significant renewals and improvements are capitalized.

Estimated useful lives are as follows:

	Estimated Useful Lives
Land	—
Building and Leasehold improvements	5 – 39 years
Computer equipment and software	3 years
Machinery and equipment	5 – 15 years
Vehicles	5 years

Internal Use Software

In accordance with ASC 350-40, Intangibles — Goodwill and Other, Internal-Use Software (ASC 350-40), the Company capitalizes qualifying internal use software costs that are incurred during the application development stage if management with the relevant authority authorizes the project, it is probable the project will be completed, and the software will be used to perform the function intended. Capitalized internal use software costs are reported in property and equipment on the consolidated balance sheets and are amortized over the expected economic life of three years using the straight-line method once the software is ready for intended use. Costs incurred for enhancements that are expected to result in additional significant functionality are capitalized and amortized over the estimated useful life of the enhancement. Costs related to preliminary project activities and post-implementation activities, including training and maintenance, are expensed as incurred. Capitalized software costs net of accumulated amortization are included as a component of property and equipment in the consolidated balance sheets.

Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets, such as property and equipment and identifiable intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset or asset group from the expected future undiscounted pre-tax cash flows of the related operations. If these undiscounted cash flows are less than the carrying amount of the related asset, an impairment is recognized for the excess of the carrying value over its fair value. No impairment loss was recognized for the years ended December 31, 2022, 2021 and 2020.

Leases

The Company leases certain property and equipment under non-cancelable finance and operating leases which expire at various dates through 2026. The Company's operating leases relate to roasting facilities in Tennessee and retail stores.

At the inception of each lease, the Company determines the appropriate classification for each lease as operating or finance. The Company has estimated that the lease term for retail stores is generally 10 to 15 years. Any initial direct costs are capitalized and amortized over the life of the lease.

Operating Leases

Operating leases can contain escalating rentals over the lease term, as well as optional renewal periods. Rent expense for operating leases is recorded on a straight-line basis over the lease term and begins when the Company has the right to use the property. Any difference between rent expense and cash payment is recorded as deferred rent on the accompanying consolidated balance sheets. Tenant incentives used to fund leasehold improvements are recorded in deferred rent and amortized as reductions to rent expense over the term of the lease.

Finance Leases

Property under finance leases is stated at the net present value of the related minimum lease payments at lease inception and amortized over the initial lease term.

Income Taxes

The Company accounts for income taxes under the liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided if it is determined that it is more likely than not that the DTA will not be realized. The Company records interest and penalty expense related to income taxes as interest and other expense, respectively.

The Company evaluates and accounts for uncertain tax positions using a two-step approach: Step 1. Recognition – occurs when the Company concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustainable upon examination. Step 2. Measurement – determines the amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Derecognition of a tax position that was previously recognized would occur when the Company subsequently determines that a tax position no longer meets the more likely-than-not threshold of being sustained.

Equity-Based Compensation

The Company recognizes the cost of equity-based compensation awards and incentive unit awards based on the fair value estimated in accordance with FASB ASC 718, *Stock Based Compensation* (ASC 718). The Company records equity-based compensation expense for awards with only a service based vesting condition based on the fair value of such awards at the grant date and recognizes compensation expense on a straight-line basis over the requisite service period. Equity-based compensation expense for awards with market based vesting conditions is recorded based on the fair value of such awards at the grant date and recognized on an accelerated basis over the requisite service period. The assumptions used to calculate the fair value of equity awards granted are evaluated and revised, as necessary, to reflect the Company's historical experience and current market conditions. For more information, see Note 13, *Equity-Based Compensation*.

Earnings per Share

Basic net loss per share is calculated by dividing net loss attributable to Class A common stockholders by the weighted-average shares of Class A common shares outstanding without the consideration for potential dilutive securities. Diluted net loss per share represents basic net loss per share adjusted to include the potentially dilutive effect of outstanding unvested share awards, and units of Authentic Brands designated as common units (the "Common Units") and restricted units (the "Restricted Common Units") in the Third Amended and Restated Limited Liability Company Operating Agreement of Authentic Brands (the "LLC Agreement") that are exchangeable into shares of Class A common stock. Diluted net loss per share is computed by dividing the net income attributable to Class A common shareholders by the weighted-average number of shares of Class A common stock outstanding for the period determined using the treasury stock method and if-converted method, as applicable. For more information, see Note 16, *Net Loss Per Share*.

Concentrations of Credit Risk

The Company's assets that are potentially subject to concentrations of credit risk are cash and accounts receivable. Cash balances are maintained in financial institutions which at times exceed federally insured limits. The Company monitors the financial condition of the financial institutions in which its accounts are maintained and has not experienced any losses in such accounts. The accounts receivable of the Company are spread over a number of customers, of which three customers accounted for 51.0% of total outstanding receivables as of December 31, 2022 and one customer accounted for 19.0% of total outstanding receivables as of December 31, 2021. The Company performs ongoing credit evaluations as to the financial condition of its customers and creditors with respect to trade accounts.

Marketing and Advertising Expenses

The Company's marketing and advertising expenses are primarily internet marketing expenses, commercial sponsorships and advertising time slots. Marketing expenses are recognized as incurred based on the terms of the individual agreements, which are generally, but not limited to: a commission for traffic driven to its websites that generate a sale, programmatic targeting advertisements, national television and radio advertisements, or payments to social media influencers. We may also enter into marketing service agreements with third party production and content providers where we prepay for certain services or deliverables. Prepaid marketing and advertising expenses totaled \$1,050 and \$1,941 for the years ended December 31, 2022 and 2021, respectively.

Fair Value Measurements

The Company's financial instruments consist primarily of accounts receivable, accounts payable and long-term debt. The carrying amounts of accounts receivable and accounts payable are representative of their respective fair values due to the short-term maturity of these instruments. The fair value of variable rate long-term debt is based upon the current market rates for debt with similar credit risk and maturity, which approximated its carrying value, as interest is based upon the Bloomberg Short-Term Bank Yield Index or Prime rates plus an applicable floating margin. In measuring fair value, the Company reflects the impact of credit risk on liabilities, as well as any collateral. The Company also considers the credit standing of counterparties in measuring the fair value of assets.

The Company uses any of three valuation techniques to measure fair value: the market approach, the income approach, and the cost approach in determining the appropriate valuation technique based on the nature of the asset or liability being measured and the reliability of the inputs used in arriving at fair value.

The Company follows the provisions of ASC 820, *Fair Value Measurements* (ASC 820) for non-financial assets and liabilities measured on a non-recurring basis.

The inputs used in applying valuation techniques include assumptions that market participants would use in pricing the asset or liability (i.e., assumptions about risk). Inputs may be observable or unobservable. The Company uses observable

inputs in the Company's valuation techniques and classifies those inputs in accordance with the fair value hierarchy established by applicable accounting guidance, which prioritizes those inputs. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels are defined as follows:

Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 — inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Series A Redeemable Preferred Equity

The Company accounted for its preferred equity as temporary equity, given the Series A preferred units were probable of becoming redeemable (i.e., exercise of the exit rights is the passage of time). The Series A preferred units had been subsequently remeasured by accreting changes in the redemption value from the date of issuance to the expected redemption date using the effective interest method. The Series A preferred units were redeemed in February 2022 in connection with the Business Combination. For more information, see Note 12, *Series A Redeemable Preferred Equity and Derivative Liability*.

Comprehensive Income (Loss)

Comprehensive income (loss) is equivalent to net income (loss) in each of the periods presented. As such, no statement of comprehensive income (loss) is presented.

New Accounting Pronouncements

On January 1, 2022, the Company adopted a new standard from the FASB which simplified guidance on an issuer's accounting for convertible instruments and contracts in an entity's own equity. It also amended certain guidance related to the computation of earnings per share for convertible instruments and contracts in an entity's own equity. There was no material impact to the Company's financial statements as a result of this adoption.

On January 1, 2022, the Company adopted new guidance from the FASB on the recognition and measurement of leased assets and liabilities utilizing the modified retrospective approach. As a result, the prior period information reported under the previous lease guidance has not been restated.

As permitted under the new guidance, the Company elected certain practical expedients, which allowed us to retain our prior conclusions regarding lease identification, classification and initial direct costs. For our lease agreements with lease and non-lease components, we elected the practical expedient to account for these as a single lease component for all underlying classes of assets. Upon adoption, we elected to use hindsight for our existing leases in determining lease term and in assessing impairment. Additionally, for short-term leases with an initial lease term of 12 months or could reasonably be certain will not be exercised or material to the financial statements, we elected to not record right-of-use assets or corresponding lease obligations on our consolidated balance sheet. We will continue to record rent expense for each short-term lease on a straight-line basis over the lease term.

The new guidance had a material impact on our consolidated balance sheet; however, it did not have a material impact on our consolidated statement of operations. The most material impact was the recognition of right-of-use assets of \$7,560, with corresponding lease liabilities of \$7,689 relating to our operating leases. Existing deferred rent of approximately \$129, previously recorded within other long-term liabilities, was recorded as an offset to our gross operating lease right-of-use assets. See Note 8 *Leases*, for further discussion regarding the adoption of this guidance.

The FASB issued a new credit loss standard that introduces a new credit loss methodology for estimating allowances for credit losses. The standard requires measurement and recognition of expected credit losses for financial assets held by

the Company be recognized immediately over the remaining life of the financial assets. The estimate of expected losses is based on information about past and current economic conditions and reasonable forecasts of future economic conditions that affect financial assets deemed uncollectible. The new standard takes effect in fiscal years beginning after December 15, 2022 and upon adoption, we do not expect the new standard to have a material impact to the consolidated financial statements.

On August 16, 2022, the Inflation Reduction Act ("IRA") was signed into law. The IRA introduces a 15% corporate alternative minimum tax ("CAMT") for corporations whose average annual adjusted financial statement income for any consecutive three-tax-year period preceding the applicable tax year exceeds \$1 billion, and a 1% excise tax on certain stock repurchases. The CAMT and the excise tax are effective in taxable years beginning after December 31, 2022. The Company is evaluating the provisions of the new law and its potential impact but we do not expect the enactment of these provisions to have a material impact to the consolidated financial statements.

3. Product Sales and Marketing Services Agreement

The Company entered into a product sales and marketing services agreement (the "Agreement") with a large retailer to sell select coffee products and merchandise items to the retailer to be sold in the retailer's stores and website. The Agreement was effective January 28, 2020 and is to continue through April 2, 2025. After this initial term, the Agreement automatically renews for an additional two years until terminated in accordance with its terms.

The revenues associated to product sales to the retailer are recognized when control of the product passes to the retailer, typically at the date of delivery of the merchandise to the retailer and in an amount that reflects the expected consideration to be received in exchange for such goods. In addition to product sales, the Agreement provides a licensing agreement with the retailer and its suppliers. The licensing agreement provides the retailer and its suppliers license rights to the intellectual property of select BRCC brands. These license rights provide the retailer the ability to manufacture its own BRCC branded soft goods and hard goods. License fees are recognized as the related purchases occur by the retailer. For the year ended December 31, 2022, the Company's revenues related to the Agreement for product sales and license fees were \$6,355 and \$924, respectively. For the year ended December 31, 2021, the Company's revenues related to the Agreement for product sales and licenses fees were \$,121 and \$1,111, respectively.

As part of the Agreement, the Company entered into a marketing services agreement, which is effective through April 2, 2025. As part of the marketing services agreement, the Company granted 5,430 Class B common units in the Company which vest over a 30-month period from date of grant. The equity grant date is January 28, 2020, and total expense related to the equity award was \$3,725.

In December 2021, the Agreement was amended to reduce the marketing service fees paid to the retailer over the term of the Agreement. The Company has accrued marketing expenses relating to the Agreement of \$250 and \$950 at December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, the Company recognized marketing expenses of \$1,849 and \$1,606, respectively.

The following is the amended future minimum cash payments due to the retailer:

2023	\$	1,000
2024		1,000
2025		500
Total	\$	<u>2,500</u>

The marketing services agreement is a separate distinct service from the product supply agreement. The Company will expense the costs associated with the Agreement in accordance with applicable guidance related to similar transactions.

4. Inventories

Inventories consist of the following:

	December 31	
	2022	2021
Coffee:		
Unroasted	\$ 4,867	\$ 2,578
Finished Goods	15,365	6,681
Ready-to-Drink (raw materials)	16,610	—
Ready-to-Drink (finished goods)	33,413	3,727
Apparel and other merchandise	6,928	7,886
Inventories	<u>\$ 77,183</u>	<u>\$ 20,872</u>

5. Property and Equipment, Net and Other Assets

Property and equipment, net consists of the following:

	December 31	
	2022	2021
Land	\$ 3,245	\$ 2,196
Buildings	651	—
Building and leasehold improvements	24,373	11,273
Computer equipment and software	6,071	3,474
Machinery and equipment	15,977	8,323
Vehicles	1,283	1,057
Furniture and Fixtures	1,804	961
Construction in progress	15,780	9,236
	<u>69,184</u>	<u>36,520</u>
Less: accumulated depreciation and amortization	(9,733)	(5,406)
Property and Equipment, net	<u>\$ 59,451</u>	<u>\$ 31,114</u>

The portion of depreciation expense related to production and distribution facilities is included in cost of goods sold including occupancy costs on the consolidated statements of operations. Depreciation expense recorded in cost of goods sold and general and administrative expenses was as follows:

	December 31		
	2022	2021	2020
Cost of goods sold	\$ 831	\$ 773	\$ 586
General and administrative	3,519	2,073	764
Total depreciation expense	<u>\$ 4,350</u>	<u>\$ 2,846</u>	<u>\$ 1,350</u>

The total depreciation expense for internal use software included in the above table was \$732, \$798 and \$138 for the years ended December 31, 2022, 2021 and 2020, respectively.

Substantially all long-lived assets are located in the United States.

Other Assets

In August 2021, the Company entered into an agreement with a related party, whereby the Company agreed to reimburse the related party for initial direct costs incurred totaling \$1,000 for establishing retail coffee shop locations in the Phoenix, Arizona metropolitan area. After additional site evaluation in the fourth quarter 2021, the direct costs were subsequently written down to \$571 as some locations will not be utilized.

In the fourth quarter of 2022, additional site evaluations were completed and an additional \$31 was written off as the decision was made to not utilize certain sites. The remaining direct costs are included in Other assets for the respective Outposts and will be amortized over the life of the completed lease agreements.

6. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31	
	2022	2021
Accrued compensation and benefits	\$ 7,393	\$ 2,799
Accrued marketing	3,077	3,323
Accrued Series A preferred equity distribution	—	2,650
Accrued freight	2,153	1,912
Accrued sales taxes	1,179	1,364
Accrued inventory purchases	15,035	—
Credit card liabilities	888	4,759
Other accrued expenses	6,935	5,426
Total	\$ 36,660	\$ 22,233

7. Long-Term Debt

The Company's long-term debt was as follows:

	December 31	
	2022	2021
Mortgages	\$ 7,102	\$ 7,380
Equipment financing loan	3,336	5,067
Retail facility	1,768	1,904
Equipment term loan	3,814	—
Credit facility	—	8,000
Senior Credit Facility	30,000	—
Promissory note	—	10,000
Notes payable	3,540	2,779
Total principal	49,560	35,130
Less debt issuance costs	(400)	(439)
Long-term debt, net	\$ 49,160	\$ 34,691
Current maturities:		
Current maturities of principal	\$ 2,259	\$ 12,273
Less current portion of debt issuance costs	(116)	(294)
Current maturities of long-term debt, net	\$ 2,143	\$ 11,979
Long-term debt:		
Non-current principal	\$ 47,301	\$ 22,857
Less non-current portion of debt issuance costs	(284)	(145)
Long-term debt, net	\$ 47,017	\$ 22,712

Future contractual maturities of credit facilities and other debt as of December 31, 2022 are as follows:

Year ending December 31:	
2023	\$ 2,259
2024	2,885
2025	7,220
2026	3,542
Thereafter	33,654
	\$ 49,560

Debt Issuance Costs

The Company capitalizes fees associated with the origination of its credit facilities and other debt which are presented in the consolidated balance sheets as a direct deduction from the carrying amount of the related loans. The debt issuance costs are amortized using the effective interest method. The Company incurred debt issuance costs of \$288 and \$338 for the years ended December 31, 2022 and 2021, respectively. Amortization of the debt issuance costs for the years ended December 31, 2022, 2021 and 2020 was \$317, \$358 and \$133, respectively, and are included in interest expense in the consolidated statements of operations.

Mortgages

In July 2020, the Company entered into mortgage loan agreements to refinance the purchase of buildings for a total of \$500 at an interest rate of 3.67% per annum. The loans are secured by the real property financed. The loans mature on July 29, 2025. The loans are payable in monthly installments of principal and interest of \$32 commencing on August 29, 2020.

In April 2021, the Company entered into a mortgage loan agreement to purchase a building for a total of \$2,200 at an interest rate of 3.60% per annum. The loan is secured by the real property financed. The loan matures on April 29, 2026. The loan is payable in monthly installments of principal and interest of \$13 that commenced on May 29, 2021.

Equipment Financing Loan

In July 2020, the Company entered into an equipment financing agreement which provided a credit line totaling \$3,250 at an interest rate of Bloomberg Short Term Bank Yield Index plus 3.50%. The credit line is secured by the equipment financed.

In April 2021, the Company increased its equipment credit line by \$10,000. Further, in July 2021, an additional \$6,000 was added to the available credit on the equipment finance loan. In September 2021, \$1,998 outstanding on the equipment credit line was converted to a 60-month term loan at an interest rate of 4.05% to be utilized for retail expansion ("Retail Facility").

Equipment Term Loan

In August 2022, borrowings under the equipment financing loan of \$4,043 were converted into the Equipment Term Loan (the "Term Loan"). The Term Loan is secured by the equipment financed and matures in June 2029 bearing an interest rate of 6.88%.

Credit Facility

In April 2021, the Company entered into a \$10,000 revolving line of credit agreement ("Credit Facility").

In November 2021, the Company entered into an amendment to increase the Credit Facility to \$25,000. Interest only payments were due and payable in installments commencing November 30, 2021 and continue regularly until the entire amount outstanding is due on June 30, 2023. As of December 31, 2022, no amounts were outstanding under the Credit Facility.

Senior Credit Facility

In November 2022, Authentic Brands and certain of its subsidiaries entered into a new credit agreement with Regions Bank, which provides for a revolving credit facility of up to \$65,000, subject to a borrowing base determined from eligible accounts receivable and inventory (the "Senior Credit Facility"). In connection with the entry into the Senior Credit Facility, Authentic Brands and certain of its subsidiaries each granted a security interest in and liens upon substantially all of their assets in favor of the lender to secure obligations under the Senior Credit Facility. As of December 31, 2022, Authentic Brands has available credit under the Senior Credit Facility of \$21,194. The Senior Credit Facility bears a variable interest rate based on the BSBY plus an applicable margin of either (i) 2.25% if excess borrowing availability is less than or equal to fifty percent of borrowing base, or (ii) 2.00% if excess borrowing availability is greater than fifty percent of borrowing base and matures in November 2027.

The Senior Credit Facility contains customary representations and affirmative and negative covenants, including limitations on Authentic Brands' and its subsidiaries' ability to incur additional debt, grant or permit additional liens, make investments and acquisitions, merge or consolidate with others, dispose of assets, pay dividends and distributions, and enter into affiliate transactions, in each case, subject to customary exceptions. In addition, the Senior Credit Facility contains financial covenants requiring Authentic Brands to maintain (i) minimum liquidity (as defined in the credit agreement) of at least \$5,000, and (ii) a fixed charge coverage ratio (as defined in the credit agreement) of not less than 1:00 to 1:00, measured on a trailing 12-month basis beginning in March 2024 and for each month thereafter. At December 31, 2022, the Company was in compliance with such covenants. The Senior Credit Facility also includes events of default customary for

facilities of this type and upon the occurrence of such events of default, among other things, all outstanding amounts under the Senior Credit Facility may be accelerated and the lender may terminate its commitments thereunder.

Promissory Note

In November 2021, the Company entered into a revolving loan agreement to borrow an aggregate principal amount not to exceed \$5,000 (the "Promissory Note"). The Promissory Note matured on June 30, 2022.

In January 2022, the Company borrowed \$5,000 under the Promissory Note. In February 2022, Authentic Brands repaid the \$15,000 outstanding on the Promissory Note and the Promissory Note was terminated.

Notes Payable Agreements

In May 2021, the Company entered into a note payable agreement for \$65 at an interest rate of 1.07% per annum. The note matures on May 14, 2025. The loan is payable in four annual installments of principal commencing in May 2021. In May 2022, Authentic Brands fully repaid the note payable for \$272.

In July and September 2021, the Company entered into note payable agreements for \$2,588 at an interest rate of approximately 1.00% per annum to repurchase Incentive Units from former employees. The notes are payable in four annual installment payments. As of December 31, 2022, the outstanding balance on this note payable is \$1,941.

In January 2022, the Company entered into a note payable agreement for \$1,599 at an interest rate of 1.30% per annum to repurchase Incentive Units from a former employee. The note matures on January 14, 2026. The loan is payable in four annual installments of principal commencing on January 14, 2023.

Guaranty

In March 2022, BRC Inc. entered into a guaranty agreement to guaranty payment of all the Authentic Brands' outstanding mortgage loans, the equipment financing loan, and the Retail Facility. That guaranty agreement was terminated in November 2022 in connection with the entry into the Senior Credit Facility.

8. Leases

The majority of our leases are operating leases for our Company-operated Outposts. We also lease distribution and warehouse facilities. We do not enter into material lease transactions with related parties. We categorize leases as either operating or finance leases at the commencement date of the lease. Operating lease agreements may contain tenant improvement allowances, rent holidays, rent escalation clauses and/or contingent rent provisions. We have lease agreements with lease and non-lease components, which are accounted for together as a single lease component for underlying classes of assets.

We recognize a right-of-use ("ROU") asset and lease liability for each operating lease with a contractual term greater than 12 months at the time of lease inception. We do not record leases with an initial term of 12 months or less on our consolidated balance sheet but continue to record rent expense on a straight-line basis over the lease term. Our leases often include options to extend or terminate at our sole discretion, which are included in the determination of lease term when they are reasonably certain to be exercised.

Our lease liability represents the present value of future lease payments over the lease term. We cannot determine the interest rate implicit in each of our leases. Therefore, we use market and term-specific incremental borrowing rates. Our incremental borrowing rate for a lease is the rate of interest we expect to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. We considered a combination of factors, including the rates that we currently pay on our lines of credit, lease terms and the effect of adjusting the rate to reflect the term consideration of collateral. Our credit-adjusted risk-free rate takes into consideration the interest rate we pay on our Retail Facility.

Total lease costs recorded as rent and other occupancy costs include fixed operating lease costs and short-term lease costs. Our real estate leases may require we pay certain expenses, such as common area maintenance costs, real estate taxes and other executory costs, of which any fixed portion would be included in operating lease costs. We recognize operating lease costs on a straight-line basis over the lease term. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. A significant majority of our leases are related to our Company-operated Outposts, and their related costs are recorded within General and administrative expenses on the statement of operations.

The ROU asset is measured at the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, initial direct costs, and any material tenant improvement allowances reasonably certain to be received. For operating leases, ROU assets are reduced over the lease term by the recognized straight-line lease expense less the amount of accretion of the lease liability determined using the effective interest method. For finance leases, assets are amortized on a straight-line basis over the shorter of the useful life of the leased asset or the lease term. Interest expense on each finance lease liability is recognized utilizing the effective interest method. ROU assets are tested for impairment in the same manner as long-lived assets. Additionally, we monitor for events or changes in circumstances that may require a reassessment of one of our leases and determine if a remeasurement is required.

The components of lease costs:

	December 31,	
	2022	
Operating leases costs	\$	1,579
Short-term lease costs		201
Total lease costs	\$	1,780

The following table includes supplemental information:

	December 31,	
	2022	
Weighted-average remaining operating lease term (in years)		9
Weighted-average operating lease discount rate		4.56%

Cash paid related to operating lease liabilities was \$1,600 for the year ended December 31, 2022.

The total operating lease liability arising from ROU assets was \$3,777 for the year ended December 31, 2022. This amount excludes the initial impact of adoption. See Note 2, *Summary of Significant Accounting Policies*, for additional information.

Finance lease assets are recorded in property, plant, and equipment, net with the corresponding finance lease liabilities on the consolidated balance sheet. Finance leases were immaterial as of December 31, 2022.

Minimum future maturities of operating lease liabilities as of December 31, 2022 were as follows:

2023	\$	5,973
2024		7,363
2025		7,316
2026		7,352
Thereafter		81,718
Total lease payments		109,722
Less imputed interest		(30,330)
Total	\$	79,392

As of December 31, 2022, we have entered into operating leases that have not yet commenced of \$6,843, primarily related to real estate leases. These leases will commence between fiscal year 2023 and fiscal year 2024 with lease terms of 10 years to 20 years.

Previous Lease Guidance Disclosures

Rent expense for operating lease agreements under the previous lease guidance, which excludes certain amounts required under the new guidance, was \$1,224 and \$820 for years ended December 31, 2021 and 2020 respectively.

The minimum future rental payments under non-cancelable operating leases and finance leases under the previous lease guidance as of December 31, 2022:

	Operating Leases	Finance Leases
Year ending December 31:		
2022	\$ 2,966	\$ 106
2023	3,233	95
2024	3,381	102
2025	3,323	50
2026	3,358	4
Total minimum lease payments	<u>\$ 16,261</u>	<u>\$ 357</u>
<i>Finance Leases:</i>		
Less amount representing interest		44
Present value of net minimum lease payments		313
Less current portion		85
Finance lease obligations, net of current maturities		<u>\$ 228</u>

9. Earn-out Liability

At the Closing, certain stockholders were entitled to receive up to 21,241,250 earn-out shares, in the form of Common Units of Authentic Brands and Class A Common Stock of the Company, if certain milestones were satisfied. A total of 50.0% of the earn-out shares were issuable ("First Tier Vesting Event"), in the aggregate, if the volume weighted average trading price of the Company's Class A Common Stock was \$15.00 or greater for any 20 trading days within a period of 30 trading days prior to the fifth anniversary of the Closing. The remaining 50.0% of earn-out shares were issuable ("Second Tier Vesting Event"), in the aggregate, if the volume weighted average trading price of the Company's Class A Common Stock was \$20.00 or greater for any 20 trading days within a period of 30 trading days prior to the seventh anniversary of the Closing.

In March 2022, the First Tier Vesting Event occurred, as a result of which 694,062 shares of Class C Common Stock (as defined below) were exchanged for 694,062 shares of Class A Common Stock and 9,926,563 Restricted Common Units of Authentic Brands were converted into Common Units of Authentic Brands and BRC Inc. issued 9,926,563 shares of Class B Common Stock to the holders thereof.

In April 2022, the Second Tier Vesting Event occurred, as a result of which 694,063 shares of Class C Common Stock were exchanged for 694,063 shares of Class A Common Stock and 9,926,562 Restricted Common Units of Authentic Brands were converted into Common Units of Authentic Brands and BRC Inc. issued 9,926,562 shares of Class B Common Stock to the holders thereof.

The earn-out liabilities were initially measured at fair value at the Closing and subsequently remeasured at the end of each reporting period and vesting dates. The changes in fair value of the earn-out liabilities were recorded as Non-operating income (expense), net in the consolidated statement of operations.

The following table is a summary of the earn-out liability changes in fair value and the reported balances:

	Total
Initial fair value, as of February 9, 2022	\$ 218,678
Loss on change in fair value	171,098
First Tier Vesting Event	(172,372)
Loss on change in fair value	38,553
Second Tier Vesting Event	(255,957)
Balance as of December 31, 2022	<u>\$ —</u>

10. Warrant Liability

In connection with the Business Combination, the Company assumed from SilverBox 11,499,974 public warrants and 6,266,667 private placement warrants. Each warrant entitled its holder to purchase one share of Class A Common Stock at an exercise price of \$11.50 per share, subject to certain adjustments.

In May 2022, the Company redeemed all of its outstanding public and private placement warrants in accordance with a warrant agreement between Continental Stock Transfer & Trust Company and SilverBox (the "Warrant Agreement"). During the redemption period, the holders of warrants had the option to exercise warrants on a "cashless" basis to receive 0.361 shares of Class A Common Stock per warrant in lieu of receiving the redemption price. In connection with the redemption, 1,396,726 public warrants and 6,266,667 private placement warrants, representing approximately 99.0% of the public warrants and 100.0% of the private placement warrants, respectively, were exercised on a cashless basis in exchange for an aggregate of 6,376,346 shares of Class A Common Stock. A total of 103,218 public warrants remained unexercised in May 2022 and such unexercised public warrants were redeemed for an aggregate redemption price of \$10.00, representing a redemption price of \$0.10 per warrant. Following the redemption, the Company had no warrants outstanding. In connection with the redemption, the warrants ceased trading on the New York Stock Exchange and were delisted.

The warrant liabilities were initially measured at fair value at the Closing and subsequently remeasured at the end of each reporting period. The changes in fair value of the warrant liabilities were recorded as Non-operating income (expense), net in the consolidated statement of operations.

The following table is a summary of the warrants changes in fair value and the reported balances:

	Total
Initial fair value, as of February 9, 2022	\$ 36,484
Loss on change in fair value	62,110
Gain on change in fair value	(5,435)
Warrant redemption	(93,159)
Balance as of December 31, 2022	\$ —

11. Stockholders' Equity

In conjunction with the Business Combination on February 9, 2022, 18,769 class A common units and 73,890 class B common units of Authentic Brands (the holders thereof, the "Existing Members") were converted into an aggregate of 139,106,323 Common Units in Authentic Brands and 19,853,125 Restricted Common Units in Authentic Brands. The Existing Members also received 139,106,323 shares of Class B Common Stock of the Company.

Subsequent to the Business Combination, the Company's authorized capital stock consists of 2,802,500,000 shares including (i) 2,500,000,000 shares of Class A Common Stock, (ii) 300,000,000 shares of Class B Common Stock, (iii) 1,500,000 shares of Class C common stock, par value \$0.0001 per share, and (iv) 1,000,000 shares of Preferred Stock, par value \$0.0001 per share. The Class C Common Stock is divided into two series as follows: (a) 750,000 shares of Series C-1 Common Stock, par value \$0.0001 per share; and (b) 750,000 shares of Series C-2 Common Stock, par value \$0.0001 per share.

Holders of the Company's Class A Common Stock and the Class B Common Stock are each entitled to one vote per share, and holders of the Class C Common Stock do not have any voting rights. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our Class A Common Stock are entitled to receive dividends and other distributions as may from time to time be declared by the our board of directors at its discretion out of legally available Company assets, ratably in proportion to the number of shares held by each such holder, and at such times and in such amounts as the board of directors in its discretion may determine. No dividends or other distributions will be declared or paid on the Class B Common Stock or the Class C Common Stock.

A holder of Class B Common Stock may transfer or assign shares of Class B Common Stock only if such holder also simultaneously transfers an equal number of such holder's Common Units in compliance with and as permitted by the LLC Agreement.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, after payment of debts and other liabilities and after the rights of holders of preferred stock, if any, have been satisfied, the holders of all outstanding shares of Class A Common Stock will be entitled to receive the remaining assets of the Company available for distribution ratably in proportion to the number of shares held by each such stockholder.

The board of directors of the Company may establish one or more classes or series of preferred stock. Our board of directors may determine, with respect to any class or series of preferred stock, the terms and rights of such class or series. We currently do not have any preferred stock issued and outstanding.

Common Units are entitled to share in the profits and losses of Authentic Brands and to receive distributions declared and have no voting rights. Holders of Common Units receive one share of Class B Common Stock, which are voting, non-economic shares in the Company, for each Common Unit they own. From and after a lock-up period and subject to the terms of the LLC Agreement, the Common Unit holders have the option to redeem all or any portion of their Common Units. However, upon redemption, BRC Inc.'s board of directors determines whether the Common Units are redeemed in cash or Class A Common Stock.

Common Units that are redeemed for shares, are exchanged for a number of Class A Common Stock equal to the number of exchanged Common Units. Simultaneously, a number of Class B Common Stock held by the unit holder is surrendered equal to the number of Common Units being redeemed. For Common Units redeemed for cash, cash redemption may only be effected if a concurrent fundraising activity takes place by the Company.

Non-Controlling Interests

Non-controlling interests represents the ownership interests in Authentic Brands held by holders other than BRC Inc. The Business Combination occurred on February 9, 2022. As a result, net loss for the year ended December 31, 2022 was attributed to pre-Business Combination period from January 1, 2022 through February 8, 2022 and to the post-Business Combination period from February 9, 2022 through December 31, 2022. During the pre-Business Combination period, net loss was attributable to Authentic Brands. During the post-Business Combination period, net loss was attributable to BRC Inc. and its respective non-controlling interests. Following the Business Combination, BRC Inc.'s ownership percentage in Authentic Brands controlling and noncontrolling interests was 22.5% and 77.5%, respectively. As of December 31, 2022, BRC Inc.'s ownership percentage in Authentic Brands controlling and non-controlling interests was 27.3% and 72.7%, respectively.

12. Series A Redeemable Preferred Equity and Derivative Liability

In January 2022, the Company entered into the First Amendment to the Business Combination Agreement, which modified the terms of the Applicable Premium (as defined below) that was payable upon the redemption of the Series A preferred units prior to December 31, 2022. Under the amended terms, the Applicable Premium shall be allocated by the Company as follows: (i) if the Applicable Premium was payable to the former holders of Existing Company Preferred Units (as defined in the First Amendment), then the Company shall use all of the proceeds from the Applicable Premium to pay the Applicable Premium to the former holders of Existing Company Preferred Units on a pro rata basis; and (ii) if the Applicable Premium was not payable to the former holders of Existing Company Preferred Units, then (A) the Company shall issue the Supplemental Company Common Units to the Existing Company Unitholders (other than Blocker (each, as defined in the First Amendment)) on a pro rata basis, (B) BRC Inc. shall issue (1) a number of shares of Class B Common Stock equal to the number of Supplemental Company Common Units to the Existing Company Unitholders (other than Blocker) on a pro rata basis and (2) the Supplemental Pubco Class A Shares to the Blocker Shareholders on a pro rata basis (each, as defined in the First Amendment), and (C) the Company shall release the Applicable Premium held in the Applicable Premium Account (as defined in the First Amendment) to the Company to make such funds available for use as general working capital funds.

For the purpose of determining whether the Applicable Premium shall be payable or not payable to the former holders of Existing Company Preferred Units, (x) the threshold of \$1,250,000 equity value of the Company, as referenced in Section 8.13(b) of the Authentic Brands' Limited Liability Company Agreement, shall be determined using the 30-day volume-weighted average price calculated as of the later of the 30th day following the Closing Date and the date on which the Form S-1 Shelf (as defined in the Investor Rights Agreement) is declared effective by the SEC, and (y) in computing such threshold, the Common Unit Redemption Amount shall be added to the foregoing calculation of the Company's equity value based upon the 30-day volume weighted average price.

We analyzed the amendment to the Series A preferred units and determined that the amendment should be accounted for prospectively as a modification to the Series A preferred units. Additionally, as part of our assessment, we further considered whether the amendment resulted in any additional embedded features being bifurcated and accounted for separately as a freestanding derivative in accordance with ASC 815.

Based on our analysis, we determined that the amendment to the Applicable Premium resulted in multiple redemption features which require the payment of the Applicable Premium as part of the settlement amount to be bifurcated from the Series A preferred units and accounted for separately as a freestanding derivative. The guidance in ASC 815 requires that in instances where multiple embedded features are bifurcated from the host contract, the bifurcated features shall be combined into a single compound derivative. Accordingly, the Company recognized the compound derivative at fair value and adjusted the compound derivative to fair value at each reporting period. The compound derivative was subject to re-measurement at each balance sheet date until the settlement of the derivative occurred with any changes in fair value recognized in the Company's consolidated statement of operations.

In February 2022, in conjunction with the Business Combination, the Series A preferred units were redeemed for \$34,698, including \$8,265 of applicable premium that was placed in an escrow account and reported as restricted cash (the "Applicable Premium"). The remaining \$26,203 of Series A preferred units were exchanged for shares of Class A Common Stock in connection with the Business Combination.

In May 2022, upon effectiveness of the Company's registration statement on Form S-1, 820,310 Common Units in Authentic Brands, representing the Supplemental Company Common Units, and an equal number of shares of Class B Common Stock, as well as 6,196 shares of Class A Common Stock, representing the Supplemental Pubco Class A Shares, were issued in connection with the vesting of the Applicable Premium. In conjunction with the vesting, the Applicable Premium restricted cash balance became unrestricted.

The following table is a summary of the derivative liability changes in fair value and the reported balance:

	Total
Initial fair value, as of February 9, 2022	\$ 9,741
Loss on change in fair value	7,506
Gain on change in fair value	(5,172)
Applicable Premium vesting	(12,075)
Balance as of December 31, 2022	\$ —

13. Equity-Based Compensation

Authentic Brands maintained an equity incentive plan (the "Plan") under which it may grant Incentive Units to employees or non-employee directors. The board has the authority to determine the terms and conditions of each grant. In connection with the Plan, 200,000 non-voting units have been authorized. These units may contain certain service and performance related vesting provisions. The Incentive Units are awarded to eligible employees and non-employee directors and entitle the grantee to receive non-voting member units upon vesting, subject solely to the employee's continuing employment or the non-employee director's continuing service on the board.

In May 2021, the Board approved a decrease in the participation threshold for equity Incentive Unit holders. The decrease was intended to offset the dilutive effect of the issuance of the Series A Redeemable Preferred Equity and related redemption of common units. The decrease in the participation threshold was accounted for as a modification and resulted in \$2,749 of incremental compensation cost, of which \$1,988 was recognized during the year ended December 31, 2021 including a cumulative adjustment at the time of the modification. The remaining incremental compensation will be recognized over the remaining service period of the awards.

In September 2021, the Company amended and restated the Plan to expand the definition of "Change in Control." The Company concluded that the vesting conditions of awards had changed and that a modification had occurred for all awards under the Plan. As the awards were expected to vest under their original terms as well as under their modified terms, no additional incremental compensation expense was recognized.

The grant date estimated fair value of the Incentive Units was based upon an option pricing model valuation of the awards at the grant date. The Company did not change pricing models during the year, however, began to incorporate and consider the probability-weighted expected return method. The Incentive Units have no strike price; however, participation thresholds, as defined in the Plan were established at grant date that must be exceeded for the holder of the unit to

participate in any distributions of the Company. The following assumptions were utilized in determining the fair value of the units at the grant date:

Expected dividend	—
Expected volatility	60% to 85%
Risk-free interest rate	0.13% to 2.53%
Expected life of incentive awards (in years)	1 to 5 years
Grant date performance and market threshold	\$35,000 to \$1,250,000

The computation of expected volatility is based on a weighted average of comparable public companies within the Company's industry. Expected life is based on the estimated liquidity event timing. The risk-free interest rate is based on the yield of zero-coupon U.S. Treasury securities of comparable terms. The Company does not anticipate paying dividends in the foreseeable future. The Company recognizes pre-vesting forfeitures as they occur rather than estimate the forfeiture rate at the grant date.

The following table summarizes the changes in the number of Incentive Units for the years ended December 31, 2022, 2021 and 2020:

	Incentive Units	Weighted Average Grant Date Fair Value
Granted and Outstanding at January 1, 2020	142,500	\$ 38.10
Granted	49,119	95.27
Forfeited	(10,000)	15.40
Repurchased	(7,116)	447.15
Granted and Outstanding at December 31, 2020	174,503	\$ 38.82
Granted	18,400	215.31
Forfeited	(10,709)	100.66
Repurchased	(6,202)	476.06
Granted and Outstanding at December 31, 2021	175,992	\$ 38.09
Granted	850	215.31
Forfeited	(2,989)	174.19
Repurchased	(1,832)	97.57
Business Combination	(157,811)	56.54
Granted and Outstanding at December 31, 2022	14,210	\$ 192.52
Vested at December 31, 2022	2,085	\$ 209.12

As of December 31, 2022, total unrecognized equity compensation expense related to nonvested Incentive Units to be recognized over a weighted average period of approximately 3 years was \$2,268.

In connection with the Business Combination, 28,990 Incentive Units under the Plan fully vested and converted into Common Units in Authentic Brands that allow for their exchange into Class A Common Stock of BRC Inc. The Company recognized \$1,856 of compensation costs as a result of the accelerated vesting of Incentive Units under the "Change in Control" provision of the Plan. The Company accounted for the accelerated vesting of the Incentive Units as a modification. However, because the fair value of the modified awards was the same immediately before and after the modification, no incremental compensation expense was recognized.

In connection with the Business Combination, BRC Inc. adopted the 2022 Omnibus Incentive Plan ("Omnibus Plan"), which replaced the Plan, and the 2022 Employee Stock Purchase Plan.

The Company granted stock options to employees under the Omnibus Plan that vest ratably over three years and expire after seven years. The grant date estimated fair value of the stock options was based upon a Black Scholes model valuation of the options at the grant date. The following weighted average assumptions were utilized in determining the fair value of options granted in 2022:

Weighted average grant date fair value	\$5.48
Expected dividend yield	—
Expected volatility	55%
Risk-free interest rate	2.40%
Options term (in years)	4.5

The computation of expected volatility is based on a weighted average of comparable public companies within the Company's industry. Expected term assumption is based on the mid-point between vesting and maturity of the stock options. The risk-free interest rate is based on the yield of zero-coupon U.S. Treasury securities of comparable terms. The Company does not anticipate paying dividends in the foreseeable future. The Company recognizes pre-vesting forfeitures as they occur rather than estimate the forfeiture rate at the grant date.

The following table summarizes information about stock options activities for 2022:

	Stock Options	Weighted Average Exercise Price
Granted on February 9, 2022	518,180	\$ 10.00
Granted	362,720	9.49
Forfeited	(88,530)	10.00
Outstanding at December 31, 2022	792,370	\$ 9.77

As of December 31, 2022, total unrecognized equity compensation expense related to stock options to be recognized over a weighted average period of approximately two years was \$3,298.

The Company granted restricted stock unit ("RSU") awards to employees and non-employee directors under the Omnibus Plan that vest annually over three years. The grant date fair values were based on the closing price of the Class A Common Stock of BRC Inc.

The following table summarizes information about the RSUs under the Omnibus Plan for 2022:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Granted on May 2, 2022	400,775	\$ 13.70
Granted	484,054	8.56
Forfeited	(51,875)	13.70
Vested	(9,125)	13.70
Nonvested at December 31, 2022	823,829	\$ 10.68

As of December 31, 2022, total unrecognized equity compensation expense related to RSUs to be recognized over a weighted average period of approximately 2 years was \$6,788.

On December 29, 2022, the Company granted 8,462,412 performance-based restricted stock units ("PSUs") to a key employee which vest if certain market capital growth rates are achieved each year through April 2027. Vested PSUs are settled in shares of the Company Class A common stock equal to the number of PSUs granted. The PSUs are forfeited upon termination of employment before the performance period ends. PSUs granted during the year ended December 31, 2022 have a weighted-average grant date fair value of \$0.46 per share. All PSUs were unvested as of December 31, 2022. The Company used the Monte Carlo pricing model to estimate the fair value of PSUs utilizing the following assumptions at the grant date:

Expected dividend	—
Expected volatility	65%
Risk-free interest rate	3.97%
Award term years	4.3
Valuation date share price	\$6.21

As of December 31, 2022, total unrecognized equity-based compensation expense related to PSUs to be recognized over a weighted average period of approximately 4 years was \$3,863.

14. Defined Contribution Plan

The Company maintains a voluntary qualified defined contribution plan covering eligible employees as defined by the plan documents. Participating employees may elect to defer and contribute a portion of their eligible compensation to the plan up to limits stated in the plan documents, not to exceed the dollar amounts set by applicable laws. The Company's matching contributions to the plan were \$990, \$587 and \$300 for the years ended December 31, 2022, 2021 and 2020, respectively.

15. Income Taxes

As described in Management's Discussion and Analysis, we completed a business combination on February 9th, 2022 and as a result, Authentic Brands became a subsidiary of BRC Inc. Authentic Brands is, and has been since the business combination, treated as a flow-through entity for U.S. federal income tax purposes and as such, has generally not been subject to U.S. federal income tax at the entity level. BRC Inc. did not engage in any operations prior to the business combination. This section describes the operations of the Company, operating under Authentic Brands prior to the Business Combination, and contains the financial results of Authentic Brands for the period before the Business Combination through December 31, 2021. Accordingly, the historical results of operations and other financial information set forth in this Annual Report do not include any material provisions for U.S. federal income tax. Following the Company's initial public offering, BRC Inc. is taxed as a corporation and is subject to U.S. federal, state, and local income taxes with respect to its allocable share of any taxable income or loss of Authentic Brands, as well as any stand-alone income or loss generated by the Company.

Net income (loss) before income taxes was \$(337,677), \$(13,667) and \$4,506 for the years ended December 31, 2022, 2021 and 2020, respectively. The Company had an income tax expense of \$367, \$178 and \$185 for the year ended December 31, 2022, 2021 and 2020, respectively.

The components of the provision for income tax (benefit) provision are as follows:

	December 31,		
	2022	2021	2020
Current expense			
Federal	\$ —	—	—
State	367	178	185
Total current expense	367	178	185
Deferred expense			
Federal	—	—	—
State	—	—	—
Total deferred expense	—	—	—
Total income tax (benefit) provision	\$ 367	\$ 178	\$ 185

The Company recognized a tax expense of \$367 on pre-tax book loss of \$337,677. The Company has determined that its deferred tax assets require a full valuation allowance. As a result, the only tax expense recognized in the Company's financials relate to state taxes at the Authentic Brands level.

Reconciliation of the U.S. federal statutory income tax rate to the Company's effective tax rate is as follows:

	December 31, 2022		December 31, 2021		December 31, 2020	
	Amount	Rate	Amount	Rate	Amount	Rate
Expected U.S. federal income taxes at statutory rate	\$ (70,912)	21.00 %	\$ (2,870)	21.00 %	\$ 946	21.00 %
State Taxes	(72)	0.02 %	178	(1.30)%	185	4.10 %
Effect of Business Combination	—	—	—	—	—	—
Loss attributable to non-controlling interests	54,050	(16.00)%	—	—	—	—
Valuation allowance	17,280	(5.12)%	—	—	—	—
Effect due to LLC flow-through structure	—	—	2,870	(21.00)%	(946)	(21.00)%
Other	21	(0.01)%	—	—	—	—
Income tax expense (benefit)	\$ 367	(0.11)%	\$ 178	(1.30)%	\$ 185	4.10 %

The tax effects of cumulative temporary differences that give rise to significant deferred tax assets and deferred tax liabilities are presented below:

	December 31, 2022	December 31, 2021	December 31, 2020
Deferred tax assets:			
Investment in partnership	\$ 78,801	\$ —	\$ —
Net operating losses	5,212	—	—
Other	71	—	—
Total deferred tax assets before valuation allowance	84,084	—	—
Less: valuation allowance	(84,084)	—	—
Deferred tax assets - net of valuation allowance	—	—	—
Deferred tax liabilities:			
	—	—	—
Total deferred tax liabilities	—	—	—
Deferred tax (liabilities) assets, net	\$ —	\$ —	\$ —

As of December 31, 2022 the Company had federal net operating loss carry forwards of \$24,189. Federal losses can be carried forward indefinitely. The company also has losses in various states that will begin to expire in 2037.

We recognize DTAs to the extent we believe these assets are more likely than not to be realized. In making such a determination, we consider all positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations. A valuation allowance is provided if it is determined that it is more likely than not that the DTA will not be realized. During the year ended December 31, 2022, management performed an assessment of the recoverability of DTAs. Management determined, based on the accounting standards applicable to such assessment, that there was sufficient negative evidence as a result of the Company's cumulative losses to conclude it was more likely than not that its DTAs would not be realized and has recorded a full valuation allowance of \$84,084 against its DTAs.

Tax Receivable Agreement

As part of the Business Combination, the Company entered into Tax Receivable Agreements with certain shareholders that requires the Company to pay to such shareholders approximately 85% of the tax savings the Company realizes as a result of (i) increases in tax basis in Authentic Brands' assets resulting from the redemption of existing preferred units of Authentic Brands, (ii) increase in tax basis resulting from the redemption of Common Units for consideration paid pursuant to the Amended and Restated LLC Agreement of Authentic Brands, (iii) increases in tax basis resulting from future exchanges of Common Units for shares of the Company's stock or cash pursuant to the Amended and Restated LLC Agreement of Authentic Brands, (iv) pre-existing tax attributes of the Blocker as well as certain (v) other tax benefits related to entering into the Tax Receivable Agreement, including tax benefits attributable to payments under the Tax Receivable Agreement. Due to the uncertainty of various factors, we cannot estimate the likely tax benefits we will realize as a result of LLC Unit exchanges, and the resulting amounts we are likely to pay out to Unitholders of Authentic Brands pursuant to the Tax Receivable Agreement; however we estimate that such payments may be substantial. The actual amount and timing of any payments under the Tax Receivable Agreement will vary depending upon a number of factors, including the timing of exchanges by the Unitholders of Authentic Brands, the amount of gain recognized by such Unitholders of Authentic Brands, the amount and timing of the taxable income we generate in the future, and the federal tax rates then applicable.

The Company has determined that it will record the Tax Receivable Agreement liability when probable and estimable. Given the uncertainty regarding the potential payments such that the timing is not fixed or determinable, any Tax Receivable Agreement liability will be recorded on an undiscounted basis consistent with general practice. The Company's Tax Receivable Agreement payments generally relate directly to DTAs that have been recorded in its financial statements subject to a full valuation allowance. These payments will relate to IRC §743(b) adjustments from the business combination, future exchanges, and Blocker basis. In addition, the Company will be required to make Tax Receivable Agreement payments for tax savings related to other tax attributes discussed above. In no circumstance, will the Company be required to make a Tax Receivable Agreement payment without a realized tax savings.

The Company has reviewed its DTAs and has determined that it is not more likely than not that it will be able to utilize them. Accordingly, it has established a full valuation allowance against its DTAs. In addition, Authentic Brands has 12

quarters of cumulative pre-tax losses adjusted for permanent items prior to consideration of any tax attributes covered by the Tax Receivable Agreement. The Company's only source of taxable income is Authentic Brands. As a result of the full valuation allowance against its DTAs, and Authentic Brands historic losses, the Company is not recording a Tax Receivable Agreement liability for the year ended December 31, 2022.

Uncertain Tax Positions

An entity shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The term more likely than not means a likelihood of more than 50 percent. The Company started filing tax returns for the year ended December 31, 2020 and subject to examination by taxing authorities for U.S. federal and state income tax purposes. The Company did not engage in any operations prior to the Business Combination. Authentic Brands is treated as a partnership for U.S. federal and state income tax purposes and its tax returns are subject to examination by taxing authorities. Authentic Brands has filed income tax returns for years through December 31, 2021. These returns are subject to examination by the taxing authorities in the respective jurisdictions, generally for three or four years after they were filed. The Company has reviewed the tax profile to assess and determine whether any new or existing uncertainties exist. Based on the Company's analysis of tax positions taken on income tax returns filed, no uncertain tax positions existed as of December 31, 2022.

Although the outcome of open tax audits is uncertain, in management's opinion, adequate provisions for income taxes have been made. If actual outcomes differ materially from these estimates, they could have a material impact on our financial condition and results of operations. Differences between actual results and assumptions or changes in assumptions in future periods are recorded in the period they become known. To the extent additional information becomes available prior to resolution, such accruals are adjusted to reflect probable outcomes.

No interest or penalties were recognized in the consolidated financial statements. To the extent we recognize interest expense and penalties related to income tax matters in the future, we will recognize the amounts in pre-tax income (loss) on our consolidated financial statements.

16. Net Loss per Share

The Company analyzed the calculation of net loss per share for periods prior to the Business Combination on February 9, 2022 and determined that it resulted in values that would not be meaningful to the users of the consolidated financial statements, as the capital structure completely changed as a result of the Business Combination. Therefore, net loss per share information has not been presented for periods prior to the Business Combination. The basic and diluted net loss per share attributable to Class A common shareholders for the year ended December 31, 2022, as presented on the consolidated statements of operations, represents only the period after the Business Combination to December 31, 2022.

The following table sets forth the computation of basic and diluted net loss per share are presented below:

	<u>Period After Business Combination Through December 31,</u>	
	<u>2022</u>	
Numerator:		
Net loss	\$	(335,352)
Less: Net loss attributable to non-controlling interests		(252,185)
Net loss attributable to Class A Common Stock - basic	\$	(83,167)
Denominator:		
Weighted-average shares of Class A Common Stock outstanding		51,246,632
Net loss per share attributable to Class A common stockholders, basic and diluted	\$	(1.62)

The Company excluded the following potentially dilutive securities, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to Class A common shareholders because including them would have had an antidilutive effect:

	<u>December 31,</u>	
	<u>2022</u>	
Stock Options		792,370
Common Units		153,899,025
RSUs		823,829
PSUs		8,462,412
Incentive Units		14,210
Total units excluded from computation of diluted net loss per share		163,991,846

17. Concentrations

The Company has significant suppliers and service providers that are important to its sourcing, roasting, manufacturing, and any related ongoing servicing of merchandise and content. Approximately 55.6% of the Company's coffee purchases were generated from five vendors for the year ended December 31, 2022; 81.4% and 71.6% of the Company's purchases were generated from four vendors for the years ended December 31, 2021 and 2020, respectively. The Company's four main shipping vendors account for approximately 73.7%, 91.7% and 81.0% of total shipping expenses for the years ended December 31, 2022, 2021 and 2020, respectively. In addition, the Company's primary fulfillment service provider accounted for 90.7%, 96.6% and 92.0% of total fulfillment costs for the years ended December 31, 2022, 2021 and 2020, respectively. Further, approximately 41.6% of the Company's marketing expenses for the year ended December 31, 2022 were generated from seven vendors; 53.1% of the Company's marketing expenses for the year ended December 31, 2021 were generated from five vendors; and 62.0% of the Company's marketing expenses for the year ended December 31, 2020 were generated from four vendors. The Company does not have any long-term arrangements with these vendors or its other suppliers and service providers to guarantee availability of inventory, content, or services. The loss of the above vendors could have an impact on the operations of the Company until a suitable replacement could be engaged.

18. Commitments and Contingencies

Purchase Agreements

During 2022, the Company entered into several purchase agreements to purchase coffee product from third-party suppliers. The minimum purchase amounts are based on quantity and in the aggregate will be approximately \$44,580 for 2023; \$26,480 for 2024; and none for 2025.

In September 2021, the Company entered into a manufacturing and purchase agreement to purchase canned beverage product from a third-party supplier. The initial term ends on December 31, 2023, and automatically renews for two consecutive year periods, unless either party provides notice of cancellation at least 120 days prior to the end of the current term. The minimum purchase amount carries a minimum surcharge of approximately \$2,250 for 2023; \$19,920 for 2024; and \$22,410 for 2025.

In November 2021, the Company entered into a manufacturing and purchase agreement to purchase coffee product from a third-party supplier. The term remains in effect until December 31, 2023. The minimum purchase amount is based on quantity and will be approximately \$8,800 on an annual basis.

Contingencies

The Company is the subject of various legal actions in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, the Company accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. Although the outcomes of these proceedings cannot be predicted with certainty, the Company does not believe any of these proceedings, individually or in the aggregate, would be expected to have a material adverse effect on results of operations, cash flows or financial condition.

The Company could be subject to additional sales tax or other tax liabilities. The Company follows the guidelines of ASC 450, *Accounting for Contingencies*, and the consolidated financial statements reflect the current impact of such legislation through the Company's best estimates. However, any of these events could have a material effect on the Company's business and operating results depending on the previous periods of applied enforcement by certain jurisdictions.

The Company is also subject to U.S. (federal and state) laws, regulations, and administrative practices that require us to collect information from its customers, vendors, merchants, and other third parties for tax reporting purposes and report such information to various government agencies. The scope of such requirements continues to expand, requiring us to develop and implement new compliance systems. Failure to comply with such laws and regulations could result in significant penalties and interest which might have an adverse effect on the Company's business and operating results.

The Company has accrued \$326 annually related to potential sales and other tax exposure as of December 31, 2022 and 2021, which is included in accrued liabilities on the accompanying consolidated balance sheets.

Legal

On April 28, 2022, Tang Capital Partners, LP ("Tang Capital") filed a lawsuit in federal district court in New York against the Company, *Tang Capital Partners, LP v. BRC Inc.*, Case 22-CV-3476 (RWL) (Southern District of New York). The complaint alleges that the Tang Capital suffered damages arising from the Company's refusal on two occasions to permit Tang Capital to exercise warrants. On March 8, 2023, the court granted the Company's motion to dismiss a claim for declaratory judgment but denied the Company's motion to dismiss a breach of contract claim. The lawsuit seeks unspecified general and compensatory damages, attorneys' fees, and other reasonable costs and disbursements. The Company believes that it has meritorious defenses to the claim asserted against it and will defend itself vigorously in these proceedings; however, there can be no assurances that it will be successful in its efforts. The Company is not able at this time to determine or predict the ultimate outcome of this lawsuit or provide a reasonable estimate or range of estimates of the possible outcome or loss, if any, in this matter.

19. Subsequent Events

There have been no events subsequent to December 31, 2022 which would require accrual or disclosure in these consolidated financial statements.

EXHIBIT F-2

Unaudited Financial Statements

BRC Inc. unaudited financial statements for the first quarter of fiscal year 2023 (January 1, 2023 through March 31, 2023).

UNAUDITED FINANCIAL STATEMENTS

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

[Table of Contents](#)**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****BRC Inc.**

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and par value amounts)
(unaudited)

	March 31,		December 31,
	2023		2022
	(unaudited)		(audited)
Assets			
Current assets:			
Cash and cash equivalents	\$ 25,966	\$	38,990
Accounts receivable, net	19,282		22,337
Inventories, net	102,907		77,183
Prepaid expenses and other current assets	7,857		6,783
Total current assets	<u>156,012</u>		<u>145,293</u>
Property, plant and equipment, net	63,615		59,451
Operating lease, right-of-use asset	25,836		20,050
Identifiable intangibles, net	271		225
Other	299		315
Total assets	<u><u>246,033</u></u>		<u><u>225,334</u></u>
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	41,226		12,429
Accrued liabilities	30,197		36,660
Deferred revenue and gift card liability	9,345		9,505
Current maturities of long-term debt, net	2,165		2,143
Current operating lease liability	1,627		1,360
Current maturities of finance lease obligations	94		95
Total current liabilities	<u>84,654</u>		<u>62,192</u>
Non-current liabilities:			
Long-term debt, net	54,020		47,017
Finance lease obligations, net of current maturities	197		221
Operating lease liability	25,204		19,466
Other non-current liabilities	532		502
Total non-current liabilities	<u>79,953</u>		<u>67,206</u>
Total liabilities	<u>164,607</u>		<u>129,398</u>
Commitments and Contingencies (Note 14)			
Stockholders' equity:			
Preferred stock, \$0.0001 par value, 1,000,000 shares authorized; no shares issued or outstanding	—		—
Class A common stock, \$0.0001 par value, 2,500,000,000 shares authorized; 58,463,378 shares issued and outstanding as of March 31, 2023	5		5
Class B common stock, \$0.0001 par value, 300,000,000 shares authorized; 153,156,442 shares issued and outstanding as of March 31, 2023	16		16
Class C common stock, \$0.0001 par value, 1,500,000 shares authorized; no shares issued or outstanding as of March 31, 2023	—		—
Additional paid in capital	132,399		129,508
Accumulated deficit	(108,533)		(103,733)
Total BRC Inc.'s stockholders' equity	<u>23,887</u>		<u>25,796</u>
Non-controlling interests	57,539		70,140
Total stockholders' equity	<u>81,426</u>		<u>95,936</u>
Total liabilities and stockholders' equity	<u><u>\$ 246,033</u></u>	\$	<u><u>225,334</u></u>

See notes to unaudited consolidated financial statements.

[Table of Contents](#)**BRC Inc.**

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended March 31,	
	2023	2022
Revenue, net	\$ 83,490	\$ 65,836
Cost of goods sold	55,979	42,623
Gross profit	27,511	23,213
Operating expenses		
Marketing and advertising	7,144	8,151
Salaries, wages and benefits	19,824	16,018
General and administrative	17,758	14,887
Total operating expenses	44,726	39,056
Operating loss	(17,215)	(15,843)
Non-operating income (expense)		
Interest expense, net	(323)	(490)
Other income, net	273	348
Change in fair value of earn-out liability	—	(171,098)
Change in fair value of warrant liability	—	(62,109)
Change in fair value of derivative liability	—	(7,507)
Total non-operating expenses	(50)	(240,856)
Loss before income taxes	(17,265)	(256,699)
Income tax expense	56	128
Net loss	(17,321)	(256,827)
Less: Net loss attributable to non-controlling interest	(12,521)	(193,906)
Net loss attributable to BRC Inc.	\$ (4,800)	\$ (62,921)
Net loss per share attributable to Class A Common Stock⁽¹⁾		
Basic and diluted	\$ (0.08)	\$ (1.36)
Weighted-average shares of Class A Common Stock outstanding⁽¹⁾		
Basic and diluted	58,159,223	44,254,837

⁽¹⁾ For the three months ended March 31, 2022, net loss per share of Class A Common Stock and weighted-average shares of Class A Common Stock outstanding is representative of the period from February 9, 2022 through March 31, 2022, the period following the Business Combination, as defined in [Note 1 - Organization and Nature of Business](#). Shares of Class B Common Stock do not participate in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted loss per share of Class B Common Stock under the two-class method has not been presented. For more information, refer to [Note 12 - Net Loss per Share](#).

See notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except for number of shares)
(unaudited)

	Shares							Additional Paid-In Capital	Accumulated Deficit	Non- Controlling Interest	Total Stockholders' Equity (Deficit)
	Members' Interest	Class A Common Stock	Class B Common Stock	Class C Common Stock	Class A Common Stock	Class B Common Stock	Class C Common Stock				
Balance at January 1, 2022	\$ (129,495)	—	—	—	\$ —	\$ —	\$ —	\$ —	(19,996)	\$ —	\$ (149,491)
Equity-based compensation prior to Business Combination	308	—	—	—	—	—	—	—	—	—	308
Non-employee equity-based compensation prior to Business Combination	241	—	—	—	—	—	—	—	—	—	241
Series A preferred discount amortization prior to Business Combination	(6,621)	—	—	—	—	—	—	—	—	—	(6,621)
Repurchase of member units prior to Business Combination	(1,599)	—	—	—	—	—	—	—	—	—	(1,599)
Net loss prior to Business Combination	—	—	—	—	—	—	—	—	(2,691)	—	(2,691)
Effect of Business Combination	137,166	44,009,874	139,106,323	1,388,125	4	14	—	—	(831)	(83,021)	53,332
Equity-based compensation after Business Combination	—	—	—	—	—	—	—	31	—	186	217
Non-employee equity based compensation after Business Combination	—	—	—	—	—	—	—	—	—	114	114
First Tier Vesting Event	—	694,062	9,926,563	(694,062)	—	1	—	38,783	—	133,589	172,373
Net loss after Business Combination	—	—	—	—	—	—	—	—	(60,230)	(193,906)	(254,136)
Balance at March 31, 2022	\$ —	44,703,936	149,032,886	694,063	\$ 4	\$ 15	\$ —	\$ 38,814	\$ (83,748)	\$ (143,038)	\$ (187,953)
Balance at January 1, 2023	\$ —	57,661,274	153,899,025	—	\$ 5	\$ 16	\$ —	\$ 129,508	\$ (103,733)	\$ 70,140	\$ 95,936
Equity-based compensation	—	—	—	—	—	—	—	2,287	—	219	2,506
Common Unit redemption	—	742,583	(742,583)	—	—	—	—	299	—	(299)	—
Shares issued under stock plans	—	59,521	—	—	—	—	—	305	—	—	305
Net loss	—	—	—	—	—	—	—	—	(4,800)	(12,521)	(17,321)
Balance at March 31, 2023	\$ —	58,463,378	153,156,442	—	\$ 5	\$ 16	\$ —	\$ 132,399	\$ (108,533)	\$ 57,539	\$ 81,426

See notes to unaudited consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2023	2022
Operating activities		
Net loss	\$ (17,321)	\$ (256,827)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,719	989
Equity-based compensation	2,506	2,259
Non-employee equity-based compensation	—	355
Amortization of debt issuance costs	33	243
Change in fair value of earn-out liability	—	171,098
Change in fair value of warrant liability	—	62,109
Change in fair value of derivative liability	—	7,507
Changes in operating assets and liabilities:		
Accounts receivable, net	3,055	(5,976)
Inventories, net	(25,724)	(4,985)
Prepaid expenses and other assets	(1,118)	(5,193)
Accounts payable	27,830	(10,960)
Accrued liabilities	(6,463)	6,174
Deferred revenue and gift card liability	(160)	434
Operating lease liability	219	—
Other liabilities	30	148
Net cash used in operating activities	<u>(15,394)</u>	<u>(32,625)</u>
Investing activities		
Purchases of property, plant and equipment	(4,902)	(4,207)
Net cash used in investing activities	<u>(4,902)</u>	<u>(4,207)</u>
Financing activities		
Proceeds from issuance of long-term debt, net of cash paid for debt issuance costs of \$0 as of March 31, 2023 and \$3 as of March 31, 2022	87,000	5,285
Repayment of long-term debt	(79,609)	(23,174)
Financing lease obligations	(25)	60
Repayment of promissory note	(399)	—
Issuance of shares for stock plans	305	—
Distribution and redemption of Series A preferred equity	—	(127,853)
Proceeds from Business Combination, including PIPE investment	—	337,957
Payment of Business Combination costs	—	(31,638)
Redemption of Class A and Class B units	—	(20,145)
Redemption of incentive units	—	(3,627)
Net cash provided by financing activities	<u>7,272</u>	<u>136,865</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(13,024)	100,033
Beginning cash, cash equivalents and restricted cash	38,990	18,334
Ending cash, cash equivalents and restricted cash	<u>\$ 25,966</u>	<u>\$ 118,367</u>

[Table of Contents](#)**BRC Inc.****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)***(in thousands)**(unaudited)*

	Three Months Ended March 31,	
	2023	2022
Non-cash operating activities		
Recognition of right-of-use operating lease assets	\$ 5,786	\$ 7,560
Non-cash investing and financing activities		
Accrued capital expenditures	967	1,171
Recognition of earn-out liabilities	—	218,679
Recognition of warrant liabilities	—	36,484
Recognition of derivative liability	—	9,741
Series A preferred exchange for PIPE shares	—	26,203
Series A preferred equity amortization	—	5,390
Supplemental cash flow information		
Cash paid for income taxes	179	218
Cash paid for interest	\$ 492	\$ 377

See notes to unaudited consolidated financial statements.

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[Table of Contents](#)**BRC Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***(in thousands, except unit/share and per unit/share amounts)**(unaudited)***1. Organization and Nature of Business**

BRC Inc., a Delaware public benefit corporation ("BRC Inc."), previously entered into a Business Combination Agreement, dated as of November 2, 2021, as amended by the First Amendment to Business Combination Agreement, dated as of January 4, 2022 (the "First Amendment" and the Business Combination Agreement as so amended, the "Business Combination Agreement"), each by and among BRC Inc., SilverBox Engaged Merger Corp I, a Delaware corporation ("SilverBox"), Authentic Brands LLC, a Delaware limited liability company ("Authentic Brands"), and certain other parties thereto. On February 9, 2022, as contemplated by the Business Combination Agreement, a series of transactions (the "Business Combination") were completed for an estimated value of \$1,839,815 as a result of which Authentic Brands became a subsidiary of BRC Inc., with BRC Inc. acting as sole managing member thereof as a public benefit corporation.

BRC Inc. conducts substantially all of its business through its solely managed subsidiary, Authentic Brands, and Authentic Brands' subsidiaries, all of which are consolidated in these financial statements. Authentic Brands, through its wholly owned subsidiaries, purchases, roasts, and sells high quality coffee, coffee accessories, and branded apparel through its online channels and business networks. Authentic Brands also develops and promotes online content for the purpose of growing its brands, which include Black Rifle Coffee Company ("BRCC").

Unless the context indicates otherwise, references to "the Company," "we," "us" and "our" refers to BRC Inc. and its consolidated subsidiaries following the closing of the Business Combination.

2. Summary of Significant Accounting Policies***Basis of Presentation and Consolidation***

The Company has prepared the accompanying unaudited consolidated financial statements in accordance with generally accepted accounting principles in the United States of America ("US GAAP") for interim financial information. The unaudited consolidated financial statements reflect the financial position and operating results of the Company including wholly-owned subsidiaries. These financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair statement of the operating results for the interim periods. Intercompany transactions and balances have been eliminated in consolidation. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022.

The Business Combination was accounted for as a reverse recapitalization transaction between entities under common control, whereas Authentic Brands was considered the accounting acquirer and predecessor entity. The Business Combination was reflected as the equivalent of Authentic Brands issuing stock for the net assets of SilverBox, accompanied by a recapitalization with no incremental goodwill or intangible assets recognized.

Authentic Brands was determined to be the predecessor entity to the Business Combination based on a number of considerations, including:

- Authentic Brands former management making up the majority of the management team of BRC Inc.;
- Authentic Brands former management nominating or representing the majority of BRC Inc.'s board of directors;
- Authentic Brands representing the majority of the continuing operations of BRC Inc.; and
- The chief executive officer of Authentic Brands having voting control of the combined company.

Use of Estimates

The preparation of unaudited consolidated financial statements in conformity with US GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities in the unaudited consolidated financial statements and accompanying notes. Such estimates include but are not limited to estimated losses on accounts receivable, inventory reserves, undiscounted future cash flows and the fair value of assets or asset groups for the purpose of assessing impairment of long-lived assets, liabilities for contingencies, equity-based compensation, estimates for sales returns and related allowance, loyalty rewards, deferred revenue, and measurement and realization of deferred tax assets. Actual results could differ materially from those

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estimates.

Revenue Recognition

The Company recognizes revenue in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, or Accounting Standards Codification ("ASC 606"). Revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products. Revenue also excludes any amounts collected on behalf of third parties, including sales and indirect taxes. Revenue recognition is evaluated through the following five steps:

1. Identification of the contract with a customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contract; and
5. Recognition of revenue when or as a performance obligation is satisfied.

Sources and Timing of Revenue

The Company's revenue is derived from product sales through its e-commerce websites and to wholesale customers who sell the products to end users. In addition, the Company derives revenues from Company-operated store locations, and franchise and license agreements. Revenues from the sale of products and merchandise are recognized when control of the product passes to the customer, typically at the date of delivery of the merchandise to the customer and in an amount that reflects the expected consideration to be received in exchange for such goods. As such, customer orders are recorded as deferred revenue prior to delivery of products. As the Company ships high volumes of packages through multiple carriers, it is not practical for the Company to track the actual delivery date of each shipment. Therefore, the Company uses estimates to determine which shipments are delivered and, therefore, recognizes revenue at the end of the period. Delivery date estimates are based on average transit times calculated based on factors such as the type of carrier, the fulfillment source, the delivery destination and historical transit time experience. Actual shipping times may differ from the Company's estimates. Costs to obtain or fulfill a contract with a customer are expensed as incurred and are generally not significant.

Revenues from Company-operated stores are recognized when payment is tendered at the point of sale as the performance obligation has been satisfied. Store revenues are reported excluding sales, use or other transaction taxes that are collected from customers and remitted to taxing authorities.

Deferred Revenue

Deferred revenue consists of amounts billed to or received from customers prior to delivery of products. The Company recognizes such amounts in revenues as the product is delivered.

Gift Cards

Gift cards are offered through the Company's e-commerce websites through the form of an e-certificate. When a gift card is purchased, the Company recognizes a corresponding liability for the full amount of the gift card, which is recorded in "Deferred revenue and gift card liability" on the unaudited consolidated balance sheets. Gift cards can be redeemed online and on the Company's website. When a gift card is redeemed, the Company reduces the corresponding liability and recognizes revenue. There are no expiration dates to the gift cards. While the Company will continue to honor all gift cards presented for payment, the Company may determine the likelihood of redemption, based on historical experience, is deemed to be remote for certain cards due to long periods of inactivity. In these circumstances if the Company also determines there is no requirement for remitting balances to government agencies under unclaimed property laws, unredeemed card balances may then be recognized as breakage income, which is included in "Revenue, net" on the unaudited consolidated statements of operations.

Loyalty Rewards Program

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In August 2020, BRCC established its BRCC Loyalty Points rewards program (the "Loyalty Program"), which is primarily a spend-based program. BRCC customers who establish an online account are enrolled in the Loyalty Program. Under the program, there are two levels in which customers can participate. Subscription customers (customers in the BRCC Coffee Club or subscribed to another subscription product type) are considered to be in the highest tier and earn 3% on purchases. Non-subscription customers earn 1% on purchases. In addition to earning points on purchases, customers can earn points through certain other activities. BRCC reserves the right in its sole discretion to modify, change, add, or remove activities which can be accomplished to earn points at any time. Under the Loyalty Program, customers may redeem rewards as they reach minimum thresholds per reward. The Company reserves the right to modify, change, add, or remove rewards and their points thresholds at any time. BRCC loyalty points will expire if there is no account activity (i.e., if there is no new purchase made or order placed) in a period of twelve months. Conversion of rewards are non-changeable after redemption, have no cash value, and are nontransferable. A portion of rewards are expected to expire and not be redeemed and will be recognized as income over time. Based on historical expiration rates, the Company estimates a certain percentage of rewards to expire and reassesses this estimate on a quarterly basis.

The Company defers revenue associated with the points earned through purchases that are expected to be redeemed, net of estimated unredeemed loyalty points. When a customer redeems an earned reward, the Company recognizes revenue for the redeemed product and reduces the related deferred revenue liability. The deferred revenue liability is included in "Deferred revenue and gift card liability" on the unaudited consolidated balance sheets.

For those points that are earned through other activities, the Company recognizes the redemption of these points as a discount to the transaction price at time of sale. Refer to [Note 5, Deferred Revenue and Gift Card Liability](#) for information about changes in the current portion of deferred revenue and gift card liability for the three months ended March 31, 2023 and 2022.

Franchise Store Revenues

Franchise rights may be granted through franchise agreements that set out the terms of the arrangement with the franchisee. The franchise agreements require that the franchisee remit continuing fees to the Company as a percentage of the applicable store's revenues in exchange for the license of the intellectual property associated with BRCC's brands. A portion of these fees are used for national marketing campaigns. Continuing fees represent a portion of the consideration the Company receives under the franchise agreement. Continuing fees are typically billed and paid monthly. Continuing fees are recognized as the related store sales occur. Revenues from continuing fees are included in "Revenue, net" on the unaudited consolidated statements of operations.

Under the franchise agreements, BRCC sells products and equipment to its franchisees. The revenue associated with these product and equipment sales are recognized when control passes to the franchisee, typically at the date of delivery of the merchandise to the franchisee and in an amount that reflects the expected consideration to be received in exchange for such goods.

The franchise agreements also typically require upfront franchise fees such as initial fees paid for the execution of a franchise agreement. The fees associated with these agreements are typically billed and paid when a new franchise agreement becomes effective. The Company has determined that the services it provides in exchange for upfront franchise fees, which primarily relate to pre-opening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services provided to the Company's franchisees. As a result, upfront franchise fees are recognized as revenue over the term of each respective franchise agreement, generally ten years. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property associated with BRCC's brands. The current portion of revenues from upfront franchise fees are included in "Deferred revenue and gift card liability" and the long-term portion of revenues from upfront franchise fees are included in "Other non-current liabilities" on the unaudited consolidated statements of operations.

License Revenues

License rights may be granted through license agreements that set out the terms of the Company's arrangement with the licensee. The Company's license agreements require that the licensee remit continuing fees to the Company as a percentage of the applicable store's revenues in exchange for the license of the intellectual property associated with BRCC's brands. In addition, licensed store revenues consist of product sales to the licensee. The revenue associated with these product sales are recognized when control of the product passes to the licensee, typically at the date of delivery of the merchandise to the licensee and in an amount that reflects the expected consideration to be received in exchange for such goods. Continuing fees are recognized as the related store sales occur.

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The Company's license agreements also typically require upfront license fees such as initial fees paid for the execution of a license agreement. The fees associated with these agreements are typically billed and paid when a new license agreement becomes effective. The Company has determined the services it provides in exchange for upfront license fees, which primarily relate to initial license set up and are not individually distinct from the ongoing services it provides to its licensees. As a result, upfront license fees are recognized as revenue over the term of each respective license agreement, generally ten years. Revenues for these upfront license fees are recognized on a straight-line basis, which is consistent with the licensee's right to use and benefit from the intellectual property. Revenues from continuing fees and upfront license fees are presented within "Revenue, net" on the unaudited consolidated statements of operations.

Disaggregation of Revenue

The Company disaggregates revenue by sales channel. The Wholesale channel includes product revenue sold to an intermediary and not directly to the consumer. The Direct to Consumer channel is principally comprised of revenue from our e-commerce websites and subscription services directly to the consumer. The Outpost channel includes revenue from Company-operated stores, gift cards, franchise store and licensing.

The following table disaggregates revenue by sales channel:

	Three Months Ended March 31,	
	2023	2022
Wholesale	\$ 39,997	\$ 21,955
Direct to Consumer	36,780	38,332
Outpost	6,713	5,549
Total net sales	<u>\$ 83,490</u>	<u>\$ 65,836</u>

Substantially all revenue is derived from customers located in the United States. One wholesale customer and its affiliate represented 24% of revenue for the three months ended March 31, 2023. No single customer represented more than 10% of revenue for the three months ended March 31, 2022.

Sales Returns and Discounts

The Company's product sales contracts include terms that could cause variability in the transaction price for items such as discounts, credits, charge backs, or sales returns. Accordingly, the transaction price for product sales includes estimates of variable consideration to the extent it is probable that a significant reversal of revenue recognized will not occur.

The Company inspects returned items when they arrive at its processing facilities. The Company refunds the full cost of the merchandise returned if the returned item is defective or the Company or its partners have made an error, such as shipping the wrong product. If the return is not a result of a product defect or a fulfillment error and the customer initiates a return of an unopened item within 30 days of delivery, for most products the Company refunds the full cost of the merchandise less the original shipping charge and actual return shipping fees. If the customer returns an item that has been opened or shows signs of wear, the Company issues a partial refund minus the original shipping charge and actual return shipping fees. Coffee products are not eligible for returns. Revenue is recorded net of estimated returns. The Company records an allowance for returns based on current period revenues and historical returns experience. The Company analyzes actual historical returns, current economic trends and changes in order volume and acceptance of its products when evaluating the adequacy of the sales returns allowance in any accounting period. The allowance for sales returns and charge backs was \$923 and \$942 as of March 31, 2023 and December 31, 2022, respectively, and included in "Accounts receivable, net" on the unaudited consolidated balance sheets.

Shipping and Handling Fees and Costs

Shipping and handling is considered a fulfillment activity, as it takes place prior to the customer obtaining control of the merchandise, and fees charged to customers are included in net revenue upon completion of the performance obligation.

Segment Information

The Company reports operations as a single reportable segment and manages the business as a single-brand consumer products business. This is supported by the operational structure, which includes sales, product design, operations, marketing, and administrative functions focused on the entire product suite rather than individual product categories or

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sales channels. Our chief operating decision maker reviews financial information on a consolidated basis and does not regularly review financial information for individual sales channels, product categories or geographic regions that would allow decisions to be made about allocation of resources or performance.

Cost of Goods Sold

Cost of goods sold includes product costs, labor costs, occupancy costs, outbound shipping costs, handling and fulfillment costs, credit card fees, and royalty fees, and is recorded in the period incurred.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents also include proceeds due from credit card transactions with settlement terms of less than five days. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances, and it believes credit risk to be minimal.

Accounts Receivable, Net

Accounts receivable consist primarily of trade amounts due from business customers at period end. Accounts receivable are recorded at invoiced amounts and do not bear interest. From time to time, the Company grants credit to business customers on normal credit terms. The Company maintains an allowance for doubtful accounts receivable based upon its business customers' financial condition and payment history, and its historical collection experience and expected collectability of accounts receivable. The allowance for doubtful accounts receivable was \$415 and \$156 as of March 31, 2023 and December 31, 2022, respectively.

Inventories, Net

Inventories are stated at the lower of standard cost, which approximates First In, First Out ("FIFO"), or net realizable value. The Company records inventory reserves for obsolete and slow-moving inventory. Inventory reserves are based on inventory obsolescence trends, historical experience and application of the specific identification method. Finished goods includes allocations of labor, occupancy expenses, and inbound transportation costs.

Property, Plant and Equipment, Net

Property, plant and equipment are stated at cost with depreciation calculated using the straight-line method over the estimated useful lives of the related assets or the term of the related finance lease, whichever is shorter. Leasehold improvements are amortized over the shorter of the term of the related leases or estimated useful lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in earnings for the period. The cost of maintenance and repairs are charged to earnings as incurred; significant renewals and improvements are capitalized.

Estimated useful lives are as follows:

	<u>Estimated Useful Lives</u>
Land	—
Building and Leasehold improvements	5 — 39 years
Computer equipment and software	3 years
Machinery and equipment	5 — 15 years
Vehicles	5 years

Identifiable Intangibles - Internal Use Software

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In accordance with ASC 350-40, *Intangibles - Goodwill and Other, Internal-Use Software* ("ASC 350-40"), the Company capitalizes qualifying internal use software costs that are incurred during the application development stage if management with the relevant authority authorizes the project, it is probable the project will be completed, and the software will be used to perform the function intended. Capitalized internal use software costs are reported in property and equipment on the unaudited consolidated balance sheets and are amortized over the expected economic life of three years using the straight-line method once the software is ready for intended use. Costs incurred for enhancements that are expected to result in additional significant functionality are capitalized and amortized over the estimated useful life of the enhancement. Costs related to preliminary project activities and post-implementation activities, including training and maintenance, are expensed as incurred. Capitalized software costs net of accumulated amortization are included as a component of "Property, plant and equipment, net" on the unaudited consolidated balance sheets.

Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets, such as property and equipment and identifiable intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset or asset group from the expected future undiscounted pre-tax cash flows of the related operations. If these undiscounted cash flows are less than the carrying amount of the related asset, an impairment is recognized for the excess of the carrying value over its fair value. For the three months ended March 31, 2023 and 2022, no impairment loss was recognized.

Leases

The Company leases certain property and equipment under non-cancelable finance and operating leases which expire at various dates through 2026. The Company's operating leases relate to roasting facilities in Tennessee and Outposts. At the inception of each lease, the Company determines the appropriate classification for each lease as operating or finance. The Company has estimated that the lease term for Outposts is generally 10 to 15 years. Any initial direct costs are capitalized and amortized over the life of the lease.

Earn-out Liability

The earn-out shares that were payable in Common Units (as defined below) of Authentic Brands pursuant to the Business Combination Agreement were recorded as a liability under ASC 480 and the earn-out shares that were payable in BRC Inc. common stock pursuant to the Business Combination Agreement were recorded as a liability under ASC 815. The earn-out liability was initially measured at fair value at the closing of the Business Combination using a Monte Carlo simulation in an option pricing framework that simulated the future path of the Company's stock price over the earn-out period. The earn-out shares vested in March and April 2022. The Company recognized the earn-out shares as liabilities at fair value and adjusted the earn-out shares to fair value at each reporting period. The earn-out liabilities were subject to re-measurement at each balance sheet date until vesting, and any change in fair value was recognized on the Company's unaudited consolidated statement of operations. The liabilities were settled prior to December 31, 2022 and therefore not recurring as of March 31, 2023.

Warrant Liability

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. The Company had public and private warrants, both of which did not meet the criteria for equity classification and were accounted for as liabilities. Accordingly, the Company recognized the warrants as liabilities at fair value and adjusted the warrants to fair value at each reporting period with any changes in fair value recognized on the Company's unaudited consolidated statement of operations. The public and private warrants were redeemed in May 2022. The liabilities were settled prior to December 31, 2022 and therefore not recurring as of March 31, 2023.

Income Taxes

The Company accounts for income taxes under the liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided if it is determined that it is more likely than not that the deferred tax asset will not be realized. The Company records interest and penalty expense related to income taxes as interest and other expense, respectively.

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The Company evaluates and accounts for uncertain tax positions using a two-step approach: Step 1. Recognition – occurs when the Company concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustainable upon examination. Step 2. Measurement – determines the amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Derecognition of a tax position that was previously recognized would occur when the Company subsequently determines that a tax position no longer meets the more likely-than-not threshold of being sustained.

Equity-Based Compensation

The Company recognizes the cost of equity-based compensation awards and incentive unit awards based on the fair value estimated in accordance with FASB ASC 718, *Stock Based Compensation* ("ASC 718"). The Company records equity-based compensation expense for awards with only a service based vesting condition based on the fair value of such awards at the grant date and recognizes compensation expense on a straight-line basis over the requisite service period. Equity-based compensation expense for awards with market based vesting conditions is recorded based on the fair value of such awards at the grant date and recognized on an accelerated basis over the requisite service period. The assumptions used to calculate the fair value of equity awards granted are evaluated and revised, as necessary, to reflect the Company's historical experience and current market conditions. For more information, see [Note 9, Equity-Based Compensation](#).

Earnings per Share

Basic net income/(loss) per share is calculated by dividing net income/(loss) attributable to Class A common stockholders by the weighted-average shares of Class A common shares outstanding without the consideration for potential dilutive securities. Diluted net loss per share represents basic net loss per share adjusted to include the potentially dilutive effect of outstanding unvested share awards, and units of Authentic Brands designated as common units (the "Common Units") and restricted units (the "Restricted Common Units") in the Third Amended and Restated Limited Liability Company Operating Agreement of Authentic Brands (the "LLC Agreement") that are exchangeable into shares of Class A common stock. Diluted net loss per share is computed by dividing the net income attributable to Class A common shareholders by the weighted-average number of shares of Class A common stock outstanding for the period determined using the treasury stock method and if-converted, as applicable. For more information, see [Note 12, Net Loss per Share](#).

Concentrations of Credit Risk

The Company's assets that are potentially subject to concentrations of credit risk are cash and accounts receivable. Cash balances are maintained in financial institutions which at times exceed federally insured limits. The Company monitors the financial condition of the financial institutions in which it accounts are maintained and has not experience any losses in such accounts. The accounts receivable of the Company are spread over a number of customers, of which three customers accounted for 57% of total outstanding receivables as of March 31, 2023 and three customers accounted for 51% of total outstanding receivables as of December 31, 2022. The Company performs ongoing credit evaluations as to the financial condition of its customers and creditors with respect to trade accounts.

Marketing and Advertising Expenses

The Company's marketing and advertising expenses are primarily internet marketing expenses, commercial sponsorships and advertising time slots. Marketing expenses are recognized as incurred based on the terms of the individual agreements, which are generally, but not limited to: a commission for traffic driven to its websites that generate a sale, programmatic targeting advertisements, national television and radio advertisements, or payments to social media influencers. The Company may also enter into marketing service agreements with third party production and content providers where the Company prepays for certain services or deliverables and recognizes the expense when the service is completed. Prepaid marketing and advertising expenses totaled \$1,826 and \$1,050 as of March 31, 2023 and December 31, 2022, respectively.

Fair Value Measurements

The Company's financial instruments consist primarily of accounts receivable, accounts payable and long-term debt. The carrying amounts of accounts receivable and accounts payable are representative of their respective fair values due to the short-term maturity of these instruments. The fair value of variable rate long-term debt is based upon the current market rates for debt with similar credit risk and maturity, which approximated its carrying value, as interest is based upon the Bloomberg Short Term Bank Yield Index ("BSBY") or Prime rates plus an applicable floating margin. In measuring fair value, the Company reflects the impact of credit risk on liabilities, as well as any collateral. The Company also considers the credit standing of counterparties in measuring the fair value of assets.

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The Company uses any of three valuation techniques to measure fair value: the market approach, the income approach, and the cost approach in determining the appropriate valuation technique based on the nature of the asset or liability being measured and the reliability of the inputs used in arriving at fair value.

The Company follows the provisions of ASU No. 2022-03- *Fair Value Measurement* ("Topic 820") for non-financial assets and liabilities measured on a non-recurring basis.

The inputs used in applying valuation techniques include assumptions that market participants would use in pricing the asset or liability (i.e., assumptions about risk). Inputs may be observable or unobservable. The Company uses observable inputs in the Company's valuation techniques and classifies those inputs in accordance with the fair value hierarchy established by applicable accounting guidance, which prioritizes those inputs. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

The three levels are defined as follows:

Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 — inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 — inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. As of March 31, 2023, the Company had no Level 3 financial assets or liabilities.

Series A Redeemable Preferred Equity

The Company accounted for its preferred equity as temporary equity, given the Series A preferred units were probable of becoming redeemable (i.e., exercise of the exit rights in the passage of time). The Series A preferred units have been subsequently remeasured by accreting changes in the redemption value from the date of issuance to the expected redemption date using the effective interest method. The Series A preferred units were redeemed in February 2022 in connection with the Business Combination. The liabilities were settled prior to December 31, 2022 and therefore not recurring as of March 31, 2023.

Comprehensive Income (Loss)

The Company has no components of comprehensive income and comprehensive income (loss) is equivalent to net income (loss) in each of the periods presented. As such, no separate statement of comprehensive income (loss) is presented.

Recently Adopted Accounting Pronouncements

On January 1, 2023, the Company adopted new guidance from the FASB, ASU No. 2022-02 - *Financial Instruments - Credit Losses* ("Topic 326"), that introduces a new credit loss methodology for estimating allowances for credit losses. The standard requires measurement and recognition of expected credit losses for financial assets held by the Company be recognized immediately over the remaining life of the financial assets. The estimate of expected losses is based on information about past and current economic conditions and reasonable forecasts of future economic conditions that affect financial assets deemed uncollectible. There was no material impact to the Company's financial statements as a result of this adoption.

[Table of Contents](#)**3. Inventories, Net**

Inventories consist of the following:

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Coffee:		
Unroasted	\$ 3,803	\$ 4,867
Finished Goods	16,248	15,365
Ready-to-Drink (raw materials)	20,926	16,610
Ready-to-Drink (finished goods)	54,565	33,413
Apparel and other merchandise	7,365	6,928
Total inventories, net	<u>\$ 102,907</u>	<u>\$ 77,183</u>

4. Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following:

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Building and leasehold improvements	\$ 27,264	\$ 25,024
Machinery and equipment	16,365	15,977
Computer equipment and software	7,692	6,071
Land	3,245	3,245
Furniture and fixtures	2,062	1,804
Vehicles	1,283	1,283
Construction in progress	17,142	15,780
Property, plant, and equipment, gross	<u>75,053</u>	<u>69,184</u>
Less: accumulated depreciation and amortization	<u>(11,438)</u>	<u>(9,733)</u>
Total property, plant and equipment, net	<u>\$ 63,615</u>	<u>\$ 59,451</u>

The portion of depreciation expense related to production and distribution facilities is included in cost of goods sold including occupancy costs on the unaudited consolidated statements of operations. Depreciation expense recorded in cost of goods sold and general and administrative expenses was as follows:

	<u>Three Months Ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 345	\$ 206
General and administrative	1,360	774
Total depreciation expense	<u>\$ 1,705</u>	<u>\$ 980</u>

The total depreciation expense for internal use software included in the above table was \$183 for the three months ended March 31, 2023 and 2022, respectively.

Substantially all long-lived assets are located in the United States.

[Table of Contents](#)**5. Deferred Revenue and Gift Card Liability**

The following table provides information about deferred revenue, gift cards, and the Loyalty Program, including significant changes in deferred revenue balances for the below designated periods:

	Three Months Ended March 31,	
	2023	2022
Balance at beginning of period	\$ 9,505	\$ 7,334
Sales of gift cards	346	190
Redemption of gift cards	(374)	(193)
Increase from deferral of revenue	3,127	3,662
Decrease from revenue recognition	(3,560)	(3,638)
Loyalty Program points earned	521	620
Loyalty Program points redeemed/expired	(220)	(207)
Balance at end of period	<u>\$ 9,345</u>	<u>\$ 7,768</u>

6. Accrued Liabilities

Accrued liabilities consist of the following:

	March 31,	December 31,
	2023	2022
Accrued compensation and benefits	\$ 9,836	\$ 7,393
Other accrued expenses	8,963	6,935
Accrued inventory purchases	7,541	15,035
Accrued freight	1,514	2,153
Accrued sales and other taxes	1,138	1,179
Accrued marketing	893	3,077
Credit card liabilities	312	888
Total accrued liabilities	<u>\$ 30,197</u>	<u>\$ 36,660</u>

[Table of Contents](#)**7. Long-Term Debt**

The Company's credit facilities and related balances were as follows:

	March 31, 2023	December 31, 2022
Senior credit facility	\$ 37,691	\$ 30,000
Mortgages	7,030	7,102
Equipment term loan	3,697	3,814
Equipment financing loan	3,336	3,336
Notes payable	3,140	3,540
Retail facility	1,658	1,768
Total principal	<u>56,552</u>	<u>49,560</u>
Less debt issuance costs	<u>(367)</u>	<u>(400)</u>
Long-term debt, net	<u>\$ 56,185</u>	<u>\$ 49,160</u>
Current maturities:		
Current maturities of principal	\$ 2,273	\$ 2,259
Less current portion of debt issuance costs	<u>(108)</u>	<u>(116)</u>
Current maturities of long-term debt, net	<u>\$ 2,165</u>	<u>\$ 2,143</u>
Long-term debt:		
Non-current principal	\$ 54,279	\$ 47,301
Less non-current portion of debt issuance costs	<u>(259)</u>	<u>(284)</u>
Long-term debt, net	<u>\$ 54,020</u>	<u>\$ 47,017</u>

Future contractual maturities of credit facilities (not including debt issuance costs) as of March 31, 2023 are as follows:

Remainder of 2023	\$ 1,941
2024	2,957
2025	7,277
2026	3,587
2027	38,632
Thereafter	<u>2,158</u>
	<u>\$ 56,552</u>

Senior Credit Facility

In November 2022, Authentic Brands and certain of its subsidiaries entered into a new credit agreement with Regions Bank, which provides for a revolving credit facility of up to \$65,000, subject to a borrowing base determined from eligible accounts receivable and inventory (the "Senior Credit Facility"). In connection with the entry into the Senior Credit Facility, Authentic Brands and certain of its subsidiaries each granted a security interest in and liens upon substantially all of their assets in favor of the lender to secure obligations under the Senior Credit Facility. As of March 31, 2023, Authentic Brands has available credit under the Senior Credit Facility of \$12,309. The Senior Credit Facility bears a variable interest rate based on the BSBY plus an applicable margin of either (i) 2.25% if excess borrowing availability is less than or equal to fifty percent of borrowing base, or (ii) 2.00% if excess borrowing availability is greater than fifty percent of borrowing base and matures in November 2027.

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The Senior Credit Facility contains customary representations and affirmative and negative covenants, including limitations on Authentic Brands' and its subsidiaries' ability to incur additional debt, grant or permit additional liens, make investments and acquisitions, merge or consolidate with others, dispose of assets, pay dividends and distributions, and enter into affiliate transactions, in each case, subject to customary exceptions. In addition, the Senior Credit Facility contains financial covenants requiring Authentic Brands to maintain (i) minimum liquidity (as defined in the credit agreement) of at least \$15,000, and (ii) a fixed charge coverage ratio (as defined in the credit agreement) of not less than 1.00 to 1.00, measured on a trailing 12-month basis beginning in March 2024 and for each month thereafter. At March 31, 2023, the Company was in compliance with such covenants. The Senior Credit Facility also includes events of default customary for facilities of this type and upon the occurrence of such events of default, among other things, all outstanding amounts under the Senior Credit Facility may be accelerated and the lender may terminate its commitments thereunder.

Debt Issuance Costs

The Company capitalizes fees associated with the origination of its credit facilities which are presented on the unaudited consolidated balance sheets as a direct deduction from the carrying amount of the related loans. The debt issuance costs are amortized using the effective interest method. Amortization of the debt issuance costs for the three months ended March 31, 2023 and 2022 was \$33 and \$243, respectively, and are included in interest expense on the unaudited consolidated statements of operations.

Mortgages

In July 2020, the Company entered into mortgage loan agreements to refinance Company-owned buildings for a total of \$5,500 at an interest rate of 3.67% per annum. The loans are secured by the real property financed. The loans mature on July 29, 2025. The loans are payable in monthly installments of principal and interest of \$32 commencing on August 29, 2020.

In April 2021, the Company entered into a mortgage loan agreement to purchase a building for a total of \$2,200 at an interest rate of 3.60% per annum. The loan is secured by the real property financed. The loan matures on April 29, 2026. The loan is payable in monthly installments of principal and interest of \$13 that commenced on May 29, 2021.

Equipment Term Loan

In August 2022, borrowings under the equipment financing loan of \$4,043 were converted into the Equipment Term Loan (the "Term Loan"). The Term Loan is secured by the equipment financed and matures in June 2029 bearing an interest rate of 6.88%.

Equipment Financing Loan

In July 2020, the Company entered into an equipment financing agreement which provided a credit line totaling \$3,250 at an interest rate of BSBY plus 3.50%. The credit line is secured by the equipment financed.

In April 2021, the Company increased its equipment credit line by \$10,000. Further, in July 2021, an additional \$6,000 was added to the available credit on the equipment finance loan. In September 2021, \$1,998 outstanding on the equipment credit line was converted to a 60-month term loan at an interest rate of 4.05% to be utilized for retail expansion ("Retail Facility").

Notes Payable

In July and September 2021, the Company entered into note payable agreements for \$2,588 at an interest rate of approximately 1.00% per annum to repurchase Incentive Units from former employees. The notes are payable in four annual installment payments. As of March 31, 2023, the outstanding balance on the notes payable is \$1,941.

In January 2022, the Company entered into a note payable agreement for \$1,599 at an interest rate of 1.30% per annum to repurchase Incentive Units from a former employee. As of March 31, 2023, the outstanding balance on the notes payable is \$1,199.

Guaranty

In March 2022, the Company entered into a guaranty payment of all the Authentic Brands' outstanding mortgage loans, the equipment financing loan, and the Retail Facility. That guaranty agreement was terminated in November 2022 in connection with the entry into the Senior Credit Facility.

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8. Stockholders' Equity

In conjunction with the Business Combination, 18,769 class A common units and 73,890 class B common units of Authentic Brands (the holders thereof, the "Existing Members") were converted into an aggregate of 139,106,323 common units in Authentic Brands (the "Common Units") and 19,853,125 restricted common units in Authentic Brands (the "Restricted Common Units"). The Existing Members also received 139,106,323 shares of Class B Common Stock of the Company.

Subsequent to the Business Combination, the Company's authorized capital stock consists of 2,802,500,000 shares including (i) 2,500,000,000 shares of Class A Common Stock, (ii) 300,000,000 shares of Class B Common Stock, (iii) 1,500,000 shares of Class C common stock, par value \$0.0001 per share (the "Class C Common Stock"), and (iv) 1,000,000 shares of preferred stock, par value \$0.0001 per share (the "Preferred Stock"). The Class C Common Stock is divided into two series as follows: (a) 750,000 shares of Series C-1 Common Stock, par value \$0.0001 per share; and (b) 750,000 shares of Series C-2 Common Stock, par value \$0.0001 per share.

Holders of the Company's Class A Common Stock and the Class B Common Stock are each entitled to one vote per share, and holders of the Class C Common Stock do not have any voting rights. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our Class A Common Stock are entitled to receive dividends and other distributions as may from time to time be declared by the our board of directors at its discretion out of legally available Company assets, ratably in proportion to the number of shares held by each such holder, and at such times and in such amounts as the board of directors in its discretion may determine. No dividends or other distributions will be declared or paid on the Class B Common Stock or the Class C Common Stock.

A holder of Class B Common Stock may transfer or assign shares of Class B Common Stock only if such holder also simultaneously transfers an equal number of such holder's Common Units in compliance with and as permitted by the LLC Agreement.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, after payment of debts and other liabilities and after the rights of holders of preferred stock, if any, have been satisfied, the holders of all outstanding shares of Class A Common Stock will be entitled to receive the remaining assets of the Company available for distribution ratably in proportion to the number of shares held by each such stockholder.

The board of directors of the Company may establish one or more classes or series of preferred stock. Our board of directors may determine, with respect to any class or series of preferred stock, the terms and rights of such class or series. The Company currently does not have any preferred stock issued and outstanding.

Common Units are entitled to share in the profits and losses of Authentic Brands and to receive distributions declared and have no voting rights. Holders of Common Units receive one share of Class B Common Stock, which are voting, non-economic shares in the Company, for each Common Unit they own. From and after a lock-up period and subject to the terms of the LLC Agreement, the Common Unit holders have the option to redeem all or any portion of their Common Units. However, upon redemption, the Company's board of directors determines whether the Common Units are redeemed in cash or Class A Common Stock.

Common Units that are redeemed for shares, are exchanged for a number of Class A Common Stock equal to the number of exchanged Common Units. Simultaneously, a number of Class B Common Stock held by the unitholder is surrendered equal to the number of Common Units being redeemed. For Common Units redeemed for cash, cash redemption may only be effected if a concurrent fundraising activity takes place by the Company.

Non-Controlling Interests

Non-controlling interests represent the ownership interests in Authentic Brands held by holders other than the Company. The Business Combination occurred on February 9, 2022. As a result, net loss for the quarter ended March 31, 2022 was attributed to the pre-Business Combination period from January 1, 2022 through February 8, 2022 and to the post-Business Combination period from February 9, 2022 through March 31, 2022. During the pre-Business Combination period, net loss was attributable to Authentic Brands. During the post-Business Combination period, net loss was attributable to the Company and its respective non-controlling interests. Following the Business Combination, the Company's ownership percentage in Authentic Brands controlling and non-controlling interests was 22.5% and 77.5%, respectively. As of March 31, 2023, BRC Inc.'s ownership percentage in Authentic Brands controlling and non-controlling interests was 27.6% and 72.4%, respectively.

[Table of Contents](#)**9. Equity-Based Compensation***Incentive Units*

Authentic Brands' maintained an equity incentive plan (the "Plan") under which it could grant incentive units ("Incentive Units") to employees or non-employee directors. In connection with the Plan, 200,000 non-voting units have been authorized. These units may contain certain service and performance related vesting provisions. The Incentive Units are awarded to eligible employees and non-employee directors and entitle the grantee to receive non-voting member units upon vesting, subject solely to the employee's continuing employment or the non-employee director's continuing service on the board of directors.

The grant date estimated fair value of the Incentive Units was based upon an option pricing model valuation of the awards at the grant date. The Company did not change pricing models during the year, however, began to incorporate and consider the probability-weighted expected return method. The Incentive Units have no strike price; however, participation thresholds, as defined in the Plan were established at grant date that must be exceeded for the holder of the unit to participate in any distributions of the Company. The following assumptions were utilized in determining the fair value of the units at the grant date:

Expected dividend	—
Expected volatility	60% to 85%
Risk-free interest rate	0.13% to 2.53%
Expected life of incentive awards (in years)	1 to 5 years
Grant date performance and market threshold	\$35,000 to \$1,250,000

The computation of expected volatility is based on a weighted average of comparable public companies within the Company's industry. Expected life is based on the estimated liquidity event timing. The risk-free interest rate is based on the yield of zero-coupon U.S. Treasury securities of comparable terms. The Company does not anticipate paying dividends in the foreseeable future. The Company recognizes pre-vesting forfeitures as they occur rather than estimate the forfeiture rate at the grant date.

The following table summarizes the changes in the number of Incentive Units for the three months ended March 31, 2023:

	<u>Incentive Units</u>	<u>Weighted Average Grant Date Fair Value</u>
Granted and outstanding at January 1, 2023	14,210	\$ 192.52
Granted	—	—
Forfeited	—	—
Granted and outstanding at March 31, 2023	<u>14,210</u>	<u>\$ 192.52</u>
Vested at March 31, 2023	<u>3,323</u>	<u>\$ 211.43</u>

As of March 31, 2023, total unrecognized equity compensation expense related to nonvested Incentive Units to be recognized over a weighted average period of approximately three years was \$2,048.

In connection with the Business Combination, 28,990 Incentive Units under the Plan fully vested and converted into Common Units in Authentic Brands that allow for their exchange into Class A Common Stock of the Company. The Company recognized \$1,856 of compensation costs as a result of the accelerated vesting of incentive units under the "Change in Control" provision of the Plan. The Company accounted for the accelerated vesting of the Incentive Units as a modification. However, because the fair value of the modified awards was the same immediately before and after the modification, no incremental compensation expense was recognized.

In connection with the Business Combination, the Company adopted the 2022 Omnibus Incentive Plan ("Omnibus Plan"), which replaced the Plan, and the 2022 Employee Stock Purchase Plan (the "ESPP").

[Table of Contents](#)*Stock Options*

The Company granted stock options to employees under the Omnibus Plan that vest ratably over three years and expire after seven years. The grant date estimated fair value of the stock options was based upon a Black Scholes model valuation of the options at the grant date. The following weighted average assumptions were utilized in determining the fair value of options granted:

Weighted average grant date fair value	\$4.52
Expected dividend	—
Expected volatility	57%
Risk-free interest rate	2.60%
Options term (in years)	4.5

The computation of expected volatility is based on a weighted average of comparable public companies within the Company's industry. Expected term assumption is based on the mid-point between vesting and maturity of the stock options. The risk-free interest rate is based on the yield of zero-coupon U.S. Treasury securities of comparable terms. The Company does not anticipate paying dividends in the foreseeable future. The Company recognizes pre-vesting forfeitures as they occur rather than estimate the forfeiture rate at the grant date.

The following table summarizes information about stock options activities for the three months ended March 31, 2023:

	<u>Stock Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding at January 1, 2023	792,370	\$ 9.77
Granted	126,556	7.34
Forfeited	(22,724)	9.10
Outstanding at March 31, 2023	896,202	\$ 9.44
Vested at March 31, 2023	150,696	\$ 10.00

As of March 31, 2023, total unrecognized equity compensation expense related to stock options to be recognized over a weighted average period of approximately two years was \$3,337.

Restricted Stock Units

The Company granted restricted stock unit ("RSU") awards to employees and non-employee directors under the Omnibus Plan that vest annually over approximately three years. The grant date fair values were based on the closing price of the Class A Common Stock of the Company on the date of grant.

The following table summarizes information about the RSUs under the Omnibus Plan for the three months ended March 31, 2023:

	<u>Restricted Stock Units</u>	<u>Weighted Average Grant Date Fair Value</u>
Nonvested at January 1, 2023	823,829	\$ 10.68
Granted	141,729	7.34
Forfeited	(37,475)	11.03
Vested	(4,562)	13.70
Nonvested at March 31, 2023	923,521	\$ 10.14

As of March 31, 2023, total unrecognized equity compensation expense related to RSUs to be recognized over a weighted average period of approximately two years was \$6,490.

Performance-Based Restricted Stock Units

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On December 29, 2022, the Company granted 8,462,412 performance-based restricted stock units ("PSUs") to a key employee which vest if certain market capital growth rates are achieved each year through April 2027. Vested PSUs are settled in shares of the Company Class A common stock equal to the number of PSUs granted. The PSUs are forfeited upon termination of employment before the performance period ends. PSUs granted during the year ended December 31, 2022 have a weighted-average grant date fair value of \$0.46 per share. All PSUs were unvested as of March 31, 2023. The Company used the Monte Carlo pricing model to estimate the fair value of PSUs utilizing the following assumptions at the grant date:

Expected dividend	—
Expected volatility	65%
Risk-free interest rate	3.97%
Award term years	4.3
Valuation date share price	\$6.21

As of March 31, 2023, total unrecognized equity-based compensation expense related to PSUs to be recognized over a weighted average period of approximately four years was \$2,970.

In September 2022, the Company began offering an Employee Stock Purchase Plan ("ESPP") whereby eligible employees may acquire an equity interest in the Company through payroll contributions. At the end of a six-month offering period, shares are purchased at 85% of the stock price at enrollment date or purchase date, whichever is lower.

On March 8, 2023, the Company issued 59,521 shares for a total of \$359 under the September 9, 2022 ESPP period, which covered the period between September 9, 2022 and March 8, 2023. Under the March 9, 2023 ESPP period, which covers a period through September 8, 2023, the Company expects to issue 95,309 shares based on the Company's stock price of \$6.00 on March 9, 2023.

10. Defined Contribution Plan

The Company maintains a voluntary qualified defined contribution plan covering eligible employees as defined by the plan documents. Participating employees may elect to defer and contribute a portion of their eligible compensation to the plan up to limits stated in the plan documents, not to exceed the dollar amounts set by applicable laws. The Company's matching contributions to the plan were \$257 and \$194 for the three months ended March 31, 2023 and 2022, respectively.

11. Income Taxes

The Company is subject to U.S. federal and state taxes with respect to our allocable share of any taxable income or loss of Authentic Brands, as well as any stand-alone income or loss the Company generates. Authentic Brands is treated as a partnership for U.S. income tax purposes and for most applicable state and local income tax purposes and generally does not pay income taxes in most jurisdictions. Instead, Authentic Brands' taxable income or loss is passed through to its members, including us.

Our effective tax rate in 2023 differs from the U.S. federal statutory rate primarily due to changes in the valuation allowance and non-controlling interest.

Based primarily on our limited operating history and Authentic Brands' historical losses, the Company believes there is a significant uncertainty as to when the Company will be able to use our deferred tax assets ("DTAs"). Therefore, the Company has recorded a valuation allowance against the DTAs for which the Company has concluded it is more likely than not that they will not be realized.

[Table of Contents](#)**12. Net Loss Per Share**

Basic net loss per share is calculated by dividing net loss attributable to Class A common stockholders by the weighted-average shares of Class A common shares outstanding without the consideration for potential dilutive securities. Diluted net loss per share represents basic net loss per share adjusted to include the potentially dilutive effect of outstanding unvested share awards, warrants, Common Units and Restricted Common Units that are exchangeable into shares of Class A common stock. Diluted net loss per share is computed by dividing the net income attributable to Class A common shareholders by the weighted-average number of shares of Class A common stock outstanding for the period determined using the treasury stock method and if-converted method, as applicable. Shares of Class B Common Stock do not participate in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted loss per share of Class B Common Stock under the two-class method has not been presented.

The following table sets forth the computation of basic and diluted net loss per share are presented below:

	Three Months Ended March 31,	
	2023	2022
<i>Numerator:</i>		
Net loss	\$ (17,321)	\$ (254,136)
Less: Net loss attributable to non-controlling interests	(12,521)	(193,906)
Net loss attributable to Class A Common Stock - basic and diluted ⁽¹⁾	<u>\$ (4,800)</u>	<u>\$ (60,230)</u>
<i>Denominator:</i>		
Weighted-average shares of Class A Common Stock outstanding ⁽¹⁾	58,159,223	44,254,837
Net loss per share attributable to Class A common stockholders, basic and diluted	\$ (0.08)	\$ (1.36)

⁽¹⁾ For the three months ended March 31, 2022, net loss per share of Class A Common Stock and weighted-average shares of Class A Common Stock outstanding is representative of the period from February 9, 2022 through March 31, 2022, the period following the Business Combination, as defined in [Note 1, Organization and Nature of Business](#).

The Company excluded the following potentially dilutive securities, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to Class A common shareholders because including them would have had an antidilutive effect:

	Three Months Ended March 31,	
	2023	2022
Stock options	896,202	578,290
Warrants	—	17,766,641
Applicable Premium shares	—	826,506
Class C Common Stock	—	694,063
Common Units	153,156,442	149,032,886
Restricted Common Units	—	10,620,625
RSUs	923,521	—
PSUs	8,462,412	—
Incentive Units	14,210	16,445
Employee Stock Purchase	95,309	—
Total units excluded from computation of diluted net loss per share	<u>163,548,096</u>	<u>179,535,456</u>

[Table of Contents](#)**13. Concentrations**

The Company has significant suppliers and service providers that are important to its sourcing, roasting, manufacturing, and any related ongoing servicing of merchandise and content. The Company does not have any long-term arrangements with these vendors or its other suppliers and service providers to guarantee availability of inventory, content, or services. The loss of these vendors, the numbers and concentrations of which are set for in the table below, could have an adverse impact on the operations of the Company until a suitable replacement could be engaged.

The following table summarizes the Company's significant vendors/suppliers and the proportion of their impact on the following operations:

	Three Months Ended March 31,			
	2023		2022	
	Number of Vendors	Concentration Rate	Number of Vendors	Concentration Rate
Coffee supplier accounts	6	62.7 %	5	90.3 %
Shipping provider accounts	4	60.7 %	4	80.8 %
Primary fulfillment service provider accounts	5	87.4 %	1	97.6 %
Marketing provider accounts	8	43.9 %	5	28.0 %

14. Commitments and Contingencies*Purchase Agreements*

The Company has entered into manufacturing and purchase agreements to purchase coffee product from third-party suppliers. The minimum purchase amounts are based on quantity and, in the aggregate, will be approximately \$33,430 for the remainder of 2023 and \$26,480 for 2024.

In September 2021, the Company entered into a manufacturing and purchase agreement to purchase canned beverage product from a third-party supplier. The initial term ends on December 31, 2023, and automatically renews for two consecutive year periods, unless either party provides notice of cancellation at least 120 days prior to the end of the current term. The minimum purchase amount carries a minimum surcharge of approximately \$1,690 for the remainder of 2023; \$19,920 for 2024; and \$22,410 for 2025.

In November 2021, the Company entered into a manufacturing and purchase agreement to purchase coffee product from a third-party supplier. The term remains in effect until December 31, 2023. The minimum purchase amount is based on quantity and will be approximately \$8,800 on an annual basis.

Contingencies

The Company is the subject of various legal actions in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, the Company accrues reserves when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. Although the outcomes of these proceedings cannot be predicted with certainty, the Company does not believe any of these proceedings, individually or in the aggregate, would be expected to have a material adverse effect on results of operations, cash flows or financial condition.

The Company could be subject to additional sales tax or other tax liabilities. The Company follows the guidelines of ASC 450, *Accounting for Contingencies*, and the unaudited consolidated financial statements reflect the current impact of such legislation through the Company's best estimates. However, any of these events could have a material effect on the Company's business and operating results depending on the previous periods of applied enforcement by certain jurisdictions.

The Company is also subject to U.S. (federal and state) laws, regulations, and administrative practices that require us to collect information from its customers, vendors, merchants, and other third parties for tax reporting purposes and report such information to various government agencies. The scope of such requirements continues to expand, requiring us to develop and implement new compliance systems. Failure to comply with such laws and regulations could result in significant penalties and interest which might have an adverse effect on the Company's business and operating results. The

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Company has accrued \$326 related to potential sales and other tax exposure as of March 31, 2023 and December 31, 2022, which is included in accrued liabilities on the accompanying unaudited consolidated balance sheets.

Legal Disputes

On April 28, 2022, Tang Capital Partners, LP (“Tang Capital”) filed a lawsuit in federal district court in New York against the Company, Tang Capital Partners, LP v. BRC Inc., Case 22-CV-3476 (RWL) (Southern District of New York). The complaint alleges that the Tang Capital suffered damages arising from the Company’s refusal on two occasions to permit Tang Capital to exercise warrants. On March 8, 2023, the court granted the Company’s motion to dismiss a claim for declaratory judgment but denied the Company’s motion to dismiss a breach of contract claim. The lawsuit seeks unspecified general and compensatory damages, attorneys’ fees, and other reasonable costs and disbursements. The Company believes that it has meritorious defenses to the claim asserted against it and will defend itself vigorously in these proceedings; however, there can be no assurances that it will be successful in its efforts. The Company is not able at this time to determine or predict the ultimate outcome of this lawsuit or provide a reasonable estimate or range of estimates of the possible outcome or loss, if any, in this matter.

On February 3, 2023, Strategy and Execution, Inc. (“SEI”) filed a lawsuit in federal district court in Texas against one of the Company’s wholly owned subsidiaries, Strategy and Execution, Inc. v. Black Rifle Coffee Company LLC, Case 23-CV-00135 (FB) (Western District of Texas). The complaint alleges that SEI, a former consultant to the Company, is owed certain disputed royalties and expense reimbursements from the Company. On April 4, 2023, the Company filed a partial motion to dismiss several of the claims which is currently pending. The Company maintains all royalties expire upon expiration of the parties’ contract on December 31, 2023, and prior to such expiration, only SKUs manufactured at co-manufacturers SEI introduced the Company to, are subject to such royalty. Through March 31, 2023, the Company has expensed all royalties for co-manufacturers which SEI introduced, and all agreed upon expense reimbursements. Disputed expense reimbursements are immaterial to the Company’s operations.

EXHIBIT F-3**Unaudited Financial Statements for Q1 2023**

GUARANTEE OF PERFORMANCE

For value received, BRC Inc., a Delaware corporation (the "**Guarantor**"), located at 1144 South 500 West, Salt Lake City, UT 84101, absolutely and unconditionally guarantees to assume the duties and obligations of Black Rifle Coffee Company LLC, also located at 1144 South 500 West, Salt Lake City, UT 84101 (the "**Franchisor**"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued on June 8, 2023 as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor executes this guarantee at Salt Lake City, Utah on June 12, 2023.

Guarantor: BRC Inc.

By:  _____

Name: Tom Davin _____

Title: CO-CEO _____

**State-Specific Disclosures
and
State-Specific Amendments to Franchise Agreement**

Exhibit G-1
California Disclosure Addendum

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Disclosure Document for Black Rifle Coffee Company, LLC in connection with the offer and sale of franchises for use in the State of California is amended to include the following:

1. Our website, www.blackriflecoffee.com, has not been reviewed or approved by the California Dep't of Financial Protection & Innovation. Any complaints concerning the content of the website may be directed to the California Dep't of Financial Protection & Innovation at www.dfpi.ca.gov.
2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
3. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.
4. YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE § 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§ 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE § 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§ 20000 THROUGH 20043).

5. In Item 3, "Litigation," is amended by adding the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.

6. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by adding the following paragraphs at the conclusion of the Item:

California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning termination, transfer, or non-renewal of a

franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 101, et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the laws of Utah. This provision may not be enforceable under California law.

The Franchise Agreement requires litigation by courts with jurisdiction over Salt Lake City, Utah. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

You must sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

7. The Franchise Disclosure Document is amended to include the following:

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

8. This addendum will apply only if the California Franchise Investment Law or the California Franchise Relations Act would apply independently without referring to this addendum.

Exhibit G-2
Maryland Disclosure Addendum

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Disclosure Document for Bruster's Limited Partnership for use in Maryland shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

2. This addendum will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own without reference to this addendum.

Exhibit G-3
Maryland Amendment to Franchise Agreement

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Black Rifle Coffee Company LLC Franchise Agreement (the "Agreement") agree as follows:

1. Sections 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be amended by adding the following:

The release required under this Section shall not apply with respect to any liability arising under the Maryland Franchise Registration and Disclosure Law.

2. Section 16.5.1 of the Agreement, under the heading "Transfer Of Interest," shall be amended by adding the following:

The release required under this Section shall not apply with respect to any liability arising under the Maryland Franchise Registration and Disclosure Law.

3. Section 25 of the Agreement, under the heading "Entire Agreement and Amendment," shall be amended by adding the following:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by adding the following:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

5. Section 28 of the Agreement, under the heading "Acknowledgments" shall be amended by adding the following:

These acknowledgments are not intended to nor will they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

6. Section 28.13 of the Agreement, under the heading "Acknowledgements," shall be amended by adding the following:

This General Release does not release any claims that you may have under the Maryland Franchise Registration and Disclosure Law.

7. This amendment will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Black Rifle Coffee Company LLC
Franchisor

Franchisee

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Exhibit G-4
Virginia Disclosure Addendum

In recognition of the restrictions contained in the Virginia Retail Franchising Act, the Franchise Disclosure Document of Black Rifle Coffee Company LLC is amended as follows:

1. Item 17, Additional Disclosure. The following statement is added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. Risk Factor. Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$1,455,750 to \$3,099,000. The franchisor’s parent has stockholders’ equity of \$95,936,000.
3. This addendum will apply only if the Virginia Retail Franchising Act would apply independently without referring to this addendum.

Exhibit G-5
Virginia Amendment to the Franchise Agreement

In recognition of the restrictions contained in the Virginia Retail Franchising Act, the parties to the attached Black Rifle Coffee Company LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 17 of the Agreement, under the heading "Default and Termination," will be amended by the addition of the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

2. This amendment will apply only if the Virginia Retail Franchising Act would apply independently without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Virginia amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Black Rifle Coffee Company LLC
Franchisor

Franchisee

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

EXHIBIT H**List of Current and Former Franchisees**

Current franchisees as of our fiscal year ended Dec. 31, 2022

Name	Address	Telephone
RST Coffee Holdings, LLC, fka RST Coffee Holdings Inc. (2 locations in Oklahoma; 2 locations in Texas) (Note 1)	1048 Irvine Avenue, Suite 738 Newport Beach, CA 92660	405.977.3502
Black Spur LLC	435 Evans Road Niceville, FL 32578	850.585.7118
Our 2 nd Rodeo, LLC (Note 2)	196 Alps Road, Suite 2, PMB 388, Athens, GA 30606	706.372.9720
NLA Coffee, LLC, fka Nine Line Apparel, Inc. (2 locations)	450 Fort Argyle Rd Savannah, GA 31419	912.480.4250
Slick Capital LLC	10971 Highway 92 Woodstock, GA 30188	678.777.1795
C & B Franchises LLC (Note 2)	PO Box 9590 Kalispell, MT 59904	858.722.3940
One Bravo, LLC (1 location in Virginia)	3825 Edwards Road, Suite 200 Cincinnati, OH 45209	513.241.5800
Two Bravo, LLC (Note 2)	3825 Edwards Road, Suite 200 Cincinnati, OH 45209	513.241.5800
Three Bravo, LLC (Note 2)	3825 Edwards Road, Suite 200 Cincinnati, OH 45209	513.241.5800
1781 Ventures LLC (2 locations) (Note 2)	217 Cammer Avenue Greenville, SC 29605	865.803.6666
C & B Coffee Enterprises, Inc.	1836 Parkway Sevierville, TN 37862	865.388.7297
AM Coffee LLC	101 S Main St Boerne, TX 78006	830.428.6736
Coffee Mates of Cypress, LLC, fka Coffee Mates of San Antonio #1, LLC (Note 2)	11 Edge Hill Drive Dallas, TX 75248	972.489.7342
Meeves Coffee Shop, LLC (Note 2)	4300 Dunlavy Street, #3133 Houston, TX 77006	757.773.7512

Toasted Bean, LLC, fka Juan Valdez Rifle Company LLC	200 Spring Park Dr. Midland, TX 79705	432.349.9809
Toasted Bean #2, LLC (Note 2)	200 Spring Park Dr. Midland, TX 79705	432.349.9809
BR Reno Partners LLC (Note 2)	600 N. Carroll Avenue, Suite 100 Southlake, TX 76092	682.333.1181
M & M Coffee LLC (Note 2)	3250 E. Horsehead Peak Court Heber, UT 84032	801.550.6822
M & M Coffee Heber LLC (Note 2)	3250 E. Horsehead Peak Court Heber, UT 84032	801.550.6822
Capulus – SF LLC	724 N 40 E Lindon, UT 84042	801.319.0047

Notes:

- 1 Texas locations signed but not yet open as of our fiscal year ended Dec. 31, 2022.
- 2 Signed but not yet open as of our fiscal year ended Dec. 31, 2022.

Former franchisees as of our fiscal year ended Dec. 31, 2022

There are no franchisees with whom we have not communicated in the last ten weeks.

None

EXHIBIT I **List of Company-Owned BRCC Shops**

Company-owned BRCC Shops as of our fiscal year ended December 31, 2022:

5105 S. Power Road, Mesa, AZ 85212
4126 E. Indian School Road, Phoenix, AZ 85018
2570 Wilma Rudolph Boulevard, Clarksville, TN 37040
9001 Benbrook Road, Benbrook, TX 76126
5695 Colleyville Boulevard, Colleyville, TX 76034
7086 Highway 6 N., Copperfield, TX 77095
325 FM 2410, Harker Heights, TX 76548
2200 S. Clear Creek Road, Killeen, TX 76549
11006 FM 1960, Houston, TX 77065
3000 IKEA RBFCU Parkway, Suite 100, Live Oak, TX 78233
5121 Rufe Snow Drive, North Richland Hills, TX 76180
901 North Central Expressway, Plano, TX 75075
180 W. Bitters Road, San Antonio, TX 78216
111 North General Bruce Drive, Temple, TX 76504
512 Antelope Drive, Layton, UT 84041

EXHIBIT J**State Effective Dates****STATE EFFECTIVE DATES**

The following states require that the Franchise Disclosure Document be registered or filed with the state or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
California	Pending
Maryland	Pending
Nebraska	Pending
South Dakota	Pending
Virginia	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT K**Item 23 Receipt**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Black Rifle Coffee Company LLC ("**BRCC**") offers you a franchise, it must provide this disclosure document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale; (b) in New York, at the earlier of: (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (d) in Michigan, at least 10 business days before the earlier of when you sign a binding franchise or other agreement or pay any consideration to us (or an affiliate of ours).

If BRCC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to your state authority listed on Exhibit B.

BRCC is the franchisor, and the franchise seller is Owen Hutchison, who works at BRCC's offices (at 1144 South 500 West, Salt Lake City, UT 84101; T-817.946.8957). Any additional individual franchise sellers involved in offering the franchise are: _____.

The issuance date of this Franchise Disclosure Document is June 8, 2023. BRCC authorizes the agents listed in Exhibit C to receive service of process for us.

I received a disclosure document dated June 8, 2023 that included the following exhibits:

A-1	Franchise Agreement with Exhibits	F	Audited Financial Statements
A-2	Development Agreement with Exhibits	G	State-Specific Addenda
B	List of State Administrators	H	List of Current and Former Franchisees
C	List of Agents for Service of Process	I	List of Company-Owned BRCC Shops
D	Form of General Release	J	State Effective Dates
E	Table of Contents to Brand Manual	K	Item 23 Receipts

Date Received

Prospective Franchisee

Name (Please print)

Address

Please keep this copy of the receipt with your FDD

EXHIBIT K**Item 23 Receipt**

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Date Received

Prospective Franchisee

Name (Please print)

Address

Please sign, date, and return this copy of the receipt to BRCC