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

FORM 10-Q

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

For the quarterly period ended June 30, 2023

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	**87-3277812**
(State or other jurisdiction of incorporation or organization)	(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

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 3, 2023, the registrant had (i) 61,281,995 shares of Class A common stock, par value $0.0001 per share (the "Class A Common Stock") and, (ii) 150,589,097 shares of Class B common stock, par value $0.0001 per share (the "Class B Common Stock") outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes statements that express the Company's opinions, expectations, hopes, beliefs, plans, intentions, objectives, strategies, assumptions or projections regarding future events or future results of operations or financial condition and therefore are, or may be deemed to be, "forward-looking statements." The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements appear in a number of places throughout this Quarterly Report and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, financial condition, liquidity, prospects, growth, strategies, future market conditions and developments in the capital and credit markets and expected future financial performance, as well as any information concerning possible or assumed future results of operations of the Company. Such forward-looking statements are based on information available as of the date of this Quarterly Report and management's expectations, beliefs and forecasts concerning future events impacting the Company. Factors that may cause such forward-looking statements to differ from actual results include, but are not limited to:

- Competition and our ability to grow and manage growth sustainably and retain our key employees;
- Failure to achieve profitability;
- Negative publicity affecting our brand and reputation, or the reputation of key employees
- Failure by us to maintain our message as a supportive member of the veteran and military communities and any other factors which may negatively affect the perception of our brand;
- Our limited operating history, which may make it difficult to successfully execute our strategic initiatives and accurately evaluate future risks and challenges;
- Failed marketing campaigns, which may cause us to incur costs without attracting new customers or realizing higher revenue;
- Failure to attract new customers or retain existing customers;
- Risks related to the use of social media platforms, including dependence on third-party platforms;
- Failure to provide high-quality customer experience to retail partners and end users, including as a result of production defaults, or issues, including due to failures by one or more of our co-manufacturers, affecting the quality of our products, which may adversely affect our brand;
- Decrease in success of the direct to consumer ("DTC") revenue channel;
- Loss of one or more co-manufacturers, or delays, quality, or other production issues, including labor-related production issues at any of our co-manufacturers;
- Failure to effectively manage or distribute our products through our wholesale business partners;
- Failure by third parties involved in the supply chain of coffee, store supplies or merchandise to produce or deliver products, including as a result of ongoing supply chain disruptions, or our failure to effectively manage such third parties;
- Changes in the market for high-quality coffee beans and other commodities;
- Fluctuations in costs and availability of real estate, labor, raw materials, equipment, transportation or shipping;
- Failure to successfully compete with other producers and retailers of coffee;
- Failure to successfully open new Black Rifle Coffee shops ("Outposts"), including failure to timely proceed through permitting and other development processes, or the failure of any new or existing Outposts to generate sufficient sales;
- Failure to properly manage our rapid growth and relationships with various business partners;
- Failure to protect against software or hardware vulnerabilities;
- Failure to build brand recognition using our intellectual properties or otherwise;
- Shifts in consumer spending, lack of interest in new products or changes in brand perception upon evolving consumer preferences and tastes;
- Failure to adequately maintain food safety or quality and comply with food safety regulations;
- Failure to successfully integrate into new domestic and international markets;
- Risks related to leasing space subject to long-term non-cancelable leases and with respect to real property;

- Failure of our franchise partners to successfully manage their franchises;
- Failure to raise additional capital to develop the business;
- Risks related to supply chain disruptions;
- Risks related to unionization of employees;
- Failure to comply with federal state and local laws and regulations; and
- Other risks and uncertainties indicated in Part II, Item 1A of this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission (the "SEC") on March 15, 2023 (the "2022 Form 10-K") including those set forth under "Item 1A. Risk Factors" included therein.

The forward-looking statements contained in this Quarterly Report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described under Part II, Item 1A of this Quarterly Report and under "Item 1A. Risk Factors" in our 2022 Form 10-K. Should one or more of these risks or uncertainties materialize, or should any of the assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

BRC Inc.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and par value amounts)

	June 30, 2023 (unaudited)	December 31, 2022 (audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 19,782	$ 38,990
Accounts receivable, net	24,395	22,337
Inventories, net	109,720	77,183
Prepaid expenses and other current assets	8,848	6,783
Assets held for sale	4,043	—
Total current assets	166,788	145,293
Property, plant and equipment, net	63,533	59,451
Operating lease, right-of-use asset	33,969	20,050
Identifiable intangibles, net	397	225
Other	298	315
Total assets	$ 264,985	$ 225,334
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 37,497	$ 12,429
Accrued liabilities	31,617	36,660
Deferred revenue and gift card liability	10,075	9,505
Current maturities of long-term debt, net	2,083	2,143
Current operating lease liability	1,964	1,360
Current maturities of finance lease obligations	95	95
Current liabilities related to assets held for sale	2,151	—
Total current liabilities	85,482	62,192
Non-current liabilities:		
Long-term debt, net	75,795	47,017
Finance lease obligations, net of current maturities	171	221
Operating lease liability	33,631	19,466
Other non-current liabilities	602	502
Total non-current liabilities	110,199	67,206
Total liabilities	195,681	129,398
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; 60,750,253 shares issued and outstanding as of June 30, 2023	5	5
Class B common stock, $0.0001 par value, 300,000,000 shares authorized; 151,044,097 shares issued and outstanding as of June 30, 2023	16	16
Class C common stock, $0.0001 par value, 1,500,000 shares authorized; no shares issued or outstanding as of June 30, 2023	—	—
Additional paid in capital	134,953	129,508
Accumulated deficit	(112,761)	(103,733)
Total BRC Inc.'s stockholders' equity	22,213	25,796
Non-controlling interests	47,091	70,140
Total stockholders' equity	69,304	95,936
Total liabilities and stockholders' equity	$ 264,985	$ 225,334

See notes to unaudited consolidated financial statements.

BRC Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue, net	$ 91,947	$ 66,365	$ 175,437	$ 132,201
Cost of goods sold	59,741	43,809	115,720	86,432
Gross profit	32,206	22,556	59,717	45,769
Operating expenses				
Marketing and advertising	7,013	9,026	14,157	17,177
Salaries, wages and benefits	18,356	15,539	38,180	31,557
General and administrative	19,296	14,831	37,054	29,718
Impairment on assets held for sale	1,202	—	1,202	—
Total operating expenses	45,867	39,396	90,593	78,452
Operating loss	(13,661)	(16,840)	(30,876)	(32,683)
Non-operating income (expense)				
Interest expense, net	(791)	(176)	(1,114)	(666)
Other income (expense), net	(156)	(56)	117	293
Change in fair value of earn-out liability	—	(38,553)	—	(209,651)
Change in fair value of warrant liability	—	5,435	—	(56,675)
Change in fair value of derivative liability	—	5,172	—	(2,335)
Total non-operating expenses	(947)	(28,178)	(997)	(269,034)
Loss before income taxes	(14,608)	(45,018)	(31,873)	(301,717)
Income tax expense	57	67	113	195
Net loss	(14,665)	(45,085)	(31,986)	(301,912)
Less: Net loss attributable to non-controlling interest	(10,437)	(34,330)	(22,958)	(228,236)
Net loss attributable to BRC Inc.	$ (4,228)	$ (10,755)	$ (9,028)	$ (73,676)
Net loss per share attributable to Class A Common Stock[(1)]				
Basic and diluted	$ (0.07)	$ (0.22)	$ (0.15)	$ (1.49)
Weighted-average shares of Class A Common Stock outstanding[(1)]				
Basic and diluted	58,741,717	49,771,104	58,607,290	47,789,909

[(1)] For the six months ended June 30, 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 June 30, 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.

BRC Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except for number of shares)
(unaudited)

		Shares									
	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	Additional Paid-In Capital	Accumulated Deficit	Non-Controlling Interest	Total Stockholders' Equity (Deficit)
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)
Equity-based compensation	—	—	—	—	—	—	—	175	—	804	979
Non-employee equity-based compensation	—	—	—	—	—	—	—	—	—	384	384
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	—	825,442	(825,442)	—	—	—	—	364	—	(364)	—
Effect of Business Combination adjustment	—	—	—	—	—	—	—	12	—	40	52
Net Loss	—	—	—	—	—	—	—	—	(10,755)	(34,330)	(45,085)
Balance at June 30, 2022	$ —	52,605,983	158,954,316	—	$ 5	$ 16	$ —	$ 128,245	$ (94,503)	$ 95,807	$ 129,570
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)	—
Employee stock purchase plan	—	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
Equity-based compensation	—	—	—	—	—	—	—	2,324	—	219	2,543
Common Unit redemption	—	2,112,345	(2,112,345)	—	—	—	—	230	—	(230)	—
Vesting of stock awards, net of shares withheld for taxes	—	174,530	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	(4,228)	(10,437)	(14,665)
Balance at June 30, 2023	$ —	60,750,253	151,044,097	—	$ 5	$ 16	$ —	$ 134,953	$ (112,761)	$ 47,091	$ 69,304

See notes to unaudited consolidated financial statements.

BRC Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2023	**2022**
Operating activities		
Net loss	$ (31,986)	$ (301,912)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,352	2,015
Equity-based compensation	5,049	3,238
Non-employee equity-based compensation	—	739
Amortization of debt issuance costs	52	261
Loss on sale of assets	128	—
Impairment on assets held for sale	1,202	—
Change in fair value of earn-out liability	—	209,651
Change in fair value of warrant liability	—	56,675
Change in fair value of derivative liability	—	2,335
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,058)	(6,243)
Inventories, net	(32,537)	(5,711)
Prepaid expenses and other assets	(2,248)	(4,635)
Accounts payable	22,112	(8,922)
Accrued liabilities	(5,043)	(3,105)
Deferred revenue and gift card liability	570	676
Operating lease liability	850	257
Other liabilities	100	145
Net cash used in operating activities	(40,457)	(54,536)
Investing activities		
Purchases of property, plant and equipment	(10,009)	(9,400)
Proceeds from sale of equipment	186	—
Net cash used in investing activities	(9,823)	(9,400)
Financing activities		
Proceeds from issuance of long-term debt, net of cash paid for debt issuance costs of $34 as of June 30, 2023 and $— as of June 30, 2022	199,000	7,597
Repayment of long-term debt	(167,783)	(23,617)
Financing lease obligations	(50)	13
Repayment of promissory note	(400)	—
Issuance of stock from the Employee Stock Purchase Plan	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	31,072	138,687
Net increase (decrease) in cash and cash equivalents	(19,208)	74,751
Beginning cash and cash equivalents	38,990	18,334
Ending cash and cash equivalents	$ 19,782	$ 93,085

BRC Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2023	**2022**
Non-cash operating activities		
Recognition of right-of-use operating lease assets	$ 13,919	$ 10,392
Non-cash investing and financing activities		
Accrued capital expenditures	2,956	23
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	$ 422	$ 233
Cash paid for interest	$ 1,324	$ 531

See notes to unaudited consolidated financial statements.

BRC Inc.

INDEX FOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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 tax, 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 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

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 multiple levels in which customers can participate and earn loyalty points. Subscription customers (customers in the BRCC Coffee Club or subscribed to another subscription product type) are in the highest tier and earn 5% on purchases. Non-subscription customers earn 1% on purchases. Any customer who spends $200 or more annually can also earn 5% on purchases, after the spending criteria is met. 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 and six months ended June 30, 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 dedicated for national marketing campaigns, promotional programs and materials, and other activities that we believe enhance the image of the BRCC brand. Continuing fees represent a portion of the consideration the Company receives under the franchise agreement. Continuing fees are typically billed and collected weekly. 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 franchisee 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.

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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Wholesale	$ 50,010	$ 23,971	$ 90,007	$ 45,926
Direct to Consumer	34,586	36,962	71,366	75,294
Outpost	7,351	5,432	14,064	10,981
Total net sales	$ 91,947	$ 66,365	$ 175,437	$ 132,201

Substantially all revenue is derived from customers located in the United States. One wholesale customer and its affiliate represented27% of revenue for the three months ended June 30, 2023. One wholesale customer and its affiliate represented 25% of revenue for the six months ended June 30, 2023. No single customer represented more than 10% of revenue for the three and six months ended June 30, 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 $718 and $942 as of June 30, 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 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 $543 and $156 as of June 30, 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:

	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

Identifiable Intangibles - 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 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.

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 the roasting facility 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 June 30, 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 June 30, 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.

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 two customers and their affiliates accounted for 52% of total outstanding receivables as of June 30, 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 $922 and $1,050 as of June 30, 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.

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 June 30, 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 June 30, 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.

3. Inventories, Net

Inventories consist of the following:

	June 30, 2023	December 31, 2022
Coffee:		
Unroasted	$ 3,940	$ 4,867
Finished Goods	17,329	15,365
Ready-to-Drink (raw materials)	17,026	16,610
Ready-to-Drink (finished goods)	64,286	33,413
Apparel and other merchandise	7,139	6,928
Total inventories, net	$ 109,720	$ 77,183

4. Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following:

	June 30, 2023	December 31, 2022
Building and leasehold improvements	$ 26,276	$ 25,024
Machinery and equipment	17,158	15,977
Computer equipment and software	10,353	6,071
Furniture and fixtures	2,729	1,804
Land	1,547	3,245
Vehicles	1,306	1,283
Construction in progress	14,599	15,780
Property, plant, and equipment, gross	73,968	69,184
Less: accumulated depreciation and amortization	(10,435)	(9,733)
Total property, plant and equipment, net	$ 63,533	$ 59,451

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:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cost of goods sold	$ 343	$ 207	$ 688	$ 412
General and administrative	1,276	811	2,636	1,586
Total depreciation expense	$ 1,619	$ 1,018	$ 3,324	$ 1,998

The total depreciation expense for internal use software included in the above table was $179 and $532 for the three and six months ended June 30, 2023, respectively, and $183 and $366 for the three and six months ended June 30, 2022, respectively. The Company accelerated depreciation for the internal use software beginning January 1, 2023. This additional depreciation expense was $57 and $227 for the three and six months ended June 30, 2023, respectively.

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

Assets Held for Sale

The Company entered into a definitive agreement on June 27, 2023 to sell the land, building and improvements for one of BRCC's company-owned outposts for a total sale price of $1,500 with estimated closing costs of approximately $10 and an expected transaction closing during the third quarter of 2023. The net book value of the assets to be sold is approximately $2,692 as of June 30, 2023. The Company recorded an adjustment of approximately $1,202 in the current period of assets held for sale to recognize the assets at their estimated net realizable value less estimated cost to sell. This adjustment is presented within the "Impairment on assets held for sale" in the unaudited consolidated statement of operations. Simultaneously with closing on the property sale, the Company will enter into a lease with the buyer to continue the Company's operations of this Outpost location.

The Company entered into a definitive agreement on July 14, 2023 to sell an office property including the land, building and improvements for a total sale price of $4,200 with estimated closing costs of approximately $252 and an expected transaction closing during the third quarter of 2023. The net book value of the assets to be sold is approximately $2,553 as of June 30, 2023 which will result in a gain on the asset sale of approximately $1,395.

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 June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Balance at beginning of period	$ 9,345	$ 7,768	$ 9,505	$ 7,334
Sales of gift cards	216	168	562	358
Redemption of gift cards	(115)	(110)	(489)	(303)
Increase from deferral of revenue	2,847	3,352	2,847	3,352
Decrease from revenue recognition	(3,127)	(3,627)	(3,560)	(3,603)
Loyalty Program points earned	1,043	628	1,565	1,248
Loyalty Program points redeemed/expired	(134)	(169)	(355)	(376)
Balance at end of period	$ 10,075	$ 8,010	$ 10,075	$ 8,010

6. Accrued Liabilities

Accrued liabilities consist of the following:

	June 30, 2023	December 31, 2022
Accrued inventory purchases	$ 10,969	$ 15,035
Accrued compensation and benefits	5,414	7,393
Accrued marketing	2,400	3,077
Accrued freight	1,158	2,153
Accrued sales and other taxes	961	1,179
Credit card liabilities	241	888
Other accrued expenses	10,474	6,935
Total accrued liabilities	$ 31,617	$ 36,660

7. Long-Term Debt

The Company's credit facilities and related balances were as follows:

	June 30, 2023	December 31, 2022
Senior credit facility	$ 61,849	$ 30,000
Mortgages	4,808	7,102
Equipment term loan	3,577	3,814
Equipment financing loan	3,336	3,336
Notes payable	3,140	3,540
Retail facility	1,550	1,768
Total principal	78,260	49,560
Less debt issuance costs	(382)	(400)
Long-term debt, net	$ 77,878	$ 49,160
Current maturities:		
Current maturities of principal	$ 2,198	$ 2,259
Less current portion of debt issuance costs	(115)	(116)
Current maturities of long-term debt, net	$ 2,083	$ 2,143
Long-term debt:		
Non-current principal	$ 76,062	$ 47,301
Less non-current portion of debt issuance costs	(267)	(284)
Long-term debt, net	$ 75,795	$ 47,017

Future contractual maturities of credit facilities (not including debt issuance costs) as of June 30, 2023 are as follows:

Remainder of 2023	$ 1,596
2024	2,864
2025	5,265
2026	3,587
2027	62,791
Thereafter	2,157
Total	$ 78,260

Senior Credit Facility

In November 2022, Authentic Brands and certain of its subsidiaries entered into a 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 June 30, 2023, Authentic Brands has available credit under the Senior Credit Facility of $4,940. 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 $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 June 30, 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 was $19 and $52 for the three and six months ended June 30, 2023, respectively, and $18 and $261 for the three and six ended June 30, 2022, respectively. These costs 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 June 30, 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 June 30, 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.

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 June 30, 2023, BRC Inc.’s ownership percentage in Authentic Brands controlling and non-controlling interests was 28.6% and 71.4%, respectively.

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 six months ended June 30, 2023:

	Incentive Units	Weighted Average Grant Date Fair Value
Granted and outstanding at January 1, 2023	14,210	$ 192.52
Granted	—	—
Forfeited	—	—
Granted and outstanding at June 30, 2023	14,210	$ 192.52
Vested at June 30, 2023	4,398	$ 212.38

As of June 30, 2023, total unrecognized equity compensation expense related to nonvested Incentive Units to be recognized over a weighted average period of approximately two years was $1,829.

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").

Stock Options

The Company granted stock options to employees under the Omnibus Plan that vest ratably overthree 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	$3.41
Expected dividend	—
Expected volatility	62%
Risk-free interest rate	3.33%
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 six months ended June 30, 2023:

	Stock Options	Weighted Average Exercise Price
Outstanding at January 1, 2023	792,370	$ 9.77
Granted	1,888,882	5.26
Forfeited	(72,347)	11.13
Outstanding at June 30, 2023	2,608,905	$ 6.42
Vested at June 30, 2023	186,742	$ 9.95

As of June 30, 2023, total unrecognized equity compensation expense related to stock options to be recognized over a weighted average period of approximately three years was $7,382.

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 six months ended June 30, 2023:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2023	823,829	$ 10.68
Granted	1,347,403	5.36
Forfeited	(101,401)	10.09
Vested	(307,642)	12.27
Nonvested at June 30, 2023	1,762,189	$ 6.37

As of June 30, 2023, total unrecognized equity compensation expense related to RSUs to be recognized over a weighted average period of approximately two years was $10,236.

Performance-Based Restricted Stock Units

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 June 30, 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 June 30, 2023, total unrecognized equity-based compensation expense related to PSUs to be recognized over a weighted average period of approximately four years was $2,480.

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 $254 and $511 for the three and six months ended June 30, 2023, respectively, and $223 and $417 for the three and six months ended June 30, 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.

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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022[2]
Numerator:				
Net loss	$ (14,665)	$ (45,085)	$ (31,986)	$ (299,221)
Less: Net loss attributable to non-controlling interests	(10,437)	(34,330)	(22,958)	(228,236)
Net loss attributable to Class A Common Stock - basic and diluted[1]	$ (4,228)	$ (10,755)	$ (9,028)	$ (70,985)
Denominator:				
Weighted-average shares of Class A Common Stock outstanding[1]	58,741,717	49,771,104	58,607,290	47,789,909
Net loss per share attributable to Class A common stockholders, basic and diluted	$ (0.07)	$ (0.22)	$ (0.15)	$ (1.49)

[1] For the six months ended June 30, 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 June 30, 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022[2]
Stock options	2,608,905	612,610	2,608,905	612,610
Common Units	151,044,097	158,954,316	151,044,097	158,954,316
RSUs	1,762,189	482,499	1,762,189	482,499
PSUs	8,462,412	—	8,462,412	—
Incentive Units	14,210	16,445	14,210	16,445
Employee Stock Purchase	95,309	—	95,309	—
Total units excluded from computation of diluted net loss per share	163,987,122	160,065,870	163,987,122	160,065,870

[2] 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. This represents only the period from February 9, 2022 through June 30, 2022, the period following the Business Combination, as defined in Note 1, *Organization and Nature of Business* .

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 tables summarize the Company's significant vendors/suppliers and the proportion of their impact on the following operations for the periods indicated:

	Three Months Ended June 30,			
	2023		2022	
	Number of Vendors	Concentration Rate	Number of Vendors	Concentration Rate
ffee supplier accounts	4	52.2%	2	69.2%
ipping provider accounts	5	69.6%	3	77.4%
mary fulfillment service provider accounts	3	86.8%	1	98.6%
ırketing provider accounts	6	47.8%	5	42.0%

	Six Months Ended June 30,			
	2023		2022	
	Number of Vendors	Concentration Rate	Number of Vendors	Concentration Rate
ffee supplier accounts	5	54.3%	2	66.9%
ipping provider accounts	4	60.6%	4	80.9%
mary fulfillment service provider accounts	3	84.3%	1	98.2%
ırketing provider accounts	6	43.8%	8	40.5%

14. Commitments and Contingencies

Purchase Agreements

The Company has entered into manufacturing and purchase agreements to purchase and produce coffee product from third-party suppliers. These purchase agreements are typically obligations to purchase minimum volumes with fixed pricing if the volume terms are not fulfilled, in the form of a take-or-pay provision. The Company is negotiating with suppliers to amend or terminate certain purchase agreements. If negotiations to amend or terminate the agreements are not successful, the Company may incur losses in future periods.

The amounts in the table below represents the Company's future minimum purchase commitments as of June 30, 2023 are as follows:

mainder of 2023	$	19,330
24		46,400
25		22,410
26		—
27		—
ereafter		—
tal	$	88,140

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 Company has accrued $326 related to potential sales and other tax exposure as of June 30, 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 June 30, 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.

15. Subsequent Events

On August 10, 2023 (the “Closing Date”), Authentic Brands and certain of its subsidiaries (collectively, the “Borrowers”) entered into (i) a Credit Agreement (the “ABL Credit Agreement”) with PNC Bank, National Association, as administrative agent and collateral agent (“PNC”), and the lenders from time to time party thereto, pursuant to which the lenders thereunder agreed to provide the Borrowers with a senior secured asset-based revolving credit facility in an aggregate principal amount of up to $75,000 (including a sub-facility for letters of credit in an amount up to $7,500) (the “ABL Facility”), and (ii) a Credit Agreement (the “Term Loan Credit Agreement” and together with the ABL Credit Agreement, the “Credit Agreements”) with Whitehawk Capital Partners LP, as administrative agent and collateral agent, and the lenders from time to time party thereto, pursuant to which the lenders thereunder provided the Borrowers with senior secured term loans on the Closing Date in an aggregate principal amount of $50,000 (the “Term Loan”) and a bridge loan in the amount of $6,000 (the “Bridge Loan” and together with the Term Loan, the “Term Loan Facility”).

The obligations under the Credit Agreements are guaranteed by each Borrower and each Borrower’s direct and indirect, existing and future domestic subsidiaries, subject to certain exceptions (collectively, the “Guarantors” and each, a “Guarantor”). The obligations under the ABL Credit Agreement are secured by a first priority lien on certain deposit accounts, cash and cash equivalents, credit card payments, accounts receivable, inventory and other related assets of the Guarantors (the “ABL Priority Collateral”) and a second priority lien on substantially all of the other assets of the Guarantors. The obligations under the Term Loan Credit Agreement are secured by a second priority lien on the ABL Priority Collateral and a first priority lien on substantially all of the other assets of the Guarantors.

Each Credit Agreement includes certain conditions to borrowings, representations and warranties, affirmative and negative covenants, and events of default customary for financings of their type and size. Each Credit Agreement requires the Borrowers to maintain (i) consolidated EBITDA of at least $(2,460) for the fiscal quarter ended September 30, 2023, which amount increases incrementally over the next 15 quarters to $40,000 for the 4 fiscal quarters ended June 30, 2027, and each 4 fiscal quarter period ending thereafter until maturity; (ii) a fixed charge coverage ratio of not less than 1.10 to 1.00, measured quarterly on a trailing 12 month basis, following the Availability Block Release Date (as defined below); (iii) minimum liquidity of at least $15,000, which amount is reduced to $7,500 following the Availability Block Release Date; and (iv) minimum average liquidity of at least $9,375 following the Availability Block Release Date. The Credit Agreements also limit the Borrowers’ ability to, among other things, incur additional indebtedness, create liens on any assets, pay dividends or make certain restricted payments, make certain investments, consummate certain asset sales, make certain payments on indebtedness, and merge, consolidate or engage in other fundamental changes.

On the Closing Date, Authentic Brands used the proceeds from the Term Loan Facility and approximately $13,941 of borrowings under the ABL Facility (i) to retire the Senior Credit Facility and real estate term loan facility with Regions Bank and the equipment financing facility with Regions Commercial Equipment Finance, LLC and Regions Equipment Finance Corporation, (ii) to pay transaction fees, costs and expenses related to the Credit Agreements, and (iii) for other general corporate and working capital purposes.

ABL Credit Agreement with PNC

Under the terms of the ABL Credit Agreement, the amount available for advances is subject to a borrowing base, which is calculated by reference to the value of certain eligible deposit accounts, cash and cash equivalents, credit card payments, accounts receivable and inventory, offset by certain reserves. The amount available for advances will be reduced by $15,000 until the Borrowers have maintained a fixed charge coverage ratio of not less than 1.10 to 1.00 for two consecutive fiscal quarters following the Closing Date and no defaults or events of default are then continuing (the date such condition is satisfied, the “Availability Block Release Date”). PNC may also reduce the amount available for advances upon certain findings or if PNC determines, in good faith and in the exercise of reasonable business judgment, that such reductions are necessary for other purposes.

Borrowings under the ABL Facility bear interest at a rate per annum of either (i) the Base Rate (as defined below) plus a margin ranging from 1.50% to 2.00% or (ii) term SOFR plus a margin ranging from 2.60% to 3.10%, in each case subject to a 0.25% reduction following the Availability Block Release Date. “Base Rate” means, for any day, the base commercial lending rate of PNC as publicly announced to be in effect from time to time. The Borrowers are also required to pay certain fees in connection with the ABL Credit Agreement, including an unused commitment fee based on the average daily unused portion of the ABL Facility, equal to 0.375% on an annual basis.

The ABL Facility matures on the earlier of (i) August 10, 2028 and (ii) the date that is 91 days prior to the scheduled maturity date of any other debt in excess of $2,500, subject to certain exceptions.

Term Loan Credit Agreement

Borrowings under the Term Loan Facility bear interest at a rate per annum equal to either (i) a base rate plus 7.50% or (ii) term SOFR plus 8.50%. The base rate and term SOFR rate are subject to floors of 4.00% and 3.00%, respectively. The Bridge Loan does not accrue interest until November 8, 2023.

The Term Loan Facility requires the Borrowers to make quarterly principal repayments in an aggregate principal amount equal to (i) 1.25% of the original aggregate principal amount of the Term Loan commencing with the fiscal quarter ending September 30, 2024 through the fiscal quarter ending June 30, 2025, (ii) 2.50% of the original aggregate principal amount of the Term Loan commencing with the fiscal quarter ending September 30, 2025 through the fiscal quarter ending June 30, 2026, and (iii) 3.125% of the original aggregate principal amount of the Term Loan commencing with the fiscal quarter ending September 30, 2026 through the maturity date of the Term Loan. The Term Loan Facility is also subject to mandatory prepayment (x) to the extent the outstanding obligations under the Term Loan Facility exceed a borrowing base calculated by reference to the value of certain eligible intellectual property, equipment and real property, offset by certain reserves, and (y) of up to 50% of the Borrowers’ excess cash flows beginning in 2026. The Borrowers may voluntarily prepay amounts outstanding under the Term Loan Facility at any time, subject in certain cases to a prepayment premium.

The Term Loan matures on the earlier of (i) August 10, 2028 and (ii) the date that is 91 days prior to the scheduled maturity date of any other debt in excess of $2,500, subject to certain exceptions. The Bridge Loan matures on November 8, 2023, provided that up to $1,600 of the Bridge Loan may be extended to December 8, 2023 subject to the satisfaction of certain conditions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and the annual audited consolidated financial statements, notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), contained in our Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K") . In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties, and assumptions that could cause the Company's actual results to differ materially from management's expectations. When used in this report, the terms "we," "us," "our," "BRCC," "Black Rifle Coffee," "Black Rifle Coffee Company," and the "Company" mean BRC Inc. and its consolidated subsidiaries, collectively, unless the context requires otherwise.

Overview

Black Rifle Coffee Company is a rapidly growing, veteran-controlled and led coffee and media company with a loyal and quickly expanding community of more than 2.4 million consumers through our Direct To Consumer ("DTC") channel since inception, more than 231,000 active Coffee Club subscribers, and 13.5 million social media followers across BRCC's, our co-founders', and our key media personalities' accounts as of June 30, 2023. At BRCC, we develop our roast profiles with the same mission focus we learned as military members serving our country. We produce creative and engaging cause-related media content, self-produced podcasts, and digital and print journalism in-house to inform, inspire, entertain, and build our community. We also sell BRCC-brand apparel, coffee brewing equipment, and outdoor and lifestyle gear that our consumers proudly wear and use to showcase our brand. At the heart of everything we do is our commitment to supporting active duty military, veterans, first responders, and those who love America.

We utilize a three-pronged approach to craft a unique brand that resonates with our customer base and enhances brand loyalty: Inform, Inspire, and Entertain. We want our audience to love coffee as much as we do, so we strive to inform them on all the awesome facets of coffee. Every day we work to inspire our customers; we take pride in the coffee we roast, the veterans we employ and the causes we support. We give back to the community and are committed to support those who serve. Our "Entertain" marketing strategy drives brand excitement, along with valuable customer insights and data.

We own one roasting facility focused on large batch roasting. Our coffee beans are primarily roasted in-house in the United States to ensure consistency and quality of product. Our coffee beans are sourced only from the highest quality suppliers. Our state-of-the-art equipment guarantees freshness and offers significant capacity for expansion.

We are a digitally native brand with an established omnichannel business model, reaching our customers through one reportable segment that is comprised of three channels: Direct to Consumer, Wholesale, and Outposts. Our DTC channel includes our e-commerce business, through which consumers order our products online and products are shipped to them. Our Wholesale channel includes product sold to an intermediary such as grocery stores, who in turn sell those products to consumers, including the Food, Drug and Mass ("FDM") customer set, such as Walmart, specialty retail, such as Bass Pro, and convenience stores which primarily sell our Ready-to-Drink ("RTD") products, such as 7-Eleven. Our Outpost channel includes revenue from our Company-operated and franchised BRCC retail coffee shop locations.

We continue to experience strong revenue growth. Revenue increased to $91.9 million and $175.4 million for the three and six months ended June 30, 2023, respectively, as compared to $66.4 million and $132.2 million for the three and six months ended June 30, 2022, respectively, representing growth of 39% and 33%, respectively. This growth was primarily driven by our entry into the FDM market for bagged coffee and rounds products, and increases in RTD product sales, both of which are included in the Wholesale channel.

The Business Combination

In February 2022, we completed the Business Combination and as a result of the consummation of a series of mergers in connection therewith, Authentic Brands became a subsidiary of BRC Inc., with BRC Inc. acting as sole managing member thereof as a public benefit corporation. The Business Combination was accounted for as a reverse acquisition and a recapitalization of Authentic Brands. Accordingly, the Business Combination was reflected as the equivalent of Authentic Brands issuing stock for the net assets of SilverBox, accompanied by a recapitalization. Under this method of accounting, SilverBox is treated as the "acquired" company for financial reporting purposes. The net assets of SilverBox are stated at historical cost, with no goodwill or other intangible assets recorded. This accounting treatment was determined by the individual controlling Authentic Brands prior to the Business Combination, who also controls the combined company post Business Combination.

Trends

Certain trends affecting our business within the respective sales channels are as follows:

- Wholesale channel revenue has increased as we have added new customers and entered the FDM market. We expect to see increased revenue within this channel as we increase investment to obtain new customers and expand in the FDM market.
- DTC revenue growth has slightly declined as a result of our decision to redirect investments to other growing areas of the business as we continue to experience elevated DTC customer acquisition costs.
- Outpost channel revenue has increased as we continue to open additional stores during 2023. Revenue within this channel will increase as we and our franchise partners continue to open additional stores.

Key Factors Affecting Our Performance

Our Ability to Increase Brand Awareness

Our ability to promote and maintain brand awareness and loyalty is critical to our success. We believe we have created a highly efficient marketing strategy that provides us with the ability to increase brand awareness and drive consumer interaction. Consumer appreciation of our brands is primarily reflected in the general increase in sales across our three channels over the last few years. We expect to continue to develop and implement forward-looking brand strategies that leverage social media and employ targeted digital advertising to expand the reach of our brand.

Our Ability to Grow Our Customer Base in Our Outposts and Wholesale Channels

We are currently growing our customer base through our Outposts and Wholesale channels. We continue to grow our retail footprint through Company-owned and franchised Outposts. Our products are also sold through a growing number of physical retail channels. Wholesale customers include large national retailers, regional retailers, distributors, and dealers.

Our Ability to Acquire and Retain Customers at a Reasonable Cost

We believe our ability to consistently acquire and retain customers at a reasonable cost will be a key factor affecting our future performance. While we have a strong presence in major markets, we still have the opportunity to grow brand awareness, with 28% estimated aided awareness in any region of the country. To accomplish this goal, we intend to grow our brand awareness through various avenues such as national television and radio advertising, and through select sponsorship and partnership opportunities. In addition, we will strive to strengthen our social media footprint across various platforms such as Facebook, Google, and YouTube. Our digital capabilities provide a distinct advantage and enable us to form direct relationships with our customers and capture valuable customer data and insights. We utilize digital marketing tools to optimize our marketing initiatives and drive our brand reach.

Our Ability to Drive Repeat Usage of Our Products

We gain substantial economic value from repeat users of our products who consistently repurchase our products. The pace of our growth rate will be affected by the repeat usage dynamics of existing and newly acquired customers.

Our Ability to Expand Our Product Line

Our goal is to continue to expand our product line over time to increase our growth opportunity and reduce product-specific risks through diversification into multiple products each designed around daily use. Our pace of growth will be partially affected by the cadence and magnitude of new product launches over time. As an example, we launched RTD coffee products in March 2020 with two 11-ounce SKUs. We have since added another 11-ounce SKU and three high-caffeine, boldly-flavored 15-ounce SKUs. Four of these SKUs have grown to become top-35 products in the RTD coffee category on a dollar to percent average cost value basis and can be found in more than 82,000 locations across the country. Moving forward, we believe that it is important to our business that we continue innovating with new products and flavors and continue to explore the world to find the highest quality coffee beans possible to deliver to our customers.

Our Ability to Manage Our Supply Chain

Our ability to grow and meet future demand will be affected by our ability to properly plan for and source inventory from a variety of suppliers located inside and outside the United States. The majority of our green coffee beans come from Colombia, Nicaragua, and Brazil, and since 2020, we have also sourced green coffee beans from over ten countries in Latin America, Africa, and Asia to diversify our supply chain and offer our customers specialty and limited-time-only roasts. Quality control is also a critically important part of our manufacturing and supply chain operations. 70% of our bagged roasted coffee is roasted in-house and 100% is roasted in the United States. Our licensed, Coffee Quality Institute-certified grader and former Green Beret, leads cupping, grading, scoring, and sourcing of our coffees. We also must effectively manage our co-manufacturers and suppliers, and are party to long term contracts which frequently require minimum future quantities, which, if not met, will result in "take or pay" charges to us.

Results of Our Operations

This discussion and analysis pertains to comparisons of material changes on the unaudited consolidated financial statements for three and six months ended June 30, 2023 and 2022.

The following table represents the selected results of operations for BRC Inc. for the periods indicated (*dollars in thousands, unaudited*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue, net	$ 91,947	$ 66,365	$ 175,437	$ 132,201
Cost of goods sold	59,741	43,809	115,720	86,432
Gross profit	32,206	22,556	59,717	45,769
Operating expenses				
Marketing and advertising	7,013	9,026	14,157	17,177
Salaries, wages and benefits	18,356	15,539	38,180	31,557
General and administrative	19,296	14,831	37,054	29,718
Impairment on assets held for sale	1,202	—	1,202	—
Total operating expenses	45,867	39,396	90,593	78,452
Operating loss	(13,661)	(16,840)	(30,876)	(32,683)
Non-operating income (expense)				
Interest expense, net	(791)	(176)	(1,114)	(666)
Other income (expense), net	(156)	(56)	117	293
Change in fair value of earn-out liability	—	(38,553)	—	(209,651)
Change in fair value of warrant liability	—	5,435	—	(56,675)
Change in fair value of derivative liability	—	5,172	—	(2,335)
Total non-operating income (expenses)	(947)	(28,178)	(997)	(269,034)
Loss before income taxes	(14,608)	(45,018)	(31,873)	(301,717)
Income tax expense	57	67	113	195
Net loss	$ (14,665)	$ (45,085)	$ (31,986)	$ (301,912)

Results of Our Operating Income (Expense)

Comparison of the three months ended June 30, 2023 to the three months ended June 30, 2022

The following table compares the three months ended June 30, 2023 to the corresponding period in 2022 (*dollars in thousands, unaudited*):

	Three Months Ended June 30,			
	2023	2022	$ Change	% Change
Revenue, net	$ 91,947	$ 66,365	$ 25,582	39 %
Cost of goods sold	59,741	43,809	15,932	36 %
Gross profit	$ 32,206	$ 22,556	$ 9,650	43 %
Gross margin[1]	35.0 %	34.0 %		
Total operating expenses	$ 45,867	$ 39,396	$ 6,471	16 %

[1]*Gross margin is calculated as gross profit as percentage of revenue, net*

Revenue, net

We sell our products both directly and indirectly to our customers through a broad set of physical and online platforms. Our revenue, net reflects the impact of product returns as well as discounts and fees for certain sales programs, trade spend, promotions, and loyalty rewards.

Net revenue for the three months ended June 30, 2023 increased $25.6 million, or 39%, to $91.9 million as compared to $66.4 million for the corresponding period in 2022. This increase was primarily due to our entry into the FDM market for bagged coffee and rounds products, and increases in RTD product sales, both of which are included in the Wholesale channel.

The following table summarizes net sales by channel for the periods indicated (*dollars in thousands, unaudited*):

	Three Months Ended June 30,			
	2023	2022	$ Change	% Change
Wholesale	$ 50,010	$ 23,971	$ 26,039	109%
Direct to Consumer	34,586	36,962	(2,376)	(6)%
Outpost	7,351	5,432	1,919	35%
Total net sales	$ 91,947	$ 66,365	$ 25,582	39%

Net revenue for our Wholesale channel for the three months ended June 30, 2023 increased $26.0 million, or 109%, to $50.0 million as compared to $24.0 million for the corresponding period in 2022. The largest increase came from the entry into the FDM Wholesale channel. In addition, RTD product sales increased through national distributors and retail accounts from 67,000 doors as of June 30, 2022 to 82,000 doors as of June 30, 2023.

Net revenue for our DTC channel for the three months ended June 30, 2023 decreased $2.4 million, or 6%, to $34.6 million as compared to $37.0 million for the corresponding period in 2022, primarily due to decreased marketing spend and the decision to redirect investments to other growing areas of the business as we continue to experience elevated DTC customer acquisition costs.

Net revenue for our Outpost channel for the three months ended June 30, 2023 increased $1.9 million, or 35%, to $7.4 million as compared to $5.4 million for the corresponding period in 2022. This was primarily due to an increase in the number of company-owned Outposts which increased to a total of seventeen Outposts as of June 30, 2023 as compared to a total of ten Outposts as of June 30, 2022.

Cost of Goods Sold

Cost of goods sold primarily includes raw material costs, labor costs directly related to producing our products including wages and benefits, shipping costs, and other overhead costs related to certain aspects of production, warehousing, fulfillment expense, and credit card fees.

Cost of goods sold for the three months ended June 30, 2023 increased $15.9 million, or 36%, to $59.7 million as compared to $43.8 million for the corresponding period in 2022. The increase in expense was driven primarily by higher sales. Gross margin increased 100 basis points to 35.0% for the three months ended June 30, 2023 as compared to 34.0% for the corresponding period in 2022. Gross margin improved primarily due to favorable product mix shift, as coffee and rounds sold to FDM customers has higher gross margins as compared to other channels.

Operating Expenses

Operating expenses consist of marketing and advertising expenses related to brand marketing campaigns through various online platforms, including email, digital, website, social media, search engine optimization, as well as performance marketing efforts including retargeting, paid search and product advertisements, as well as social media advertisements and sponsorships. Operating expenses also consist of salaries, wages, and benefits of payroll and payroll related expenses for labor not directly related to producing our products. Payroll expenses include both fixed and variable compensation. Variable compensation includes bonuses and equity-based compensation. General and administration costs include other professional fees and services, and general corporate infrastructure expenses, including utilities and depreciation and amortization.

Total operating expenses for the three months ended June 30, 2023 increased $6.5 million, or 16%, to $45.9 million as compared to $39.4 million for the corresponding period in 2022.

The following table summarizes operating expenses for the periods indicated (*dollars in thousands, unaudited*):

	Three Months Ended June 30,			
	2023	**2022**	**$ Change**	**% Change**
Marketing and advertising	$ 7,013	$ 9,026	$ (2,013)	(22)%
Salaries, wages and benefits	18,356	15,539	2,817	18 %
General and administrative	19,296	14,831	4,465	30 %
Impairment on assets held for sale	1,202	—	1,202	100 %
Total operating expenses	$ 45,867	$ 39,396	$ 6,471	16 %

Marketing and advertising expenses decreased by $2.0 million, or 22%, to $7.0 million as compared to $9.0 million for the corresponding period in 2022. This decrease was due to strategic reductions in lower returning advertising platforms, partially offset by increased costs incurred in connection with the expansion of existing partnerships. In addition, marketing and advertising spend has been impacted by channel mix with revenue growth primarily coming from the Wholesale channel, which requires lower marketing spend than DTC.

Salaries, wages and benefits expenses increased by $2.8 million, or 18%, to $18.4 million as compared to $15.5 million for the corresponding period in 2022. This increase was due to an increase in employee headcount to support our significant sales growth and investment in new stores opened and existing channels as we continue to build out additional revenue streams and expand product lines.

General and administrative expenses increased by $4.5 million, or 30%, to $19.3 million as compared to $14.8 million for the corresponding period in 2022. The increase was primarily due to continued legal fees related to non-routine legal matters arising from the Business Combination in 2022.

The Company recorded an impairment of $1.2 million relating to an Outpost location which is recorded as an asset held for sale.

Comparison of the six months ended June 30, 2023 to the six months ended June 30,2022

The following table compares the six months ended June 30, 2023 to the corresponding period in 2022 (*dollars in thousands, unaudited*):

	Six Months Ended June 30,			
	2023	2022	$ Change	% Change
Revenue, net	$ 175,437	$ 132,201	$ 43,236	33 %
Cost of goods sold	115,720	86,432	29,288	34 %
Gross profit	$ 59,717	$ 45,769	$ 13,948	30 %
Gross margin[(1)]	34.0 %	34.6 %		
Total operating expenses	$ 90,593	$ 78,452	$ 12,141	15 %

[(1)]*Gross margin is calculated as gross profit as percentage of revenue, net*

Revenue, net

We sell our products both directly and indirectly to our customers through a broad set of physical and online platforms. Our revenue, net reflects the impact of product returns as well as discounts and fees for certain sales programs, trade spend, promotions, and loyalty rewards.

Net revenue for the six months ended June 30, 2023 increased $43.2 million, or 33%, to $175.4 million as compared to $132.2 million for the corresponding period in 2022. This increase was primarily due to our entry into the FDM market for bagged coffee and rounds products, and increases in RTD product sales, both of which are included in the Wholesale channel.

The following table summarizes net sales by channel for the periods indicated (*dollars in thousands, unaudited*):

	Six Months Ended June 30,			
	2023	2022	$ Change	% Change
Wholesale	$ 90,007	$ 45,926	$ 44,081	96%
Direct to Consumer	71,366	75,294	(3,928)	(5)%
Outpost	14,064	10,981	3,083	28%
Total net sales	$ 175,437	$ 132,201	$ 43,236	33%

Net revenue for our Wholesale channel for the six months ended June 30, 2023 increased $44.1 million, or 96%, to $90.0 million as compared to $45.9 million for the corresponding period in 2022. The largest increase came from the entry into FDM within our Wholesale channel. In addition, RTD product sales in our Wholesale channel increased through national distributors and retail accounts from 67,000 doors as of June 30, 2022 to 82,000 doors as of June 30, 2023.

Net revenue for our DTC channel for the six months ended June 30, 2023 decreased $3.9 million, or 5%, to $71.4 million as compared to $75.3 million for the corresponding period in 2022, primarily due to decreased marketing spend and the decision to redirect investments to other growing areas of the business as we continue to experience elevated DTC customer acquisition costs.

Net revenue for our Outpost channel for the six months ended June 30, 2023 increased $3.1 million, or 28%, to $14.1 million as compared to $11.0 million for the corresponding period in 2022. This was primarily due to an increase in the number of company-owned Outposts which increased to a total of seventeen Outposts as of June 30, 2023 as compared to a total of ten Outposts as of June 30, 2022.

Cost of Goods Sold

Cost of goods sold primarily includes raw material costs, labor costs directly related to producing our products including wages and benefits, shipping costs, and other overhead costs related to certain aspects of production, warehousing, fulfillment expense, shipping, and credit card fees.

Cost of goods sold for the six months ended June 30, 2023 increased $29.3 million, or 34%, to $115.7 million as compared to $86.4 million for the corresponding period in 2022. The increase was driven primarily by higher sales. In addition, product costs increased due to the increased price of raw coffee beans and RTD raw materials from adding capacity to new co-manufacturing locations leading to higher volumes of transportation and carrying cost. Product mix shift also impacted margins, as FDM has higher gross margins as compared to other channels. Gross margin decreased 60 basis points to 34.0% for the six months ended June 30, 2023 as compared to 34.6% for the corresponding period in 2022.

Operating Expenses

Operating expenses consist of marketing and advertising expenses related to brand marketing campaigns through various online platforms, including email, digital, website, social media, search engine optimization, as well as performance marketing efforts including retargeting, paid search and product advertisements, as well as social media advertisements and sponsorships. Operating expenses also consist of salaries, wages, and benefits of payroll and payroll related expenses for labor not directly related to producing our products. Payroll expenses include both fixed and variable compensation. Variable compensation includes bonuses and equity-based compensation. General and administration costs include other professional fees and services, and general corporate infrastructure expenses, including utilities and depreciation and amortization.

Total operating expenses for the six months ended June 30, 2023 increased $12.1 million, or 15%, to $90.6 million as compared to $78.5 million for the corresponding period in 2022.

The following table summarizes operating expenses for the periods indicated (*dollars in thousands, unaudited*):

	Six Months Ended June 30,			
	2023	2022	$ Change	% Change
Marketing and advertising	$ 14,157	$ 17,177	$ (3,020)	(18)%
Salaries, wages and benefits	38,180	31,557	6,623	21 %
General and administrative	37,054	29,718	7,336	25 %
Impairment on assets held for sale	1,202	—	1,202	100 %
Total operating expenses	$ 90,593	$ 78,452	$ 12,141	15 %

Marketing and advertising expenses decreased by $3.0 million, or 18%, to $14.2 million as compared to $17.2 million for the corresponding period in 2022. This decrease was due to strategic reductions in lower returning advertising platforms, partially offset by increased costs incurred in connection with the expansion of existing partnerships. In addition, marketing and advertising spend has been impacted by channel mix with revenue growth primarily coming from the Wholesale channel, which requires lower marketing spend than DTC.

Salaries, wages and benefits expenses increased by $6.6 million, or 21%, to $38.2 million as compared to $31.6 million for the corresponding period in 2022. This increase was due to an increase in employee headcount to support our significant sales growth and investment in new stores opened and existing channels as we continue to build out additional revenue streams and expand product lines, as well as, $1.1 million in severance related to reductions in headcount across the company.

General and administrative expenses increased by $7.3 million, or 25%, to $37.1 million as compared to $29.7 million for the corresponding period in 2022. The increase was due to growth of corporate infrastructure primarily in information technology, as well as, professional services to support the expansion of new and existing sales channels and product lines.

The Company recorded an impairment of $1.2 million relating to an Outpost location which is recorded as an asset held for sale.

Results of Our Non-Operating Income (Expenses)

Comparison of the three months ended June 30, 2023 to the three months ended June 30, 2022

The following table summarizes non-operating income (expenses) for the periods indicated (*dollars in thousands, unaudited*):

	Three Months Ended June 30,			
	2023	2022	$ Change	% Change
Interest expense	$ (791)	$ (176)	$ (615)	349 %
Other income (expense), net	(156)	(56)	(100)	179 %
Change in fair value of earn-out liability	—	(38,553)	38,553	(100)%
Change in fair value of warrant liability	—	5,435	(5,435)	100 %
Change in fair value of derivative liability	—	5,172	(5,172)	100 %
Total non-operating income (expenses)	$ (947)	$ (28,178)	$ 27,231	(97)%

Interest expense for the three months ended June 30, 2023 increased $0.6 million, or 349%, to $0.8 million as compared to $0.2 million for the corresponding period in 2022. The increase in interest expense is a result of an increase in total debt balances and a higher weighted average interest rate for the three months ended June 30, 2023 of 6.97% as compared to 3.20% in the corresponding period in 2022, offset by capitalized interest for current projects.

Other income (expense), net consists of miscellaneous income (expense) items such as bank fees and credit card rebates. The decrease for the three months ended June 30, 2023, as compared to the corresponding period in 2022 was due to lower credit card rebates received in 2023.

For the three months ended June 30, 2022, we recognized losses from the change in fair value of earn-out liabilities, warrant liabilities and derivative liabilities. The liabilities were settled prior to December 31, 2022 and therefore were not recurring for the three months ended June 30, 2023.

Comparison of the six months ended June 30, 2023 to the six months ended June 30, 2022

The following table summarizes non-operating income (expenses) for the periods indicated (*dollars in thousands, unaudited*):

	Six Months Ended June 30,			
	2023	2022	$ Change	% Change
Interest expense	$ (1,114)	$ (666)	$ (448)	67 %
Other income (expense), net	117	293	(176)	60 %
Change in fair value of earn-out liability	—	(209,651)	209,651	(100)%
Change in fair value of warrant liability	—	(56,675)	56,675	(100)%
Change in fair value of derivative liability	—	(2,335)	2,335	(100)%
Total non-operating income (expenses)	$ (997)	$ (269,034)	$ 268,037	(100)%

Interest expense for the six months ended June 30, 2023 increased $0.4 million, or 67%, to $1.1 million as compared to $0.7 million for the corresponding period in 2022. The increase in interest expense is a result of an increase in total debt balances and a higher weighted average interest rate for the six months ended June 30, 2023 of 5.22% as compared to 3.18% in the corresponding period in 2022, offset by capitalized interest for current projects.

Other income (expense), net consists of miscellaneous income (expense) items such as bank fees and credit card rebates. The decrease for the six months ended June 30, 2023, as compared to the corresponding period in 2022,was due to lower credit card rebates received in 2023.

For the six months ended June 30, 2022, we recognized losses from the change in fair value of earn-out liabilities, warrant liabilities and derivative liabilities. The liabilities were settled prior to December 31, 2022 and therefore were not recurring for the six months ended June 30, 2023.

Liquidity and Capital Resources

Cash Overview

Our principal use of cash is to support operational expenses associated with non-capitalizable costs, which largely consist of working capital requirements related to accounts receivable, inventories, accounts payable, and general and administrative expenses. Furthermore, we use cash to fund our debt service commitments, capital equipment purchases, Outposts build-out and other growth-related needs.

Our primary sources of cash are (1) cash on hand, (2) cash provided by operating activities, and (3) net borrowings from our credit facility. As of June 30, 2023, our cash and cash equivalents were $19.8 million and our working capital was $81.3 million.

Credit Facilities and Promissory Note

The equipment financing loan is secured by the equipment financed and is at an interest rate of the Bloomberg Short Term Bank Yield Index ("BSBY") plus 3.50%. As of June 30, 2023, the Company has available credit under the equipment financing loan and the retail facility of $6.3 million and $4.5 million, respectively.

As of June 30, 2023, we have $4.9 million available borrowings under our credit facility. Our ability to draw from the credit facilities is subject to a borrowing base and other covenants, including a $15.0 million minimum liquidity condition.

On August 10, 2023, we entered into the Credit Agreements and retired our previous credit facility and real estate term loan facility with Regions Bank and the equipment financing facility with Regions Commercial Equipment Finance, LLC and Regions Equipment Finance Corporation. See Note 15, *Subsequent Events*, to the unaudited consolidated financial statements included in Item 1 of Part I of this 10-Q for information regarding the Credit Agreements.

Cash Requirements

We believe that these sources of liquidity will be sufficient to fund our debt service requirements, lease obligations working capital requirements and to meet our commitments in the ordinary course of business and under the current market conditions for at least the next twelve months.

We expect we may continue to incur net operating losses and negative cash flows from operations, and we expect our general and administrative expenses and capital expenditures will continue to increase over time as we continue to expand our operations, product offerings and customer base.

Our future capital requirements may vary materially from period to period and will depend on many factors, primarily our continued expansion into the Wholesale channel and growth of Outposts as well as decisions on whether to manufacture products in house versus outsourcing production to co-manufacturers. We currently expect to fund our material capital requirements, mainly working capital, with proceeds from operations and our asset-backed revolving credit facility, but we may also seek additional debt or equity financing.

Cash Flows

The following table summarizes our cash flows for the periods indicated (*amounts in thousands, unaudited*):

	Six Months Ended June 30,			
	2023	2022	$ Change	% Change
Cash flows used in operating activities	$ (40,457)	$ (54,536)	$ 14,079	26 %
Cash flows used in investing activities	(9,823)	(9,400)	(423)	(5)%
Cash flows provided by financing activities	31,072	138,687	(107,615)	(78)%
Net increase (decrease) in cash and cash equivalents	$ (19,208)	$ 74,751	$ (93,959)	(126)%

Operating Activities

Cash flow from operating activities is primarily generated from revenue from our Wholesale channels.

Net cash used in operating activities was $40.5 million for the six months ended June 30, 2023, compared to net cash used in operating activities of $54.5 million for the corresponding period in 2022. The total decrease of $14.1 million in net cash used was primarily due to an increase in accounts payable with decreases in accounts receivable and prepaid expenses and other assets. These changes were partially offset by an increase in inventory for the period.

Investing Activities

Net cash used in investing activities was $9.8 million for the six months ended June 30, 2023, compared to net cash used in investing activities of $9.4 million for the corresponding period in 2022. The $0.4 million increase in net cash used was primarily due to continued capital expenditure projects for our Outpost locations and roasting facility offset by proceeds from the sale of equipment.

Financing Activities

Net cash provided by financing activities was $31.1 million for the six months ended June 30, 2023, compared to net cash provided by financing activities of $138.7 million for the corresponding period in 2022. The $107.6 million decrease in net cash provided by financing activities was primarily due to activity related to the Business Combination that occurred in the six months ended June 30, 2022 that was not recurring in the same period for 2023. For the six months ended June 30, 2023, net cash provided by financing was due to proceeds from issuance of long-term debt, net of repayment of long-term debt.

Commitments

The Company has entered into manufacturing and purchase agreements to purchase and produce coffee product from third-party suppliers. These purchase agreements are typically obligations to purchase minimum volumes with fixed pricing if the volume terms are not fulfilled, in the form of a take-or-pay provision. The minimum purchase amounts are based on quantity and, in the aggregate, will be approximately $19.3 million for the remainder of 2023, $46.4 million for 2024 and $22.4 million for 2025. The Company is negotiating with suppliers to amend or terminate certain purchase agreements. If negotiations to amend or terminate the agreements are not successful, the Company may incur losses in future periods.

Liabilities relating to operating leases that have commenced as of June 30, 2023 have been reported on the balance sheet as operating lease liabilities. As of June 30, 2023, we have entered into operating leases that have not yet commenced which primarily relate to real estate leases. These leases will commence between fiscal year 2023 and fiscal year 2025 with lease terms of 10 years to 20 years.

***JOBS* Act**

The Jumpstart Our Business Startups ("JOBS") Act contains provisions that, among other things, relax certain reporting requirements for qualifying public companies for up to five years or until we are no longer an emerging growth company. We qualify as an “emerging growth company” and under the JOBS Act are allowed to comply with new or revised accounting pronouncements based on the effective date for private (not publicly traded) companies. We are electing to delay the adoption of new or revised accounting standards, and as a result, we may not comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. As a result, the unaudited consolidated financial statements may not be comparable to those of companies that comply with new or revised accounting pronouncements as of public company effective dates.

Critical Accounting Estimates

The methods, assumptions, and estimates that we use in applying our accounting policies may require us to apply judgements regarding matters that are inherently uncertain. We consider an accounting policy to be a critical estimate if (1) we must make assumptions that were uncertain when the judgment was made, and (2) changes in the estimate assumptions, or selection of a different estimate methodology could have a significant impact on our financial position and the results that we report in our unaudited consolidated financial statements. While we believe that our estimates, assumptions and judgements are reasonable, they are based on information available when the estimate was made.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Commodity Risks

Our profitability is dependent on, among other things, our ability to anticipate and react to changes in costs of key operating resources. Commodity price risk is our primary market risk, which is affected by purchases of coffee beans, dairy products, aluminum cans and other materials and commodities. We purchase and roast quality coffee beans that can be subject to significant volatility. Increases in the “C” coffee commodity price increase the price of high-quality coffee. We generally enter into fixed price purchase commitments for the green coffee we roast.

The supply and price of coffee we purchase can also be affected by multiple factors in the producing countries, such as weather (including the potential effects of climate change), natural disasters, crop disease, inventory levels, and political and economic conditions. Because of the significance of coffee beans to our operations, combined with our ability to only partially mitigate future price risk through purchasing practices, increases in the cost of high-quality coffee beans could have a material adverse impact on our profitability.

Interest Rate Risk

In order to maintain liquidity and fund certain business operations, our Senior Credit Facility bears a variable interest rate based on the BSBY plus 2.25%. The Equipment Line bears a variable interest rate based on the BSBY plus 3.50%. We seek to manage exposure to adverse interest rate changes through our normal operating and financing activities. As of June 30, 2023, we had $61.8 million outstanding on the Senior Credit Facility with available borrowings of $4.9 million. As of June 30, 2023, we had $3.3 million outstanding on the Equipment Line with available borrowings of $6.3 million. The carrying value of the variable interest rate debt approximates its fair value as the borrowings are based on market interest rates. A hypothetical increase of interest rates of 5% on our outstanding variable rate borrowings would result in additional interest expense annually of approximately $3.3 million.

On August 10, 2023, we entered into the Credit Agreements and retired our previous Senior Credit Facility and real estate term loan facility with Regions Bank and the Equipment Line. See Note 15, *Subsequent Events*, to the unaudited consolidated financial statements included in Item 1 of Part I of this 10-Q for information regarding the Credit Agreements.

Inflation

Inflationary factors such as increases in the cost of our products, overhead costs and parcel freight costs have had an impact on our operating results. While we have begun to partially offset inflation and other changes in costs of essential operating resources by slightly increasing prices, along with more efficient purchasing practices and productivity improvements, there can be no assurance that we will be able to continue to do so in the future. From time to time, competitive conditions could limit our pricing flexibility. There can be no assurance that future cost increases can be offset by increased prices or that increased prices will be fully absorbed by our customers without any resulting change to their purchasing patterns. In addition, there can be no assurance that we will generate overall revenue growth in an amount sufficient to offset inflationary or other cost pressures. The cost of constructing our Outposts is subject to inflation, which could increase the costs of labor and materials. An increasing rate of inflation in the future may have a material adverse effect on our ability to maintain current levels of gross profit and operating expenses, if the selling prices of our products do not increase with these increased costs.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer, Co-Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2023. Based on that evaluation, our Chief Executive Officer, Co-Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2023, our disclosures controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the three and six months ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note 14, *Commitments and Contingencies*, to the unaudited consolidated financial statements included in Item 1 of Part I of this 10-Q for information regarding certain legal proceedings in which the Company is involved.

Item 1A. Risk Factors

In addition to the other information included in this 10-Q, you should carefully consider the risks and uncertainties discussed in our "*Cautionary Note Regarding Forward-Looking Statements*". There have been no material changes to the risk factors that were previously disclosed in Item 1A in the Company's 2022 Form 10-K other than the following:

Our business relies on co-manufacturer and third party suppliers to supply our products, and loss of one or more of our co-manufacturers, our failure to identify new co-manufacturers, or inability to accurately forecast and contract for our co-manufacturing and raw materials needs could harm our business and impede our growth.

We rely on co-manufacturers to provide us with a significant portion of our production capacity, in particular with our RTD products, and certain suppliers to supply various components of co-manufactured products, such as dairy and aluminum cans. Our co-manufacturers have been integral in the development of our products, and we have recently in-housed the sales and marketing efforts concerning these products. Failure by us to maintain our relationship with these co-manufacturers or failure to successfully in-house our sales and marketing efforts for these products could adversely affect our operating results. The terms of our co-manufacturing agreements vary, and some of these arrangements are short-term or based on purchase orders, others do and will in the future commit us to significant purchases over a number of years. Volumes produced under each of these agreements can fluctuate significantly based upon the product's life cycle, product promotions, alternative production capacity, and other factors, none of which are under our direct control. The terms of an anticipated long-term agreement with our broker are currently being negotiated in the context of historical arrangements, about which there are certain disagreements. Any dispute with our broker could result in litigation in the future. An adverse outcome to any such dispute could harm our business.

If, for any reason, our co-manufacturers or raw material suppliers cannot fulfill their obligations, or our contract with one or more of our co-manufacturers is terminated, or if our needs are less than we have contracted for, our business may suffer. We have historically experienced meaningful variability of our needs for co-manufacturing and various components of co-manufactured goods, and if we do not effectively manage those arrangements or if our forecasting is not accurate, we may experience expiring stock of co-manufactured products, or excess commitments to purchase co-manufactured finished goods and/or components of co-manufactured goods, including aluminum cans and perishable ingredients, resulting in either excess inventory or "take or pay" payments. Any charges related to the write off of excess inventories or payments required under "take or pay" agreements could have a material adverse effect on our business, operating results, and financial condition. The Company is negotiating with suppliers to amend or terminate certain purchase agreements. If negotiations to amend or terminate the agreements are not successful, the Company may incur losses in future periods, which the Company anticipates may be substantial, including during 2023.

If we need to replace a co-manufacturer or supplier of goods for co-manufactured products, there can be no assurance that additional capacity will be available in a timely manner and in the quantities required, that our quality control requirements will be met, that we will be able to utilize the product formulas or other intellectual property developed with the co-manufacturer, or that the commercial terms of a replacement will be favorable. If we fail to replace a co-manufacturer or supplier, we may be required to reduce our overall production, or increase our production by a smaller amount than forecasted, which could result in loss of sales and reputational harm. Further, an interruption in, or the loss or reduction of operations at, one or more of our co-manufacturing facilities, which may be caused by work stoppages, contamination, disease outbreaks, terrorism, natural disasters, regulatory restrictions, or any other reason, could delay, postpone, or reduce production of our products, which could have a material adverse effect on our business until such time as such interruption is resolved or an alternate source of production is secured.

We believe there are a limited number of high-quality co-manufacturers and suppliers that can meet our pricing requirements and quality control standards. As we seek to obtain additional or alternative co-manufacturing arrangements in the future, there can be no assurance that we would be able to do so on satisfactory terms, in a timely manner, or at all. The loss of one or more co-manufacturers, any disruption or delay at a co-manufacturer, or any failure to identify and engage co-manufacturers to increase production capacity, could delay or postpone the production of our products or reduce our overall production capacity, either of which could have a material adverse effect on our business, operating results, and financial condition.

Authentic Brands' debt obligations could impair our financial condition and adversely affect our business, and we may be unable to generate the cash flow to service such debt obligations.

On August 10, 2023, Authentic Brands entered into (i) the Term Loan Credit Agreement, which provides for a $50 million senior secured term loan credit facility and a $6 million bridge loan facility, and (ii) the ABL Credit Agreement, which provides for an asset-based revolving credit facility with committed maximum borrowing capacity of $75 million. Such substantial indebtedness has important consequences for us, including:

- a significant portion of our cash flow will be used to service such indebtedness, thereby limiting the availability of our cash flow to fund future growth, capital expenditures, working capital, business activities and other general corporate requirements;
- restrictive covenants in the debt agreements could prevent us from borrowing additional funds for working capital, capital expenditures, and debt service requirements, which could result in an inability to fund our growth or result in a default under the debt agreements;
- an increase in interest rates, as experienced since 2022 or as we may experience in the future, could significantly increase the cost of the variable rate debt under the debt agreements;
- any inability to service or refinance such indebtedness or the acceleration of such indebtedness could result in default which could result in all of the outstanding indebtedness becoming due and payable, an inability to access the revolving credit facility (in whole or in part), foreclosure against the borrowers' assets, and bankruptcy or liquidation;
- such indebtedness increases our vulnerability to economic downturns and adverse industry conditions and reduces our flexibility to plan for, or react to, changes in our business or industry; and
- our ability to capitalize on business opportunities and to react to competitive pressures, as compared to our competitors with less indebtedness, may be compromised due to the indebtedness and the restrictive covenants in the debt agreements.

To the extent we incur additional indebtedness, the risks described above could increase.

We can provide no assurance that our business will generate sufficient cash flow from operations to service or repay the debt obligations, or that we will have the ability to issue new debt, draw on the revolving credit facility, or find other alternative sources of funds to satisfy our obligations and working capital needs. Our ability to meet expenses and debt service obligations will depend on our future performance, which could be affected by financial, business, economic and other factors. Our inability to generate sufficient cash flow to satisfy the debt obligations, or to refinance the indebtedness on commercially reasonable terms or at all, could result in a material adverse effect on our business, financial condition, results of operations, and cash flows.

Authentic Brands' debt agreements impose restrictions on our business.

Authentic Brands' debt agreements contain, and any future indebtedness would likely contain, a number of covenants that impose significant operating and financial restrictions on us, including restrictions on Authentic Brands' and its subsidiaries' ability to, among other things:

- incur additional debt or liens;
- pay dividends or make other distributions or restricted payments to BRC Inc.;
- make certain investments;
- consolidate, merge, sell, or otherwise dispose of all or substantially all of their assets; and
- alter the businesses they conduct.

As a result of these covenants, we will continue to be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs. To the extent we would wish to engage in any of the prohibited actions, we would need to obtain consent under the debt agreements, which may not be timely forthcoming or at all.

In addition, the debt agreements require the borrowers to maintain (i) certain minimum consolidated EBITDA levels each quarter, (ii) a fixed charge coverage ratio of not less than 1.10 to 1.00, measured quarterly following the satisfaction of certain conditions, and (iii) certain minimum liquidity levels. We cannot provide assurance that the borrowers will satisfy these financial covenants. The borrowers' ability to satisfy these financial covenants will depend on our ongoing financial and operating performance, which, in turn, will be subject to economic conditions and to financial, market, and competitive factors, many of which are beyond our control.

A breach of any of these covenants could result in a default under the debt agreements, including as a result of cross default provisions and, in the case of the revolving credit facility, permit the lenders thereunder to cease making loans to the borrowers. If a default event were to occur, we may not have sufficient available cash to repay such outstanding debt obligations at the time they become due or be able to refinance such debt on acceptable terms or at all. Any of the foregoing limitations or events could materially and adversely affect our business, financial condition, results of operations, and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans - Directors and Section 16 Officers

During the three months ended June 30, 2023, no director or officer of the Companyadopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Engagement Agreement with Interim Chief Financial Officer

On August 8, 2023, the Company entered an agreement relating to Mr. Weinsten's compensation as interim Chief Financial Officer, with Mr. Weinsten's employer, Berkeley Research Group, LLC ("BRG"). Pursuant to this Agreement, Mr. Weinsten will be paid $200,000 per month for his services, and services of other BRG personnel, if needed, will be at their standard hourly rates. The Company will pay a completion fee of an additional $100,000 in aggregate for the first three months, pro rated if Mr. Weinsten's services are terminated within three months, and at a specified increasing rate thereafter. The agreement contains customary indemnification and confidentiality terms. The foregoing summary is qualified in all respects by the full text of the agreement, which will be filed with the Company's next Quarterly Report on Form 10-Q.

Appointment of Chris Clark as Chief Technology and Operations Officer

On August 8, 2023, the Board of Directors appointed Chris Clark as the Company's Chief Technology and Operations Officer. Mr. Clark previously served as Chief Technology Officer of the Company since May 2022. Prior to joining the Company, Mr. Clark served as the Chief Information Officer for Levi Strauss & Co. since 2017. Prior to Levi's, Mr. Clark was VP of Supply Chain Solutions at Lululemon Athletica, working as a partner between technology and the business to achieve enterprise goals. His career also includes multiple senior leadership positions at GAP Inc., where he led technology related to global supply chain systems and global application delivery operations. His private sector experience followed five years of military service as an aviation officer in the United States Army after graduating from the U.S. Military Academy at West Point with a Bachelor of Science in Mechanical Engineering.

Mr. Clark's base salary will be $400,000 per year, and Mr. Clark will be eligible to participate in the Company's discretionary bonus program, with a target bonus of 75% of base salary. In connection with Mr. Clark's promotion, the Compensation Committee approved equity awards to Mr. Clark consisting of stock options with a grant date fair value of $195,000 and restricted stock units with a grant date fair value of $65,000. The Company has entered into a customary indemnification agreement with Mr. Clark. Mr. Clark will also be eligible to participate in the benefits available to the Company's executive officers.

There are no family relationships between Mr. Clark and any director or executive officer of the Company. There are no transactions between Mr. Clark and the Company that would require disclosure under Item 404(a) of Regulation S-K.

Compensation of President and Chief Marketing Officer

As previously disclosed, on June 28, 2023, the Company appointed Chris Mondzelewski as the Company's President, in addition to Mr. Mondzelewski's role as Chief Marketing Officer of the Company. On August 8, 2023, the Compensation Committee approved changes to Mr. Mondzelewski's compensation in connection with his appointment as President. Mr. Mondzelewski's base salary will be $500,000 per year, and Mr. Mondzelewski will be eligible to participate in the

Company’s discretionary bonus program, with a target bonus of 75% of base salary. The Compensation Committee also approved equity awards to Mr. Mondzelewski consisting of stock options with a grant date fair value of $1,425,000 and restricted stock units with a grant date fair value of $475,000. Mr. Mondzelewski will also be eligible to participate in the benefits available to the Company’s executive officers.

Item 6. Exhibits

Exhibit	Description
10.1*	Transition and Separation Agreement, dated April 18, 2023, among the Company, Black Rifle Coffee Company LLC and Heath Nielsen.
10.2*	Separation and Release Agreement, dated June 23, 2023, between the Company and Gregory J. Iverson.
31.1*	Certification of Co-Principal Executive Officer Pursuant to Rules 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Co-Principal Executive Officer Pursuant to Rules 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Co-Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Co-Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

* Filed herewith.
** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BRC Inc.

	By:	/s/ Evan Hafer
		Evan Hafer
		Chief Executive Officer
		(Co-Principal Executive Officer)
	By:	/s/ Gregory J. Iverson
		Gregory J. Iverson
August 10, 2023		Chief Financial Offer
		(Principal Financial Officer)

Exhibit 10.1

TRANSITION AND SEPARATION AGREEMENT

This Transition and Separation Agreement (the "Agreement") is entered into by and between Black Rifle Coffee Company LLC (the "Company"), BRC Inc. ("BRC") and Heath Nielsen ("Employee").

1. Separation.

(a) The parties acknowledge and agree that Employee's employment with the Company will terminate on May 5th, 2023 (the "Separation Date") or if applicable, the Early Separation Date (as defined below). The Company shall advance the Separation Date to an earlier date (the "Early Separation Date") in the event that Employee fails to satisfy his obligations under this Agreement or otherwise engages in conduct as a result of which the Company believes it is in the best interests of the Company that Employee no longer be employed by the Company, in which case the Early Separation Date shall be a date selected by the Company.

(b) Following the earlier of the Separation Date or Early Separation Date (if applicable), Employee shall not be, or represent that Employee is (including on LinkedIn or any other applicable social media platforms), an employee, agent, or representative of the Company or any of the other Releasees (as defined below); to the extent applicable, any and all positions Employee holds with any of the Company or any of the other Releasees shall terminate; and Employee agrees to execute any documents or take any actions requested by the Company to effectuate the foregoing.

2. Employment Until the Separation Date or Early Separation Date (If Applicable).

(a) Unless otherwise requested by the Company in writing, until the earlier of the Separation Date or the Early Separation Date (if applicable), Employee shall: (i) continue to perform the duties and responsibilities reasonably requested of Employee in good faith, including assisting the Company with the transition of his duties and responsibilities, and (ii) honor the terms of this Agreement, including by continuing to maintain compliance with all Restrictive Covenants (as defined below).

(b) Provided that Employee complies with the terms and conditions of this Agreement, until the earlier of the Separation Date or the Early Separation Date (if applicable): Employee will (i) continue to be paid Employee's regular base salary in accordance with the Company's normal payroll practices and (ii) continue to participate in the Company's benefit plans, subject to the eligibility provisions contained therein and on the same terms and conditions as other active, similarly situated employees; provided that the Company may modify or terminate any employee benefit plan or program at any time, in its sole discretion.

3. COBRA. The benefits received by Employee (and Employee's eligible dependents, if any) under the Company's benefit plan shall cease as of the earlier of either the Separation Date or the Early Separation Date (if applicable). Thereafter, pursuant to governing law and independent of this Agreement, Employee will be eligible to elect benefit continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), for Employee and any eligible dependents if Employee timely applies for such coverage. Such COBRA coverage will be at Employee's sole expense. Information regarding Employee's eligibility for COBRA coverage and the terms and conditions of such coverage will be provided to Employee in a separate mailing.

4. Separation Benefits.

(a) Pre-Separation Benefits. Provided that the Effective Date (as defined below) occurs and Employee complies with the terms and conditions of this Agreement, in exchange for the promises, covenants, releases, and waivers set forth herein, and in addition to the other good and sufficient consideration received by Employee, the Company will pay or provide, or cause Employee to be paid or provided with, the payments and benefits set forth in Paragraph 2(b) of this Agreement.

(a) Post-Separation Benefits. Provided that the Post-Separation Release Effective Date (as defined below) occurs and Employee continues to comply with the terms and conditions of this Agreement (including, without limitation, Paragraphs 8 and 9 below), in exchange for the promises, covenants, releases, and waivers set forth herein, the transition services to be provide pursuant to Paragraph 9 below and in addition to the other good and sufficient consideration received by Employee:

i. the Company will pay Employee an aggregate cash payment equal to $100,000, payable in four equal monthly payments of $25,000, less applicable deductions and withholdings, with the first installment to begin no later than 30 days following the Post-Separation Release Effective Date (the period upon which such amounts are paid, the "Post-Separation Transition Period"); and

ii. following the Post-Separation Release Effective Date, BRC will shorten the duration of Employee's non-compete obligations as provided for in Paragraph 8 below.

5. No Further Payments or Equity Rights. Employee acknowledges and agrees that the consideration provided in Paragraphs 2 and 4 above: (a) is in full discharge of any and all liabilities and obligations the Releasees have to Employee, monetarily or otherwise, with respect to Employee's employment, or otherwise, other than any vested rights Employee may have, if any, under the Company's 401(k) Plan, as set forth in the books and records of such 401(k) Plan (the " Vested 401(k) Benefits"); and (b) exceeds any payment, benefit, or other thing of value to which Employee might otherwise be entitled. Except with respect to the Vested 401(k) Benefits, Employee specifically acknowledges and agrees that the Company and the Releasees have paid to Employee all of the wages, commissions, overtime, premiums, vacation, notice pay, severance pay, separation pay, sick pay, holiday pay, equity, phantom equity, carried interest, distributions, allocations, royalties, bonuses, deferred compensation, and other forms of compensation, benefits, perquisites, or payments of any kind or nature whatsoever to which Employee was or may have been entitled (collectively, "Compensation"), and that the Company and the Releasees do not owe Employee any other Compensation, other than as explicitly provided in this Agreement. Without limiting the generality of the foregoing, Employee acknowledges and agrees that as of the Separation Date (i) he shall forfeit all equity awards granted pursuant to the BRC Inc. 2022 Omnibus Incentive Plan (the "Plan") that are unvested at such time and (ii) subject to the terms of the Plan and the underlying award agreement, any stock option awards that are vested as of the Separation Date shall remain exercisable for ninety (90) days following the Separation Date.

6. Release. Employee, on behalf of Employee and all of Employee's spouse, heirs, executors, administrators, successors, and assigns (collectively, "Releasors"), hereby releases and forever waives and discharges any and all claims, rights, demands, causes of action, suits, controversies, actions, crossclaims, counterclaims, demands, debts, promises, contracts, compensatory damages, liquidated damages, punitive or exemplary damages, any other damages, claims for costs and attorneys' fees, losses or liabilities of any nature whatsoever in law and in equity and any other liabilities, known or unknown, suspected or unsuspected of any nature whatsoever (collectively, "Claims") that Employee or any of the other Releasors ever had, now have, or might have against the Company, BRC and/or their respective current, former, and future affiliates, subsidiaries, parents, related companies, portfolio companies, controlling shareholders, owners, divisions, directors, members, trustees, officers, general partners, limited partners, employees, agents, attorneys, successors, assigns, representatives, insurers, and investment funds (and the other investment vehicles any of the foregoing manage and/or for which they perform services) (collectively, with the Company, the "Company Group" and each a "Company Group Member"); and each Company Group Member's respective current, former, and future directors, members, trustees, controlling shareholders, subsidiaries, general partners, limited partners, affiliates, related companies, divisions, officers, employees, agents, insurers, investments, representatives, and attorneys (collectively, with the Company Group, the "Releasees" and each a "Releasee"), arising at any time prior to and including the date Employee executes (or re- executes, as applicable) this Agreement, whether such Claims are known to Employee or unknown to Employee, whether such Claims are accrued or contingent, including, but not limited to, any and all (a) Claims arising out of, or that might be considered to arise out of or to be connected in any way with, Employee's employment or other relationship with any of the Releasees, or the termination of such employment or other relationship; (b) Claims under any contract, agreement, or understanding that Employee may have with any of the Releasees, whether written or oral, whether express or implied, at any time prior to the date Employee executes (or re-executes, as applicable) this Agreement (including, but not

limited to, under the Award Agreements, the Plan, or any employment agreement, offer letter, plan, agreement, award or contract); (c) Claims arising from or in any way related to awards, policies, plans, programs or practices of any of the Releasees that may apply to Employee or in which Employee may participate; (d) Claims for any bonus, incentive payment, severance or other Compensation; (e) Claims for any units, tracking units, equity, interest, carried interest, capital interest, distributions or other distribution or allocation rights; (f) Claims arising under any federal, state, foreign, or local law, rule, ordinance, or public policy, including, without limitation, (i) Claims arising under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866, 42 U.S.C. § 1981, the Civil Rights Act of 1991, the Americans With Disabilities Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, the Vietnam Era Veterans Readjustment Act of 1974, the Immigration Reform and Control Act of 1986, the Equal Pay Act, the Labor Management Relations Act, the National Labor Relations Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act, the Genetic Information Nondiscrimination Act of 2008, the Rehabilitation Act of 1973, the Uniformed Services Employment and Reemployment Rights Act, the Worker Adjustment and Retraining Notification Act, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act, the Internal Revenue Code of 1986, the Families First Coronavirus Response Act, each as amended, or any other federal, state, foreign, or local labor law, wage and hour law, worker safety law, employee relations or fair employment practices law, or public policy, (ii) Claims arising in tort, including, but not limited to, Claims for misrepresentation, defamation, libel, slander, invasion of privacy, conversion, replevin, false light, tortious interference with contract or economic advantage, negligence, fraud, fraudulent inducement, quantum meruit, promissory estoppel, prima facie tort, restitution, or the like, and (iii) Claims for Compensation, attorneys' or experts' fees or costs, forum fees or costs, or any tangible or intangible property of Employee's that remains with any of the Releasees; and (g) Claims arising under any other applicable law, regulation, rule, policy, practice, promise, understanding, or legal or equitable theory whatsoever; provided, however, that Employee does not release (A) any Claims that arise after the date Employee executes (or re-executes, as applicable) this Agreement; (B) any Claims for breach of this Agreement or to enforce the terms of this Agreement; (C) any Claims that cannot be waived or released as a matter of law; (D) any claims Employee may have to workers' compensation or unemployment benefits; or (E) any right to the Vested 401(k) Benefits. Employee specifically intends the release of Claims in this Paragraph 6 to be the broadest possible release permitted by law.

7. No Further Claims. Employee represents and warrants that Employee has never commenced or filed, or caused to be commenced or filed, any lawsuit or arbitration against any of the Releasees. Except as otherwise provided in Paragraph 6 of this Agreement, Employee further agrees not to commence, file, or in any way pursue, or cause or assist any person or entity to commence, file, or pursue, any lawsuit or arbitration against any of the Releasees in the future. For avoidance of doubt, nothing in this Agreement, any other agreement between Employee and the Company, or any Company policy shall prevent Employee from filing a charge with the Equal Employment Opportunity Commission or other governmental agency or commission (collectively, the "EEOC") or participating in any EEOC investigation; provided that Employee may not receive any relief (including, but not limited to, Compensation, reinstatement, back pay, front pay, damages, attorneys' or experts' fees, costs, and/or disbursements) as a consequence of any charge filed with the EEOC and/or any litigation arising out of an EEOC charge to the fullest extent permitted by law. For the avoidance of doubt, nothing shall prevent Employee from receiving any monetary award to which Employee becomes entitled pursuant to Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

8. Continuing Obligations; Limited Waiver of Noncompetition Restrictions. Employee acknowledges and agrees that Employee shall continue to remain bound by any and all obligations and restrictive covenants, including all cooperation, confidentiality, noncompetition (except as modified by the succeeding sentence), nonsolicitation, noninterference, and nondisparagement obligations that Employee owes to BRC, the Company or the other Releasees, including as set forth in that certain Restricted Stock Unit Award Agreement and that Stock Option Award Agreement between Employee and BRC (the "Award Agreements") and such obligations shall remain in full force and effect and are incorporated by reference herein (collectively, the "Restrictive Covenants"), and the Company shall be an express third party beneficiary thereof. Notwithstanding the foregoing, BRC agrees that for purposes of the Restrictive Covenants, all noncompetition restrictions shall apply only through the end of the Post-Separation Transition Period and shall be from and thereafter waived. For the avoidance of doubt, all other restrictions

set forth in the Restrictive Covenants shall continue to apply for the period specified therein. Employee shall treat this Agreement, and its terms and conditions, as confidential information in accordance with the Restrictive Covenants. Employee agrees that, on or prior to the earlier of the Separation Date or Early Separation Date (as applicable), Employee shall have returned to the Company (without retaining copies (electronic or otherwise)) all of the information, data and property of the Releasees in Employee's possession, custody or control. Employee shall not encourage, counsel or assist any non-governmental attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges or complaints by any non- governmental third party against any of the Releasee.

9. Post-Employment Services. During the Post-Separation Transition Period, as consideration for the payments and benefits provided for pursuant to Section 4(b) above, Employee shall be available to provide such transitional services as are reasonably requested by the Company (the "Transition Services"). The scope of such services shall be at the reasonable discretion of the Company's Chief Executive Officer, and are not expected to exceed ten (10) hours per month.

10. Construction. This Agreement shall be interpreted strictly in accordance with its terms, to the maximum extent permissible under governing law, and shall not be construed against or in favor of any party, regardless of which party drafted this Agreement or any provision hereof. If any provision of this Agreement is determined to be unenforceable as a matter of governing law, an arbitrator or reviewing court of appropriate jurisdiction shall have the authority to modify such provision so as to render it enforceable while maintaining the parties' original intent to the maximum extent possible. Each provision of this Agreement is severable from the other provisions hereof, and if one or more provisions hereof are declared invalid, the remaining provisions shall nevertheless remain in full force and effect. For purposes of this Agreement, the connectives "and," "or," and "and/or" shall be construed either disjunctively or conjunctively as necessary to bring within the scope of a sentence or clause all subject matter that might otherwise be construed to be outside of its scope.

11. Interpretation. This Agreement and the agreements explicitly referenced herein set forth the entire agreement between the parties hereto, fully supersedes any and all prior agreements or understandings between the parties, and can be modified only in a written agreement signed by Employee, on the one hand, and an officer of the Company, on the other hand. Employee specifically acknowledges and agrees that notwithstanding any discussions or negotiations Employee may have had with any of the Releasees prior to the execution of this Agreement, Employee is not relying on any promises or assurances other than those explicitly contained in this Agreement. Each of the Releasees shall be a third-party beneficiary to this Agreement and entitled to enforce it in accordance with its terms. PDF or other electronic copies of this Agreement shall have the same force and effect as the original. This Agreement may be executed in counterparts and each shall be considered to be an original and all of which taken together will constitute one and the same agreement. This Agreement shall not in any way be construed as an admission by any of the Releasees of any liability, or of any wrongful acts whatsoever against Employee or any other person.

12. Acknowledgment; Effectiveness.

(a) Employee has been given twenty-one (21) days from the date of Employee's initial receipt of this Agreement to consider the terms of this Agreement, although Employee may sign it at any time sooner. The parties agree that any revisions or modifications to this Agreement, whether material or immaterial, will not restart this time period. Employee further understands that this Agreement shall be null and void if Employee fails to execute this Agreement during such period and return it to Marty Manning at martin.manning@blackriflecoffee.com. Employee has seven (7) calendar days after the date on which Employee initially executes this Agreement to revoke Employee's consent to this Agreement. Such revocation must be in writing and must be emailed to Marty Manning at martin.manning@blackriflecoffee.com. Notice of such revocation must be received within the seven (7) calendar days referenced above. If Employee does not sign this Agreement or if Employee timely revokes Employee's execution of this Agreement, this Agreement shall be null and void and the "Effective Date" (as defined below) shall not occur. Provided that Employee timely executes this Agreement as provided herein and does not revoke Employee's execution of this Agreement within such seven (7)-day revocation period, this Agreement will become effective on the eighth (8th) calendar day after the date on which Employee signs this Agreement (the "Effective Date") provided that it has also been executed by an authorized officer on behalf of the Company.

(b) For this Agreement to be fully effective, Employee must re-execute this Agreement on the Separation Date or the Early Separation Date (if applicable) or within twenty-one (21) days thereafter, and email it to Marty Manning at martin.manning@blackriflecoffee.com. Employee has seven (7) calendar days from the date of such re-execution to revoke Employee's consent to such re-execution. Such revocation must be in writing and must be emailed to Marty Manning at martin.manning@blackriflecoffee.com. Notice of such revocation must be received within the seven (7) calendar days referenced above. If Employee does not re-execute this Agreement within such period or if Employee timely revokes such re-execution, this Agreement shall remain in full force and effect, except Employee shall not receive the consideration set forth in Paragraph 4(b) of this Agreement. Provided that Employee does not revoke Employee's re-execution of this Agreement within such seven (7)-day period, the "Post-Separation Release Effective Date" shall occur on the eighth (8th) calendar day after the date on which Employee re-executes this Agreement.

(c) Should Employee breach this Agreement, including any of the Restrictive Covenants, Transition Services or other obligations set forth herein or referenced herein, whether before or after the Separation Date or the Early Separation Date (if applicable), then: (a) the Company and Releasees shall have no further obligations to Employee under this Agreement or otherwise (including but not limited to any obligation to provide the consideration set forth in Paragraphs 2 and 4 of this Agreement); (b) the Company and the Releasees shall have all rights and remedies available to them under this Agreement and any applicable law or equitable theory; and (c) all of Employee's promises, covenants, releases, waivers, representations, and warranties under this Agreement will remain in full force and effect.

13. EMPLOYEE EXPRESSLY ACKNOWLEDGES, REPRESENTS, AND WARRANTS THAT EMPLOYEE HAS CAREFULLY READ THIS AGREEMENT; THAT EMPLOYEE FULLY UNDERSTANDS THE TERMS, CONDITIONS, AND SIGNIFICANCE OF THIS AGREEMENT; THAT EMPLOYEE HAS HAD AMPLE TIME TO CONSIDER THIS AGREEMENT; THAT THE COMPANY HAS ADVISED AND URGED EMPLOYEE TO CONSULT WITH AN ATTORNEY CONCERNING THIS AGREEMENT; THAT EMPLOYEE HAS EXECUTED THIS AGREEMENT VOLUNTARILY, KNOWINGLY, AND WITH AN INTENT TO BE BOUND BY THIS AGREEMENT; AND THAT EMPLOYEE HAS FULL POWER AND AUTHORITY TO RELEASE EMPLOYEE'S CLAIMS AS SET FORTH HEREIN AND HAS NOT ASSIGNED ANY SUCH CLAIMS TO ANY OTHER INDIVIDUAL OR ENTITY.

[*Signature Page Follows*]

Black Rifle Coffee Company LLC

By: /s/ Tom Davin 4/18/2023
Name: Tom Davin Date
Title: Co-CEO

BRC Inc.

By: /s/ Tom Davin 4/18/2023
Name: Tom Davin Date

Title: Co-CEO

Employee

/s/ Heath Nielsen 4/18/2023
Heath Nielsen Date

RE-EXECUTED NO SOONER THAN THE SEPARATION DATE OR EARLY SEPARATION DATE (IF APPLICABLE):

/s/ Heath Nielsen 5/8/2023
Heath Nielsen Date

Exhibit 10.2

Separation and Release Agreement

June 27, 2023

Dear Greg:

As you know, you have offered your resignation to end your employment with BRC, Inc, Authentic Brands LLC ("Authentic") and Black Rifle Coffee Company LLC ("BRCC" and together with Authentic, collectively referred to as the "Company"), and the Company has accepted such resignation. Your employment will end on the earlier of August 13, 2023 or the date the Company files its Form 10-Q relating to the second calendar quarter of 2023, and the related earnings call (the "Separation Date"). You will receive pay for time worked up to and through the Separation Date (together, the "Ordinary Pay").

This letter agreement (this "Agreement") memorializes your discussions with representatives of the Company regarding your agreed terms of separation, as well as addressing requirements and obligations under the Executive Severance and Restrictive Covenants Agreement, executed between you and the Company on December 29, 2022 (the "Severance Agreement"). After the Separation Date, you will not represent as being an employee, officer, agent, or representative of the Company for any purpose. Except as otherwise set forth in this Agreement, the Separation Date is your employment termination date for all purposes, meaning that you are not entitled to any further compensation, monies, or other benefits from the Company, including coverage under any benefit plans or programs sponsored by the Company, as of the Separation Date except as noted herein.

For the avoidance of doubt, the cessation of your employment shall be treated as a resignation pursuant to the Severance Agreement, and you therefore not entitled to the Severance Benefits thereunder (as defined therein).

However, we recognize that by agreeing to an extended notice period with us you are placing at risk the offer for continuing employment of which we have been informed you are accepting (the "New Role"). If between the date hereof and the Separation Date, your offer for New Role is terminated by your new employer, other than due to your gross negligence, willful misconduct, or at your request, your cessation of employment at the Company shall be treated as a termination without cause pursuant to the Severance Agreement, and you will be entitled to the Cash Severance and Benefit Continuation, subject to the terms of the Severance Agreement (the "New Role Termination Severance").

You acknowledge the offer of the New Role Termination Severance, as well as the payments and other promises in paragraphs 1-6 below, are benefits and promises that are good, sufficient and valuable consideration for the promises, releases, and waivers contained in this Agreement. You agree that you are not otherwise entitled to this consideration and that this consideration is accepted as the full and final resolution of all matters related to employment, or termination of such employment, with the Company.

By signing this Agreement, you and the Company agree to the following:

1. Benefits Continuation. SOLELY IN THE EVENT OF THE NEW ROLE TERMINATION SEVERANCE, for up to twelve (12) months and at the Company's sole expense, and as set forth in greater detail in the Severance Agreement, the Company will provide you with coverage under its employee medical, prescription drug, dental, and vision care health plans, consistent with your current elections; provided, however, that to receive this coverage, **you must timely elect COBRA continuation coverage and must timely complete all required COBRA election paperwork**. This benefit shall continue for up to 12 months but shall cease, as outlined in the Severance Agreement, if you obtain benefits or have the opportunity to obtain similar benefits from a new employer before the conclusion of the 12 months. As required in the Severance Agreement, you are required to notify Company at least one week before you start any future employment and all pertinent details to such new employment.

You are entitled to certain indemnification benefits pursuant to the Company's articles of incorporation and bylaws, as well as that certain Indemnification Agreement among yourself and the Company dated February 9, 2022 (the "Indemnification Obligations"). In the event of a legal action reasonably requiring representation on your behalf which is to be paid for pursuant to the Indemnification Obligations, should you agree to joint counsel with the

Company, you may request a single additional counsel as your personal counsel at reasonable cost to the Company, and such request shall not be unreasonably withheld by the Company.

2. Severance Payment. SOLELY IN THE EVENT OF THE NEW ROLE TERMINATION SEVERANCE, BRCC agrees to make the Cash Severance (as defined in the Severance Agreement) in an amount equal to 12 months of your base annual salary which is currently $350,000.00. Please note this payment will be made in 12 (twelve) equal, monthly amounts, less all applicable wage and other withholdings, commencing the first month after your Separation Date, subject to the terms of the Severance Agreement, and after this Agreement becomes fully effective (including the expiration of any revocation period). If you breach any obligation you have, of any kind, under either this Agreement or the Severance Agreement, you agree and acknowledge that Company will be immediately relieved of any further payments under this Agreement or the Severance Agreement and you will be required to return all but $5,000.00 of the consideration paid to you.

3. Equity Vesting. Reference is made to that certain Restricted Units Agreement among yourself and Authentic Brands LLC, dated August 11, 2021 (the "RSU Agreement"). Pursuant to the RSU Agreement, you received 10,000 Restricted Units (as defined therein and as thereafter converted in customary "unitization" in connection with the deSPAC transaction), 100% of which accelerated in and became vested with the deSPAC, converting into 1,460,103 Common Units, inclusive of the Class C conversion, and a corresponding number of Class B shares (the "Accelerated Units"), certain of which have been sold by you in the interim.

   The Company agrees to waive its repurchase rights with respect to the remaining Accelerated Units, other than in connection with a violation of this Agreement or the Severance Agreement.

   The Company agrees to vest that certain RSU award pursuant to the RSU Award and Grant Notice dated April 21, 2023, solely relating to that certain tranche of 41,584 RSUs vesting upon a one- year cliff (the "Cliff RSU").

   You acknowledge and agree that other than as specified herein, you have no further rights to any unvested equity or other interest in BRC Inc., Authentic Brands LLC, nor any affiliate thereof, including without limitation that certain Stock Option and Grant Notice Agreement and RSU and Grant Notice Agreement, each dated April 21, 2023 (other than the "Cliff RSU"), as no subject equity has vested under such agreements.

4. Other Compensation or Benefits. You acknowledge that, except as expressly provided in this Agreement (which incorporates and includes all compensation and benefits owed to you under the Severance Agreement), you are not entitled to receive, and will not receive, and hereby waive, any additional compensation, severance, payments, reimbursements, or other benefits of any kind whatsoever after the Separation Date, including without limitation any severance benefits described in your offer letter with the Company (the "Offer Letter"). The terms and conditions in this Agreement override any prior representations or promises, written or oral.

5. Return of Company Property. Within ten (10) days after the Separation Date, you agree to return to the Company all Company documents (and all copies thereof) and other Company property, including, but not limited to, Company files, notes, drawings, records, business plans and forecasts, financial information, specifications, computer-recorded information, computers, credit cards, entry cards, identification badges, keys, and any materials of any kind that contain or embody any proprietary or confidential information of the Company (and all reproductions thereof). If you have electronic information stored on any personal device or personal cloud storage (including, for example, a personal laptop, email account, thumb drive, external hard drive, or personal cloud storage), you agree to copy and return to the Company all such electronic information within ten (10) days after the Separation Date, then – after ensuring that the Company has received such information – you shall delete all copies of such information and shall not attempt to retrieve the deleted copies. If you have questions about how to transfer the electronically stored information back to the Company, you agree to contact Martin Manning.

6. Expense Reimbursement. You agree that, within ten (10) days of the Separation Date, you will submit your final documented expense reimbursement statement reflecting all business expenses you incurred through the Separation Date, if any, for which you seek reimbursement. The Company will reimburse you for these expenses pursuant to its regular business practice.

7. Release of Claims. Except as to rights and obligations arising out of this Agreement and claims related to its interpretation and enforcement, and as required and contemplated by the Severance Agreement, you hereby release and discharge ("Release") the Company and any parent, subsidiary, affiliated, and related entities including joint venture partners and their past, present or future managers, directors, administrators, officers, employees, agents, insurance companies, attorneys, representatives, predecessors, successors and assigns, and each of them (collectively, the Company and the other released parties are referred to as "Released Parties") from any and all claims, liability, obligations, grievances, demands, allegations, damages, promises, losses, expenses, fees, back pay, loss of earnings, debts, mental anguish, loss of consortium, pain, embarrassment, humiliation, emotional distress, exemplary and/or punitive damages, attorneys' fees or costs and other legal responsibilities which arise from anything occurring before you sign this Agreement (collectively, "Claims"), including but not limited to claims arising out of or related to your employment by the Company, the termination of that employment, and any waivable rights you may have arising from such employment.

   The scope of this Release includes known and unknown Claims, and includes all Claims up to the date you have signed this Agreement, including any Claim based on contract, tort or statute, and under any federal, state or local discrimination, retaliation or other employment-related laws, and any claim under the Utah Employment Relations and Collective Bargaining Act, Utah Right to Work Act, Utah Drug and Alcohol Testing Act, Utah Minimum Wage Act, Utah Protection of Activities in Private Vehicles Act, Utah Employment Selection Procedures Act, Utah Occupational Safety and Health Act, Texas Labor Code including the Texas Payday Act, the Texas Anti- Retaliation Act, Chapter 21 of the Texas Labor Code, the Texas Whistleblower Act, all other Utah and Texas statutes, all local statutes or ordinances, the Lily Ledbetter Fair Pay Act of 2009, Title VII of the Civil Rights Act of 1964, the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Occupational Safety and Health Act, the Immigration and Reform Control Act, the Worker Adjustment and Retraining Notification Act, the National Labor Relations Act, the Family and Medical Leave Act, the Americans with Disabilities Act, the Genetic Information Nondiscrimination Act, the Age Discrimination in Employment Act, the Older Workers Benefits Protection Act, and the Sarbanes-Oxley Act of 2002, all as may have been amended from time to time, and all Claims under any other federal, state, or local laws or regulations relating to employment, terms or conditions of employment, any and all claims for wrongful discharge of employment, termination in violation of public policy, breach of contract, both express and implied, breach of a covenant of good faith and fair dealing, both express and implied, promissory estoppel, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, unfair business practices, defamation, libel, slander, negligence, personal injury, assault, battery, invasion of privacy, false imprisonment, and conversion, any claims related to your separation from employment or benefits associated with employment or separation from employment, and any and all claims related to the Severance Agreement and Offer Letter. This release covers Claims that may be asserted on your behalf by others. Excluded from this Release are Claims which cannot be waived or released as a matter of law or any vested benefits earned during the period of your active employment, if any, under all the Company qualified retirement plans, as determined under the official terms of those plans. This Release does not preclude you from filing a charge of discrimination with a state or federal agency, or from providing truthful information in connection with any investigation they may conduct, but it does preclude you from receiving any further payments or compensation as a result of such proceedings or any related proceedings.

   The Company confirms it has no known or anticipated Claims against you, as of the date hereof.

8. Release Extends to Known and Unknown Claims, Suspected and Unsuspected Claims You acknowledge and agree that you will not be able to make any Claim for any damage, loss or injury which may exist as of the date of this Agreement, but which you may not know or realize to exist, regardless of whether that lack of knowledge is the result of ignorance, oversight, error, negligence or any other cause.

9. Acknowledgment of Waiver of Claims under ADEA. Employee acknowledges that Employee is waiving and releasing any rights Employee may have under the Age Discrimination in Employment Act of 1967 (“ADEA”) and that this waiver and release is knowing and voluntary. Employee and the Company agree that this waiver and release does not apply to any rights or claims that may arise under ADEA after the Effective Date of this Agreement. Employee acknowledges that the consideration given for this waiver and release Agreement is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that Employee has been advised by this writing that: (a) Employee should consult with an attorney prior to executing this Agreement; (b) Employee has at least twenty-one (21) days within which to consider this Agreement; (c) Employee has seven (7) days following the execution of this Agreement to revoke the Agreement; and (d) this Agreement shall not be effective until the seven day revocation period has expired.

10. Representation of No Claim or Action; Agreement Not to Sue. You will not voluntarily assist in any manner whatsoever any person, party, or litigant, in any claim, potential claim or action, against the Company. You also agree that you will not encourage any person to pursue any claim, potential claim or action, against the Company. Nothing in this section prohibits you from complying with a lawfully issued subpoena or court order. As a condition of receiving the consideration provided hereunder, you agree not to bring any civil or arbitral claims against any of the Released Parties regarding any Claim that has been released in this Agreement. With your signature below, you confirm that you have not initiated any Claim, charge, or legal or regulatory allegation against any of the Released Parties and that you have not transferred or assigned any such right to any other person or entity.

11. No Cooperation. Subject to the Protected Activity below, you agree not to act in any manner that might damage the business of the Company. You agree not to counsel or assist any attorneys or their clients in the presentation or prosecution of any disputes, differences, grievances, claims, charges, or complaints by any third party against the Company and/or any officer, director, employee, agent, representative, shareholder or attorney of the Company, unless under a subpoena, other court order, or other legally compelled obligation to do so. Nothing in this Agreement is intended to affect your obligation to provide truthful testimony in any court or agency action, that may be required of you.

12. Protected Activity. Nothing in this Agreement is intended to or will be used in any way to limit your communications with any government agency, as provided for, protected under, or warranted by applicable law, including, but not limited to, filing a charge, raising concerns about illegal conduct, or participating in an investigation before any government agency, the Equal Employment Opportunity Commission, any state or local agency, or the National Labor Relations Board. By signing this Agreement, however, you agree to waive the right to receive future monetary recovery from the Company, including any potential payments that result from any complaints or charges that you or any other employee files with any governmental agency or that are filed on your behalf.

13. Confidentiality. Section 4 of the Severance Agreement is incorporated herein by reference and continues in full force and effect to the extent permitted by applicable law. This Section does not affect your obligation to report all taxable income to all appropriate taxing authorities.

14. Intellectual Property. Section 5 of the Severance Agreement is incorporated herein by reference and continues in full force and effect to the extent permitted by applicable law.

15. Non-Disparagement. Section 6 of the Severance Agreement is incorporated herein by reference and continues in full force and effect to the extent permitted by applicable law and as revised herein. This provision is subject to the Protected Activity section above, and you agree not to disparage, defame, or slander the Company and its respective officers, directors, employees, investors, shareholders, administrators, affiliates, divisions, subsidiaries, predecessor and successor corporations, and assigns, or otherwise take any action which could reasonably be expected to adversely or negatively affect the personal or professional reputation of the Company or the entities and individuals noted herein.

The Company agrees that, subject to communications reasonably required by law or in connectionwith a bona fide legal action, it and its directors and officers will not disparage you or otherwise take any action which could reasonably be expected to adversely or negatively affect your personal or professional reputation.

16. Non-Competition. Section 6 of the Severance Agreement is incorporated herein by reference and continues in full force and effect to the extent permitted by applicable law.

17. Non-Solicitation. Section 6 of the Severance Agreement is incorporated herein by reference and continues in full force and effect to the extent permitted by applicable law.

18. Employment Inquiries. You agree to direct any inquiries concerning your employment or request for references to the Company's CHRO, Martin Manning. Upon inquiry, Company will only provide dates of employment and the job titles held by Employee.

19. No Admission. The consideration set forth in this Agreement is not and shall not be viewed as an admission of any obligation or liability by the Company or any of the Released Parties.

20. No Waiver. No waiver of any of the provisions of this Agreement will be deemed, or will constitute, a waiver of any other provision, whether or not similar, nor will any waiver constitute a continuing waiver.

21. Entire Agreement, Severability, Interpretation and Representation by Counsel. This Agreement, together with the Severance Agreement, constitutes the entire agreement between you and the Company (including the Released Parties) with respect to the matters set forth in this Agreement, and it may not be amended or modified except in writing signed by all the parties to this Agreement. It is intended that all post-employment obligations of yours under the Severance Agreement are to remain in full force and effect as permitted by applicable law. This Agreement and the Severance Agreement are to be read together and in harmony; to the extent there is any actual conflict between the terms of each, the terms of this Agreement shall take precedence. If any portion of this Agreement is held to be unenforceable or invalid, the parties agree that such provisions shall be modified to the extent possible such that it becomes enforceable; or, if that is not accomplished, then such provision shall be severed from this Agreement and all other remaining provisions shall remain in full force and effect. The parties have had the opportunity to have their legal counsel review and seek to revise this Agreement, and this Agreement therefore shall not be interpreted against any party as the drafter.

22. Time to Consider / Advised To Consult Counsel. You have twenty-one (21) calendar days to consider the terms and conditions of this Agreement before executing it. Even if this Agreement were modified in any way before you sign, such modifications do not restart or affect the running of this 21-day period unless such revisions are a material difference from the original version. You are advised to consult with an attorney of your choice before executing this Agreement. If you do so, it will be at your sole expense. This offer will expire automatically if not signed and delivered to Martin Manning, by mail or email, by the end of this 21-day period.

23. Time to Revoke / Effective Date. You may revoke this Agreement during the seven-day period beginning immediately after you sign this Agreement. To be effective, such revocation must be made in writing and delivered to Martin Manning in a manner such that it is received before the end of the seven-day period. The "Effective Date" of this Agreement will be t.he day after the seven-day revocation period has expired. This Agreement will be neither effective nor enforceable before the Effective Date. If timely revoked, all portions of this Agreement will be void.

24. Attorneys' Fees. Should an action be brought to enforce the terms of this agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs incurred in prosecuting the action.

25. Acknowledgements. By signing below, you acknowledge and agree that: (a) the consideration provided in this Agreement is being provided solely in exchange for the promises in this Agreement and that, without this Agreement, you would not otherwise be entitled to this consideration; (b) No other promises or agreements have been made to or with you, by any person or entity, to induce you to sign this Agreement; and (c) you have carefully read this Agreement, you understand the content and effect of this Agreement, you have signed it knowingly and voluntarily, and you intend to be bound by it.

26. Counterparts. This Agreement may be executed in counterparts, all of which together will constitute one document. Electronic or emailed PDF copies will be effective and enforceable.

[remainder of page intentionally left blank]

Very truly yours,

_/s/_ Evan Hafer
Evan Hafer, Chief Executive Officer

I have read, understand, and agree to all of the terms of this Agreement. This is a binding contract, and I intend to be bound by these terms.

/s/ Greg Iverson 6/27/2023
Name: Greg Iverson DATE

Exhibit 31.1

CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Evan Hafer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BRC Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

	/s/ Evan Hafer
Date: August 10, 2023	Evan Hafer
	Chief Executive Officer
	(Co-Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Tom Davin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BRC Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Tom Davin

Date: August 10, 2023

Tom Davin
Co-Chief Executive Officer
(Co-Principal Executive Officer)

Exhibit 31.3

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory J. Iverson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BRC Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 10, 2023

/s/ Gregory J. Iverson
Gregory J. Iverson
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of BRC Inc. (the "Company") for the quarter ended June 30, 202, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Evan Hafer, Chief Executive Officer (Co-Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2023

/s/ Evan Hafer

Evan Hafer
Chief Executive Officer
(Co-Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION OF CO-PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of BRC Inc. (the “Company”) for the quarter ended June 30, 202, as filed with the Securities and Exchange Commission on the date hereof (the “Quarterly Report”), I, Tom Davin, Co-Chief Executive Officer (Co-Principal Executive Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2023

/s/ Tom Davin

Tom Davin
Co-Chief Executive Officer
(Co-Principal Executive Officer)

Exhibit 32.3

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of BRC Inc. (the "Company") for the quarter year endd June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Gregory J. Iverson, Chief Financial Officer (Principal Financial Officer) of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 10, 2023

/s/ Gregory J. Iverson

Gregory J. Iverson
Chief Financial Officer
(Principal Financial Officer)