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 September 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 November 2, 2023, the registrant had (i) 64,021,915 shares of Class A Common Stock, par value $0.0001 per share (the "Class A Common Stock") and, (ii) 148,019,892 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 sustained profitability;
- Negative publicity affecting our brand and reputation, or the reputation of key employees;
- Failure to manage our debt obligations;
- Failure to effectively make use of assets received under bartering transactions;
- 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 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, inventory needs, 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)

	September 30, 2023 (unaudited)	December 31, 2022 (audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 6,667	$ 38,990
Restricted cash	1,465	—
Accounts receivable, net	24,621	22,337
Inventories, net	91,373	77,183
Prepaid expenses and other current assets	13,959	6,783
Total current assets	138,085	145,293
Property, plant and equipment, net	64,883	59,451
Operating lease, right-of-use asset	35,963	20,050
Identifiable intangibles, net	382	225
Other	313	315
Total assets	239,626	225,334
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	26,128	12,429
Accrued liabilities	33,437	36,660
Deferred revenue and gift card liability	10,160	9,505
Current maturities of long-term debt, net	1,896	2,143
Current operating lease liability	2,402	1,360
Current maturities of finance lease obligations	82	95
Total current liabilities	74,105	62,192
Non-current liabilities:		
Long-term debt, net	70,094	47,017
Finance lease obligations, net of current maturities	99	221
Operating lease liability	35,252	19,466
Other non-current liabilities	623	502
Total non-current liabilities	106,068	67,206
Total liabilities	180,173	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; 63,641,996 shares issued and outstanding as of September 30, 2023	5	5
Class B Common Stock, $0.0001 par value, 300,000,000 shares authorized; 148,395,692 shares issued and outstanding as of September 30, 2023	16	16
Class C Common Stock, $0.0001 par value, 1,500,000 shares authorized; no shares issued or outstanding as of September 30, 2023	—	—
Additional paid in capital	137,457	129,508
Accumulated deficit	(115,993)	(103,733)
Total BRC Inc.'s stockholders' equity	21,485	25,796
Non-controlling interests	37,968	70,140
Total stockholders' equity	59,453	95,936
Total liabilities and stockholders' equity	$ 239,626	$ 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 September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenue, net	$ 100,536	$ 75,494	$ 275,974	$ 207,695
Cost of goods sold	66,477	51,549	182,197	137,981
Gross profit	34,059	23,945	93,777	69,714
Operating expenses				
Marketing and advertising	8,260	7,414	22,418	24,591
Salaries, wages and benefits	13,907	15,848	52,087	47,405
General and administrative	19,474	16,301	56,529	46,019
Other operating (income) expense, net	(596)	—	734	—
Total operating expenses	41,045	39,563	131,768	118,015
Operating loss	(6,986)	(15,618)	(37,991)	(48,301)
Non-operating income (expense)				
Interest expense, net	(3,544)	(470)	(4,658)	(1,136)
Other income (expense), net	(108)	57	138	350
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)
Total non-operating expenses	(3,652)	(413)	(4,520)	(269,447)
Loss before income taxes	(10,638)	(16,031)	(42,511)	(317,748)
Income tax expense	56	71	169	266
Net loss	(10,694)	(16,102)	(42,680)	(318,014)
Less: Net loss attributable to non-controlling interest	(7,462)	(12,059)	(30,420)	(240,295)
Net loss attributable to BRC Inc.	$ (3,232)	$ (4,043)	$ (12,260)	$ (77,719)
Net loss per share attributable to Class A Common Stock(1)				
Basic and diluted	$ (0.05)	$ (0.08)	$ (0.21)	$ (1.54)
Weighted-average shares of Class A Common Stock outstanding(1)				
Basic and diluted	61,964,157	53,013,720	59,738,542	49,843,715

(1) For the nine months ended September 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 September 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
Equity-based compensation	—	—	—	—	—	—	—	286	—	1,059	1,345
Non-employee equity-based compensation	—	—	—	—	—	—	—	—	—	110	110
Common Unit redemption	—	1,159,707	(1,159,707)	—	—	—	—	434		(434)	—
Effect of Business Combination adjustment	—	—	—	—	—	—	—	(115)	—	(338)	(453)
Net loss	—	—	—	—	—	—	—	—	(4,043)	(12,059)	(16,102)
Balance at September 30, 2022	$ —	53,765,690	157,794,609	$ —	$ 5	$ 16	$ —	$ 128,850	$ (98,546)	$ 84,145	$ 114,470

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, 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
Equity-based compensation	—	—	—	—	—	—	—	1,496		(900)	596
Common Unit redemption	—	2,648,405	(2,648,405)	—	—	—	—	761		(761)	—
Employee stock purchase plan	—	97,523	—	—	—	—	—	368			368
Vesting of stock awards, net of shares withheld for taxes	—	145,815	—	—	—	—	—	(121)	—	—	(121)
Net loss	—	—	—	—	—	—	—		(3,232)	(7,462)	(10,694)
Balance at September 30, 2023	$ —	63,641,996	148,395,692	$ —	$ 5	$ 16	$ —	$ 137,457	$ (115,993)	$ 37,968	$ 59,453

See notes to unaudited consolidated financial statements.

BRC Inc.

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

	Nine Months Ended September 30,	
	2023	**2022**
Operating activities		
Net loss	$ (42,680)	$ (318,014)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,354	3,055
Equity-based compensation	5,645	4,584
Non-employee equity-based compensation	—	849
Amortization of debt issuance costs	260	281
Other	(483)	—
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	(2,284)	(15,306)
Inventories, net	(14,190)	(20,061)
Prepaid expenses and other assets	(7,374)	(3,110)
Accounts payable	10,350	(12,811)
Accrued liabilities	(3,285)	11,041
Deferred revenue and gift card liability	655	1,286
Operating lease liability	915	425
Other liabilities	122	149
Net cash used in operating activities	(46,995)	(78,971)
Investing activities		
Purchases of property, plant and equipment	(12,236)	(19,950)
Proceeds from sale of property and equipment	5,576	—
Net cash used in investing activities	(6,660)	(19,950)
Financing activities		
Proceeds from issuance of long-term debt, net of discount	294,501	21,593
Debt issuance costs paid	(3,876)	(53)
Repayment of long-term debt	(267,381)	(24,467)
Financing lease obligations	(73)	31
Repayment of promissory note	(1,047)	—
Issuance of stock from the Employee Stock Purchase Plan	673	—
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	22,797	151,798
Net increase (decrease) in cash, cash equivalents, and restricted cash	(30,858)	52,877
Cash and cash equivalents, beginning of period	38,990	18,334
Restricted cash, beginning of period	—	—
Cash and cash equivalents, end of period	$ 6,667	$ 71,211
Restricted cash, end of period	$ 1,465	$ —

See notes to unaudited consolidated financial statements.

BRC Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2023	**2022**
Non-cash operating activities		
Recognition of right-of-use operating lease assets	$ 15,913	$ 14,915
Recognition of revenue for inventory exchanged for prepaid advertising	7,480	—
Non-cash investing and financing activities		
Property and equipment purchased but not yet paid	3,349	135
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	$ 665	$ 255
Cash paid for interest	$ 2,591	$ 903

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 nine months ended September 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 balance sheets.

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 ("DTC") 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Wholesale	$ 61,527	$ 32,247	$ 151,534	$ 78,173
Direct to Consumer	32,794	38,082	104,160	113,376
Outpost	6,215	5,165	20,280	16,146
Total net sales	$ 100,536	$ 75,494	$ 275,974	$ 207,695

Substantially all revenue is derived from customers located in the United States. One Wholesale customer and its affiliate represented28% of revenue for the three months ended September 30, 2023 and one Wholesale customer represented 13% of revenue for the three months ended September 30, 2022. One Wholesale customer and its affiliate represented 26% of revenue for the nine months ended September 30, 2023 and no single customer represented more than 10% of revenue for the nine months ended September 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 $497 and $942 as of September 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, Cash Equivalents, and Restricted Cash

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.

Restricted cash relates to amounts that are held by former lenders to secure certain commercial credit obligations until such obligations have been satisfied.

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 $695 and $156 as of September 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:

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 2043. 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 September 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 September 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 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 holders of Class A Common Stock by the weighted-average shares of Class A Common Stock 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 holders of Class A Common Stock 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. As the impact of these if-converted securities is generally antidilutive during periods of net loss, the diluted net loss per share calculation for periods such as ours with net losses is the same as the basic net loss per share. 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 its accounts are maintained and has not experienced any losses in such accounts. The accounts receivable of the Company are spread over a number of customers, of which two customers and their affiliates accounted for 41% of total outstanding receivables as of September 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 $7,799 and $1,050 as of September 30, 2023 and December 31, 2022, respectively. This includes $7,480 of prepaid advertising recorded in the third quarter of 2023 in connection with a transaction whereby prepaid advertising was received by BRCC in exchange for finished goods inventory and revenue was recognized for the amount of prepaid advertising credits received.

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 Secured Overnight Financing Rate ("SOFR"), or the the PNC Base Rate (see further explanation of the Base Rate in Note 7, *Long-Term Debt*), or prior to our August 2023 refinancing, 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 September 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 September 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:

	September 30, 2023	December 31, 2022
Coffee:		
Unroasted	$ 4,584	$ 4,867
Finished Goods	16,999	15,365
Ready-to-Drink (raw materials)	16,963	16,610
Ready-to-Drink (finished goods)	47,094	33,413
Apparel and other merchandise	5,733	6,928
Total inventories, net	$ 91,373	$ 77,183

4. Property, Plant and Equipment, Net

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

	September 30, 2023	December 31, 2022
Building and leasehold improvements	$ 26,805	$ 25,024
Machinery and equipment	18,299	15,977
Computer equipment and software	6,585	6,071
Furniture and fixtures	2,622	1,804
Land	1,547	3,245
Vehicles	1,191	1,283
Construction in progress	20,161	15,780
Property, plant, and equipment, gross	77,210	69,184
Less: accumulated depreciation and amortization	(12,327)	(9,733)
Total property, plant and equipment, net	$ 64,883	$ 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cost of goods sold	$ 363	$ 207	$ 1,049	$ 619
General and administrative	1,625	825	4,262	2,411
Total depreciation expense	$ 1,988	$ 1,032	$ 5,311	$ 3,030

The total depreciation expense for internal use software included in the above table was $440 and $971 for the three and nine months ended September 30, 2023, respectively, and $183 and $549 for the three and nine months ended September 30, 2022, respectively. The Company accelerated depreciation for the internal use software beginning January 1, 2023 and fully depreciated the assets as of June 30, 2023. This additional depreciation expense recorded was zero and $227 for the three and nine months ended September 30, 2023, respectively.

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

Assets Held for Sale

The Company sold the land, building and improvements for one of BRCC's company-owned Outposts during the current quarter for a total sale price of $1,500. The net book value of the assets sold was approximately $2,692 which resulted in a loss on the assets sale of $1,201, which reflects closing costs of approximately $9. This loss is presented within "Other operating (income) expense, net" in the unaudited consolidated statement of operations. This loss is netted with the gain on sale of an office property discussed below. Simultaneously with the sale of the property, the Company entered into a lease with the buyer to continue the Company's operations of this Outpost location.

The Company sold an office property including the land, building and improvements during the current quarter for a total sale price of $4,058. The net book value of the assets sold was approximately $2,648 which resulted in a gain on the asset sale of approximately $1,097, which reflects closing costs of approximately $313. This gain is presented within "Other operating (income) expense, net" in the unaudited consolidated statement of operations. This gain is netted with the loss on the sale of the Outpost location described above.

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Balance at beginning of period	$ 10,075	$ 8,010	$ 9,505	$ 7,334
Sales of gift cards	194	393	755	751
Redemption of gift cards	(194)	(317)	(683)	(620)
Increase from deferral of revenue	2,843	3,411	2,843	3,411
Decrease from revenue recognition	(2,847)	(3,335)	(3,560)	(3,586)
Loyalty Program points earned	1,070	632	2,634	1,880
Loyalty Program points redeemed/expired	(981)	(174)	(1,334)	(550)
Balance at end of period	$ 10,160	$ 8,620	$ 10,160	$ 8,620

6. Accrued Liabilities

Accrued liabilities consist of the following:

	September 30, 2023	December 31, 2022
Accrued inventory purchases	$ 4,879	$ 15,035
Accrued compensation and benefits	4,470	7,393
Accrued freight	2,684	2,153
Accrued marketing	2,116	3,077
Accrued sales and other taxes	1,017	1,179
Credit card liabilities	215	888
Other accrued expenses	18,056	6,935
Total accrued liabilities	$ 33,437	$ 36,660

7. Long-Term Debt

The Company’s credit facilities and related balances, net of the unamortized portion of debt issuance costs and Original Issue Discount ("OID") were as follows:

	September 30, 2023	December 31, 2022
Term loan facility	$ 50,850	$ —
ABL facility	23,940	—
Notes payable	2,493	3,540
Senior credit facility	—	30,000
Mortgages	—	7,102
Equipment term loan	—	3,814
Equipment financing loan	—	3,336
Retail facility	—	1,768
Total principal	77,283	49,560
Less debt issuance costs and OID	(5,293)	(400)
Long-term debt, net	$ 71,990	$ 49,160
Current maturities:		
Current maturities of principal	$ 1,896	$ 2,259
Less current portion of debt issuance costs	—	(116)
Current maturities of long-term debt, net	$ 1,896	$ 2,143
Long-term debt:		
Non-current principal	$ 75,387	$ 47,301
Less non-current portion of debt issuance costs and OID	(5,293)	(284)
Long-term debt, net	$ 70,094	$ 47,017

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

Remainder of 2023	$ 850
2024	2,295
2025	4,797
2026	6,025
2027	6,250
Thereafter	57,066
Total	$ 77,283

ABL Facility and Term Loan Facility

On August 10, 2023 (the “Closing Date”), Authentic Brands and certain of its subsidiaries (collectively, the “Borrowers”) entered into 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 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 proceeds of the Term Loan were issued net of a $1,525 discount which will be recorded against the outstanding amount of debt on our consolidated balance sheet and amortized over the life of the Term Loan Credit Agreement. Debt issuance costs of $3,876 were incurred in connection with the origination of the ABL Facility and these costs will be reported as a reduction to the outstanding balance of long-term debt on our consolidated balance sheet and amortized over the life of the ABL Credit Agreement. The Bridge Loan incurred a Bridge Loan fee of 10% of the aggregate amount of the Bridge Loan on the Closing Date. The Bridge Loan fee is payable when the Bridge Loan principal is repaid.

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 (as defined in the Credit Agreements) 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 5 fiscal quarters ended June 30, 2028; (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.

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. Our available borrowing under the ABL Credit Facility at September 30, 2023 was approximately $19,946.

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.

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 began accruing interest on November 8, 2023.

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.

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. $5,235 of the Bridge Loan was repaid during the third quarter of 2023 with the proceeds from the sale of certain properties in accordance with the terms of the Credit Agreements. A ratable portion of the Bridge Loan fee was repaid along with the repayment of the Bridge Loan.

Regions Bank Senior Credit Facility

In November 2022, Authentic Brands and certain of its subsidiaries entered into a credit agreement with Regions Bank, which provided for a revolving credit facility of up to $65,000, subject to a borrowing base determined from eligible accounts receivable and inventory. On the Closing Date, Authentic Brands used the proceeds from the Term Loan Facility and approximately $13,900 of borrowings under the ABL Facility (i) to retire the Regions Bank revolving credit facility and real estate term loan facility with Regions Bank (see further discussion under "Mortgages" below) and the equipment financing facility with Regions Commercial Equipment Finance, LLC and Regions Equipment Finance Corporation (see further discussion under "Equipment financing Loan" below), (ii) to pay transaction fees, costs and expenses related to the Credit Agreements, and (iii) for other general corporate and working capital purposes. A loss on extinguishment of debt of $732 was recorded as a result of the early retirement of debt.

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 were secured by the real property financed. The loans were scheduled to mature on July 29, 2025.

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 was secured by the real property financed. This loan was scheduled to mature on April 29, 2026.

These mortgage loans were repaid with the proceeds of the Term Loan Facility on the Closing Date.

Equipment Term Loan

In August 2022, borrowings under the equipment financing loan of $4,043 were converted into the Equipment Term Loan. The Equipment Term Loan was secured by the equipment financed and was scheduled to mature in June 2029 bearing an interest rate of 6.88%.

The Equipment Term Loan was repaid with the proceeds of the Term Loan Facility on the Closing Date.

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 was 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”).

The Retail Facility was repaid with the proceeds of the Term Loan Facility on the Closing Date.

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 September 30, 2023, the outstanding balance on the notes payable is $1,294.

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 September 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 Regions Bank revolving 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 was22.5% and 77.5%, respectively. As of September 30, 2023, the Company's ownership percentage in Authentic Brands controlling and non-controlling interests was 29.9% and 70.1%, 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, the Company 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 nine months ended September 30, 2023:

	Incentive Units	Weighted Average Grant Date Fair Value
Granted and outstanding at January 1, 2023	14,210	$ 192.52
Granted	—	—
Forfeited	(5,000)	215.31
Granted and outstanding at September 30, 2023	9,210	$ 213.91
Vested at September 30, 2023	5,474	$ 212.95

As of September 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 $686.

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 over three years and expire after seven years. The grant date estimated fair value of the stock options was based upon a Black Scholes model valuation of the options at the grant date. The following weighted average assumptions were utilized in determining the fair value of options granted:

Weighted average grant date fair value	$3.00
Expected dividend	—
Expected volatility	63%
Risk-free interest rate	3.80%
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 option activities for the nine months ended September 30, 2023:

	Stock Options	Weighted Average Exercise Price
Outstanding at January 1, 2023	792,370	$ 9.77
Granted	3,623,794	4.75
Forfeited	(802,028)	6.50
Outstanding at September 30, 2023	3,614,136	$ 5.43
Vested at September 30, 2023	228,670	$ 9.74

As of September 30, 2023, total unrecognized equity compensation expense related to stock options to be recognized over a weighted average period of approximately three years was $8,715.

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 nine months ended September 30, 2023:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Nonvested at January 1, 2023	823,829	$ 10.68
Granted	1,877,546	5.04
Forfeited	(335,392)	7.38
Vested	(357,758)	10.65
Nonvested at September 30, 2023	2,008,225	$ 5.96

As of September 30, 2023, total unrecognized equity compensation expense related to RSUs to be recognized over a weighted average period of approximately two years was $10,468.

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 September 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 September 30, 2023, total unrecognized equity-based compensation expense related to PSUs to be recognized over a weighted average period of approximately four years was $2,191.

In September 2022, the Company began offering an 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 September 8, 2023, the Company issued 97,523 shares for a total of $433 under the March 9, 2023 ESPP period, which covered the period between March 9, 2023 and September 8, 2023. Under the September 9, 2023 ESPP period, which covers a period through March 8, 2024, the Company expects to issue 98,710 shares based on the Company's stock price of $4.44 on September 8, 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 $150 and $661 for the three and nine months ended September 30, 2023, respectively, and $250 and $667 for the three and nine months ended September 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 the Company.

Our effective tax rate for the period ended September 30, 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 its 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 holders of Class A Common Stock by the weighted-average shares of Class A 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 holders of Class A Common Stock 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022[2]
Numerator:				
Net loss	$ (10,694)	$ (16,102)	$ (42,680)	$ (315,323)
Less: Net loss attributable to non-controlling interests	(7,462)	(12,059)	(30,420)	(238,663)
Net loss attributable to Class A Common Stock - basic and diluted[1]	$ (3,232)	$ (4,043)	$ (12,260)	$ (76,660)
Denominator:				
Weighted-average shares of Class A Common Stock outstanding[1]	61,964,157	53,013,720	59,738,542	49,843,715
Net loss per share attributable to holders of Class A Common Stock, basic and diluted	$ (0.05)	$ (0.08)	$ (0.21)	$ (1.54)

[1] For the nine months ended September 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 September 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 holders of Class A Common Stock because including them would have had an antidilutive effect:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022[2]
Stock options	3,614,136	720,010	3,614,136	720,010
Common Units	148,395,692	157,794,609	148,395,692	157,794,609
RSUs	2,008,225	666,076	2,008,225	666,076
PSUs	8,462,412	—	8,462,412	—
Incentive Units	9,210	16,445	9,210	16,445
Employee Stock Purchase	98,710	—	98,710	—
Total units excluded from computation of diluted net loss per share	162,588,385	159,197,140	162,588,385	159,197,140

[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 September 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 September 30,			
	2023		2022	
	Number of Vendors	Concentration Rate	Number of Vendors	Concentration Rate
ffee supplier accounts	5	53.9%	4	68.2%
ipping provider accounts	4	67.2%	3	67.8%
mary fulfillment service provider accounts	3	89.8%	1	89.2%
ırketing provider accounts	8	52.5%	7	51.3%

	Nine Months Ended September 30,			
	2023		2022	
	Number of Vendors	Concentration Rate	Number of Vendors	Concentration Rate
ffee supplier accounts	5	52.9%	2	56.5%
ipping provider accounts	5	72.2%	4	77.8%
mary fulfillment service provider accounts	3	85.7%	1	95.1%
ırketing provider accounts	8	50.5%	8	42.8%

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 and the Company may agree to prolonged terms, or other terms which may not be advantageous to the Company, in connection with such amendments. 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 September 30, 2023:

mainder of 2023	$	19,040
24		49,900
25		22,410
ereafter		—
tal	$	91,350

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 September 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 the Southern District of 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 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 Tang Capital's claim for declaratory judgment but denied the Company's motion to dismiss Tang Capital's 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 cause of action 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. Fact discovery is expected to close in January 2024, and expert discovery is expected to close in March 2024. 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 June 22, 2023, John Brian Clark, JBC Structured Products LLC, and Marathon Capital LLC (collectively, “Clark”) filed a complaint against BRC Inc. and Black Rifle Coffee Company LLC: John Brian Clark, et al. v. BRC Inc., et al., Case 1:23-CV-5340 (RWL) (Southern District of New York). Clark alleges a breach of contract and is seeking a declaratory judgment. The complaint alleges that Clark suffered damages arising from the Company’s refusal to allow Clark to exercise warrants. 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 causes of action 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. Currently the case is stayed through the resolution of the Tang Capital matter, but Clark has the option to end the stay at any time after the end of June 2024 or a summary judgment decision in Tang Capital, whichever comes first. 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 againstone 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 September 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.

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 230,300 active Coffee Club subscribers, and 13.7 million social media followers across BRCC's, our co-founders', and our key media personalities' accounts as of September 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 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 $100.5 million and $276.0 million for the three and nine months ended September 30, 2023, respectively, as compared to $75.5 million and $207.7 million for the three and nine months ended September 30, 2022, respectively, representing growth of 33% for both the three and nine month periods. 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 is expected to 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 Wholesale Channel

We are currently growing our customer base through our Wholesale channel. Our products are 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 DTC Subscribers 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, which will benefit all channels, with 31% 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 84,000 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 and co-manufacturers 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. 100% of our coffee 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 nine months ended September 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 September 30, 2023		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue, net	$ 100,536	$ 75,494	$ 275,974	$ 207,695
Cost of goods sold	66,477	51,549	182,197	137,981
Gross profit	34,059	23,945	93,777	69,714
Operating expenses				
Marketing and advertising	8,260	7,414	22,418	24,591
Salaries, wages and benefits	13,907	15,848	52,087	47,405
General and administrative	19,474	16,301	56,529	46,019
Other operating (income) expense, net	(596)	—	734	—
Total operating expenses	41,045	39,563	131,768	118,015
Operating loss	(6,986)	(15,618)	(37,991)	(48,301)
Non-operating income (expense)				
Interest expense, net	(3,544)	(470)	(4,658)	(1,136)
Other income (expense), net	(108)	57	138	350
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)
Total non-operating expenses	(3,652)	(413)	(4,520)	(269,447)
Loss before income taxes	(10,638)	(16,031)	(42,511)	(317,748)
Income tax expense	56	71	169	266
Net loss	$ (10,694)	$ (16,102)	$ (42,680)	$ (318,014)

Results of Our Operating Income (Expense)

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

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

	Three Months Ended September 30,			
	2023	2022	$ Change	% Change
Revenue, net	$ 100,536	$ 75,494	$ 25,042	33%
Cost of goods sold	66,477	51,549	14,928	29%
Gross profit	$ 34,059	$ 23,945	$ 10,114	42%
Gross margin[1]	33.9 %	31.7 %		
Total operating expenses	$ 41,045	$ 39,563	$ 1,482	4%

[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 September 30, 2023 increased $25.0 million, or 33%, to $100.5 million as compared to $75.5 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 September 30,			
	2023	2022	$ Change	% Change
Wholesale	$ 61,527	$ 32,247	$ 29,280	91%
Direct to Consumer	32,794	38,082	(5,288)	(14)%
Outpost	6,215	5,165	1,050	20%
Total net sales	$ 100,536	$ 75,494	$ 25,042	33%

Net revenue for our Wholesale channel for the three months ended September 30, 2023 increased $29.3 million, or 91%, to $61.5 million as compared to $32.2 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 69,900 doors as of September 30, 2022 to 84,900 doors as of September 30, 2023.

Net revenue for our DTC channel for the three months ended September 30, 2023 decreased $5.3 million, or 14%, to $32.8 million as compared to $38.1 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 September 30, 2023 increased $1.1 million, or 20%, to $6.2 million as compared to $5.2 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 September 30, 2023 as compared to a total of eleven Outposts as of September 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 September 30, 2023 increased $14.9 million, or 29%, to $66.5 million as compared to $51.5 million for the corresponding period in 2022. The increase in expense was driven primarily by higher sales. Gross margin increased 220 basis points to 33.9% for the three months ended September 30, 2023 as compared to 31.7% 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 September 30, 2023 were comparable to the prior year period.

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

	Three Months Ended September 30,			
	2023	**2022**	**$ Change**	**% Change**
Marketing and advertising	$ 8,260	$ 7,414	$ 846	11%
Salaries, wages and benefits	13,907	15,848	(1,941)	(12)%
General and administrative	19,474	16,301	3,173	19%
Other operating (income) expense, net	(596)	—	(596)	100%
Total operating expenses	$ 41,045	$ 39,563	$ 1,482	4%

Marketing and advertising expenses increased by $0.8 million, or 11%, to $8.3 million as compared to $7.4 million for the corresponding period in 2022, due to an increase in marketing fees related to a strategic partnership. This increase has been partially offset by the impact of channel mix with revenue growth primarily coming from the Wholesale channel, which requires lower marketing spend than DTC.

Salaries, wages and benefits expenses decreased by $1.9 million, or 12%, to $13.9 million as compared to $15.8 million for the corresponding period in 2022. The decrease was a result of a change in estimate for a discretionary payroll accrual and a decrease in stock compensation expense, partially offset by severance expense incurred during the quarter.

General and administrative expenses increased by $3.2 million, or 19%, to $19.5 million as compared to $16.3 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 a gain on assets held for sale of $1.1 million during the quarter relating to the sale of a corporate office location, offset by a net loss on disposal of equipment of $0.5 million.

Comparison of the nine months ended September 30, 2023 to the nine months ended September 30, 2022

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

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ Change	% Change
Revenue, net	$ 275,974	$ 207,695	$ 68,279	33%
Cost of goods sold	182,197	137,981	44,216	32%
Gross profit	$ 93,777	$ 69,714	$ 24,063	35%
Gross margin[1]	34.0%	33.6%		
Total operating expenses	$ 131,768	$ 118,015	$ 13,753	12%

[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 nine months ended September 30, 2023 increased $68.3 million, or 33%, to $276.0 million as compared to $207.7 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*):

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	$ Change	% Change
Wholesale	$ 151,534	$ 78,173	$ 73,361	94%
Direct to Consumer	104,160	113,376	(9,216)	(8)%
Outpost	20,280	16,146	4,134	26%
Total net sales	$ 275,974	$ 207,695	$ 68,279	33%

Net revenue for our Wholesale channel for the nine months ended September 30, 2023 increased $73.4 million, or 94%, to $151.5 million as compared to $78.2 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 69,900 doors as of September 30, 2022 to 84,900 doors as of September 30, 2023.

Net revenue for our DTC channel for the nine months ended September 30, 2023 decreased $9.2 million, or 8%, to $104.2 million as compared to $113.4 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 nine months ended September 30, 2023 increased $4.1 million, or 26%, to $20.3 million as compared to $16.1 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 September 30, 2023 as compared to a total of eleven Outposts as of September 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 nine months ended September 30, 2023 increased $44.2 million, or 32%, to $182.2 million as compared to $138.0 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 increased 40 basis points to 34.0% for the nine months ended September 30, 2023 as compared to 33.6% 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 nine months ended September 30, 2023 increased $13.8 million, or 12%, to $131.8 million as compared to $118.0 million for the corresponding period in 2022.

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

	Nine Months Ended September 30,			
	2023	**2022**	**$ Change**	**% Change**
Marketing and advertising	$ 22,418	$ 24,591	$ (2,173)	(9)%
Salaries, wages and benefits	52,087	47,405	4,682	10 %
General and administrative	56,529	46,019	10,510	23 %
Other operating (income) expense, net	734	—	734	100 %
Total operating expenses	$ 131,768	$ 118,015	$ 13,753	12 %

Marketing and advertising expenses decreased by $2.2 million, or 9%, to $22.4 million as compared to $24.6 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 and an increase in marketing fees related to a strategic partnership. 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 $4.7 million, or 10%, to $52.1 million as compared to $47.4 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 our revenue streams and expand product lines, as well as $2.7 million in severance costs related to strategic reductions in headcount across the Company.

General and administrative expenses increased by $10.5 million, or 23%, to $56.5 million as compared to $46.0 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. Additionally, the Company incurred legal fees related to non-routine legal matters arising from the Business Combination in 2022.

The Company recorded other operating expense of $0.7 million for the nine months ended September 30, 2023. During the three months ended June 30, 2023, the Company recorded an impairment of $1.2 million related to an Outpost location. During the three months ended September 30, 2023, the Company recorded a gain on assets held for sale of $1.1 million relating to the sale of a corporate office location, which was partially offset by a net loss on disposal of equipment of $0.6 million.

Results of Our Non-Operating Income (Expenses)

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

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

	Three Months Ended September 30,			
	2023	2022	$ Change	% Change
Interest expense	$ (3,544)	$ (470)	$ (3,074)	654 %
Other income (expense), net	(108)	57	(165)	(289)%
Total non-operating income (expenses)	$ (3,652)	$ (413)	$ (3,239)	784 %

Interest expense for the three months ended September 30, 2023 increased $3.1 million, or 654%, to $3.5 million as compared to $0.5 million for the corresponding period in 2022. The increase in interest expense is a result of an increase in total debt balances and higher interest rates under our new ABL Facility and Term Loan Facility entered into during the third quarter of 2023. See Note 7 - *Long-Term Debt* of the unaudited consolidated financial statements for further discussion of our new borrowing facilities.

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

Comparison of the nine months ended September 30, 2023 to the nine months ended September 30, 2022

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

	Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
Interest expense	$ (4,658)	$ (1,136)	$ (3,522)	310 %
Other income (expense), net	138	350	(212)	(61)%
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)	$ (4,520)	$ (269,447)	$ 264,927	(98)%

Interest expense for the nine months ended September 30, 2023 increased $3.5 million, or 310%, to $4.7 million as compared to $1.1 million for the corresponding period in 2022. The increase in interest expense is a result of an increase in total debt balances and higher interest rates under our new ABL Facility and Term Loan Facility entered into during the third quarter of 2023. See Note 7 - *Long-Term Debt* of the unaudited consolidated financial statements for further discussion of our new borrowing facilities.

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

For the nine months ended September 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 nine months ended September 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 ABL Facility. As of September 30, 2023, our cash and cash equivalents were $6.7 million and our working capital was $64.0 million.

New Credit Facilities

On August 10, 2023 (the "Closing Date"), Authentic Brands and certain of its subsidiaries (collectively, the "Borrowers") entered into 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 $75.0 million (including a sub-facility for letters of credit in an amount up to $7.5 million) (the "ABL Facility"), and 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 $50.0 million (the "Term Loan") and a bridge loan in the amount of $6.0 million (the "Bridge Loan" and together with the Term Loan, the "Term Loan Facility").

The proceeds of the Term Loan were issued net of a $1.5 million discount which will be recorded against the outstanding amount of debt on our consolidated balance sheet and amortized over the life of the Term Loan Credit Agreement. Debt issuance costs of $3.9 million were incurred in connection with the origination of the ABL Facility and these costs will be reported as reduction to the outstanding balance of long-term debt on our consolidated balance sheet and amortized over the life of the ABL Credit Agreement. The Bridge Loan incurred a Bridge Loan Fee of 10% of the aggregate amount of the Bridge Loan on the Closing Date. The Bridge Loan fee is payable at which time the Bridge Loan principle is repaid.

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.

As of September 30, 2023, we have approximately $23.9 million outstanding on our $75.0 million ABL Facility and we have available borrowings of $19.9 million. Our ability to draw from the ABL Facility is subject to a borrowing base and other covenants, including a $15.0 million minimum liquidity condition. The interest rate at September 30, 2023 under our ABL Facility and Term Loan Facility is 9.3% and 13.9%, respectively.

See Note 7, *Long-Term Debt*, 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 anticipate positive cash flows as a result of continuing growth in revenue in addition to reductions in our general and administrative expenses and capital expenditures in the next twelve months.

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 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 ABL 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*):

	Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
Cash flows used in operating activities	$ (46,995)	$ (78,971)	$ 31,976	40 %
Cash flows used in investing activities	(6,660)	(19,950)	13,290	67 %
Cash flows provided by financing activities	22,797	151,798	(129,001)	(85)%
Net increase (decrease) in cash and cash equivalents	$ (30,858)	$ 52,877	$ (83,735)	(158)%

Operating Activities

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

Net cash used in operating activities was $47.0 million for the nine months ended September 30, 2023, compared to net cash used in operating activities of $79.0 million for the corresponding period in 2022. The total decrease of $32.0 million in net cash used in operating activities was primarily due to a favorable variance in the change in operating assets and liabilities, particularly with an improvement in cash inflows from accounts receivable, accounts payable and inventory.

Investing Activities

Net cash used in investing activities was $6.7 million for the nine months ended September 30, 2023, compared to net cash used in investing activities of $20.0 million for the corresponding period in 2022. The $13.3 million decrease in net cash used in investing activities was primarily due to a decrease in capital expenditures year over year.

Financing Activities

Net cash provided by financing activities was $22.8 million for the nine months ended September 30, 2023, compared to net cash provided by financing activities of $151.8 million for the corresponding period in 2022. The $129.0 million decrease in net cash provided by financing activities was primarily due to activity related to the Business Combination that occurred in the nine months ended September 30, 2022 that was not recurring in the same period for 2023. For the nine months ended September 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, are expected to be approximately $19.0 million for the remainder of 2023, $49.9 million for 2024 and $22.4 million for 2025. The Company is negotiating with suppliers to amend or terminate certain purchase agreements and the Company may agree to prolonged terms, or other terms which may not be advantageous to the Company, in connection with such amendments. 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 September 30, 2023 have been reported on the balance sheet as operating lease liabilities. As of September 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. Payments on leases are expected to be approximately $3.7 million in the next twelve months, and approximately $45.3 million beyond 12 months through 2043.

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

Our Term Loan Facility bears interest at a rate per annum equal to either (i) a base rate plus 7.50% or (ii) term SOFR plus 8.50%. Borrowings under our 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%. "Base Rate" means, for any day, the base commercial lending rate of PNC as publicly announced to be in effect from time to time. We seek to manage exposure to adverse interest rate changes through our normal operating and financing activities. As of September 30, 2023, we had $50.0 million outstanding on our Term Loan Facility and $23.9 million outstanding on our ABL Facility with available borrowings of $19.9 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 $3.7 million.

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 September 30, 2023. Based on that evaluation, our Chief Executive Officer, Co-Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2023, our disclosures controls and procedures were effective.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2023, we completed the re-implementation of our enterprise resource planning ("ERP) system to improve and automate our internal controls. The Company also converted to a new human resources information system (“HRIS”). As part of the ERP re-implementation and the HRIS conversion, we assessed the impact to the control environment and modified internal controls where necessary.

Except for the ERP re-implementation and HRIS conversion discussed above, 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 months ended September 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 barter arrangement may not provide the benefits we expect.

During the third quarter of 2023, we entered into a barter arrangement in which we have agreed to deliver products with a retail value of $41.6 million in exchange for an equal value of advertising that we may use over the four-year term of the arrangement. For a variety of reasons, we may not receive the benefits we expect from the barter arrangement. The counterparty is a firm that specializes in barter arrangements, rather than an advertising agency, and the quality and quantity of the advertising available under the arrangement may not meet our expectations or may not be usable by us, in part or in whole. Any advertising credit that remains unused at the end of the four-year term will expire, and we will not receive any compensation for the amount of the unused credit. The value of the advertising provided under the arrangement may be difficult to value, and we are relying in significant part on the good faith of the counterparty to value the advertising accurately. The quantity of advertising available under the arrangement may also decrease over the four-year term because of inflation or other factors that increase the cost of advertising. If we do not receive the expected benefits from the barter arrangement, our sales may decline or we may be compelled to increase our marketing spend above our expectations, which would adversely affect our results of operations. In addition, although the barter arrangement limits the locations in which the counterparty may sell our products, our revenue may decline as we compete for sales with the products we deliver under the arrangement.

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 September 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.

Appointment of Chris Mondzelewski as Chief Executive Officer

On November 6, 2023, the Board of Directors appointed Chris Mondzelewski as Chief Executive Officer of the Company, effective January 1, 2024. Mr. Mondzelewski has served as President of the Company since June 28, 2023 and Chief Marketing Officer of the Company since May 1, 2023. Mr. Mondzelewski will continue to serve as President of the Company. In addition, Mr. Mondzelewski will join the Board of Directors effective January 1, 2024.

Mr. Mondzelewski, 50, will continue to be eligible to participate in the benefits available to the Company's executive officers. Any potential changes to Mr. Mondzelewski's compensation in connection with his appointment as Chief Executive Officer of the Company have not yet been determined at this time.

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

In connection with Mr. Mondzelewski's appointment as Chief Executive Officer, Evan Hafer and Tom Davin will step down as Chief Executive Officer and co-Chief Executive Officer, respectively, of the Company effective at the end of fiscal year 2023. Both Mr. Hafer and Mr. Davin will continue to serve on the Board of Directors. In addition, Mr. Hafer will assume the title "Founder and Executive Chairman" effective January 1, 2024, a full-time executive position in which

Mr. Hafer will continue to oversee brand and media matters. On November 6, 2023, Mr. Hafer entered into an amendment to his employment agreement with Black Rifle Coffee Company LLC in connection with his transition from Chief Executive Officer to Founder and Executive Chairman, which amendment will be filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2023. Any potential changes to Mr. Hafer's compensation in connection with this transition have not yet been determined at this time.

6. Exhibits

Exhibit	Description
10.1	Credit Agreement, dated August 10, 2023, by and among Authentic Brands LLC, certain subsidiaries of Authentic Brands LLC from time to time party thereto, PNC Bank, National Association, as administrative agent and collateral agent, and the lenders from time to time part thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 10, 2023 with the SEC).
10.2	Credit Agreement, dated August 10, 2023, by and among Authentic Brands LLC, certain subsidiaries of Authentic Brands LLC from time to time part thereto, Whitehawk Capital Partners LP, as administrative agent and collateral agent, and the lenders from time to time party thereto (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 10, 2023).
10.3*	Offer Letter for Employment between Black Rifle Coffee Company and Stephen Kadenacy, dated September 6, 2023.
10.4*	Engagement Letter between Authentic Brands LLC and Berkeley Research Group, LLC regarding Interim CFO services of Mark Weinsten, dated August 8, 2023.
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/ Stephen Kadenacy
		Stephen Kadenacy
November 9, 2023		Chief Financial Officer
		(Principal Financial Officer)

BLACK RIFLE
COFFEE COMPANY

9/6/2023

Dear Stephen Kadenacy,

We are delighted to extend this offer of employment for the position of **Chief Financial Officer** with Black Rifle Coffee Company. Please review this summary of the terms and conditions for your anticipated employment with us. If you choose to accept this offer, your start date will be **September 18, 2023** or another mutually agreed upon date. This offer of employment is contingent upon a satisfactory background and reference check, and appointment as an officer by our Board of Directors, which is expected concurrently with your acceptance of this offer.

Please find below the terms and conditions of your employment, should you accept this offer letter:

Position. Your title will be **Chief Financial Officer** and you will report directly to the **CEO.** This is a Full-Time, exempt position. While you are employed at this Company, you will not engage in any other employment, consulting, or other business activity (whether full-time or part-time) that would create a conflict of interest with the Company or in any instance, without written consent from the Board of Directors. By signing this letter of agreement, you confirm that you have no contractual commitments or other legal obligations that would prohibit you from performing your duties for the Company.

Best Effort & Independence. By signing this agreement, you confirm that you do not have any position of fiduciary responsibility with any entity holding interests in the Company or its affiliates and will not do so during the course of his employment. You further agree to apply substantially all of your professional time (>40 hours a week) to this CFO position.

Work Location. Your work location will be Austin, Texas. The company will reimburse travel expenses on an after-tax basis commensurate with BRC's Executive travel policies to accommodate frequent travel to the company's HQ in Salt Lake City, UT.

Cash Compensation. The Company will pay you a starting salary at the rate of **$475,000** per year, payable in accordance with the Company's standard payroll schedule, beginning **September 18, 2023**. This salary will be subject to adjustment pursuant to the Company's employee compensation policies in effect from time to time.

Annual Incentive Plan (AIP). You will be eligible to participate in Black Rifle Coffee Company's Annual Incentive Plan (the "AIP") as modified by the Compensation Committee of the Board (the "Compensation Committee") from time-to-time in its sole discretion and business judgment. Your initial target bonus is **75% of your base salary with a maximum attainment of 150%** Your actual bonus under the AIP for a particular year will be determined by the Company's attainment of certain financial and other metrics and your individual performance (as determined by the Committee). You will be eligible to participate in the AIP program starting with the FY2023 AIP program. The annual bonus for 2023 will be prorated to reflect your start date of September 25, 2023, and in accordance with pre-approved '23 AIP thresholds approved by and at the discretion of the compensation committee. Generally, to be eligible to receive a payout under the AIP you must remain employed through the date upon which the applicable bonus is paid.

Equity Compensation. You will be eligible to participate in BRC's 2022 Omnibus Incentive Plan (the "OIP") Incentive Plan. Currently the Compensation Committee anticipates providing an annual grant pursuant to the OIP targeted at a **$1,500,000** grant-date fair value. However, in recognition of the confidence we have in you to create value, the Board of Directors has agreed to make a significant Initial Grant to you at your start date which is intended to reflect the grants you otherwise would have received during the first two years of your employment. As such, in connection with your appointment, and subject to approval by the Committee, you will receive an equity grant valued at **$3,000,000** (value based upon BRC's relevant accounting assumptions) and will be comprised of **$2,250,000** (75%) in stock options, and **$750,000** (25%) in Restricted Stock Units ("RSUs"), in each case, measured at the grant date fair value. The initial grant will vest in equal installments on each of the first three years following grant. The portion of the Initial Grant that is stock options will have a seven-year term and an exercise price equal to the closing price of BRC's Class A Common Stock on the date of the grant. The Initial Grant will be made as soon

as practicable following your start date and be subject to the terms of the Plan and BRC's standard form award agreements.
Given this outsized initial grant, you will not be eligible for annual LTIP grants in the first two subsequent years of employment. Eligibility for annual grants is anticipated to resume two years from the first day of employment.

Severance Benefits. In accordance with, and subject to the terms of, an Executive Severance Agreement to be executed among you and the Company; upon termination without cause, subject to execution of a release of claims and continued compliance with restrictive covenants, you will be entitled to receive cash severance equal to 12 months' base salary and COBRA reimbursement.

Employee Benefits. As a regular employee of the Company, you will be eligible to participate in a number of Company-sponsored benefits. In addition, as an Executive you will be entitled to unlimited PTO (paid time off). The Company offers a comprehensive employee benefits program, including but not limited to:

- Health
- Vision
- Dental
- 401(k)

On the **1st of the month following your date of hire**, you will be entitled to participate in the Company's medical, dental, vision, life insurance, and other offered benefits.

Employment Relationship. Employment with the Company is for no specific period of time. Your employment with the Company will be "at will," meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause. Any contrary representations that may have been made to you are superseded by this letter agreement. This is the full and complete agreement between you and the Company on this term, other than as detailed in the aforementioned executive severance agreement between you and the Company. Although your job duties, title, compensation, and benefits, as well as the Company's personnel policies and procedures, may change from time to time, the "at-will" nature of your employment may only be changed in an express written agreement signed by you and a duly authorized officer of the Company (other than you).

Termination. The Company reserves the right to terminate the employment of any employee for just cause at any time without notice and without payment in lieu of notice. The Company will be entitled to terminate your employment for any reason other than for just cause, upon providing to you such minimum notice as required by law.

Proprietary Information and Inventions Agreement. Like all Company employees, you may be required, as a condition of your employment with the Company, to sign the Company's standard Proprietary Information and Inventions Agreement.

Privacy. You are required to observe and uphold all of the Company's privacy policies and procedures as implemented or varied from time to time. Collection, storage, access to, and dissemination of employee personal information will be in accordance with privacy legislation.

Tax Matters.

Withholding. All forms of compensation referred to in this letter agreement are subject to reduction to reflect applicable withholding and payroll taxes and other deductions required by law.

Tax Advice. You are encouraged to obtain your own tax advice regarding your compensation from the Company. You agree that the Company does not have a duty to design its compensation policies in a manner that minimizes your tax liabilities, and you will not make any claim against the Company or its Board of Directors related to tax liabilities arising from your compensation.

Interpretation, Amendment, and Enforcement. This letter agreement supersedes and replaces any prior agreements, representations, or understandings (whether written, oral, implied, or otherwise) between you and the Company and constitutes the complete agreement between you and the Company regarding the subject matter set forth herein. This letter agreement may not be amended or modified, except by an express written agreement signed by both you and a duly authorized officer of the Company.

Restrictive Covenants. By signing this agreement, you confirm that you have no non-compete or other restrictions that would prevent you from accepting this offer or working for the Company. In connection with your acceptance of your equity awards, you will be required to , including confidentiality, non- disclosure, non-disparagement, inventions, customer and employee non- solicitation, non-hire and non-compete covenants (with the non-compete surviving for 12 months post-termination and non-solicit surviving for 24 months post-termination).

Indemnification. As an officer of the Company, you will receive a customary Indemnification Agreement with BRC, a form of which has been filed on the SEC EDGAR system.

You may indicate your agreement with these terms and accept this offer by signing and dating this agreement. Upon your acceptance of this employment offer, Black Rifle Coffee Company will provide you with any necessary paperwork and further instructions.

Sincerely, Evan Hafer
Chief Executive Officer
Black Rifle Coffee Company

“Black Rifle Coffee Company serves coffee and culture to people who love America “– we are excited to have you join our ranks.

/s/ Steven Kadenacy

CONFIDENTIAL

Via Email

Katy Dickson
Chairman of the Board
Black Rifle Coffee Company
1144 S 500 W
Salt Lake City, UT 84101

Re: Black Rifle Coffee Co. – Interim Chief Financial Officer

Dear Mr. Davin,

This letter confirms the engagement of Mark Weinsten of Berkeley Research Group, LLC ("BRG") as Interim Chief Financial Officer and Treasurer ("Interim CFO") for Authentic Brands LLC, and its public company parent, BRC Inc. (collectively with its designated affiliates, the "Company"). The Interim CFO role will commence upon the departure of the existing Chief Financial Officer, estimated to be August 11, 2023. The Interim CFO's engagement team will include professional staff from BRG (the "Additional Personnel"). This letter and any attachments set forth the agreement ("Agreement") between the parties.

SCOPE OF SERVICES

The Company has requested that Mark Weinsten serve as Interim CFO. Mr. Weinsten and Additional Personnel provide the following professional services as independent consultants ("Services"):

- Provide management and oversight to the finance organization;
- Provide financial support to various Company strategic and operational initiatives;
- Oversee preparation and review of financial reporting that is provided to internal management as well as external parties;
- Support any transactions that the Company may consider;
- Participate in regular update meetings with investors, lenders and other constituent parties;
- Provide other services as requested by the Board of Directors.

The Company agrees that (i) Mr. Weinsten will provide Services as Interim CFO as required, and (ii) the Interim CFO may retain as consultants on behalf of the Company other members or employees of BRG. The Company agrees that the Interim CFO will continue as an employee of BRG and may continue to provide his services to other companies during the term of this Agreement. The Company acknowledges that since the Interim CFO is an employee of BRG, BRG must release the Interim CFO from his full-time obligations to BRG in order for the Interm CFO to perform Services hereunder, and therefore to compensate BRG for the loss of full-time access to the Interim CFO or any Additional Personnel providing Services hereunder, all payments for the time charges of the Interim CFO or Additional Personnel providing Services hereunder to Company shall be made to BRG.

The Interim CFO and Additional Personnel who provide Services to the Company under this Agreement are independent contractors and are not, and will not be deemed to be employees of the Company.

FEES & EXPENSES

The Company shall compensate BRG in the amount of $200,000 per month for the Interim CFO's Services on this engagement, which shall be prorated as appropriate for the start and end dates of the engagement. Professional fees for Additional Personnel will be based on the actual hours charged at BRG's standard hourly rates which are in effect when the Services are rendered ("Professional Fees"). Hourly rates may change in the future from time to time and are typically adjusted annually. BRG's current hourly rates are as follows:

Managing Directors	$1,050 – $1,250
Directors & Associate Directors	$810 – $990
Professional Staff	$395 – $795
Support Staff	$175 – $350

In addition to Professional Fees, BRG will be reimbursed for direct out-of-pocket expenses including, but not limited to, travel, costs of reproduction, typing, research, communications, computer usage, legal counsel, any applicable sales or excise taxes, and other direct expenses, plus an amount equal to six percent (6%) of BRG's Professional Fees to cover internal project related expenses (including but not limited to technology, fax, phone, supplies, and photocopies). BRG will provide a reasonably itemized statement of expenses incurred on this engagement, and shall provide copies of original invoice or other documentation on itemized expenses over $75 upon request. Client shall reimburse BRG for reasonable itemized expenses less than $75 without a copy of the original invoice or other documentation.

BRG will bill for Services every two (2) weeks and will provide customary descriptions regarding the Services rendered. BRG will provide additional details regarding Services rendered upon request by Client. BRG's invoices statements shall be paid within seven (7) days of the invoice date. Client agrees that it will review BRG's invoices upon receipt and will advise BRG of any objection to or dispute with the invoice and the work reflected in the invoice within seven (7) days of the invoice date.

Without liability, BRG reserves the right to withhold delivery of Services, testimony, reports or data (written or oral), or suspend work, if the account on this engagement is not current. A late payment charge of one percent (1%) per month (or the maximum rate permitted by law, whichever is less) may be added to any outstanding invoices that are past due.

<u>Please remit payments by wire to:</u>
Account Name: Berkeley Research Group, LLC
Account No: 8026286672
Bank: PNC Bank, N.A.
ABA No: 031207607
remitadvice@thinkbrg.com

COMPLETION FEE

The Company shall pay a Completion Fee of $100,000 upon the completion of the Interim CFO role if that role terminates within three months after initiated or if a new permanent CFO has been retained or is in the process of being retained within the three month period but not starting for a period up to 30 days after the three month period. In the event that the Services are provided for a period less than three months, the Completion Fee shall be pro-rated to reflect the period of time the Services were provided ie if the Services are provided for 45 days, the completion fee shall be

50% of $100,000 or $50,000. The Completion Fee will increase by $75,000 for every subsequent month the Interim CFO is providing the Services.

CASH ON ACCOUNT

Initially, the Company will forward to BRG the amount of $200,000, which funds will be held "on account" to be applied to BRG's Professional Fees, charges and disbursements for the engagement (the "Initial Cash on Account"). This initial $200,000 will be offset by any previous fees that the Company has "on account". To the extent that this amount exceeds BRG's fees, charges and disbursements upon the completion of the engagement, BRG will refund any unused portion. The Company agrees to increase or supplement the Initial Cash on Account from time to time during the course of the engagement in such amounts as the Company and BRG mutually shall agree are reasonably necessary to increase the Initial Cash on Account to a level that will be sufficient to fund Professional Fees, charges, and disbursements to be incurred.

Upon transmittal of an invoice, BRG may immediately draw upon the Initial Cash on Account (as replenished from time to time) in the amount of the invoice. The Company agrees upon submission of each such invoice to promptly wire the invoice amount to BRG as replenishment of the Initial Cash on Account (together with any supplemental amount to which BRG and the Company mutually agree), without prejudice to the Company's right to advise BRG of any differences it may have with respect to such invoice. BRG has the right to apply to any outstanding invoice (including amounts billed prior to the date hereof), up to the remaining balance, if any, of the Initial Cash on Account (as may be supplemented from time to time) at any time subject to (and without prejudice to) the Company's opportunity to review BRG's invoices.

COMPANY RESPONSIBILITIES

The Company will undertake responsibilities to (a) provide reliable and accurate detailed information, materials, and documentation and (b) make decisions and take future actions, as the Company determines in its sole discretion, on any recommendations made by the Interim CFO in connection with this Agreement. BRG's delivery of services and the fees charged are dependent on the Company's timely and effective completion of its responsibilities and timely decisions and approvals made by the Company's management.

In connection with any Chapter 11 filing, the Company shall apply promptly to the Bankruptcy Court for approval of the Company's retention of the Interim CFO and BRG under the terms of this Agreement. The form of retention application and proposed order shall be reasonably acceptable to BRG. BRG shall have no obligation to provide any further Services if the Company becomes a debtor under the Bankruptcy Code unless BRG's retention under the terms of this Agreement is approved by a final order of the Bankruptcy Court reasonably acceptable to BRG. The Company shall assist, or cause its counsel to assist, with filing, serving and noticing of papers related to BRG's fee and expense applications. The Interim CFO and BRG reserve the right to request approval of additional compensation in circumstances where extraordinary results may warrant such additional compensation.

CONFIDENTIALITY

BRG shall not disclose any confidential or privileged information to any third party; provided, however, that BRG may disclose confidential or privileged information (a) to BRG's employees, affiliates, vendors or agents who provide Services in connection with this engagement, (b) with Client's written consent, or (c) when legally required to do so. Both parties agree that confidential and proprietary information will not be construed to include information that is available from public sources or sources not subject to obligations of confidentiality to Client. Work papers associated with BRG's consulting Services are the confidential property of BRG.

CONFLICTS OF INTEREST

BRG is engaged by many other companies and individuals. It is possible that some of BRG's past, current or future clients had, have or may have disputes or other matters that are adverse to or may not be consistent with the interests of Client. BRG reserves the right to undertake unrelated engagements during and after this engagement by Client, consistent with BRG's internal policies. BRG will not be required to disclose any such unrelated engagements to Client. BRG will institute procedures to protect the confidentiality of information provided by Client in the course of this engagement.

ARBITRATION

This Agreement shall be interpreted and controlled by the laws of the state of Delaware. Any controversy, dispute, or claim between Client on the one hand and BRG on the other hand of whatever nature arising out of, in connection with, or in relation to the interpretation, performance or breach of this agreement, including any claim based on contract, tort, or statute, ("Claims") shall be resolved at the request of any party to this agreement, by final and binding arbitration, administered either by (a) Judicial Arbitration & Mediation Services, Inc. (JAMS), pursuant to Streamlined Arbitration Rules & Procedures or (b) the American Arbitration Association ("AAA") (with a sole arbitrator) in accordance with its Commercial Arbitration Rules, and judgment upon any award rendered by the arbitrator may be entered by any State or Federal Court having jurisdiction thereof. Any such arbitration shall take place exclusively in Massachusetts. The prevailing party shall be entitled to reasonable attorneys' fees and costs incurred in any arbitration or litigation brought in connection with this Agreement, as well as reasonable attorneys' fees and costs incurred in appealing or in connection with any action to enforce any judgment entered by the arbitrator in any court having jurisdiction. If a party to any arbitration proceeding filed in connection with this Agreement fails to pay any costs of the arbitration required to be paid by such party in the time required for payment, the arbitrator is authorized to provide an appropriate remedy, including an entry of a default and an arbitration award on the merits against such party.

INDEMNIFICATION & LIMITATION OF LIABILITY

The Company shall indemnify, hold harmless and defend the Interim CFO, Additional Personnel, and BRG and its affiliates partners, directors, officers, employees and agents (collectively, the "BRG Parties") from and against all claims, liabilities, losses, expenses and damages arising out of or in connection with the engagement of the Interim CFO and BRG that is the subject of this Agreement. The Company shall pay damages and expenses, including reasonable legal fees and disbursements of counsel as incurred in advance.

In addition to the above indemnification and advancement, any BRG employees serving as directors or officers of the Company or affiliates will receive the benefit of the most favorable indemnification and advancement provisions provided by the Company to its directors, officers and any equivalently placed employees, whether under the Company's charter or by-laws, by contract or otherwise.

The Company shall specifically include and cover the Interim CFO and any other employees and agents serving as directors or officers of the Company or affiliates from time to time with direct coverage under the Company's policy for liability insurance covering its directors, officers and any equivalently placed employees ("D&O insurance"). Prior to accepting any officer position, the Company shall, at the request of BRG, provide BRG a copy of Company's current D&O

policy, a certificate(s) of insurance evidencing the policy is in full force and effect, and a copy of the signed board resolutions and any other documents as BRG may reasonably request evidencing the appointment and coverage of the indemnitees. Company will maintain such D&O insurance coverage for the period through which claims can be made against such persons. Company disclaims a right to distribution from the D&O insurance coverage with respect to such persons. In the event that the Company is unable to include BRG employees and agents under the Company's policy or does not have first dollar coverage acceptable to BRG in effect for at least $10 million (e.g., there are outstanding or threatened claims against officers and directors alleging prior acts that may give rise to a claim), BRG may, at its option, attempt to purchase a separate D&O insurance policy that will cover BRG employees and agents only. The cost of the policy shall be invoiced to the Company as an out-of-pocket expense. If BRG is unable or unwilling to purchase such D&O insurance, then BRG reserves the right to terminate the Agreement.

Notwithstanding any other provision in this Agreement to the contrary, the Company's indemnification and advancement obligations shall be primary to (and without allocation against) any similar indemnification and advancement obligations of BRG, its affiliates and insurers to the indemnitees (which shall be secondary), and the Company's D&O insurance coverage for the indemnitees shall be specifically primary to (and without allocation against) any other valid and collectible insurance coverage that may apply to the indemnitees (whether provided by BRG or otherwise).

IN NO EVENT SHALL THE COMPANY, THE INTERIM CFO, ADDITIONAL PERSONNEL, BRG OR BRG PERSONNEL WHO SERVE AS OFFICERS OF THE COMPANY BE LIABLE FOR ANY SPECIAL, INCIDENTAL, INDIRECT, OR CONSEQUENTIAL DAMAGES OF ANY KIND IN CONNECTION WITH THIS AGREEMENT, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE INTERIM CFO AND BRG SHALL NOT BE LIABLE TO THE COMPANY, OR ANY PARTY ASSERTING CLAIMS ON BEHALF OF THE COMPANY, EXCEPT FOR DIRECT DAMAGES FOUND IN A FINAL DETERMINATION TO BE THE DIRECT RESULT OF THE BAD FAITH, SELF-DEALING, OR INTENTIONAL MISCONDUCT OF BRG. BRG'S AGGREGATE LIABILITY, WHETHER IN TORT, CONTRACT, OR OTHERWISE, IS LIMITED TO THE AMOUNT OF FEES PAID TO BRG FOR SERVICES UNDER THIS AGREEMENT (THE "LIABILITY CAP"). THE LIABILITY CAP IS THE TOTAL LIMIT OF BRG'S AGGREGATE LIABILITY FOR ANY AND ALL CLAIMS OR DEMANDS BY ANYONE PURSUANT TO THIS AGREEMENT, INCLUDING LIABILITY TO THE COMPANY, TO ANY OTHER PARTIES HERETO, AND TO ANY OTHERS MAKING CLAIMS RELATING TO THE WORK PERFORMED BY BRG PURSUANT TO THIS AGREEMENT. ANY SUCH CLAIMANTS SHALL ALLOCATE ANY AMOUNTS PAYABLE BY BRG AMONG THEMSELVES AS APPROPRIATE, BUT IF THEY CANNOT AGREE ON THE ALLOCATION IT WILL NOT AFFECT THE ENFORCEABILITY OF THE LIABILITY CAP. UNDER NO CIRCUMSTANCES SHALL THE AGGREGATE OF ALL SUCH ALLOCATIONS OR OTHER CLAIMS AGAINST BRG PURSUANT TO THIS AGREEMENT EXCEED THE LIABILITY CAP.

TERMINATION

Client or BRG may terminate this engagement upon seven (7) days' written notice. In the event the engagement is terminated prior to the completion of Services, Clients agrees to pay BRG for all Professional Fees and expenses incurred through the termination date.

OTHER TERMS

The Company agrees that if any members or employees of BRG are required to testify at any administrative or judicial proceeding relating to this engagement, whether during or after the term, the Interim CFO and BRG will be compensated by the Company for associated time charges at the regular hourly rates for such personnel, in effect at the time, and reimbursed for reasonable out-of-pocket expenses, including counsel fees and expenses.

The interpretation and application of the terms of this Agreement shall be governed and construed in accordance with the laws of the state of Delaware. The prevailing party shall be entitled to reasonable attorneys' fees and costs incurred in any litigation brought in connection with this Agreement, as well as reasonable attorneys' fees and costs incurred in appealing or in connection with any action to enforce any judgment entered in any court having jurisdiction.

The waiver by any party and the breach of any of the provisions of this Agreement shall not operate or be construed as a waiver of any subsequent breach hereof. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, assigns, legal representatives, executors, administrators and heirs. The parties may not assign this Agreement or any rights or obligations hereunder to any party without the prior written consent of the other parties. Each of the provisions of this Agreement is a separate and distinct agreement and independent of all others, so that if any provision hereof shall be held to be invalid or unenforceable for any reason, such invalidity or enforceability shall not affect the validity or enforceability of any other provisions hereof. No amendment or modification of this Agreement shall be effective unless in writing and signed by both parties hereto.

The Company warrants that it has all necessary right, power and authority to enter into and perform this Agreement and that the execution, delivery and performance by the Company of this Agreement will not, with or without the giving of notice or the passage of time or both, (a) violate the provisions of any law, rule or regulation applicable to the Company, (b) violate any judgment, decree, order or award of any court, governmental body or arbitrator applicable to the Company or (c) conflict with or violate any agreement to which the Company is a party or by which it is bound.

* * * *

We look forward to working with you on this matter. Please sign and return a copy of this agreement signifying your agreement with the terms and provisions herein.

Sincerely,

/s/ Mark Weinsten

Mark Weinsten
Managing Director

AGREED AND ACCEPTED:

Authentic Brands LLC

By_____ /s/ Tom Davin ________________ Dated___8/8/2023_____________
Tom Davin, Co-CEO

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.

Date: November 9, 2023

/s/ Evan Hafer
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.

Date: November 9, 2023

/s/ Tom Davin
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, Stephen Kadenacy, 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: November 9, 2023

/s/ Stephen Kadenacy
Stephen Kadenacy
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 September 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: November 9, 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 September 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: November 9, 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 endd September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Quarterly Report”), I, Stephen Kadenacy, 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: November 9, 2023

/s/ Stephen Kadenacy
Stephen Kadenacy
Chief Financial Officer
(Principal Financial Officer)