

FRANCHISE DISCLOSURE DOCUMENT



Black Rifle Coffee Company LLC
 (a Delaware limited liability company)
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A “Black Rifle” franchisee will operate a retail coffee shop business featuring, among other things, fresh roasted coffee beverages and freshly made baked goods for on-premises and carry-out consumption, and related sales of retail items in a modern, technical environment.

The total investment necessary to begin operation of a Black Rifle Coffee Company franchised business ranges from \$427,260 to \$972,680. This includes \$75,000 that must be paid to the franchisor or an affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Scott Harvey, 355 Spencer Lane, San Antonio, TX 78201 (phone: 855.888-2722, ext. 152; e-mail: info@blackriflecoffee.com).

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

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

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

The issuance date of this Franchise Disclosure Document is April 29, 2021.

How to Use This Franchise Disclosure Document

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

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

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About This Franchise

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

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

Short Operating History. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

Financial Condition. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

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Exhibits

A	Franchise Agreement with Exhibits	H	List of Current and Former Franchisees
B	List of State Administrators	I	List of Affiliate-Owned BRCC Shops
C	List of Agents for Service of Process	J	Franchise Compliance Certification
D	Form of General Release	K	State Effective Dates
E	Table of Contents to Brand Manual	L	Item 23 Receipts
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BRCC Operating Company LLC, a Delaware limited liability company organized on November 6, 2019.	BRCC Operating was formed to operate BRCC Shops. It does not currently operate in any line of business.
Bison Union Coffee Company LLC is a Wyoming limited liability company organized on July 24, 2018.	We own 50% of Bison Union. This subsidiary sells “Bison Union” coffee and products online with a focus on home delivery. Bison Union has one retail store adjacent to its offices, which are located at 171 North Main Street, Suite F, Sheridan, WY 82801.

The Franchise Offered

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

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

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

BRCC Shops will be operated from an indoor structure that need not be free-standing, in a target range of approximately 1,500 square feet to 3,000 square feet in size and are decorated to meet our specifications (including the use of our trade dress, trademark, and design).

We offer to enter into franchise agreements (“**Franchise Agreements**”) with qualified entities and persons (“you”) that wish to establish and operate BRCC Shops. (In this disclosure document, “you” means the person or legal entity with whom we enter into an agreement. The term “you” also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a Franchise Agreement as the “franchisee.”) We award franchises in our discretion, and in order to be qualified to become our franchisee, we will consider many factors that include, among other things, a prospective franchisee’s financial resources, educational and work background, personality fit, and ability to work with our team. A copy of the form Franchise Agreement is attached to this FDD as Exhibit A.

Applicable Regulations

You must comply with all local, state, and federal laws that apply to your BRCC Shop operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, restrooms, drinking facilities, etc. For example, you must obtain real estate permits (e.g., zoning), real estate licenses, and operational licenses. There are also regulations that pertain to handling consumer data, sanitation, healthcare, labeling, caloric information, nutrition disclosures, allergen disclosures, food preparation, food handling, and food service. You will be required to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your BRCC Shop. You must also follow the Payment Card Industry Data Security Standards and comply with applicable privacy laws relating to customer credit card transactions. Finally, due to the global coronavirus pandemic, some government agencies have ordered (or suggested) that foodservice businesses temporarily close and only offer drive-through, carryout and delivery service, or have otherwise severely limited clientele from patronizing restaurant businesses. We recommend that you examine and consider the impact of these and all applicable laws, regulations, and standards before entering into any agreement with us. The laws in your state or municipality may be more or less stringent, and there may be specific laws or regulations in your state or municipality regarding the operation of a BRCC Shop. You should consult with your attorney concerning those and other local laws and ordinances that may affect your Franchised Business' operation.

Competition

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

Item 2

Business Experience

The following individuals have management responsibility for the sale or operation of the franchise offered by this disclosure document. Unless otherwise noted, their present place of business is in Salt Lake City, Utah.

Chief Executive Officer and Member, Board of Directors

Evan Douglas Hafer

Mr. Hafer is the founder of Black Rifle Coffee Company LLC. Since October 2014, he has served as our Chief Executive Officer and on our board of directors.

Co-CEO and Member, Board of Directors

Thomas Edward Davin

Mr. Davin has served as our Co-Chief Executive Officer since January 2019 and on our board of directors since December 2017. From September 2010 to September 2018, Mr. Davin served as Chief Executive Officer for 5.11 Inc. in Irvine, California.

Chief Operating Officer and PresidentScott Harvey

Mr. Harvey has served as our Chief Operating Officer since October 2018 and as our President since November 2020. He simultaneously serves in the same capacities with our ultimate parent, Authentic Brands. LLC. From July 2015 to September 2018, Mr. Harvey served as Executive Vice President of Nathan's Famous Systems, Inc. in Jericho, New York. From January 1995 to June 2015, he served as Senior Vice President of Einstein Noah Restaurant Group in Lakewood, Colorado. He works in San Antonio.

Chief Financial OfficerGregory J. Iverson

Mr. Iverson has served as our Chief Financial Officer since April 2020. From April 2018 to September 2019, he served as Chief Financial Officer of Overstock.com in Salt Lake City, Utah. From April 2007 to March 2018, he served as Chief Financial Officer of Apollo Education Group in Phoenix, Arizona.

Executive Vice President and Member, Board of DirectorsMathew Best

Mr. Best has served us since January 2015, and has served as our Executive Vice President since January 2018, having previously served as our Chief Branding Officer from January 2015 to January 2018. He has served on our board of directors since December 2017. Mr. Best works in San Antonio.

Vice President of Business DevelopmentJarred K. Taylor

Mr. Taylor has served as our Vice President of Business Development since December 2014. He works in San Antonio.

Vice President of RetailDaniel Kaepernik

Mr. Kaepernik has served as our Vice President of Retail since November 2020. From January 2015 to November 2020, he served as Vice President Restaurant Operations for Wingstop Restaurants in Dallas, TX. From July 2009 to January 2015, Mr. Kaepernik served as Zone Leader for 7-Eleven Inc in Dallas, TX.

Executive ProducerRichard Ryan

Mr. Ryan has served as our Executive Producer since January 2015. He is also, and has been since June 2009, the owner of RatedRR Productions in Jasper, Tennessee. Mr. Ryan also serves Executive Producer for Verizon & Hearst Media Partners in Nashville, Tennessee, a position he has held since March 2015. He works in San Antonio.

Member, Board of DirectorsSteven M. Taslitz

Mr. Taslitz has served on our Board of Directors since December 2017. He is, and has been since 1983, Co-Founder and Chairman of Sterling Partners in Chicago, Illinois. Mr. Taslitz works in Chicago, Illinois.

Member, Board of DirectorsKaty P. Dickinson

Ms. Dickinson has served on our Board of Directors since August 2020. Since December 2019, she has served as President of Manitoba Harvest (a wholly-owned subsidiary of Tilray Inc.) in Minneapolis. From February 2016 to December 2018, she served as President of American Girl (a subsidiary of Mattel, Inc.), in Middleton, Wisconsin. And from February 2015 through February 2016, she was Chief Marketing Officer for News America Marketing in New York, New York.

Member, Board of DirectorsJennifer Toby Johnson

Ms. Johnson has served on our Board of Directors since August 2020. Since July 2020, she has served as Senior Vice President of Sales and Snacks for Campbell Soup Company in Charlotte,

NC. Ms. Johnson previously served PepsiCo in a variety of capacities, including as its Region Vice President for Frito Lay (December 2017 to June 2020), as Vice President and General Manager (June 2015 to December 2017), in Plano, Texas.

Member, Board of Directors

George Muñoz

Mr. Muñoz has served on our Board of Directors since July 2020. Since July 2010, he has been engaged in a private law practice and as a financial advisor with the Tobin & Muñoz LLC, the Law Offices of George Muñoz PLLC, and the Muñoz Group in Arlington, Virginia and Chicago.

Item 3

Litigation

Drivetrain, LLC v. Hall (Del. Chancery Ct., filed May 17, 2019, Case No. 2019-0365-JTL). The plaintiff in this case, Drivetrain, LLC, is the litigation trustee for Adeptus Health, Inc., a company in which Sterling Partners' affiliates had made an investment. Among those named as defendants in this corporate suit is our board member Steven Taslitz, who is an officer of Sterling Partners. The plaintiffs seek recovery of proceeds that a Sterling fund (SCP III) received from three Adeptus secondary securities offerings. The plaintiff alleges that Sterling breached fiduciary duties to Adeptus by causing Adeptus to sell Sterling shares in secondary public offerings, and that Sterling sold the secondary offerings while in possession of material non-public information. The parties are currently engaged in discovery with trial expected in 2021 or later.

In re Overstock, Inc. Securities Litigation (US District Ct., D. Utah, filed Sept. 27, 2019, Case No. 2:19-cv-00709-DAK-EJF). In this shareholder class action, the lead plaintiff, The Mangrove Partners Master Fund, Ltd., alleges that Overstock.com, Inc. and three of its current or former officers, including Overstock's former CFO, Gregory Iverson, violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The consolidated complaint in this matter was filed March 2020. Defendants filed a motion to dismiss and on September 28, 2020, the court granted the motion and entered a judgment in favor of the defendants. The plaintiff filed a motion to amend its complaint on October 23, 2020 and filed a notice of appeal on October 26, 2020. The United States District Court of Utah granted the plaintiff's motion to amend its complaint on January 6, 2021 and the Tenth Circuit Court dismissed the plaintiff's appeal on January 8, 2021. On January 11, 2021, the plaintiff filed its amended consolidated complaint asserting the same claims against the same defendants as the original consolidated complaint. Defendants filed a motion to dismiss the amended consolidated complaint on February 25, 2021. At this time, no hearing has been set regarding Defendants' motion to dismiss.

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

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

Item 4

Bankruptcy

No bankruptcy is required to be disclosed in this Item.

Item 5**Initial Fees**Initial Franchise Fee

The initial franchise fee is \$35,000 and will be due when you sign the Franchise Agreement. The initial franchise fee is nonrefundable. We have not offered franchises before this FDD was issued, so we did not collect initial fees last year.

Initial Inventory

Before you open for business, you must purchase certain initial inventory from us. This initial inventory will include coffee and drinkware for in-shop beverage preparation, all branded paper products, and merchandise for retail sale, including bagged coffee, gear, apparel, and drinkware. We estimate that the cost of the initial inventory that you must buy from us will be approx. \$40,000.

Item 6**Other Fees**

Type of Fee	Amount	Due Date	Remarks
Royalty (Note 1)	6% of Gross Sales (Note 2)	Payable weekly, by Friday (Note 3)	
Marketing Contribution (Note 1)	4% of Gross Sales	Same as royalties.	Currently, allocated as 2% to the Marketing Fund and 2% to be spent by you on local marketing and promotion. We have the right to change this allocation upon notice.
Supplier/Vendor or Supplies Approval (Note 4)	Cost of inspection of supplier's facilities and/or test of supplier's samples, plus our reasonable related costs and expenses	Upon demand	Only due if you propose a new supplier or vendors (or particular suppliers) that we have not previously approved
Product and Equipment Purchases	Will vary	Upon delivery or as agreed	We charge you for products and equipment you purchase from or through us.
Inspection or Audit (Note 5)	Cost of inspection or audit plus our reasonable related costs and expenses	Upon demand	Only due if inspection or audit discloses that information provided to us was materially inaccurate or misleading
Interest	Interest is 1.5% per month on missed, overdue, or	Upon demand.	Only due if you do not make proper payment on time. Interest begins to accrue when payment was initially due. If a maximum interest

Type of Fee	Amount	Due Date	Remarks
	insufficient payments.		rate applies under your state's law, then interest will not exceed that maximum rate.
Renewal Fee	Greater of \$17,500 or 50% of our then-current initial franchise fee	Due upon execution of Renewal Agreement	Payable upon renewal of the Franchise Agreement on the terms described in that agreement. The renewal fee is due instead of a new initial franchise fee.
Transfer Fee	Greater of \$17,500 or 50% of our then-current initial franchise fee, plus any applicable broker fees	At the time of transfer	Only due if you propose a transfer. For a transfer upon disability or death of the franchisee's principal, we will not charge a transfer fee (but ask instead to be reimbursed for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting the transaction).
Securities Offering Fee	\$10,000 (or our reasonable costs and expenses, if more)	Upon demand	Only due if you or an affiliate engage in a securities offering. You also must indemnify us (see below).
Relocation Fee	\$2,500 plus our reasonable costs and expenses	At the time of relocation	Only due if you propose to relocate your franchise.
Additional Training	\$1,500 per person	Upon demand	Only due if you ask to send more than the required number of people to be trained or if someone that we trained leaves your employ, in which case you must enroll her/his replacement in our training program. If so, we may require you to pay this discounted per person training fee.
Cost of Enforcement or Defense (Note 6)	Will vary under circumstances	Upon demand	See Note 6

Type of Fee	Amount	Due Date	Remarks
Insurance	Actual costs	Upon demand	Only due if you fail to purchase the required business insurance, and we exercise our right to buy insurance for you (we are not obligated to do so).
Indemnification	All costs and expenses, including attorneys' fees	Upon demand	Only due if the indemnification clause is involved. You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the BRCC Shop, including related securities offerings.
Technology Fee (Note 1)	Currently no Technology Fee	Payable in the same manner and time as Royalty	We have the right to charge a Technology Fee in the future upon notice to Franchisee.
Additional Tech Vendor Fees	Variable	As incurred.	Fees by tech vendors that provide products and/or services to you beyond those covered by the Technology Fee must be paid directly to those vendors in the ordinary course of business.

Notes to Item 6 table:

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

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

- 2 **Gross Sales.** As used in the Franchise Agreement, “Gross Sales” means all revenue from the sale of all items and services at your BRCC Shop, as well as all other income of every kind that relates to, derives from, or originates from your BRCC Shop. Gross Sales include barter proceeds as well as the proceeds of any business interruption insurance policies. Gross Sales include payments in cash or credit and regardless of theft, or of collection in the case of credit. Gross Sales excludes sales taxes and other taxes that you collect from your customers and remit to the appropriate taxing authorities.
- 3 **Accounting Periods.** Payments and sales reports are due weekly, with each week running from Sunday at 12:00:01 am through the next Saturday at 11:59:59 pm (your local time). Payments are due in our account on Friday (although we may initiate ACH debits earlier so that the funds reach our account on time).

Certain reports (for example, P&L’s) will be due on a Period-by-Period basis. For this purpose, “**Period**” means a regular calendar month (but we reserve the right to switch to a four or five-week “retail calendar” for the purpose of organizing books and records (typically, with 13 Periods in a year)).

- 4 **Supplier/Vendor, Supplies Approval.** If you wish to sell or use any product that we have not already approved, or buy products from a vendor that we have not already approved, you must follow the procedure under the Franchise Agreement. Among other things, that includes submitting samples of the proposed item as well as other information, for inspection and testing. You or the proposed vendor will pay the reasonable cost of the inspection and evaluation and the actual cost of any testing.
- 5 **Inspection or Audit.** If we conduct an inspection or audit of your records and find that any payments due to us have been understated or underpaid, then you must immediately pay us, upon demand, the understated or underpaid amount plus interest from the date any amount was due until paid. If an inspection or audit shows that the information provided to us was materially inaccurate or misleading (or it cannot be determined whether it was materially inaccurate or misleading because you did not maintain and preserve the required records), then you also must reimburse our costs and expenses, including accounting and attorneys’ fees connected with the inspection or audit. An understatement of Gross Sales or underpayment of 2% or more in any report is deemed to be materially inaccurate and misleading.
- 6 **Cost of Enforcement or Defense.** If a claim for amounts you owe to us is asserted in any legal proceeding before a court of competent jurisdiction, or if we or you must enforce the Franchise Agreement or a related agreement (including non-compete agreements) in a judicial or arbitration proceeding, we will be entitled to reimbursement of our costs, including reasonable accounting and attorneys’ fees, resulting from this proceeding. You also will be responsible for our costs of enforcement if your personnel do not comply with their confidentiality or non-competition obligations. This fee will only become due if: (i) you are in default under the Franchise Agreement, in which case you must reimburse us for our expenses (including reasonable attorneys’ fees) in enforcing or terminating the agreement; (ii) if we successfully defend claims from you regarding the Franchise Agreement; or (iii) if we incur costs in your defense except where a court with competent jurisdiction determines the claim or expense was caused solely by our gross negligence or willful misconduct.

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

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Initial Franchise Fee (Note 1)	\$35,000	\$35,000	Lump Sum	Upon signing Franchise Agreement	Us
Lease (Note 2)	\$20,000	\$60,000	As incurred	Before opening, as incurred	Landlord
Utility Deposit (Note 3)	\$500	\$1,000	As incurred	Before opening, as incurred	Utility Providers
Architect Fees (Note 4)	\$30,000	\$50,000	As incurred	Before opening, as incurred	Third Parties
Construction Costs (Note 4)	\$30,000	\$90,000	As incurred	Before opening, as incurred	Third Parties
Expenses for Initial Training (Note 5)	\$14,760	\$16,680	As incurred	Before opening, as incurred	Third Parties
Business Licenses and Permits (Note 6)	\$5,000	\$10,000	As incurred	Before opening, as incurred	Licensing Authorities
Business Insurance (Note 7)	\$2,000	\$5,000	As incurred	Before opening, as incurred	Insurance Providers
Initial Inventory (Note 8)	\$40,000	\$40,000	As incurred	Before opening, as incurred	Us, Approved Suppliers
Computer Hardware & Software (Note 9)	\$20,000	\$30,000	As incurred	Before opening, as incurred	Approved Vendor
Furniture, Fixtures, & Eqpt (Note 10)	\$100,000	\$200,000	As incurred	Before opening, as incurred	Approved Suppliers

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Signage (Note 10)	\$10,000	\$50,000	As incurred	Before opening, as incurred	Approved Suppliers
Grand Opening Marketing Program (Note 11)	\$10,000	\$15,000	As incurred	Before and during opening	Various
Professional Fees (Note 12)	\$10,000	\$20,000	As incurred	Before opening, as incurred	Accountants, Attorneys, and Consultants
Additional Funds (3 months) (Note 13)	\$100,000	\$350,000	As incurred	After opening	Various
Total	\$427,260	\$972,680			

Notes to Table:

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

- 1 **Initial Franchise Fee.** The franchise fee is \$35,000, as described in Item 5, and is used to defray our costs for providing training, promotional assistance and materials, site selection guidance, and other services.
- 2 **Lease.** You must purchase or lease a space at which to operate your BRCC Shop. The estimate is for lease payments covering four months' rent (rent for the first three months of operation and one month's security deposit). The estimate assumes a BRCC Shop that is 1,500 square feet to 3,000 square feet in size, with rent at \$40 to \$60 per square foot per year, and no obligation to pay rent during the build-out period (before you actually open for business).

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

Rent varies considerably from market to market, and from location to location within each market. Rents may vary beyond the range that we have provided based on factors such as competition and market conditions in your area, the type and nature of improvements needed to the premises, the size of the BRCC Shop, the terms of the lease, and the desirability of the location. If you cannot negotiate a pre-opening rent abatement your

costs will be higher. If you choose to buy (instead of leasing) the real estate for your BRCC Shop, you will incur additional costs that we cannot estimate.

- 3 **Utility Deposit.** You may be required to pay deposits before the installation or beginning of service of telephone, gas, electric and other utilities. This estimate excludes utility tap fees which are typically covered by the landlord.
- 4 **Architect's Fees and Construction Costs.** The cost of construction depends upon the size and condition of the premises, the nature and extent of leasehold improvements required, including awning, general construction, permits, architectural fees and legal fees. The location, age and size of the BRCC Shop and the extent of landlord participation in the build-out significantly affect that cost. The lower figure assumes that the cost of leasehold improvements is borne by the landlord through a tenant improvement allowance for leasehold improvements. The range of figures in the table above includes the cost of reasonable renovation or leasehold improvements. The extent of the required leasehold improvements may vary widely depending upon the existing facility and modifications required to accommodate a coffee shop/bakery operation. The architect's fee is not included in the total estimate for construction and is shown as a separate entry in the above chart. The estimate is based space in the range of 1,500 to 3,000 square feet at a build-out cost of \$20 to \$30 per square foot. If you incur higher build-out costs, then your total expenditure will be higher as well.
- 5 **Initial Training Expenses.** You are responsible for making arrangements and paying the expenses for any persons attending the training program, including transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodation you choose. The estimate provided contemplates the training of 4 people (the operating owner, store manager, and 2 designees) for approximately 14 days in accordance with the training schedule in Item 11. The estimate assumes a per diem cost of \$840 to \$1,120 and a travel allowance of \$2,850 to \$3,050 per person.
- 6 **Business Licenses and Permits.** This estimate includes costs relating to business license requirements, health and safety regulations (including occupancy), employment regulations, food handling regulations, music and entertainment (including license fees to copyright and other intellectual property owners and vending and gaming licenses). You should not consider this list as comprehensive. The laws in your state, county or municipality may be more or less stringent. You are advised to examine these laws before purchasing a franchise from us. You may need to hire accountants and/or legal counsel to assist you in obtaining required licenses and permits and other legal compliance, which is shown as a separate entry in the above chart.
- 7 **Business Insurance.** The estimate is to pay for 12 months' insurance coverage under the required minimums under your Franchise Agreement, both before and after you open your BRCC Shop. The cost of insurance will vary based on the type of policies procured, nature and value of physical assets, gross revenues, number of employees, square footage, geographical location, size, and contents of the business, and other factors bearing on risk exposure.
- 8 **Initial Inventory.** These amounts represent your initial inventory of food and beverage supplies, paper goods, to-go packaging, menus and uniforms for the initial phase of operating the coffee shop. An estimated \$40,000 of the initial inventory amount represents inventory which you must purchase from us.

- 9 **Computer Hardware and Software.** The estimated initial investment includes costs related to the mandatory purchase of POS System hardware and software as well as security cameras for the Franchised Business. We reserve the right to implement as a part of our standards and specifications contained in the Manuals the requirement that you obtain approved accounting, reporting and operational software. We do not currently anticipate that any required software will be customized and proprietary, thus the terms and conditions of any software license or other agreement which may be required to be executed by you in connection with software are not known to us at this time. Our current POS System is the NCR ALOHA point-of-Sale. Our current Back Office System is the NCR Back Office (NBO). We have the right to change both the POS and Back Office Systems.
- 10 **Furniture, Fixtures, Equipment, and Signage.** You must furnish your Franchised Business in accordance with our standards. This will include certain required equipment, furniture and fixtures. These costs will vary depending on the size and condition of the Franchise BRCC Shop. Your required equipment will include the necessary coffee and equipment systems, dry and cold storage equipment, work areas and all other equipment required to properly operate the BRCC Shop. Signage must be obtained from our approved or your pre-approved supplier and conform to our standards, including standards related to the use of our trademarks as set forth in the Brand Manual.
- 11 **Grand Opening Marketing Program.** You will be required to spend the amount specified in your Franchise Agreement on for grand opening marketing and promotional programs in conjunction with the initial launch of your BRCC Shop, an amount which we estimate will range between \$10,000 and \$15,000. These programs include marketing spanning from 60 days before opening to no later than 90 days post-opening, and may include food and beverage giveaways, and related direct labor.
- 12 **Professional Fees.** The estimate is for legal, accounting, administrative, traffic studies, demographic studies, and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors, type of financing, lease negotiations, and the permitting process in your city. The hourly rates for advisors, accountants, and legal professionals will also vary.
- 13 **Additional Funds.** You will need capital to support on-going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Our estimate is based on our own business experience and information and that of our affiliates.

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

You will need to have staff on-hand before opening to prepare the Store for opening, training, orientation, and related purposes. We estimate that you will need approximately

200 hours of staff time to get ready for your opening. Your staffing costs will depend on the prevailing wage rates in your area.

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

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

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

Required Purchases of Goods and Services

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

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

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

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

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

You must allow us or our agents, at any reasonable time, to inspect the Franchised Business and to remove samples of items or products, without payment, in amounts reasonably necessary for inspection or testing by us or a third party to determine whether those samples meet our then-

current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Franchised Business fails to conform to our specifications.

Approval of Alternative Suppliers

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

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

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

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

We (and possibly one of our affiliates) are the only designated supplier for certain items (including coffee for use in store and some retail items including bagged coffee, merchandise, and apparel) that you must buy for the operation of your Franchised Business. None of our officers own any interest in any other approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business.

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

We and our affiliates derive revenue based on franchisee purchases. During the fiscal year ended December 31, 2020, we derived revenue in the amount of \$799,938 (out of the company's total revenue of \$163,908,557 from its financial statements, that is, 0.005% of that total) from the sale of products to our franchisees and licensees.

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

We have the right to negotiate prices and terms with suppliers for the benefit of our franchisees. Currently, neither we nor our affiliates have negotiated arrangements with suppliers for the benefit of our franchisees.

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

Insurance

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

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

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

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

Item 9

Franchisee's Obligations

	Obligation	Section in Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	1.2, 5	11, 12
b.	Pre-opening purchase/leases	5, 6, 7, and 14	11
c.	Site development and other pre-opening requirements	3.2, 5.2, 5.4, and 5.7	5, 6, 7, 11

	Obligation	Section in Franchise Agreement	Disclosure Document Item
d.	Initial and ongoing training	3.1 and 6	11
e.	Opening	3.3, 3.7, 5.1, 5.4, 5.7 and 8.2	5, 6, 7, 11
f.	Fees	2.2.6, 4 and 16.5.9	5, 6
g.	Compliance with standards and policies/operating manual	1.5, 3.4, 5, 7, 8.1, and 10	8, 11, 15
h.	Trademarks and proprietary information	1.1 and 9	13, 14
i.	Restrictions on products/services offered	1.5 and 7	8, 16
j.	Warranty and customer service requirements	8	15
k.	Territorial development and sales quotas	1.3	12
l.	Ongoing product/service purchases	7	8
m.	Maintenance, appearance and remodeling requirements	5 and 8.6	11
n.	Insurance	15	7, 8, 11
o.	Advertising	3.5, 3.6 and 13	6, 11
p.	Indemnification	21 and Ex. C	14
q.	Owner's participation/management/staffing	8.7	11, 15
r.	Records and reports	4.2, 12 and 15.7	6, 11
s.	Inspections and audits	3.7, 8.11 and 12	6, 11
t.	Transfer	8.10, 16 and 19.5	17
u.	Renewal	2.2	17
v.	Post-termination obligations	11.1.1, 12.1.2, 18, 19.3 and 19.5	17
w.	Non-competition covenants	19	17
x.	Dispute resolution	27	17
y.	Taxes/permits	5.4, 8.8 and 20	Not applicable

	Obligation	Section in Franchise Agreement	Disclosure Document Item
z.	Other: Personal Guarantee	Ex. B	Not applicable

Item 10**Financing**

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

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

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

Pre-Opening Assistance:

Before you open your Franchised Business, we will:

1. Provide services in connection with your site, including:
 - Site selection guidelines, counseling, and assistance as we deem advisable (*Franchise Agreement, Section 1.2*);
 - One on-site evaluation without a separate charge upon receipt of a completed site selection package submission (*Franchise Agreement, Section 1.2*);
 - Written notice of approval or disapproval of the proposed site within 30 days of receiving your site selection package submission (*Franchise Agreement, Section 1.2*);
 - Review of lease, sublease, design plans, and renovation plans for the BRCC Shop (*Franchise Agreement, Section 3.3*);
2. Make available our standard layout, design and image specifications for a BRCC Shop, including:
 - Plans for exterior and interior design and layout (*Franchise Agreement, Section 3.3*);
 - Written specifications for fixtures, furnishings, equipment, and signage (*Franchise Agreement, Section 3.3*), including the names of approved suppliers (however, we do not supply these items directly nor do we assist with delivery or installation);
3. Provide you with a copy of the Brand Manual (as more fully described below in this Item 11 of this FDD) (*Franchise Agreement, Section 3.5*);
4. Provide you with training (as more fully described below in this Item 11 of this FDD) (*Franchise Agreement, Section 3.1*);
5. Assist you in developing your Grand Opening Marketing Program (*Franchise Agreement, Section 3.6*);

6. Inspect and evaluate your BRCC Shop before it first opens for business (*Franchise Agreement, Section 3.8*); and
7. Provide a representative to be present at the opening of the BRCC Shop (*Franchise Agreement, Section 3.4*).

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

Continuing Assistance:

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

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

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

Typical Length of Time Before Start of Operations:

You must open your Franchised Business within one year from the date you sign the Franchise Agreement. If you do not do so, that will be a default under the Franchise Agreement.

We estimate the length of time between the signing of the Franchise Agreement and the time you open your BRCC Shop at 90 to 180 days. Factors that may affect this time period include your ability to acquire financing or permits, build out your location, have signs and equipment installed in your location, and complete the required training. You should have a suitable location and signed lease within 90 days of signing the Franchise Agreement.

Advertising:

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

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

We have the right to periodically change the allocation of the Marketing Contribution. If we make a change, we will give you notice of that change, which will take effect as of the next Week.

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

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

Regional Fund. If we have two or more franchisees operating in the same geographic region, or other circumstances arise that suggest it would be helpful, we have the right (but not the obligation) to establish a Regional Fund for that region. We do not currently have any Regional Funds. If we establish a Regional Fund for your area, the following provisions (and others in the Franchise Agreement) will apply:

- (1) If a Regional Fund for the geographic area in which the Franchised Business is located has already been established when you start operating under the Franchise Agreement, then you will have to immediately become a member of that Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is later established, then you would have to join that Regional Fund within thirty days after we give you notice that the Regional Fund is established. You will not be required to join more than one Regional Fund.
- (2) Each Regional Fund will be organized and governed in a form and manner, and start operations on a date, that we have approved, in writing. Voting will be on the basis of

one vote per full-service BRCC Shop (regardless of number of owners or whether the shop is franchised or owned by us or our affiliates).

- (3) Regional Funds will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized marketing materials for use by the members in regional marketing. Regional Funds may not use marketing, advertising, promotional plans, or materials without our prior written consent.
- (4) Although, if established, a Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.

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

- (1) Local marketing and promotion includes only the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying.
- (2) We will apply certain criteria in reviewing and evaluating the local marketing that you conduct. All of your local marketing must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing, advertising, or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans. If we do not give our approval within 14 days, we will have been deemed to disapprove the plans or materials. Any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property.
- (3) We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.
- (4) You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

Grand Opening Marketing Program. You are also required to spend at least \$10,000 to \$15,000 for grand opening marketing and promotional programs in conjunction with the BRCC Shop's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin sixty days before the scheduled opening date for your Franchised Business and must be completed no later than sixty days after the Franchised Business starts to operate.

The Grand Opening Marketing Program will be subject to our marketing standards and requirements.

Computer Requirements:

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

1. back office systems, data, audio, video (including managed video security surveillance, which we have the right to monitor to the extent permitted by law), telephone, voice messaging, retrieval, and transmission systems for use at BRCC Shops, between or among BRCC Shops, and between and among the Franchised Business, and you, and us;
2. point of sale (POS) and back office system (currently, NCR ALOHA and NBO);
3. physical, electronic, and other security systems and measures;
4. printers and other peripheral devices;
5. archival back-up systems;
6. internet access mode (e.g., form of telecommunications connection) and speed;
7. technology used to enhance and evaluate the customer experience;
8. digital and virtual menu boards and related technology, hardware, software, and firmware;
9. front-of-the-house WiFi and other connectivity service for customers;
10. cloud-based back-end management systems and storage sites;
11. in-shop music systems;
12. consumer-marketing oriented technology (including affinity and rewards hardware and software, facial and other customer-recognition technology, and approved social media/networking sites); and
13. any other computer software programs or accounting system software we may develop or have developed for us, which you must install and maintain according to our standards.

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

We estimate that the cost of purchasing the required Computer System hardware and software will typically range between \$20,000 and \$30,000 (as explained in Item 7 of this FDD). The estimated annual cost of computer maintenance, support, and upgrades is \$675 to \$1,600 (although if you choose more expensive equipment or high levels of computer support and

training, your costs will go up). Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software.

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

Operating Manual:

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

We reserve the right to periodically update and modify the contents and format of the Brand Manual (which currently has 135 pages). The Table of Contents of the current Brand Manual is found as Exhibit E to this FDD.

Training:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Day 1 – Team Member Training for Manager and Supervisors	8 hours	0 hours	San Antonio, Texas or in store
Day 2 – Team Member Training for Manager and Supervisors	6 hours	2 hours	(same)
Day 3 – Team Member Training for Manager and Supervisors	6 hours	2 hours	(same)
Day 4 – Team Member Training and Scheduling for Manager and Supervisors	6 hours	2 hours	(same)
Day 5 – Team Member Training, Hiring, Inventory Management and Business Acumen for Manager and Supervisors	5 hours	3 hours	(same)
Day 6 – Team Member Training Certification, Staffing and Scheduling, Teaching and Training for Manager and Supervisors	8 hours	0 hours	(same)

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Day 7 – Daily Operations, Team Member Trainer Certification, Business Acumen for Manager and Supervisors, Team Member Orientation	8 hours	0 hours	(same)
Day 8 – Team Member Training for Team Members	8 hours	0 hours	(same)
Day 9 – Team Member Training for Team Members	3 hours	3 hours	(same)
Day 10 – Team Member Training for Team Members	5 hours	1 hours	(same)
Day 11 – Team Member Training for Team Members	4 hours	2 hours	(same)
Day 12 – Team Member Training and Certification for Team Members	2 hours	4 hours	(same)
Day 13 – Practice	0 hours	8 hours	In store
Day 14 – Friends and Family Soft Launch	0 hours	8 hours	In store
Totals	69 hours	35 hours	

Our training program is conducted by our training specialist, Jennifer Montoya. Ms. Montoya has 15 years of experience in retail coffee shop operations, including 14 years with Starbucks.

Initial Training will be conducted over a two-week period at a location of our choosing (typically in Texas or Utah) for a minimum of fourteen days of classroom training plus a minimum of 14 days in your Store. We conduct training as frequently as we determine it necessary to hold a training class. The instructional materials for our training programs include the Manual, lecture, discussions, and practice.

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

If for any reason your Operating Owner and/or BRCC Shop Manager cease active management or employment at the Franchised Business, or if we revoke the certification of your Operating Owner or your BRCC Shop Manager to serve in that capacity, then you must enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to

do so. Under the Franchise Agreement, you will agree to pay us a discounted training fee (currently \$1,500) for each replacement individual to be trained, with payment to be made in full before training starts.

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

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

All initial training required under the Franchise Agreement must be completed to our satisfaction before your BRCC Shop may open for business, which must occur within twelve months of the effective date of the Franchise Agreement.

Item 12

Territory

Franchise Agreement

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

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

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

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

We reserve all rights not expressly granted in the Franchise Agreement. For example, we or our affiliates may own, operate or authorize others to own or operate BRCC Shops regardless of location and may operate other kinds of businesses in any location. Although we do not currently do so and have no plans to do so, we and our affiliates may own, acquire, conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Marks, including a product or service similar to those you will sell at your

Franchised Business. There are no limitations on us soliciting or accepting orders from inside the area near your store (including by Alternative Distribution Channels (as explained below), and we will not compensate you for sales we might make there or elsewhere.

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

The Franchise Agreement grants you only the right to operate your BRCC Shop, and does not grant you any right to engage into other business opportunities for the sale and distribution of “Black Rifle” products or services through any other channel.

Item 13

Trademarks

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

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

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

There are no currently effective determinations of the USPTO, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes,

or other commercial symbols which is relevant to their use in this state or any other state in which the Franchised Business is to be located. There are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in this state or elsewhere.

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

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

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

Item 14

Patents, Copyrights, and Proprietary Information

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

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

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

Confidential Manuals

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

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

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

Confidential Information

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

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

Patents

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

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

The Franchise Agreement requires that you (or your Operating Owner or one of your designated Management Personnel who will assume primary responsibility for the franchise operations and who we have previously approved in writing) must devote full time, energy, and best efforts to the management and operation of the Franchised Business, and must successfully complete the initial training program. Your BRCC Shop must be managed at all times by you (or your Operating Owner or BRCC Shop Manager) or by a manager who has completed our initial training program to our satisfaction. The Operating Owner must own at least 25% of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Owner to hold a smaller interest. You must obtain personal covenants from your Management Personnel, supervisors, and principals regarding confidentiality, Proprietary Marks, and non-competition.

Item 16 Restrictions on What Franchisee May Sell

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

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

We may prescribe standard uniforms and attire for all BRCC Shop personnel. You may obtain such uniforms and attire from any manufacturer or distributor, so long as the uniforms are of a reasonable quality and conform to our specifications.

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

Item 17**Renewal, Termination, Transfer and Dispute Resolution****THE FRANCHISE RELATIONSHIP**

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

FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	2.1	Term expires on the earlier to occur of: (a) ten years from BRCC Shop's opening date; or (b) eleven years from the Effective Date of the Franchise Agreement
b.	Renewal or extension of the term	2.2	Renewal of right to operate the franchised business for two additional five-year terms by signing our then-current franchise agreement (which may contain terms and conditions materially different from those in your original agreement), subject to contractual requirements described in "c" below
c.	Requirements for you to renew or extend	2.2.1 to 2.2.9	Timely written notice of intent to renew; refurbishment to comply with our then-current standards; compliance with agreement terms during agreement term and at time of renewal; timely compliance with all financial obligations; execution of then-current franchise agreement; payment of renewal fee; execution of renewal agreement with general release; compliance with then-current personnel and training requirements; and demonstrated right to remain in accepted location.
d.	Termination by you	Not applicable	
e.	Termination by us without cause	Not applicable	
f.	Termination by us with cause	17	Default under Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement.
g.	"Cause" defined – curable defaults	17.3	All defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement.

THE FRANCHISE RELATIONSHIP

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

FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
h.	"Cause" defined – non-curable defaults	17.1 to 17.2	Abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	18 to 19	Cease operating Franchised Business, payment of amounts due, and others; see §§ 18.1 to 18.12, 19.
j.	Assignment of contracts by us	16.1	There are no limits on our right to assign the Franchise Agreement.
k.	"Transfer" by you – definition	16.4	Includes any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security, direct, or indirect interest in: (a) the Franchise Agreement; (b) you; (c) any or all of your rights and/or obligations under the Franchise Agreement; and/or (d) all or substantially all of the assets of the Franchised Business.
l.	Our approval of transfer by you	16.4 to 16.5	You may not make any transfers without our prior consent.
m.	Conditions for our approval of transfer	16.5	Release, signature of new Franchise Agreement, payment of transfer fee, and others; see §§ 16.5.1 to 16.5.10.
n.	Our right of first refusal to acquire your business	16.6	We have the right (not obligation) to match any bona fide offer.
o.	Our option to purchase your business	18.4 to 18.5	Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at the lesser of cost or fair market value.
p.	Your death or disability	16.7	Representative must promptly apply for our approval to transfer interest and pay reasonable costs we incur in reviewing transfer.

THE FRANCHISE RELATIONSHIP

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

FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
q.	Non-competition covenants during the franchise term	19.2 to 19.6	Prohibits engaging in "Competitive Business" (meaning any foodservice business as to which the sale of coffee and coffee-based or flavored beverages comprises 5% or more of its gross revenues) during the Franchise Agreement term with no other temporal or geographical limitation.
r.	Non-competition covenants after the franchise is terminated or expires	19.2 to 19.6	Prohibits engaging in Competitive Business within 5 miles of (a) Accepted Location for your BRCC Shop and (b) any other BRCC Shop. Applies for two years after expiration, termination, or a transfer.
s.	Modification of the agreement	25.2	By mutual agreement in writing.
t.	Integration/merger clause	25.1	Final complete agreement with exhibits is binding and supersedes all prior agreements. Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.
u.	Dispute resolution by arbitration or mediation	27	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Franchise Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Section 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain

THE FRANCHISE RELATIONSHIP

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

FRANCHISE AGREEMENT			
	Provision	Section in Franchise Agreement	Summary
			additional terms that may be required under applicable state law.
v.	Choice of forum	27.2	Any action you bring against us must be brought only within courts with jurisdiction over San Antonio, Texas. Any action we bring against you may be brought in jurisdiction where we maintain our principal place of business. Your state law may impact this provision.
w.	Choice of law	27.1	Texas law governs the Franchise Agreement. Your state law may impact this provision.

Item 18

Public Figures

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

Item 19

Financial Performance Representations

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Scott Harvey at 355 Spencer Lane, San Antonio, TX 78201 (tel. 855.888.2722 ext. 152), the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20**Outlets and Franchisee Information**

Table No. 1
Systemwide Outlet Summary for 2018 to 2020

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2018	0	0	0
	2019	0	0	0
	2020	0	3	+3
Company-Owned	2018	0	0	0
	2019	0	0	0
	2020	0	1	+1
Total Outlets	2018	0	0	0
	2019	0	0	0
	2020	0	4	+4

Notes to all Item 20 charts:

- (1) All details are as of our fiscal year ends, which fall on December 31 each year.
- (2) States not listed had no activity during the relevant time frame.
- (3) We did not start to offer franchises or enter into any Franchise Agreements before this FDD is issued, so we do not have information on franchised outlets to report in these charts.
- (4) We also have two company owned retail locations ("Retail Stores"), described below. These Retail Stores operate independently of the System and are materially different than the franchise offered under this disclosure document.

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

- (5) Certain retailers in New Jersey and South Carolina sell "Black Rifle Coffee Company" branded coffee in their establishments.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
for 2018 to 2020

State	Year	Number of Transfers
All	2018	0
	2019	0
	2020	0
Total	2018	0
	2019	0
	2020	0

Table No. 3
Status of Franchised Outlets
for 2018 to 2020

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of Year
Ga.	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	2	0	0	0	0	2
Tex.	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	1	0	0	0	0	1
Total	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	3	0	0	0	0	3

Table No. 4
Status of Company-Owned Outlets
for 2018 to 2020

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Tex.	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	1	0	0	0	1
Total	2018	0	0	0	0	0	0
	2019	0	0	0	0	0	0
	2020	0	1	0	0	0	1

Table No. 5
Projected Openings for 2021
(as of December 31, 2020)

State	Franchise Agreements Signed but Outlets Not Yet Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Affiliate-Owned Outlets in the Next Fiscal Year
Florida	1	0	0
Georgia	1	0	0
Oklahoma	1	0	0
Tennessee	0	0	1
Texas	3	3	4
Utah	0	0	3
Virginia	0	0	2
Total	6	3	10

The names, addresses, and telephone numbers of our franchisees as of our fiscal year ending December 31, 2020 are listed in Exhibit H. The name and last known home address and telephone number of every one of our franchisees who has had an agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under an agreement during the one-year period ending December 31, 2020, or who has not communicated with us within ten weeks of the date of this disclosure document, is also listed in Exhibit H. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

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

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

Item 21

Financial Statements

Black Rifle Coffee Company was formed on December 1, 2017. Our parent company, Authentic Brands LLC, was formed on June 5, 2018, and guarantees our performance (a copy of that guarantee is included in Exhibit F).

Attached as Exhibits F-1 and F-2 are Authentic Brands LLC's consolidated financial statements for the fiscal years ended December 31, 2020, 2019, and 2018. Also attached in Exhibit F-3 is Authentic Brands LLC's guarantee of performance.

Our fiscal years end each year on December 31st.

Item 22**Contracts**

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

Item 23**Receipts**

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

EXHIBIT A

Franchise Agreement with Exhibits

Black Rifle Coffee Company LLC Franchise Agreement

**Black Rifle Coffee Company LLC
Franchise Agreement**

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Exhibits:

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

Black Rifle Coffee Company LLC Franchise Agreement

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into as of the date that we have indicated on the signature page of this Agreement (the “**Effective Date**”) by and between:

- Black Rifle Coffee Company LLC, a Texas limited liability company with its principal place of business at 355 Spencer Lane, San Antonio, Texas 78201 (“**we**,” “**us**,” “**our**,” or “**Franchisor**”); and
- _____, a [resident of] [corporation organized in] [limited liability company organized in] the State of _____ and _____ having offices at _____ (“**you**” or the “**Franchisee**”).

Introduction

We and our affiliates (as defined below) own a format and system relating to the establishment and operation of “Black Rifle Coffee Company” retail coffee shop businesses that feature, among other things, fresh roasted coffee beverages, freshly made baked goods, and retail items in a modern, technical environment (each a “**BRCC Shop**”). BRCC Shops specialize in the sale of beverages and products that we may periodically specify for on-premises and carry-out consumption, which may include Proprietary Items (as defined in this Agreement) as well as non-Proprietary Items to customers on-site (collectively, the “**Retail Products**”). The services associated with offering Retail Products to consumers are referred to as the “**Services**”.

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

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

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

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

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

1 GRANT

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

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

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

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

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

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

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

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

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

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

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

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

1.4.7 Definitions.

- 1.4.7.1 The term “**Captive Market Location**” is agreed to include, among other things, non-foodservice businesses of any sort within which a BRCC Shop or a branded facility is established and operated (including, for example, hotels and resorts).
- 1.4.7.2 The term “**Non-Traditional Facility**” includes, among other things, college campuses, schools, casinos, airports and other travel facilities; federal, state, or local government facilities (including military bases); theme and amusement parks; recreational facilities; seasonal facilities; shopping malls; theaters; and sporting event arenas and centers.

1.5 *Limits on Where You May Operate.*

- 1.5.1 You may offer and sell the Products only: **(a)** in accordance with the requirements of this Agreement and the procedures set out in the Brand Manual (defined below); and **(b)** to customers of the Franchised Business.
- 1.5.2 You agree not to offer or sell any products or services (including the Products) through any means other than through the Franchised Business at the Accepted Location (so for example, you agree not to offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, through other businesses, and/or through any other electronic or print media).
- 1.5.3 You agree that you will offer and sell Products from the Accepted Location only to retail customers:
 - 1.5.3.1 Face to face, for consumption on the BRCC Shop premises;
 - 1.5.3.2 Face to face, for personal carry-out consumption; and/or
 - 1.5.3.3 As provided in Section 1.6 below.
- 1.5.4 You further understand that we will not prohibit other BRCC Shops or food service business (whether owned or franchised by us or by our affiliates) from delivering Products to customers at any location, whether inside or outside of the Protected Area.

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

- 1.6.1 You agree not to engage in Delivery and/or Catering services, whether inside or outside of the Protected Territory, unless you have obtained our prior written consent as to each proposed Delivery and/or Catering order.

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

2 TERM AND RENEWAL

- 2.1 *Term.* The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire upon the earlier to occur of: (a) ten (10) years following the date the Franchised Business is first open to the public; or (b) eleven (11) years following the Effective Date.
- 2.2 *Renewal.* You will have the right to renew your rights to operate the Franchise Business for two (2) additional consecutive successor terms of five (5) years each, so long as you have satisfied all of the conditions specified in Sections 2.2.1 through 2.2.9 before each such renewal:
 - 2.2.1 You agree to give us written notice of your choice to renew at least twelve (12) months before the end of the term of this Agreement (but not more than fifteen (15) months before the term expires).
 - 2.2.2 You agree to remodel and refurbish the Franchised Business to comply with our then-current standards in effect for new BRCC Shops (as well as the provisions of Section 8.8 below).
 - 2.2.3 At the time of renewal: (a) you must be in compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates) and (b) in our reasonable judgment, you must have been in compliance

during the term of this Agreement, even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet those obligations.

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

3 OUR DUTIES

- 3.1 *Training.* We will provide you with the training specified in Section 6 below.
- 3.2 *Site Selection.* We will provide the site selection assistance that we think is needed, but you will retain the sole responsibility for choosing a viable site (even though we will have provided assistance and our opinions on the options).
- 3.3 *Standard Layout and Equipping of a BRCC Shop.* We will make available to, at no additional charge, our standard layout, design and image specifications for a BRCC Shop, including the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We have the right to modify our standard layout plans and specifications as we deem appropriate

periodically (however, once we have provided those plans and specifications to you, we will not further modify the layout plans and specifications for the initial construction of your BRCC Shop). We will also provide the site selection and lease review assistance called for under Section 5.3 below.

- 3.4 *Opening and Additional Assistance.* We will provide a representative to be present at the opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Brand Manual (defined below).
- 3.5 *Brand Manual.* We will lend to you one (1) copy of (or provide you with access to), during the term of this Agreement, our confidential brand manuals and other written instructions relating to the operation of a BRCC Shop (the “**Brand Manual**”), in the manner and as described in Section 10 below.
- 3.6 *Marketing Materials.* We will assist you in developing the Grand Opening Marketing Program (defined below). We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.
- 3.7 *Marketing Funds.* We will administer the Marketing Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.
- 3.8 *Inspection Before Opening.* We will evaluate the Franchised Business before it first opens for business. You agree to not open the Franchised Business to customers or otherwise start operation until you have received our prior written approval to do so. You agree to provide us with written notice of the date that you intend to start operating at least forty-five (45) days in advance of the planned opening date.
- 3.9 *Assistance.* We will provide you with assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as a field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations.
- 3.10 *Services Performed.* You agree that any of our designees, employees, agents, or independent contractors (such as an “area representative”) may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).
- 3.11 *Our Decision-Making.* In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: **(a)** to take into account, as we see fit, the effect on, and the interests of, other franchised and company-owned or affiliated businesses and systems; **(b)** to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; **(c)** to test market various items in some or all parts of the System; **(d)** to introduce new Proprietary Items, products that are not Proprietary Items, and operational equipment; and/or **(e)** to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.

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

4 FEES; SALES REPORTING

- 4.1 *Initial Franchise Fee.* You agree to pay us an initial franchise fee of Thirty-Five Thousand Dollars (\$35,000) (the “**Initial Franchise Fee**”). The Initial Franchise Fee is due and payable to us on the day that you sign this Agreement. The Initial Franchise Fee is not refundable. The Initial Franchise Fee is payable in consideration of the services that we provide to you in connection with helping you to establish your new BRCC Shop.
- 4.2 *Royalty Fee and Sales Reports.* For each Week during the term of this Agreement, you agree to: (a) pay us a continuing royalty fee in the amount equal to six percent (6%) of the Gross Sales of the Franchised Business (“**Royalty Fees**” or “**Royalties**”); and (b) report to us your Gross Sales, in the form and manner that we specify (a “**Sales Report**”), by the time specified in Section 4.3 below. As used in this Agreement:
- 4.2.1 The term “**Gross Sales**” means all revenue from the sale of all Retail Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit. Gross Sales excludes sales taxes and other taxes that you collect from your customers and actually pay to the appropriate taxing authorities.
- 4.2.2 The term “**Period**” means a calendar month, or, at our election a four or five-week retail accounting interval during the year for the purpose of organizing books and records (typically, with thirteen Periods in approximately one year). We have the right to establish the schedule for Periods with reasonable advance notice to you.
- 4.2.3 The term “**Week**” means a calendar week, starting each Sunday at 12:00:01 am (local time) and ending at 11:59:59 pm the following Saturday.
- 4.3 *Due Date.* All payments required by Section 4.2 above and Section 13 below must be made by ACH (as specified below) by Friday of each Week (the “**Due Date**”), based on the Gross Sales of the previous Period. In addition, you agree to all of the following:
- 4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request. You also agree to deliver the Sales Report to us by the Due Date based on the sales of the previous Period.

- 4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of "ACH - Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.3.2), and you agree to: **(a)** comply with the payment and reporting procedures that we may specify in the Brand Manual or otherwise in writing; and **(b)** maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement. If we elect to use ACH withdrawal to sweep payment of fees, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: **(i)** you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and **(ii)** if you do not do so, then you agree to pay us upon demand the amounts due and also reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose. You also agree that we may initiate an ACH withdrawal earlier than the Due Date so that the funds are actually transferred by the bank into our account on the Due Date.
- 4.3.3 You agree that your obligations to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully-earned (by us), and due as soon as you are first open to the public.
- 4.3.4 You agree not to, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the Marketing Fund, the Regional Fund, our affiliates, suppliers, or others.
- 4.3.5 You agree that if you do not provide us, as requested, with access to your Computer System to obtain sales information or, if we require pursuant to Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any Week(s) that we choose (which may be those with your highest grossing sales), and that you agree to pay the Royalties on that amount by our deduction of that amount from your direct debit account.
- 4.4 *No Subordination.* You agree: **(a)** not to subordinate to any other obligation your obligation to pay us the Royalty Fee and/or any other amount payable to us, whether under this Agreement or otherwise; and **(b)** that any such subordination commitment that you may give without our prior written consent will be null and void.
- 4.5 *Late Payment.* If we do not receive any payment due under this Agreement (and if the appropriate marketing fund does not receive payment due) on or before the due date, then that amount will be deemed overdue. If any payment is late, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). Our entitlement to such interest will be in addition to any other remedies we may have. Any report that we do not receive on or before the due date will also be deemed overdue.

- 4.6 *Other Funds Due.* You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.
- 4.7 *Index.* We have the right to adjust, for inflation, the fixed-dollar amounts (that is, those expressed in a numeral and not as a percentage of Gross Sales) under this Agreement (except for the Initial Franchise Fee) once a year to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.7, the term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.
- 4.8 *Funds.* You agree to make all payments to us in U.S. Dollars to such bank account as we may periodically designate in writing (or as we otherwise direct in writing).

5 FRANCHISED BUSINESS LOCATION, CONSTRUCTION AND RENOVATION

- 5.1 *Opening Deadline.* You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. You agree to establish the Franchised Business and have it open and in operation within twelve (12) months after the Effective Date of this Agreement. **Time is of the essence.**
- 5.2 *Site for the BRCC Shop.* As provided in Section 1.2 above, if you do not have (and we have not approved in writing) a location for the BRCC Shop as of the Effective Date, then you must find and obtain the right to occupy (by lease, sublease, or acquisition of the property) premises that we find acceptable to serve as your BRCC Shop, all in accordance with the Site Selection Addendum.
- 5.3 *Our Review and Your Responsibilities.* Any reviews that we conduct of the proposed site, lease, and other details concerning your site are for our benefit only, and to evaluate the proposed site against our internal standards. In addition:
- 5.3.1 You agree that our review, comments about, and even our approval of a proposed site, lease, sublease, design plans, and/or renovation plans for the BRCC Shop is not (and shall not be deemed) our recommendation, endorsement, and/or guarantee of the suitability of that location or the terms of the lease, sublease, and/or purchase agreement.
- 5.3.2 You agree to take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, and/or purchase agreement for the site are beneficial and acceptable to you (including retaining your own legal counsel to review the lease). Additionally, no matter to what extent (if any) that we participate in any lease, sublease, and/or purchase negotiations, discussions with the landlords or property owners, and/or otherwise in connection with reviewing the lease, sublease and/or purchase agreement, you have to make the final decision as to whether or not the proposed contract is sensible for your business, and the final decision as to whether or not to sign the lease, sublease, and/or purchase agreement is yours, and we will not be responsible for the terms and conditions of your lease, sublease, and/or purchase agreement.
- 5.3.3 You agree that: **(a)** any standard layout and equipment plans that we provide to you, as well as any review and comments that we provide to the plans that you develop for

your BRCC Shop, are not meant to address the requirements of any Operating Codes (as defined in Section 8.7 below); **(b)** our standard plans or comments to your modified plans, will not reflect the requirements of, nor may they be used for, construction drawings or other documentation that you will need in order to obtain permits or authorization to build a specific BRCC Shop; **(c)** you will be solely responsible to comply with all local laws, requirements, architectural needs, and similar design and construction obligations associated with the site, at your expense; and **(d)** our review, comment, and approval of your plans will be limited to reviewing those plans to assess compliance with our standards (including issues such as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the purpose, atmosphere, and functioning of BRCC Shops).

- 5.3.4 You agree that our recommendation or acceptance of the Accepted Site indicates only that we believe that the Accepted Site falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the Accepted Site.
- 5.3.5 We will not review nor may our approval be deemed to address whether or not you have complied with any of the Operating Codes, including provisions of the Americans with Disabilities Act (the "**ADA**"); and you agree that compliance with such laws is and will be your sole responsibility.
- 5.3.6 You acknowledge that we will have no liability to you or any regulatory authority if you fail to obtain and/or maintain any necessary licenses or approvals required for the operation of the Franchised Business.
- 5.4 *Lease Review.* You agree to provide us with a copy of the proposed lease, sublease, or purchase agreement for the Accepted Location, and you agree not to enter into that lease, sublease, or purchase agreement until you have received our written approval. We have the right to condition our approval of the lease, sublease, or purchase agreement upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement, including, that you and the landlord execute a lease rider in the form attached to this Agreement as Exhibit H. You also agree:
 - 5.4.1 to provide us with a copy of the fully signed lease and/or sublease, including a signed lease rider (in the form attached as Exhibit H), before you begin construction or renovations as the Accepted Location;
 - 5.4.2 that our recommendation or acceptance of the proposed lease, sublease, or purchase agreement for the Accepted Location indicates only that we believe that the lease, sublease, or purchase agreement falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the lease, sublease, or purchase agreement for the Accepted Location;
 - 5.4.3 that our acceptance of the proposed site as well as your proposed lease, sublease, or purchase agreement for the Accepted Site does not constitute any guarantee or warranty, express or implied, of the successful operation or profitability of your BRCC Shop operated at the Accepted Site (and that our acceptance indicates only that we believe that the Accepted Site and the terms of the lease, sublease, or purchase agreement fall within our own internal criteria); and
 - 5.4.4 that we have advised that you have your own attorney review and evaluate the lease, sublease, or purchase agreement.

- 5.5 *Preparing the Site.* You agree that promptly after obtaining possession of the Accepted Location, you will do all of the following things:
- 5.5.1 obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;
 - 5.5.2 purchase or lease equipment, fixtures, furniture and signs as required under this Agreement (including the specifications we have provided in writing, whether in the Brand Manual or otherwise);
 - 5.5.3 complete the construction and/or remodeling as described in Section 8.8 below, and installation of all equipment, fixtures, furniture and signs and decorating of the Franchised Business in full and strict compliance with plans and specifications for the Franchised Business that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements;
 - 5.5.4 obtain all customary contractors' partial and final waivers of lien for construction, remodeling, decorating and installation services; and
 - 5.5.5 purchase an opening inventory of ingredients for Retail Products and other materials and supplies.
- 5.6 *Construction or Renovation.* In connection with any construction or renovation of the Franchised Business (and before you start any such construction or renovation) you agree to comply, at your expense, with all of the following requirements, which you agree to satisfy to our reasonable satisfaction:
- 5.6.1 You agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary architectural drawings and equipment layout and specifications for site improvement and construction of the Franchised Business based upon standard layout, design and image specifications we will furnish in the Brand Manual (depending on whether, for example, your Franchised Business will be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). The materials that you submit to us must include a description of any modifications to our specifications (including requirements for dimensions, interior and exterior design and layout, equipment, fixtures, furnishings, signs, and decorating materials) required for the development of a Franchised Business. Our approval will be limited to conformance with our standard image specifications and layout, and will not relate to your obligations with respect to any applicable Operating Codes, including the ADA. After we have responded to your preliminary plans and you have obtained any permits and certifications, you agree to submit to us, for our prior written approval, final architectural drawings, plans and specifications. We will have the right to request changes and approve, but we will not supervise or otherwise oversee your project. We will not unreasonably withhold our approval of your adapted plans, provided that such plans and specifications conform to our general criteria. Once we have approved those final plans, you cannot later change or modify the plans without our prior written consent.
 - 5.6.2 You agree to comply with all Operating Codes, including, the applicable provisions of the ADA regarding the construction and design of the Franchised Business. Additionally, before opening the Franchised Business, and after any renovation, you agree to execute and deliver to us an ADA Certification in the form attached to this

Agreement as Exhibit E, to certify that the Franchised Business and any proposed renovations comply with the ADA.

- 5.6.3 You are solely responsible for obtaining (and maintaining) all permits and certifications (including, zoning permits, licenses, construction, building, utility, health, sign permits and licenses) which may be required by state or local laws, ordinances, or regulations (or that may be necessary or advisable due to any restrictive covenants relating to your location) for the lawful construction and operation of the Franchised Business. You must certify in writing to us that all such permits and certifications have been obtained.
- 5.6.4 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and to complete all improvements.
- 5.6.5 You agree to obtain (and maintain) during the entire period of construction the insurance required under Section 15 below; and you agree to deliver to us such proof of such insurance as we may reasonably require.
- 5.7 *Pre-Opening.* Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Brand Manual, and/or that we may otherwise specify in writing.
- 5.8 *Reporting Development Costs.* Within ninety (90) days after the Franchised Business first opens for business, you agree to give us a full written breakdown of all costs associated with the development and construction of the Franchised Business, in the form that we may reasonably find acceptable or that we may otherwise require.

6 OPERATING OWNER, PERSONNEL, AND TRAINING

6.1 *Operating Owner and Management.*

- 6.1.1 One of the parties that owns an interest in you must serve as your “**Operating Owner.**” The Operating Owner must supervise the operation of the Franchised Business and must own at least twenty-five percent (25%) of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Owner to hold a smaller interest. The Operating Owner (and any replacement for that individual) must have qualifications reasonably acceptable to us to serve in this capacity, complete our training program as described below, must have authority over all business decisions related to the Franchised Business, must have the power to bind you in all dealings with us, and must have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.
- 6.1.2 You must inform us in writing whether the Operating Owner will assume full-time responsibility for the daily supervision and operation of the Franchised Business. If not, then you must employ a full-time Store Manager (a “**Store Manager**”) with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business.
- 6.1.3 If you do not have a Store Manager then you must employ at least one (1) general manager and at least one (1) assistant manager (or someone serving in an equivalent capacity, subject to our prior written approval) at all times in the Franchised Business throughout the term of this Agreement, who have successfully completed, to our

satisfaction, our initial training program and any additional training that we may require of such persons. You agree to pay us a discounted training fee in the amount of One Thousand Five Hundred Dollars (\$1,500) for each additional person to be trained.

- 6.1.4 The Franchised Business must at all times be under the active full-time management of either Operating Owner or Store Manager (who must have successfully completed our initial training program to our satisfaction).
- 6.1.5 The term “**Additional Trained Personnel**” means Store personnel, in addition to the Operating Owner and Store Manager, who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such person will perform in operating the Franchised Business.

6.2 *Initial Management Training.*

- 6.2.1 Owners Training. The Operating Owner and your Store Manager must attend and successfully complete, to our satisfaction, the owners’ training program that we offer at our headquarters or another location that we specify.
- 6.2.2 Brand Management Training.
 - 6.2.2.1 The Store Manager (and your initial general manager as well as your initial assistant manager) must also attend and successfully complete, to our satisfaction, the brand management training program that we offer at our headquarters or another location that we specify. (Your Store Manager will train your subsequently hired general managers and assistant managers.)
 - 6.2.2.2 You may send up to two (2) individuals to the initial training program to our designated training facilities (which may be in Texas, Utah, or elsewhere). If you wish to send additional individuals to be trained (including the Operating Owner, Store Manager, and Additional Trained Personnel) to the initial training program, you must pay us a training fee in the amount as shown in Exhibit A.

6.3 *Additional Obligations and Terms Regarding Training.*

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

- 6.3.3 We may require you to enroll each of your employees in web-based training programs relating to the Retail Products and Services that will be offered to customers of the BRCC Shop.
- 6.3.4 All of your trainees must sign and deliver to us a personal covenant of confidentiality in substantially the form of Exhibit F to this Agreement.
- 6.3.5 Training Costs and Expenses.
 - 6.3.5.1 We agree to bear the cost of providing the instruction and required materials, except as otherwise provided in Sections 6.2, 6.3, 6.4, and 6.5 of this Agreement.
 - 6.3.5.2 You agree to bear all expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees. Training may take place at one or more locations that we designate, including Texas, Utah, or elsewhere.
 - 6.3.5.3 You also agree to cover all of your employees at all times (including the pre-opening period, and including those attending training) under the insurance policies required in Section 15 below.
 - 6.3.5.4 We have the right to reduce the duration or content of the training program for any trainee who has prior experience with our System or in similar businesses.
- 6.4 *Additional On-Site Training.* You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses. Additionally, if you do not pass one or more mystery shopper visits and/or inspections, then we have the right to determine that you are not operating your BRCC Shop in accordance with our brand standards, and we may place you in default of this Agreement and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business.
- 6.5 *Conventions and Meetings.* You agree to attend the conventions and meetings that we may periodically require and to pay a reasonable fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well). You will also be responsible for all of the other costs of attendance, including travel, room and board, and your employees' wages, benefits and other expenses.

7 PURCHASING AND SUPPLY

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

- 7.1 *Input Items.* You agree to buy all ingredients, equipment, furniture, supplies, paper products, t-shirts, and other apparel), materials (such as packaging), and other products and services used (or offered for sale) at the BRCC Shop (together, “**Input Items**”) only from suppliers as to whom we have given our prior written approval (and whom we have not subsequently disapproved). (The term Input Items also includes any pre-packaged Retail Products that you buy from approved suppliers.) In this regard, the parties further agree:
- 7.1.1 In determining whether we will approve any particular supplier for an Input Item, we will consider various factors, including: (a) whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; (b) whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; (c) whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and/or (d) whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae).
 - 7.1.2 For the purpose of this Agreement, the term “**supplier**” includes, but is not limited to, manufacturers, distributors, resellers, and other vendors. You agree that we have the right to appoint only one supplier for any particular product, ingredient or item (which may be us or one of our affiliates).
 - 7.1.3 You agree to offer and sell only Retail Products and Services at the Franchised Business. You may not offer or sell anything at the Franchised Business that is not a Retail Product or a Service.
 - 7.1.4 If you want to buy any Input Item from an unapproved supplier (except for Proprietary Items, which are addressed in Section 7.2 below), then you must first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier’s facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential.

- 7.1.5 You agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some BRCC Shops with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of BRCC Shops, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Input Items, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of BRCC Shops. We have the right to approve or disapprove of the suppliers who may be permitted to sell Input Items to you. Any of our affiliates that sell Input Items to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell Input Items to you, or to withhold certain discounts that might otherwise be available to you.
- 7.1.6 You agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of Input Items. These Allowances include those based on purchases of products, paper goods, ingredients, beverages, and other items (such as packaging). You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.
- 7.1.7 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.
- 7.2 *Proprietary Items.* You agree that: **(a)** we have the right to require that certain Retail Products that you offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such items are our proprietary products ("**Proprietary Items**"); **(b)** we have the right to require that you purchase and offer Proprietary Items (as well as any packaging bearing the Proprietary Marks) only from us, our affiliates, and/or our designated suppliers, and not to offer or sell any other such products at or from the Franchised Business; and **(c)** we have the right to determine whether any particular item (now or in the future) is or will be deemed a "Proprietary Item."
- 7.3 *Specifications.* In addition to the provisions of Sections 7.1 and 7.2 above, as to those Input Items that we do not require you to buy or otherwise source from approved suppliers and that are not proprietary items (as specified in Section 7.2 above), you agree to purchase or otherwise source those Input Items only in accordance with the standards and specifications that we specify in the Brand Manual or otherwise in writing (for example, USDA Grade A eggs).
- 7.4 *Use of the Marks.* You agree to use all Logo Items that we require and not to use any items that are a substitute for a Logo Item without our prior written consent. The term "**Logo Items**" is agreed to mean all marketing materials, signs, decorations, paper goods (including and all forms and stationery used in the Franchised Business). You agree that all Logo Items that you use will bear the Proprietary Marks in the form, color, location, and manner we prescribe (and that all such Logo Items will be subject to our prior written approval as provided in Section 13.8 below).

- 7.5 *Manufacturing.* You agree not to produce or otherwise manufacture any items in your BRCC Shop (except for products that we have otherwise authorized and approved for production in the Brand Manual or otherwise in writing).

8 YOUR DUTIES

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

- 8.1 *Importance of Following Standards.* You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other “Black Rifle Coffee Company” franchisees in order to develop and maintain our brand and operating standards, to provide customer service to customers and participants, to increase the demand for the Retail Products and Services sold, by all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.
- 8.2 *Opening.* In connection with the opening of the Franchised Business:
- 8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.
 - 8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above. Subject to availability and scheduling, we will send a representative to attend the opening; and you agree not to open the Franchised Business without our representative present. If we cannot provide our representative on the date that you propose to first open the Franchised Business for business, then you must reschedule such opening to a date on which our representative can be in attendance; provided, that we will not unreasonably delay opening of the Franchised Business due to these considerations.
 - 8.2.3 You will not open the Franchised Business until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including to materials, quality of work, signage, decor, paint, and equipment, and we have given you our prior written approval to open, which we will not unreasonably withhold.
 - 8.2.4 You agree not to open the Franchised Business until the Operating Owner, Store Manager, and Additional Trained Personnel have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business’s customers.
 - 8.2.5 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.
- 8.3 *Staffing.*
- 8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service customers and to comply with staffing and service criteria, which may include without limitation specified positions that we may designate from time to time as necessary or appropriate for providing quality member experience according to our

standards. We will provide our requirements for service/function positions that we may establish from time to time and which will be set forth in our Brand Manual.

- 8.3.2 For the sake of efficiency and to enhance and protect our brand you and your staff must, at all times, cooperate with us and with our representatives, and conduct the operation of the business in a first-class and professional manner in terms of dealing with customers, vendors, and our staff as well.
 - 8.3.3 Your employees must comply with such dress code and other brand standards as we may reasonably require, which may include use of branded (or other "**uniform**") apparel, and otherwise identify themselves with the Proprietary Marks at all times in the manner we specify (whether in the Brand Manual or otherwise in writing) while on a job for the Franchised Business. We may also require that you (and that you ensure that your employees also) comply with our brand standards concerning personal appearance (including dress code, footwear, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at work stations, etc.).
 - 8.3.4 You agree that you will seek to develop, cultivate, and maintain a cooperative, cordial, and respectful work environment for your staff and among all of the owners of the Franchised Business.
- 8.4 *Operate According to Our Standards.* To ensure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Brand Manual or otherwise in writing. In this regard, you agree to do all of the following:
- 8.4.1 You agree to maintain in sufficient supply, and to use at all times only the items, products, equipment, services, materials, and supplies that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.
 - 8.4.2 You agree: **(a)** to sell or offer for sale only those Services, items, and Retail Products using the standards and techniques that we have approved in writing for you to offer and use at your Franchised Business; **(b)** to sell or offer for sale all Services, items, and Products using the standards and techniques that we specify in writing; **(c)** not to deviate from our standards and specifications; **(d)** to stop using and offering for use any Services or Retail Products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and **(e)** that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property.
 - 8.4.3 You agree to permit us, or our agents, at any reasonable time, to inspect the Retail Products, equipment and to remove samples of items or Retail Products, without payment, in amounts reasonably necessary for testing by us or an independent third party to determine whether the Retail Products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.

- 8.4.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify, and to periodically make upgrades and other changes to such items at your expense as we may reasonably request in writing. Without limiting the above, you agree that changes in our System standard may require you to purchase new and/or additional equipment for use in the Franchised Business.
- 8.4.5 You agree not to install or permit to be installed on or about the premises of the Franchised Business, without our prior written consent, any fixtures, furnishings, equipment, machines, décor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.
- 8.4.6 You agree to immediately notify us in writing if you or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein.
- 8.4.7 You agree to purchase or lease, and use, the music system and playlist that we require, and pay fees to the licensing organization associated with playing that music.
- 8.5 *Use of the Premises.* You may use the Accepted Location only for the purpose of operating the Franchised Business and for no other purpose. You agree not to co-brand or permit any other business to operate at the Accepted Location.
- 8.6 *Hours and Days of Operation.* You agree to keep the Franchised Business open and in normal operation for such hours and days as we may periodically specify in the Brand Manual or as we may otherwise approve in writing.
- 8.7 *Health Standards and Operating Codes.* You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. You agree to fully and faithfully comply with all Operating Codes applicable to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you are in compliance with any Operating Codes. As used in this Agreement, “**Operating Codes**” means all applicable laws, codes, ordinances, and/or regulations (whether federal, state, municipal, and/or local) that apply to the Services, Retail Products, construction and design of the BRCC Shop, and/or other aspects of operating the Franchised Business (including the ADA, laws pertaining to employment, etc.).
 - 8.7.1 You agree to send us, within two (2) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.
 - 8.7.2 You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Services you will offer, sell, and provide. Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business.
 - 8.7.3 You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.

8.8 *Your Franchised Business:*

8.8.1 *Franchised Business Condition, Maintenance.* You agree that at all times, you will maintain the Franchised Business in a high degree of sanitation, repair, and condition. In addition, you agree to make such repairs and replacements to the BRCC Shop as may be required for that purpose (but no others without our prior written consent), including the periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor that we may reasonably require. You also agree to obtain maintenance services from qualified vendors for any equipment as we may specify and maintain those service agreements at all times. Your maintenance and upkeep obligations under this Section 8.8.1 are separate from those with respect to periodic upgrades that we may require regarding fixtures, furnishings, equipment, decor, and signs, and Section 8.8.2 below with respect to Major Remodeling. You also agree to complete a Minor Refurbishment as we may reasonably require, which will not be more than once every three (3) years. (The term “**Minor Refurbishment**” includes Computer Upgrades as defined in Section 14 below.)

8.8.2 *Major Remodeling.* In addition to the maintenance and upkeep obligations requirements under Section 8.8.1 above, you agree to refurbish the Franchised Business at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new BRCC Shops, including remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, “**Major Remodeling**”). In this regard, the parties agree that:

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

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

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

8.10 *Depending on your type of Entity:*

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

owners of any class of voting stock of your company and furnish the list to us upon request.

- 8.10.2 *Partnership/LLP*. If you are a general partnership, a limited partnership, or a limited liability partnership (LLP), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all of your general and limited partners; and **(d)** consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.
- 8.10.3 *LLC*. If you are a limited liability company (LLC), then you agree to: **(a)** confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; **(b)** furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; **(c)** prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and **(d)** maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.
- 8.10.4 *Guarantees*. If you (the Franchisee under this Agreement) are an entity, then you agree to obtain, and deliver to us, a guarantee of your performance under this Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct and indirect: **(a)** shareholder of a corporate Franchisee; **(b)** member of a limited liability company Franchisee; **(c)** partner of a partnership Franchisee; and/or **(d)** partner of a limited liability partnership Franchisee.
- 8.11 *Quality-Control and Customer Survey Programs*. We may periodically designate an independent evaluation service to conduct a “mystery shopper,” “customer survey,” “food safety,” and/or similar quality-control and evaluation programs with respect to BRCC Shops. You agree to participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to: **(a)** immediately implement any remedial actions we require; and **(b)** reimburse us for the expenses we incur as a result thereof (including the cost of having the evaluation service re-evaluate the Franchised Business, our inspections of the Franchised Business, and other costs or incidental expenses).
- 8.12 *Prices*.
- 8.12.1 We may periodically provide suggested retail pricing, however (subject to Section 8.12.2 below), you will always have the right to set your own prices.
- 8.12.2 You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Retail Products and Services offered and sold at the BRCC Shop under this Agreement. You will have the right to set the prices that you will charge to your customers; provided, however, that (subject to applicable law): **(a)** if we have established a maximum price for a particular item, then you may charge any

price for that item up to and including the maximum price we have established; and **(b)** if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.

- 8.13 *Environmental Matters.* Both parties recognize and agree that there are changing standards in this area in terms of applicable law, competitors' actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Brand Manual, and you agree to abide by those standards.
- 8.14 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the BRCC Shop. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without compensation to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.
- 8.15 *Suspending Operation.* You agree to immediately suspend operating the Franchised Business and promptly notify us in writing if: **(a)** any equipment used, or products or services sold, at the Franchised Business deviate from our standards; **(b)** any equipment used, or products or services sold, at the Franchised Business fail to comply with applicable laws or regulations; and/or **(c)** you fail to maintain the equipment, Franchised Business premises, personnel, or operation of the Franchised Business in accordance with any applicable law or regulations. In the event of such closing, you agree to immediately notify us, in writing, and also remedy the unsafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Franchised Business until after we have inspected the Franchised Business premises (physically or otherwise), and we have determined that you have corrected the condition and that all equipment used, or products or services to be sold, at the Franchised Business comply with our standards. This Section 8.15 does not limit or restrict our other rights under this Agreement.

9 PROPRIETARY MARKS

- 9.1 *Our Representations.* We represent to you that we own (and/or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks, and that we have taken (and will take) all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Proprietary Marks.
- 9.2 *Your Agreement.* With respect to your use of the Proprietary Marks, you agree that:
- 9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.

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

9.2.9.2 Defense and Costs:

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

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

9.3 Your Acknowledgements. You agree that:

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

- 9.3.6 The license that we have granted to you under this Agreement to use our Proprietary Marks is not exclusive, and therefore we have the right, among other things:
- 9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Retail Products and Services;
 - 9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to you and other licensees; and
 - 9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.
- 9.4 *Change to Marks.* We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different, updated, or changed Proprietary Marks will be beneficial to the System. In such circumstances, you agree to adopt the new Proprietary Marks and that your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

10 CONFIDENTIAL BRAND MANUAL

- 10.1 *You Agree to Abide by the Brand Manual.* In order to protect our reputation and goodwill and to maintain our standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Brand Manual. We will lend to you (or permit you to have access to) one (1) copy of our Brand Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.
- 10.2 *Format of the Brand Manual.* We will have the right to provide the Brand Manual in any one or more format that we determine is appropriate (including paper and/or by making some or all of the Brand Manual available to you only in electronic form, such as through an internet website or an extranet), and we may change how we provide the Brand Manual from time to time. If at any time we choose to provide some or all of the Brand Manual electronically, you agree to immediately return to us any and all physical copies of the portions of the Brand Manual that we have previously provided to you.
- 10.3 *We Own the Brand Manual.* The Brand Manual will at all times remain our sole property and you agree to promptly return the Brand Manual (including any and all copies of some or all of the Brand Manual) when this Agreement expires and/or is terminated.
- 10.4 *Confidentiality and Use of the Brand Manual.*
- 10.4.1 The Brand Manual contains our proprietary information and you agree to keep the Brand Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will insure that your copy of the Brand Manual will be available at the Franchised Business premises in a current and up-to-date manner. Whenever the Brand Manual is not in use by authorized personnel, you agree to maintain secure access to the Brand Manual at the premises of the Franchised Business, and you agree to grant only

authorized personnel (as defined in the Brand Manual) with access to the security protocols for the Brand Manual.

- 10.4.2 You agree to never make any unauthorized use, disclosure, and/or duplication of the Brand Manual in whole or in part.
- 10.5 *You Agree to Treat Brand Manual as Confidential.* You agree that at all times, you will treat the Brand Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.
- 10.6 *Which Copy of the Brand Manual Controls.* You agree to keep your copy of the Brand Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Brand Manual is kept current and up to date. You also agree that if there is any dispute as to the contents of the Brand Manual, the terms of the master copy of the Brand Manual that we maintain in our head office will be controlling. Access to any electronic version of the Brand Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.
- 10.7 *Revisions to the Brand Manual.* We have the right to revise the contents of the Brand Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Brand Manual and to comply with each new or changed standard.
- 10.8 *Modifications to the System.* You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques) as if they were part of this Agreement at the time when you and we signed this Agreement. You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

11 CONFIDENTIAL INFORMATION

11.1 Confidentiality.

- 11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use (for yourself and/or for the benefit of any other person, persons, partnership, entity, association, or corporation) any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You agree that you will divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.
- 11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or

communication by another party that has the right to publish or communicate that information.

- 11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business must execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be on a form that we provide, which form will, among other things, designate us as a third-party beneficiary of such covenants with the independent right to enforce them.
- 11.1.4 As used in this Agreement, the term “**Confidential Information**” includes, without limitation, our business concepts and plans, business model, financial model, recipes, food preparation methods, equipment, printing and digital document management methods, operating techniques, marketing methods, processes, formulae, manufacturing and vendor information, results of operations and quality control information, financial information, sales, royalty rates, accounting chart, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the Brand Manual, customer profiles, preferences, or statistics, menu breakdowns, itemized costs, franchisee composition, territories, and development plans, this Agreement and other agreements related to the Franchised Business, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made before or at the time any Confidential Information is disclosed to you.
- 11.2 *Consequences of Breach.* You agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, reasonable attorneys’ fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

12 ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

12.1 *Accounting Records and Sales Reports.*

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

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

12.1.3 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us. We have the right to require you to use only an approved bookkeeping service and an approved independent certified public accountant. You agree to provide to the accounting service provider complete and accurate information that we or the accounting service provider require, and agree that we will have full access to the data and information that you provide to the accounting service provider or through the designated program. Nothing in this clause requires your CPA to share with us its advice or guidance to you.

12.1.4 Each Period, you agree to submit to us, in the form we specify and/or utilizing our Required Software (as that term is defined in Section 14.1.2 below), the Sales Report for the immediately preceding Period. You agree to submit the report to us by whatever method that we reasonably require (whether electronically through your use of our Required Software or otherwise) for our receipt no later than the times required under Section 4.3 above. You agree that if you do not submit those reports to us in a timely manner, and/or if you do not permit us to access your Computer System as provided, we will have the right to charge you for the costs that we incur in auditing your records.

12.2 *Financial Statements.*

12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.

12.2.2 In addition, each Period during the term of this Agreement after the opening of the Franchised Business, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): **(a)** a fiscal period and fiscal year-to-date profit and loss statement and a periodic balance sheet (which may be unaudited) for the Franchised Business and a periodic trial balance through the end of each Period; **(b)** reports of those income and expense items of the Franchised Business for the Period that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); **(c)** copies of all state sales tax returns for the Franchised Business; and **(d)** copies of withholding remittances. You agree to provide to us the materials required by Sections 12.2.2(a) and 12.2.2(b) above by the Due Date, and the materials required by Sections 12.2.2(c) and 12.2.2(d) within ten (10) days after you have filed those returns with the appropriate taxing authorities.

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

- 12.4.3 You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.
- 12.4.4 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.
- 12.4.5 In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.
- 12.4.6 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.
- 12.4.7 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.
- 12.5 *Gift Cards and Incentive Programs.* You agree to offer for sale, and to honor for purchases by customers, all gift cards and other incentive or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile payment and/or customer affinity applications); and you agree to do all of those things in compliance with our standards and procedures for such programs (which may be set out in the Brand Manual or otherwise in writing). You agree to abide by the written standards that we establish and disseminate (in the Brand Manual or otherwise) with respect to gift card residual value. For this purpose, you must purchase the software, hardware, and other items needed to sell and process gift cards, and to contact with the supplier of gift cards and gift card processing services, as we may specify in writing in the Brand Manual or otherwise. You must also pay such transaction fees as may be required by the vendors of the gift card system. You agree not to sell, issue, or redeem coupons, gift certificates and gift cards other than gift cards that we have approved in writing.
- 12.6 *Our Right to Inspect Your Books and Records.* We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any payments in any report to us, then this will constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). If we conduct an inspection because you did not timely provide sales reports to us, or if an inspection discloses that you understated your sales, in any report to us (and/or underpaid your Royalties), by two percent (2%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connection with the inspection (including travel, lodging and wages expenses, and reasonable

accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.

- 12.7 *Operational Inspections.* In addition to the provisions of Section 12.6 above, you also grant to us and our agents the right to enter upon the Franchised Business premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Brand Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. You further agree to pay us our then-current per diem fee for our representative(s) and to reimburse us for our reasonable travel expenses if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request that is permitted under this Agreement.

13 MARKETING

13.1 *Marketing Contribution.*

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

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

13.1.3 We currently allocate the Marketing Contribution as follows:

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

13.1.4 We have the right to periodically make changes to the allocation of the Marketing Contribution by giving you written notice of the change, and those changes will take effect at the end of that Week.

- 13.1.5 No part of the Marketing Contribution shall be subject to refund or repayment under any circumstances.
- 13.2 *Marketing Fund.* We have the right (but not the obligation) to establish, maintain, and administer the Marketing Fund. All of the following provisions will apply to the Marketing Fund:
- 13.2.1 We (or our designee) will have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree that the Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.
- 13.2.2 The Marketing Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, free-standing inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for BRCC Shops and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the BRCC Shops operated under the System).
- 13.2.3 You agree to contribute the portion of the Marketing Contribution allocated to the Marketing Fund in the manner and at the times that are specified above in Section 4.3. The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System. All sums you pay to the Marketing Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs for franchisees and the System. The Marketing Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Marketing Fund.

- 13.2.4 The Marketing Fund is not and will not be our asset. We will prepare and make available to you upon reasonable request an annual statement of the operations of the Marketing Fund as shown on our books.
- 13.2.5 Although once established the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.
- 13.2.6 We have the right to establish a “BRCC television” network (the content of which we will own) and sell advertising on that network, and require you to install video screens that feature (among other things) the BRCC television network. We will have the right to retain all revenue derived from the BRCC television network.
- 13.2.7 We will not use the Marketing Fund for solicitations that are primarily for the purpose of promoting the sale of new franchises.
- 13.3 *Regional Fund.* We have the right to designate any geographical area for purposes of establishing a Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located has been established at the time you commence operations under this Agreement, then you must immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. In no event will you be required to join more than one Regional Fund. The following provisions will apply to each such Regional Fund:
- 13.3.1 Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we must have approved in advance, in writing.
- 13.3.2 Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing.
- 13.3.3 No marketing, advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 13.8 below.
- 13.3.4 Once you become a member of a Regional Fund, you must contribute to a Regional Fund pursuant to the allocation that we specify in Section 13.1.2 above, at the time required under Section 4.3 above, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require. We also have the right to require that you submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.
- 13.3.5 Voting will be on the basis of one vote per full-service BRCC Shop, and any full-service BRCC Shops that we (or our affiliates) operate in the region will have the same voting rights as those owned by franchisees. Each franchised BRCC Shop in the Regional Fund shall also have one vote (no matter how many people own the franchisee).

- 13.3.6 A majority of the BRCC Shop owners in the Regional Fund may vote to increase the amount of each BRCC Shop owner's contribution to the Regional Fund by up to an additional two percentage points (200 basis points) of each BRCC Shop's Gross Sales. You must contribute to the Regional Fund in accordance with any such vote by the Regional Fund to increase each BRCC Shop's contribution as provided in this section.
- 13.3.7 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.
- 13.4 *Local Marketing and Promotion.* You must spend such amounts on local marketing and promotion as we specify in Sections 13.1.3 and 13.1.4 above on a continuous basis (monthly if not otherwise as agreed with us in writing). As used in this Agreement, the term "local marketing and promotion" will consist only of the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying; however, the parties agree that local marketing may not include costs or expenses that you incur or that are spent on your behalf in connection with any of the following:
- 13.4.1 Salaries and expenses of your employees, including salaries or expenses for attendance at marketing meetings or activities, or incentives provided or offered to such employees, including discount coupons (however, you may also include within local marketing and promotion food give-aways, but only the wholesale cost plus direct labor associated with the food give-aways);
- 13.4.2 Charitable, political, or other contributions or donations; and/or
- 13.4.3 The value of discounts provided to consumers.
- 13.5 *Grand Opening Marketing Program.* In addition to the Marketing Contribution, you agree to spend at least the amount designated on the Data Sheet attached as Exhibit A for grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program must begin sixty (60) days before the scheduled commencement date for the Franchised Business and be completed no later than sixty (60) days after the Franchised Business commences operation, and is subject to the provisions of Section 13.8 below. You may include food give-aways in the Grand Opening Marketing Program (but only the wholesale cost plus direct labor associated with those food give-aways).
- 13.6 *Materials Available for Purchase.* We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.
- 13.7 *Standards.* All of your local marketing and promotion must: **(a)** be in the media, and of the type and format, that we may approve; **(b)** be conducted in a dignified manner; and **(c)** conform to the standards and requirements that we may specify. You agree not to use any advertising,

marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.8 below.

- 13.8 *Our Review and Right to Approve All Proposed Marketing.* For all proposed local marketing and promotion, advertising, and promotional plans, you (or the Regional Fund, where applicable) must submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval. If you (or the Regional Fund) have not received our written approval within fourteen (14) days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to sign such documents) that we deem reasonably necessary to give effect to this provision.
- 13.9 *Rebates.* You agree that periodic rebates, give-aways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, give-aways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.
- 13.10 *Considerations as to Charitable Efforts.* You agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions, positions, and/or make statements that are (or that may be perceived by the public to be) taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.
- 13.11 *Additional Marketing Expenditure Encouraged.* You understand and acknowledge that the required contributions and expenditures are minimum requirements only, and that you may (and we encourage you to) spend additional funds for local marketing and promotion, which will focus on disseminating marketing directly related to your Franchised Business.

14 TECHNOLOGY

- 14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:
- 14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among BRCC Shops, and in accordance with our standards, including: **(a)** back office and point of sale systems, data, audio, video (including managed video security surveillance, which we have the right to monitor to the extent permitted by law), telephone, voice messaging, retrieval, and transmission systems for use at BRCC Shops, between or among BRCC Shops, and between and among the Franchised Business, and you, and us; **(b)** point-of-sale (POS) (defined in Section 14.6 below); **(c)** physical, electronic, and other security systems and measures; **(d)** printers and other peripheral devices; **(e)** archival back-up systems; **(f)** internet access mode (e.g.,

form of telecommunications connection) and speed; **(g)** technology used to enhance and evaluate the customer experience; **(h)** digital and virtual menu boards and related technology, hardware, software, and firmware; **(i)** front-of-the-house WiFi and other connectivity service for customers; **(j)** cloud-based back-end management systems and storage sites; **(k)** in-shop music systems under Section 8.4.7 above; and **(l)** consumer-marketing oriented technology (including affinity and rewards hardware and software, facial and other customer-recognition technology, and approved social media/networking sites) (collectively, all of the above are referred to as the “**Computer System**”).

- 14.1.2 We will have the right, but not the obligation, to develop or have developed for us, or to designate: **(a)** computer software programs and accounting system software that you must use in connection with the Computer System (including applications, technology platforms, and other such solutions) (“**Required Software**”), which you must install and maintain; **(b)** updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; **(c)** the media upon which you must record data; and **(d)** the database file structure of your Computer System. If we require you to use any or all of the above items, then you agree that you will do so. The term “Required Software” also includes the affinity program cards that is required under Section 12.5 above.
- 14.1.3 You agree to install, use, maintain, update, and replace (as needed) the Computer System and Required Software at your expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.
- 14.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, “**Computer Upgrades**”) (which may be in conjunction with a Minor Refurbishment or as is otherwise needed).
- 14.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.
- 14.1.6 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).
- 14.1.7 Each Week, you agree to pay us a technology fee in our then-current amount (presently, there is no technology fee, but we have the right as circumstances warrant to start requiring the payment of a technology fee (and to change the fee periodically) by giving you written notice one or more Weeks before that change takes effect). You may also be charged fees by tech vendors that provide products and/or services to you, and you agree to pay those charges in the ordinary course of business.

14.2 *Data.*

- 14.2.1 You agree that all data relating to the Franchised Business that you collect, create, provide, or otherwise develop on your Computer System (whether or not uploaded to

our system from your system and/or downloaded from your system to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you. In this Agreement, references to “data” exclude consumers’ credit card and/or other payment information.

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

upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). The Extranet may include, among other things, the Brand Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.

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

- 14.5.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.
- 14.6 *POS Systems.* You agree to record all sales on integrated computer-based point of sale systems we approve or on such other types of cash registers and other devices (such as iPads, touch screens, printers, bar code readers, card readers, cash drawers, battery back-up, etc.) that we may designate in the Brand Manual or otherwise in writing ("**POS Systems**"), which will be deemed part of your Computer System. You agree to utilize POS Systems that are fully compatible with any program, software program, and/or system which we, in our discretion, may employ (including mobile or remote device, application and payment systems), and you agree to record all Gross Sales and all sales information on such equipment. We may designate one or more third party suppliers or servicers to provide installation, maintenance, and/or support for the POS System, and you agree to enter into and maintain such agreements (including making such payments) as we or the third party suppliers and/or servicers require in connection with the installation, maintenance, and/or support for the POS System. The POS System is part of the Computer System. You agree to at all times maintain a continuous high-speed Ethernet-cabled (not wireless) connection to the Internet to send and receive POS data to us.
- 14.7 *E-Mail.* You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: **(a)** the content of such electronic advertisements or solicitations; and **(b)** your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003"), the Federal Telephone Consumer Protection Act, and the Canada Anti-Spam Law (known as "CASL"). (As used in this Agreement, the term "**electronic communication**" includes all methods for sending communication electronically, whether or not currently invented or used, including e-mails, text messages, app- and/or internet-based communication, and faxes.)
- 14.8 *Outsourcing.* You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor's agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent.
- 14.9 *Telephone Service.* You agree to use the telephone service for the BRCC Shop that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business, and you agree to sign the forms necessary to implement this clause.
- 14.10 *Changes.* You agree that changes to technology are dynamic and likely to occur during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in

writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards as if this Section 14 were periodically revised by us for that purpose, and you also agree to pay vendors' charges for those new items and services.

- 14.11 *Electronic Communication – Including E-Mail, Texts, and other Messaging.* You agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated under this Agreement) (together, **“Official Senders”**) to you during the term of this Agreement.

14.11.1 In order to implement the terms of this Section 14.11, you agree that: **(a)** Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; **(b)** you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and **(c)** you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.

14.11.2 The consent given in this Section 14.11 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

14.11.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as “john.smith@BRCCshops.com” or “jane.jones@BRCCfranchisee.com”) (the **“Permitted E-mail Address”**) in connection with the operation of the Franchised Business, under the standards that we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business.

15 INSURANCE

- 15.1 *Required Insurance Coverage.* Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least “A-” in the most recent Key Rating Guide published by the A.M. Best

Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (however, you agree that we may reasonably specify additional coverages and higher policy limits in the Brand Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and/or other relevant changes in circumstances), the following (all subject to the additional requirements of this Section 15):

- 15.1.1 Commercial general liability insurance (subject to Section 15.2 below) protecting against any and all claims for personal, bodily and/or property injury occurring in or about the BRCC Shop and protecting against assumed or contractual liability under this Agreement with respect to the BRCC Shop and your operations, with such policy to be placed with minimum limits of One Million Dollars (\$1,000,000) combined single limit per occurrence and Two Million Dollars (\$2,000,000) general aggregate per location; provided, however, that at our election, such minimum limits may be periodically increased. This coverage shall not exclude losses due to assault, battery, and/or the use or brandishing of firearms.
- 15.1.2 Comprehensive automobile liability insurance (subject to Section 15.2 below), including owned, non-owned and hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than One Million Dollars (\$1,000,000) combined single limit for both bodily injury and property damage. Such policy must have the contractual exclusion removed, unless you provide separate evidence that contractual liability for automobile exposure is otherwise insured.
- 15.1.3 Statutory workers' compensation insurance and employer's liability insurance (all subject to Section 15.2 below) for a minimum limit equal to at least the greater of One Million Dollars (\$1,000,000) or the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the BRCC Shop is located.
- 15.1.4 Data theft and cybersecurity coverage (subject to Section 15.2 below) with limits of liability not less than Five Hundred Thousand Dollars (\$500,000) combined single limit.
- 15.1.5 Employment practices liability insurance (subject to Section 15.2 below) with limits of liability not less than One Million Dollars (\$1,000,000) combined single limit.
- 15.1.6 Foodborne illness coverage (subject to Section 15.2 below) shall be included within the general liability coverage noted in Section 15.1.1 above, with coverage of at least One Million Dollars (\$1,000,000) combined single limit for both bodily injury and property damage.
- 15.1.7 Commercial umbrella liability insurance (subject to Section 15.2 below) with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers liability) to not less than Four Million Dollars (\$4,000,000) total limit of liability. Such umbrella liability must provide at a minimum those coverages and endorsements required in the underlying policies.
- 15.1.8 Property insurance (subject to Section 15.2 below) providing coverage for direct physical loss or damage to real and personal property in minimum coverage of Five Hundred Thousand Dollars (\$500,000) for the building and Two Hundred and Fifty

Thousand Dollars (\$250,000) for contents coverage (with no more than a \$5,000 deductible) for all risk perils, including the perils of flood and earthquake. Appropriate coverage must also be provided for boiler and machinery exposures and business interruption/extra expense exposures, written on an actual loss sustained basis. The policy should include coverage for food spoilage of at least Twenty-Five Thousand Dollars (\$25,000), off-premises service interruption, ordinance and law, civil authority, as well as sewer and drain back up. The policy or policies must value property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance must not be less than 90% of the full replacement value of the BRCC Shop, its furniture, fixtures, equipment, and stock (real and personal property). The policy should include wind or named storm deductible at 2% with Twenty-Five Thousand Dollars (\$25,000) minimum per occurrence deductible. Any deductibles contained in such policy will be subject to our review and approval.

- 15.1.9 Products liability insurance in an amount not less than One Million Dollars (\$1,000,000), which policy will be considered primary.
- 15.1.10 Fire, lightning, vandalism, theft, malicious mischief, flood (if in a special flood-hazard area), sprinkler damage, and the perils described in extended-coverage insurance with primary and excess limits of not less than the full-replacement value of the supplies, furniture, fixtures, equipment, machinery, inventory, and plate glass having a deductible of not more than Two Thousand Dollars (\$2,000) and naming us as loss payee.
- 15.1.11 Any other insurance coverage that is required by federal, state, or municipal law (subject to Section 15.2 below).
- 15.1.12 All coverages must be written with no coinsurance penalty.
- 15.2 *Additional Terms Applicable to All Policies.* In addition to the other provisions of this Section 15 (above and those below), you agree that:
 - 15.2.1 All policies listed in Section 15.1 above (unless otherwise noted below) must contain such endorsements as we will periodically specify in the Brand Manual.
 - 15.2.2 All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).
 - 15.2.3 All public liability and property damage policies must: **(a)** list as additional insureds, us and any other entities in which we have an interest (as well as all other entities affiliated with us), and each of those parties' respective members, managers, shareholders, directors, officers, partners, joint venturers, employees, servants, and agents, and their successors and assigns; and **(b)** contain a provision that we, although named as an additional insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees, including as additional insureds.
 - 15.2.4 You agree to provide us with sixty (60) days' advance written notice in the event of cancellation, change, and/or non-renewal of any policy, in the manner provided in Section 24 below.

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

16 TRANSFER OF INTEREST

- 16.1 *By Us.* We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.
- 16.2 *Your Principals.* Each party that holds any interest whatsoever in you (whether directly, indirectly, and/or beneficially) (each, a "**Principal**"), and the interest that each Principal holds in you (directly, indirectly, and/or beneficially) is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, and/or their respective interests in you, to change without complying with this Agreement.

- 16.3 *Principals.* We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be so amended automatically upon written notice to you.
- 16.4 *By You.* You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:
- 16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.
- 16.4.1.1 As used in this Agreement, the term "**transfer**" is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any direct or indirect interest in: **(a)** this Agreement; **(b)** you; **(c)** any or all of your rights and/or obligations under this Agreement; and/or **(d)** all or substantially all of the assets of the Franchised Business.
- 16.4.1.2 Any purported assignment or transfer that does not have our prior written consent as required by this Section 16 will be null and void and will also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.
- 16.4.2 You agree (unless you are a partnership) that: **(a)** without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and **(b)** the recipient of any such security or other interest will become a Principal under this Agreement, if we designate them as such. If you are a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal.
- 16.4.3 Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you. Any such transaction shall also be deemed a "transfer" under this Agreement.
- 16.4.4 You also agree that in the case of any proposed transfer, you authorize us to truthfully answer questions posed to us by the proposed transferee, including providing that party with information relating to your BRCC Shop (such as sales reports) (although we will have the right not to provide any or all such information).
- 16.5 *Transfer Conditions.* We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:
- 16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents,

representatives, servants, and employees in their corporate and individual capacities including, claims arising under this Agreement, any other agreement between you and us, and/or your affiliates, our affiliates, and federal, state, and local laws and rules.

- 16.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.
- 16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.
- 16.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, higher Royalties and marketing fees.
- 16.5.5 If we request, then you must conduct Major Remodeling and purchase new equipment to conform to the then-current standards and specifications of new BRCC Shops then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.8.2 within the time period that we specify.
- 16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).
- 16.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.
- 16.5.8 A Principal of the transferee whom we designate to be a new Operating Owner, and those of the transferee's Operating Owner, Store Manager, and Additional Trained Personnel as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).
- 16.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer. The transfer fee will be Seventeen Thousand Five-Hundred Dollars (\$17,500) or fifty percent (50%) of our then-current initial franchise fee charged to new BRCC Shop franchisees (whichever

is more). If any party has engaged a broker with respect to the transfer, you must also pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer. (If we or any of our affiliates (or persons who work for us or our affiliates) were the party to introduce you to a buyer, then you agree to also pay us a fee of three percent (3%) of the total compensation paid to you in connection with the transaction.)

16.5.10 The transferor must acknowledge and agree that the transferor will remain bound by the covenants contained in Sections 19.3, 19.4, and 19.5 below.

16.6 *Right of First Refusal.* If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following will apply:

16.6.1 You (or the Principal who proposes to sell his/her interest) must promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase will occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.

16.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.

16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we will promptly designate an independent appraiser and you will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination (or, if unable to reach a single determination, a valuation determined by a majority vote of those appraisers), which determination will be binding upon both you and us. Both parties will equally share the cost of any such appraisal.

16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you (including one-half (½) of the cost of an appraisal, if any, conducted under Section 16.6.3 above) against any payment to you.

- 16.7 *Death or Incapacity.* If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within six (6) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting a your proposed transaction, including our attorneys' fees.
- 16.7.1 In addition, if the deceased or incapacitated person is the Operating Owner, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.
- 16.7.2 For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: **(a)** for a period of thirty (30) or more consecutive days; or **(b)** for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.
- 16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.
- 16.8 *Consent to Transfer.* Our consent to a transfer that is the subject of this Section 16 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.
- 16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar BRCC Shop.* You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Accepted Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.
- 16.10 *Bankruptcy Issues.* If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including the terms of Sections 16.4, 16.5, and 16.6 above.
- 16.11 *Securities Offers.* All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.

- 16.11.1 You agree that: **(a)** no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; **(b)** our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and **(c)** we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above.
- 16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 21.5.2 below) in connection with the offering.
- 16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Ten Thousand Dollars (\$10,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.
- 16.11.4 You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 16.11 commences. Any such offering will be subject to all of the other provisions of this Section 16, including the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.
- 16.11.5 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

17 DEFAULT AND TERMINATION

- 17.1 *Automatic with no notice and no opportunity to cure.* If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: **(a)** if you will become insolvent or make a general assignment for the benefit of creditors; **(b)** if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; **(c)** if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; **(d)** if proceedings for a composition with creditors under any state or federal law is instituted by or against you; **(e)** if a material final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); **(f)** if you are dissolved; or if execution is levied against your business or property; **(g)** if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or **(h)** if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.

- 17.2 *With Notice and no opportunity to cure.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):
- 17.2.1 If you do not obtain an Accepted Location for the Franchised Business within the time limits specified under the Site Selection Addendum, or if you do not construct and open the Franchised Business within the time limits specified in Sections 5.1 and 8.2 above (and within the requirements specified in Sections 5 and 8.2 above);
 - 17.2.2 If at any time: **(a)** you cease to operate or otherwise abandon the Franchised Business for two (2) or more consecutive business days and/or two (2) or more business days within any week (during which you are otherwise required to be open, and without our prior written consent otherwise, unless necessary due to an event of force majeure as defined in Section 22 below); **(b)** you lose the right to possession of the premises; **(c)** forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we will not unreasonably withhold, subject to Section 1.2.3 above);
 - 17.2.3 If you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;
 - 17.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business and/or if you fail to comply with the requirements of Section 8.15 above;
 - 17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;
 - 17.2.6 If you fail to comply with the requirements of Section 19 below;
 - 17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Brand Manual or other confidential information that we provide to you;
 - 17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Section 16.7 above;
 - 17.2.9 If you maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;
 - 17.2.10 If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;

17.2.11 If, after receipt of notice from us of a violation of the provisions of Sections 7.1 and/or 8.4 above, you continue to purchase any Input Items from an unapproved supplier, or if you sell anything from the BRCC Shop that is not a Retail Product or a Service;

17.2.12 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or

17.2.13 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.

17.3 *With Notice and Opportunity to Cure.*

17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: **(a)** immediately initiating a remedy to cure such default; **(b)** curing the default to our satisfaction; and **(c)** promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.

17.4 *Bankruptcy.* If, for any reason, this Agreement is not terminated pursuant to this Section 17, and this Agreement is assumed, or assignment of same to any person or entity who has made a *bona fide* offer to accept an assignment of this Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: **(a)** the name and address of the proposed assignee; and **(b)** all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment or assumption of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment or assumption of this Agreement.

- 17.5 *Our Rights Instead of Termination.* If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement.
- 17.6 *Reservation of Rights under Section 17.5.* If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.
- 17.7 *Damages.* You agree that you will pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

18 OBLIGATIONS UPON TERMINATION OR EXPIRATION

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

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

as may be necessary to distinguish the appearance of said premises from that of other BRCC Shops, and must make such specific additional changes thereto as we may reasonably request for that purpose. In addition, you will cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other print and online identifiers, whether or not authorized by us, that you have while operating the Franchised Business, and must promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business directories, including online directories, or at our request transfer same to us.

- 18.4.2 If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) will have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.
- 18.5 *Our Option to Buy Your Assets.* We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that "fair market value" will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase provided in this Section, we will have the right to set off all amounts due from you.
- 18.6 *No Use of the Marks in Other Businesses.* You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction, counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.
- 18.7 *Pay All Sums Due.* You agree to promptly pay all sums owing to us and our affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.
- 18.8 *Pay Damages.* You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which will be in addition to amounts due to us under Section 18.11 below.
- 18.9 *Return Confidential Information.* You agree to immediately return to us the Brand Manual and all other manuals, records, and instructions containing confidential information (including, any copies of some or all of those items, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.

- 18.10 *Right to Enter and Continue Operations.* In order to preserve the goodwill of the System following termination, we (or our designee) will have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose of continuing the Franchised Business's operation and maintaining the goodwill of the business.
- 18.11 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.
- 18.12 *Offsets.* We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

19 COVENANTS

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

- 19.4 *Where Restrictions Apply.* During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 16 above, these restrictions will apply only (a) within five (5) miles of the Accepted Location; and (b) within five (5) miles of any then-existing or planned BRCC Shop business that is then-currently operated or planned elsewhere. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a valid franchise agreement with us or one of our affiliates.
- 19.5 *Post-Term.* You further covenant and agree that, for a continuous period of two (2) years after (a) the expiration of this Agreement, (b) the termination of this Agreement, and/or (c) a transfer as contemplated in Section 16 above:
- 19.5.1 You will not directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, and/or transfer the Accepted Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Accepted Location; and
- 19.5.2 You also agree that, by the terms of any conveyance, selling, assigning, leasing or transferring your interest in the Accepted Location, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate this Section is not operated at the Accepted Location for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.
- 19.6 *Non-Compliance.* Any time during which you do not comply with the requirements of this Section 19, whether such non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the two-year obligation specified above.
- 19.7 *Publicly-Held Entities.* Section 19.3.3 above will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term “**publicly-held corporation**” will be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.
- 19.8 *Personal Covenants.* You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Operating Owner, Store Manager, and Additional Trained Personnel and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in the form provided in Exhibit F to this Agreement. If you do not obtain execution of the covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 17.2.6 above.
- 19.9 *Construction.* The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.
- 19.10 *Claims Not a Defense.* You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including

reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.

- 19.11 *Covenant as to Anti-Terrorism Laws.* You and the owners of your business ("**Owners**") agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.
- 19.12 *Defaults.* You agree that if you violate this Section 19, that would result in irreparable injury to us for which no adequate remedy at law may be available, and accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

20 TAXES, PERMITS, AND INDEBTEDNESS

- 20.1 *Payment of Taxes.* You agree to promptly pay when due all taxes levied or assessed, including, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.
- 20.2 *Payment of Trade Creditors.* You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Franchised Business.
- 20.3 *Your Right to Contest Liabilities.* If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.
- 20.4 *Compliance with Law.* You agree to comply with all Operating Codes and to timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any Operating Codes are in conflict with the terms of this Agreement, the Brand Manual, or our other instructions, you agree to: **(a)** comply with said laws; **(b)** immediately provide us with written notice describing the nature of the conflict; and **(c)** cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.
- 20.5 *Notice of Violations and Actions.* You agree to notify us in writing within two (2) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court,

agency, or other governmental instrumentality, or within two (2) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

21 INDEPENDENT CONTRACTOR AND INDEMNIFICATION

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

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

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

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

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

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

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

21.4 *Indemnification.*

21.4.1 You agree to indemnify and hold each of the Franchisor Parties harmless against any and all Expenses arising directly or indirectly from any Claim, as well as from any claimed breach by you of this Agreement. Your indemnity obligations shall: **(a)** survive the expiration or termination of this Agreement, and shall not be affected by any insurance coverage that you and/or any Franchisor Party may maintain; and **(b)** exclude any Claim and/or Expense that a court with competent jurisdiction determines was caused solely by a Franchisor Party's gross negligence and/or willful misconduct.

21.4.2 *Procedure.* We will give you notice of any Claim and/or Expense for which the Franchisor Parties intend to seek indemnification; however, if we do not give that notice, it will not relieve you of any obligation (except to the extent of any actual prejudice to you). You will have the opportunity to assume the defense of the Claim,

at your expense and through legal counsel reasonably acceptable to us, provided that in our judgment, you proceed in good faith, expeditiously, and diligently, and that the defense you undertake does not jeopardize any defenses of the Franchisor Parties. We shall have the right: **(a)** to participate in any defense that you undertake with counsel of our own choosing, at our expense; and **(b)** to undertake, direct, and control the defense and settlement of the Claim (at your expense) if in our sole judgment you fail to properly and competently assume defense of the Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between your interest and that of any Franchisor Party.

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

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

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

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

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

22 FORCE MAJEURE

22.1 *Impact.* Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes reasonably beyond its control (except as otherwise provided in Section 22.1), including: **(a)** acts of nature; **(b)** acts of war, terrorism, or insurrection; **(c)** strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, environmental emergencies, public health emergencies, epidemics, pandemics, and/or other casualties; and/or **(d)** our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business.

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

any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

23 APPROVALS AND WAIVERS

- 23.1 *Request for Approval.* Whenever this Agreement requires our prior approval or consent, you agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.
- 23.2 *No Warranties or Guarantees.* You agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.
- 23.3 *No Waivers.* No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that will not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

24 NOTICES

- 24.1 Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by certified U.S. mail, or by other means that provides the sender with evidence of delivery, rejected delivery, and/or attempted delivery. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.
- 24.2 Notices shall be sent to the address designated on the signature page of this Agreement (unless a party changes its address for those notices by giving prior written notice to the other party in the manner specified above). If the parties have designated a specific e-mail address, then notices sent to that e-mail address (which may be changed as noted above) will be considered as having been sent at the time they are delivered into that e-mail address.
- 24.3 The Brand Manual, any changes that we make to the Brand Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 24.

25 ENTIRE AGREEMENT AND AMENDMENT

- 25.1 *Entire Agreement.* This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements, communications, and representations. The parties confirm that: **(a)** they were not induced by any representations

other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and **(b)** they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. However, nothing in this Agreement or any other document is meant to (or shall have the effect of) disclaiming any representation that we made in our Franchise Disclosure Document ("**FDD**") (including its exhibits).

- 25.2 *Amendment.* Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26 SEVERABILITY AND CONSTRUCTION

- 26.1 *Introductory Paragraphs.* The parties agree that the introductory paragraphs of this Agreement, under the heading "Introduction," are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here in full.
- 26.2 *Severability.* Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.
- 26.3 *No Third Party Rights.* Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.
- 26.4 *Captions Don't Amend Terms.* All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.
- 26.5 *Including.* The parties agree that when used in this Agreement, the terms "include", "includes", and "including" shall be understood to mean "*including but not limited to*".
- 26.6 *Survival.* All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.
- 26.7 *Expenses.* Each party agrees to bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.
- 26.8 *Counterparts.* This Agreement may be signed in counterparts, and signature pages may be exchanged by electronic means, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

27 APPLICABLE LAW AND DISPUTE RESOLUTION

- 27.1 *Choice of Law.* This Agreement takes effect when we accept and sign this document. This Agreement will be interpreted and construed exclusively under the laws of the State of Texas, which laws will prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Texas choice-of-law rules); provided, however, that if the covenants in Section 19 of this Agreement would not be enforced as written under Texas law, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 27.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of Texas (or any other state) that would not otherwise apply if the words in this Section 27.1 were not included in this Agreement.
- 27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, in any court, whether federal or state, must be brought only within the courts that have jurisdiction over San Antonio, Texas. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.
- 27.2.1 The parties agree that this Section 27.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.
- 27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.
- 27.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.
- 27.3 *Mediation.* Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at its location in or nearest to Denver, Colorado.
- 27.4 *Parties Rights Are Cumulative.* No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.
- 27.5 *Injunctions.* Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.
- 27.6 **WAIVER OF JURY TRIALS. EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**

- 27.7 **MUST BRING CLAIMS WITHIN ONE YEAR.** EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER (EXCLUDING CLAIMS SEEKING INDEMNIFICATION), SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.
- 27.8 **WAIVER OF PUNITIVE DAMAGES.** EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED (INCLUDING LOST FUTURE ROYALTIES).
- 27.9 *Payment of Legal Fees.* You agree to pay us all damages, costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: **(a)** obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including Sections 9 and 17 above); and/or **(b)** successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

28 ACKNOWLEDGMENTS

- 28.1 *Your Investigation of the BRCC Shop Possibilities.* You acknowledge, recognize, and agree that: **(a)** you conducted an independent investigation of the business franchised under this Agreement; **(b)** this business venture involves business and financial risks; and **(c)** your success will be largely dependent upon your personal ability (and that of your owners as independent businesspersons).
- 28.2 *No Warranties or Guarantees.* We expressly disclaim the making of (and you agree that you did not receive) any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business contemplated by this Agreement.
- 28.3 *Receipt of FDD and Complete Agreement.* You acknowledge receipt of a copy of this Agreement, the exhibit(s), and agreements relating to this Agreement (if any), with all of the blank lines filled in, with sufficient time to review it with your advisors. You also acknowledge receipt of our FDD at least fourteen (14) days before you signed this Agreement and made any payment to us.
- 28.4 *You Have Read the Agreement.* You agree that you have read and understood the FDD, this Agreement, and all of the exhibits to this Agreement.
- 28.5 *Your Advisors.* You acknowledge that we recommended that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement, and that you had sufficient time and opportunity to consult with those advisors.
- 28.6 *No Conflicting Obligations.* Each party represents and warrants to the other party that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict that party from: **(a)** negotiating and entering into this Agreement;

(b) exercising its rights under this Agreement; and/or **(c)** fulfilling its obligations and responsibilities under this Agreement.

- 28.7 *Your Responsibility for the Choice of the Accepted Location.* You agree that you have sole and complete responsibility for the choice of the Accepted Location; that we have not (and will not be deemed to have, even by our requirement that you use a location service and/or our approval of the site that is the Accepted Location) given any representation, promise, or guarantee of your success at the Accepted Location; and that you will be solely responsible for your own success at the Accepted Location.
- 28.8 *Your Responsibility for Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised BRCC Shop, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.
- 28.9 *Different Franchise Offerings to Others.* You agree that we may modify the terms under which we will offer franchises to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.
- 28.10 *Our Advice.* You agree that our advice is only that; that our advice is not a guarantee of success; and that you must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.
- 28.11 *Your Independence.* You agree that:
- 28.11.1 you are the only party that employs your staff (even though we may provide you with advice, guidance, and training);
 - 28.11.2 we are not your employer nor are we the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);
 - 28.11.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;
 - 28.11.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and
 - 28.11.5 you have made (and will remain always responsible for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.

- 28.12 *Success Depends on You.* You agree that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided by you and your staff, as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.
- 28.13 *General Release.* If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

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

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

Black Rifle Coffee Company LLC

Franchisor

Franchisee Entity

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Effective Date: _____

By: _____

Name: _____

Title: _____

Address for Notices:

355 Spencer Lane
San Antonio, TX 78201

Telephone: (855) 888-2722, ext. 152
Attn: Chief Operating Officer
E-mail: OfficialNotices@blackriflecoffee.com

Address for Notices:

Telephone: _____
Fax: _____
Attn: _____
E-mail: _____

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET

¶	Section Cross- Reference	Item
1	1.2	The Accepted Location under this Agreement will be: _____ _____ .
2	1.3	The Protected Area under this Agreement will be: _____ _____ [or ... a circle with a radius of _____ miles and its center at the front door of the Shop but excluding _____ _____.]
3	13.1	The Marketing Contribution will be four percent (4%) of your BRCC Shop's Gross Sales.
4	13.5	Your minimum expenditure on the Grand Opening Marketing Program will be \$_____.

Initials

Franchisee

Franchisor

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

In order to induce Black Rifle Coffee Company LLC ("**Franchisor**") to sign the BRCC Franchise Agreement between Franchisor and _____ ("**Franchisee**"), dated _____, 202____ (the "**Agreement**"), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor's affiliates) will be punctually paid and performed.

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

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

"BRCC" marks) or the system licensed to Franchisee under the Agreement; **(b)** s/he have read, in full, and understands, all of the provisions of the Agreement that are referred to above in this paragraph, and that s/he intends to fully comply with those provisions of the Agreement as if they were printed here in full; and **(c)** s/he have had the opportunity to consult with a lawyer of her/his own choosing in deciding whether to sign this Guarantee.

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

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

(signed in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

(signed in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

(signed in his/her personal capacity)

Printed
Name: _____

Date: _____

Home Address:

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

Name of Principal	Home Address	Percentage Interest Held in Franchisee

Initials

Franchisee

Franchisor

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT D

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

_____ (Name of Person or Legal Entity)

_____ (Tax ID Number (FEIN))

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

_____ Depository/Bank Name

_____ Branch Name

_____ City

_____ State

_____ Zip Code

_____ Bank Transit/ABA Number

_____ Account Number

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

Printed Name
of Depositor: _____

Signed By: _____

Printed Name: _____

Title: _____

Date: _____

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT E
ADA CERTIFICATION

Black Rifle Coffee Company LLC (“**Franchisor**” or “**us**”) and _____ (“**Franchisee**” or “**you**”) are parties to a franchise agreement dated _____, 202__ (the “**Franchise Agreement**”) for the operation of a Franchised Business at _____ (the “**Franchised Business**”).

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

Acknowledged and Agreed:

Franchisee:

By:_____

Printed Name:_____

Title:_____

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT F-1

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

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

Background:

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

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

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

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

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

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

2. Covenants Not to Compete.

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

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

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

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

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

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

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

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

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

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

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

Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

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

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

FRANCHISEE

MEMBER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT F-2

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

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

Background:

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

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

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

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

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

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

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

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

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

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

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

FRANCHISEE

By: _____

Name: _____

Title: _____

EMPLOYEE

By: _____

Name: _____

Title: _____

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT G

SITE SELECTION ADDENDUM

Black Rifle Coffee Company LLC (“**Franchisor**” or “**us**” or “**we**”) and _____ (“**Franchisee**” or “**you**”) have this ____ day of _____, 202____ entered into a BRCC Franchise Agreement (“**Franchise Agreement**”) and wish to supplement its terms as set out below in this Site Selection Addendum (the “**Addendum**”). The parties agree as follows:

AGREEMENT

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

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

(the “**Site Selection Area**”).

b. The only reason that the Site Selection Area is described is for the purpose of selecting a site for the Franchised Business.

c. We will not establish, nor franchise another party to establish, a “BRCC” business operating under the System within the Site Selection Area until the end of the Search Period. For purposes of this Addendum, the term “**Search Period**” means ninety (90) days from the date of this Addendum, or the period from the date of this Addendum until we have approved of a location for your Franchised Business, whichever event first occurs. Upon expiration of the Search Period, the protections of this paragraph 1.c will expire and you will have no further rights in and to the Site Selection Area other than as otherwise provided in the Franchise Agreement.

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

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

3. **Site Selection Package Submission and Approval:** You must submit to us, in the form that we specify: **(a)** a completed site approval form (in the form that we require); **(b)** such other information or materials that we may reasonably require; and **(c)** an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We will have thirty (30) days after receipt of all such information and materials from you to approve or disapprove the proposed site as the location for the Franchised Business. We have the right to approve or disapprove any such site to serve as the Accepted Location for the Franchised Business. If we do not approve a proposed site by giving you written notice within the 30-day period, then we will be deemed to have disapproved the site.

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

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

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

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

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

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

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

Black Rifle Coffee Company LLC

Franchisor

Franchisee

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT H
LEASE RIDER

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

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

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

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

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

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

13. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.
14. Landlord and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, will also be sent to Franchisor at _____ (attention _____), or to such other address as Franchisor may specify by giving written notice to Landlord.

WITNESS the execution hereof under seal.

Landlord:

Franchisor*

Franchisee:

Date:

Date:

Date:

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

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

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

Notary Public

Notary Public

Notary Public

My Commission expires:

My Commission expires:

My Commission expires:

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

Black Rifle Coffee Company LLC
FRANCHISE AGREEMENT
EXHIBIT I
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EXHIBIT B**List of State Administrators**

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

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

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

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

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

EXHIBIT D**Form of General Release**

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

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

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

EXHIBIT E**Table of Contents to Brand Manual****TABLE OF CONTENTS**

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EXHIBIT F-1

Audited Financial Statements

F-1 Authentic Brands, LLC Consolidated Financial Statements for the Fiscal Years Ended December 31, 2020 and December 31, 2019

CONSOLIDATED FINANCIAL STATEMENTS

Authentic Brands LLC
Years Ended December 31, 2020 and 2019
With Report of Independent Auditors

Authentic Brands LLC
Consolidated Financial Statements
Years Ended December 31, 2020 and 2019

Contents

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Report of Independent Auditors

The Board of Directors
Authentic Brands LLC

We have audited the accompanying consolidated financial statements of Authentic Brands LLC, which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of operations, members' equity (deficit) and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Authentic Brands LLC at December 31, 2020, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Report of Other Auditors on December 31, 2019 Financial Statements

The consolidated financial statements of Authentic Brands LLC for the year ended December 31, 2019, were audited by other auditors who expressed an unmodified opinion on those statements on April 10, 2020.

April 29, 2021

Ernst + Young LLP

Authentic Brands LLC

Consolidated Balance Sheets

(Amounts in Thousands)

	December 31	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 35,232	\$ 5,035
Accounts receivable, net	3,629	868
Inventories	16,041	5,144
Prepaid expenses and other current assets	2,186	1,164
Total current assets	57,088	12,211
Property and equipment, net	14,714	6,114
Identifiable intangibles, net	191	217
Restricted cash	400	—
Other	149	169
Total assets	\$ 72,542	\$ 18,711
Liabilities and members' equity (deficit)		
Current liabilities		
Accounts payable	\$ 11,527	\$ 4,496
Accrued liabilities	14,238	8,812
Accrued sales taxes	1,387	1,095
Deferred revenue and gift card liability	4,615	1,300
Current maturities of long-term debt, net	866	2,235
Current maturities of capital lease obligations	469	402
Total current liabilities	33,102	18,340
Non-current liabilities:		
Long-term debt, net	12,170	565
Capital lease obligations, net of current maturities	727	1,055
Total non-current liabilities	12,897	1,620
Total liabilities	45,999	19,960
Commitments and Contingencies (Note 10)		
Series A preferred equity, less issuance costs	129,421	—
Members' deficit	(102,878)	(1,249)
Total liabilities and members' deficit	\$ 72,542	\$ 18,711

See notes to consolidated financial statements.

Authentic Brands LLC

Consolidated Statements of Operations

(Amounts in Thousands)

	Year Ended December 31	
	2020	2019
Revenue, net	\$ 163,909	\$ 82,128
Cost of goods sold	94,500	46,423
Gross margin	69,409	35,705
Operating expenses		
Marketing and advertising	25,513	13,349
Salaries, wages and benefits	24,194	13,129
General and administrative	13,922	9,343
Total operating expenses	63,629	35,821
Income (loss) from operations	5,780	(116)
Other income (expense):		
Interest expense	(1,047)	(733)
Other income (expense), net	(227)	91
Total other income (expense)	(1,274)	(642)
Earnings (loss) before income taxes	4,506	(758)
State income tax expense	185	14
Net income (loss)	<u>\$ 4,321</u>	<u>\$ (772)</u>

See notes to consolidated financial statements.

Authentic Brands LLC

Consolidated Statements of Members' Deficit
(Amounts in Thousands)

	Members' Interest	Accumulated Earnings (Deficit)	Total
Balance at January 1, 2019	\$ 10,881	\$ (9,700)	\$ 1,181
Equity-based compensation	143	—	143
Repayment of notes receivable from members	199	—	199
Repurchase member units	(2,000)	—	(2,000)
Net loss	—	(772)	(772)
Balance at December 31, 2019	9,223	(10,472)	(1,249)
Equity-based compensation	1,929	—	1,929
Non-Employee equity-based compensation	1,384	—	1,384
Issuance of members units, net of issuance costs of \$559	16,551	—	16,551
Series A Preferred Discount Amortization	(870)	—	(870)
Repayment of notes receivable from members	56	—	56
Repurchase member units	(125,000)	—	(125,000)
Net income	—	4,321	4,321
Balance at December 31, 2020	\$ (96,727)	\$ (6,151)	\$ (102,878)

See notes to consolidated financial statements.

Authentic Brands LLC

Consolidated Statements of Cash Flows

(Amounts in Thousands)

	Year Ended December 31	
	2020	2019
Operating activities		
Net income (loss)	\$ 4,321	\$ (772)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,375	933
Equity-based compensation	1,929	143
Non-employee equity-based compensation	1,384	—
Amortization of debt issuance costs	133	314
Bad debt expense (recovery)	195	(37)
Loss from equity method investment	52	80
Loss on sale of property and equipment	—	4
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,956)	(243)
Inventories, net	(10,897)	289
Prepaid expenses and other assets	(1,054)	(692)
Accounts payable	7,032	986
Accrued liabilities	6,425	3,082
Accrued sales tax	292	120
Deferred revenue and gift card liability	3,315	593
Other liabilities	—	(656)
Net cash provided by operating activities	11,546	4,144
Investing activities		
Purchases of property and equipment	(9,760)	(1,043)
Cash paid for asset purchases	—	(63)
Net cash used in investing activities	(9,760)	(1,106)

Authentic Brands LLC

Consolidated Statements of Cash Flows (continued)
(Amounts in Thousands)

	Year Ended December 31	
	2020	2019
Financing activities		
Proceeds from issuance of long-term debt, net of cash paid for debt issuance costs of \$591 and \$59 in 2020 and 2019, respectively	\$ 16,436	\$ 2,699
Repayment of long-term debt	(7,333)	(4,670)
Repayment of and restricted cash for capital lease obligations	(451)	(396)
Issuance of Series A preferred equity, net of cash paid for issuance costs of \$4,897	145,103	—
Repurchase of member units	(125,000)	—
Repayment of notes receivable from members	56	201
Net cash provided by (used in) provided by financing activities	28,811	(2,166)
Net increase (decrease) in cash, cash equivalents, and restricted cash	30,597	872
Beginning cash, cash equivalents, and restricted cash	5,035	4,163
Ending cash, cash equivalents, and restricted cash	<u>\$ 35,632</u>	<u>\$ 5,035</u>
Non-cash investing and financing activities		
Equity investment of property and equipment	\$ —	\$ 107
Accrued Series A preferred equity distribution and related discount amortization	870	—
Issuance of note and other payables for repurchase of member units	—	2,000
Capital expenditures financed through credit facilities and capital leases	6,430	77
Accrued capital expenditures	140	183
Supplemental cash flow information		
Cash paid for state income taxes	<u>\$ 114</u>	<u>\$ 14</u>
Cash paid for interest	<u>\$ 1,007</u>	<u>\$ 332</u>

See notes to consolidated financial statements.

Authentic Brands LLC

Notes to Consolidated Financial Statements (Amounts in Thousands, Except Unit and per Unit Amounts)

December 31, 2020

1. Organization and Nature of Business

Authentic Brands LLC (individually, Authentic Brands, collectively, the Company), through its wholly owned subsidiaries, purchases, roasts, and sells high quality coffee, coffee accessories, and branded apparel through its online channels and business networks. In addition, the Company develops and promotes online content for the purpose of growing its brands.

Good Beans, LLC (Good Beans) is a wholly owned subsidiary of Authentic Brands LLC. Good Beans is a holding company for its wholly owned subsidiaries, Black Rifle Coffee Company, LLC (BRCC), Grounds and Hounds Coffee Company, LLC (GHCC), Signal Mountain Media Works, LLC (Signal Mountain), Free Range American Media Company, LLC (FRA), and Independent Coffee Solutions, LLC.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The Company has prepared the accompanying consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (US GAAP).

The consolidated financial statements reflect the financial position and operating results of the Company including wholly-owned subsidiaries. Investments in entities that the Company does not control but has the ability to exercise significant influence over operating and financial policies are accounted for under the equity method. Intercompany transactions and balances have been eliminated in consolidation.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no material effect on the reported results of operations. Credit card receivables are now reported as cash and cash equivalents, whereas previously these amounts were reported as accounts receivable. In addition, equity method investment is now presented as other assets, whereas previously these amounts were separately reported as equity investment. Additionally, donations are now presented in general and administrative in the consolidated statement operations, whereas previously these amounts were reported in other expense.

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

Use of Estimates

The preparation of 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 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, deferred revenue, and allocation of purchase price in business combinations. Actual results could differ materially from those estimates.

Revenue from Contracts with Customers

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

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

Sources and Timing of Revenue

The Company's revenue is derived primarily from product sales through its e-commerce websites and direct to businesses. In addition, the Company derives an immaterial amount of revenues from company-operated store locations, 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

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

are recorded as deferred revenue prior to delivery of products. As the Company ships high volumes of packages through multiple carriers, it is not practical for the Company to track the actual delivery date of each shipment. Therefore, the Company uses estimates to determine which shipments are delivered and, therefore, recognize revenue at the end of the period. Delivery date estimates are based on average transit times calculated based on factors such as the type of carrier, the fulfillment source, the delivery destination and historical transit time experience. Actual shipping times may differ from the Company's estimates. Costs to obtain or fulfill a contract with a customer are expensed as incurred and are generally not significant.

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

Deferred Revenue

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

Gift Cards

Gift cards are offered through the Company's e-commerce websites through the form of an e-certificate. When a gift card is purchased, the Company recognizes a corresponding liability for the full amount of the gift card, which is recorded in Deferred revenue and gift card liability on the consolidated balance sheets. Gift cards can be redeemed online and on the Company's website. When a gift card is redeemed, the Company reduces the corresponding liability and recognizes revenue. There are no expiration dates to the gift cards. While the Company will continue to honor all gift cards presented for payment, the Company may determine the likelihood of redemption, based on historical experience, is deemed to be remote for certain cards due to long periods of inactivity. In these circumstances if the Company also determines there is no requirement for remitting balances to government agencies under unclaimed property laws, unredeemed card balances may then be recognized as breakage income, which is included in Revenue, net on the consolidated statements of operations. The Company recorded no breakage income for the years ended December 31, 2020 and 2019.

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's customers who establish an online account are enrolled in the Loyalty Program. Under the program, there are two levels in which customers can participate. Subscription customers (in the BRCC Coffee Club or subscribed to

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued)

(Amounts in Thousands, Except Unit and per Unit Amounts)

another subscription product type) are considered to be in the highest tier and earn 3% on purchases. Non-subscription customers earn 1% on purchases. In addition, to earning points on purchases, customers can earn points through 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. BRCC reserves the right to modify, change, add, or remove rewards and their points thresholds at any time. BRCC loyalty points will expire if there is no account activity (i.e., if there is no new purchase made or order placed) in a period of twelve months. Conversion of rewards are non-changeable after redemption, have no cash value, and are non-transferrable.

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

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

The following table provides information about deferred revenue, gift cards, and Loyalty Program, including significant changes in deferred revenue balances during the years ended December 31, 2020 and 2019:

January 1, 2019	\$ 707
Sales of gift cards	268
Redemption of gift cards	(163)
Increase from deferral of revenue	1,107
Decrease from revenue recognition	(619)
December 31, 2019	1,300
Sales of gift cards	512
Redemption of gift cards	(319)
Increase from deferral of revenue	3,383
Decrease from revenue recognition	(1,107)
Loyalty Program points earned	891
Loyalty Program points redeemed	(45)
December 31, 2020	<u>\$ 4,615</u>

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

Franchise Store Revenues

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

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

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

License Revenues

License rights may be granted through license agreements that set out the terms of the Company's arrangement with the licensee. The Company's license agreements require that the licensee remit continuing fees to the Company as a percentage of the applicable store's revenues in exchange for the license of the intellectual property associated with BRCC's brands. In addition, licensed store revenues consist of product sales to the licensee. The revenue associated with these product sales are recognized when control of the product passes to the licensee, typically at the date of delivery of the merchandise to the licensee and in an amount that reflects the expected consideration to be received in exchange for such goods. Continuing fees are recognized as the related store sales occur.

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

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 that the services it provides in exchange for upfront license fees, which primarily relate to initial license set up and are not individually distinct from the ongoing services it provides to its licensees. As a result, upfront license fees are recognized as revenue over the term of each respective license agreement, generally 10 years. Revenues for these upfront license fees are recognized on a straight-line basis, which is consistent with the licensee's right to use and benefit from the intellectual property. Revenues from continuing fees and upfront license fees are presented within Revenue in the consolidated statements of operations.

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 minus 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 \$205 and \$0 as of December 31, 2020 and 2019, respectively, and included in accounts receivable.

Shipping and Handling Fees and Costs

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

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

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.

The Company's restricted cash balance reflects a certificate of deposit related to a letter of credit established in conjunction with the execution of a building lease agreement. The letter of credit will remain in full force and effect during the term as security for the payment of rent related to the building lease. The term of the lease is ten years. The restricted cash balance was \$400 as of December 31, 2020. The Company had no restricted cash as of December 31, 2019.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported in the consolidated balance sheets to the total amounts reported in the statements of cash flows.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash	\$ 34,207	\$ 3,852
Proceeds from credit card transactions in transit	1,025	1,183
Restricted cash	400	-
Total cash and cash equivalents and restricted cash	<u>\$ 35,632</u>	<u>\$ 5,035</u>

Accounts Receivable

Accounts receivable consist primarily of trade amounts due from business customers at period end. Accounts receivable are recorded at invoiced amounts and do not bear interest. From time to time, the Company grants credit to some of its business customers on normal credit terms. The Company maintains an allowance for doubtful accounts receivable based upon its business customers' financial condition and payment history, and its historical collection experience and expected

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Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

collectability of accounts receivable. The allowance for doubtful accounts receivable was \$176 and \$142 as of December 31, 2020 and 2019, respectively.

Inventories

Inventories are stated at the lower of standard cost, which approximates First In – First Out (FIFO), or net realizable value. The Company records inventory reserves for obsolete and slow-moving inventory. Inventory reserves are based on inventory obsolescence trends, historical experience and application of the specific identification method. As of December 31, 2020 and 2019, the Company's inventory reserve was \$1,144 and \$146, respectively. Finished goods includes allocations of labor and occupancy expenses.

Property and Equipment

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

Estimated useful lives are as follows:

	<u>Estimated Useful Lives</u>
Land	—
Building and Leasehold improvements	5–39 years
Computer equipment and software	3 years
Machinery and equipment	3–7 years
Vehicles	5 years

Internal Use Software

In accordance with ASC 350-40, Intangibles – Goodwill and Other, Internal-Use Software (ASC 350-40), the Company capitalizes qualifying internal use software costs that are incurred during the application development stage if management with the relevant authority authorizes the project, it is probable the project will be completed, and the software will be used to perform the function intended. Capitalized internal use software costs are reported in property and equipment

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) *(Amounts in Thousands, Except Unit and per Unit Amounts)*

on the consolidated balance sheets and are amortized over the expected economic life of three years using the straight-line method once the software is ready for intended use. Costs incurred for enhancements that are expected to result in additional significant functionality are capitalized and amortized over the estimated useful life of the enhancement. Costs related to preliminary project activities and post-implementation activities, including training and maintenance, are expensed as incurred. Capitalized software costs net of accumulated amortization are included as a component of property and equipment in the consolidated balance sheets.

Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets, such as property and equipment and identifiable intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset or asset group from the expected future undiscounted pre-tax cash flows of the related operations. If these undiscounted cash flows are less than the carrying amount of the related asset, an impairment is recognized for the excess of the carrying value over its fair value. No impairment loss was recognized for the years ended December 31, 2020 and 2019.

Identifiable Intangibles

Identifiable intangibles acquired separately from third parties are capitalized at cost while such assets acquired as part of an acquisition are capitalized at their acquisition-date fair value. Indefinite-lived intangible assets are tested for impairment annually or more frequently when events or circumstances indicate that the carrying value more likely than not exceeds its fair value. Definite-lived intangible assets are amortized over the period to which the asset is expected to contribute to future cash flows.

Equity Method Investments

Equity investments are accounted for using the equity method of accounting if the investment gives the Company the ability to exercise significant influence, but not control, over an investee. As of December 31, 2019, the Company held a 50% interest in Bison Union Coffee Company (BUCC), which was determined to be an equity method investment. As of December 31, 2020, the Company transferred its interest in BUCC to an affiliate of the Company. The Company's net investment in BUCC totaled \$0 and \$52 as of December 31, 2020 and 2019, respectively. The Company's share of the losses for the years ended December 31, 2020 and 2019 was \$52 and \$80, respectively, and are included in other expense, net, in the consolidated statement of operations.

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) *(Amounts in Thousands, Except Unit and per Unit Amounts)*

Income Taxes

The Company was formed as an LLC in the state of Delaware and thus is not subject to federal income taxes; therefore, its pro rata share of income, losses and tax credits are reported by its members on their individual income tax returns. However, the Company is subject to state income taxes in various states in which it operates.

The Company applies guidance issued by FASB which clarifies accounting for uncertainty in income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the consolidated financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement.

The Company has completed an analysis of its tax positions and believes there are no uncertain tax positions that would require recognition in the consolidated financial statements as of December 31, 2020 and 2019. The Company believes that there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within twelve months of the reporting date. The federal income tax position taken for each of the subsidiaries organized as LLC's for any years open under the various statutes of limitations is that they will continue to be exempt from income taxes by virtue of being a pass-through entity. The statute of limitations for federal income tax returns are open from the period ended December 31, 2015. The statute of limitations for the state income tax returns are generally open from the period ended December 31, 2015.

Equity-Based Compensation

The Company recognizes the cost of equity-based restricted and incentive unit awards based on the fair value estimated in accordance with FASB ASC 718, *Stock Based Compensation* (ASC 718). The Company records equity-based compensation expense based on the fair value of equity awards at the grant date and recognizes compensation expense on a straight-line 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 12, *Equity-Based Compensation*.

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

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 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 account for 54% of total outstanding receivables as of December 31, 2020 and two different customers accounted for 29% of total outstanding receivables as of December 31, 2019. 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. These internet 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. Marketing and advertising expenses totaled \$25,513 and \$13,349 for the years ended December 31, 2020 and 2019, respectively.

Fair Value Measurements

The Company's financial instruments consist primarily of accounts receivable, accounts payable, contingent consideration 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 LIBOR plus an applicable floating margin. In measuring fair value, the Company reflects the impact of credit risk on liabilities, as well as any collateral. The Company also considers the credit standing of counterparties in measuring the fair value of assets.

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

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

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

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.

Redeemable Preferred Equity

The Company accounts for its preferred equity as temporary equity, given the Series A preferred units are probable of becoming redeemable (i.e., exercise of the exit rights is the passage of time). The Series A preferred units are 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 Company determined that the expected redemption date is December 2022.

Comprehensive Income (Loss)

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

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

New Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract (ASU 2018-15)*. Under the new guidance, a customer in a cloud computing arrangement that is a service contract is required to follow the internal use software guidance in ASC 350-40. The internal use software guidance requires the capitalization of certain costs incurred only during the application development stage. It also requires entities to expense costs during preliminary project and post-implementation stages. The guidance requires a customer to present the expense related to capitalize implementation in the same line in the income statement as the fees associated with the hosting element of the arrangement, present the capitalized implementation costs in the same line item in the statement of financial position that a prepayment of the fees for the associated hosting arrangement would be presented and classify payment for capitalized implementation costs in the statement of cash flows in the same manner as payments of the fees for the service component of the hosting arrangement. The guidance requires entities to disclose the nature of their hosting arrangements that are service contracts and make the disclosures in ASC 360-10, *Impairment and Disposal of Long-Lived Assets*, as if capitalized implementation costs were a separate major class of depreciable asset. For non-public entities, ASU 2018-15, is effective for annual periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted. The Company has adopted ASU 2018-15 for the year ended December 31, 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases (Subtopic 842)*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current US GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current US GAAP, which requires only capital leases to be recognized on the balance sheet, ASU 2016-02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 also will require disclosures to help investors and other financial statement users to better understand the amount, timing and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. For nonpublic entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2020. Early adoption of the amendments of ASU 2016-02 is permitted for all entities is to be applied using the modified retrospective approach. The Company has not yet fully determined or quantified the effect ASU 2016-02 will have on the consolidated financial statements.

Management continuously evaluates the economics of leasing vs. purchase for operating equipment. The lease obligations that will be in place upon adoption of ASU 2016-02 may be

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

significantly different than the current obligations. Accordingly, at this time the Company cannot estimate the amounts that will be recorded when this standard is adopted.

3. Product Sales and Marketing Services Agreement

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

The revenue associated to product sales to the retailer are recognized when control of the product passes to the retailer, typically at the date of delivery of the merchandise to the retailer and in an amount that reflects the expected consideration to be received in exchange for such goods. In addition to product sales, the Agreement provides a licensing agreement with the retailer and its suppliers. The licensing agreement provides the retailer and its suppliers license rights to the intellectual property of select BRCC brands. These license rights provide the retailer the ability to manufacture its own BRCC branded soft goods and hard goods. License fees are recognized as the related purchases occur by the retailer. For the year ended December 31, 2020, the Company’s revenues related to the Agreement for product sales and license fees are \$7,133 and \$428, respectively.

As part of the Agreement, the Company entered into a marketing services agreement where the parties will jointly develop a detailed and comprehensive marketing program managed by the retailer. The Company will have access to retailer’s marketing channels and other services. The marketing services agreement is effective through April 2, 2025. As part of the marketing services agreement, the Company granted 5,430 Class B common units in the Company which vest over a 30-month period from date of grant. The equity grant date is January 28, 2020, and total expense related to the equity award is expected to be \$3,725. In addition, the Company will pay total cash compensation of \$26,970 over a five-year period with quarterly payments beginning July 1, 2020.

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

2021	\$4,300
2022	\$4,945
2023	\$5,685
2024	\$6,540
2025	\$3,500

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Notes to Consolidated Financial Statements (continued) *(Amounts in Thousands, Except Unit and per Unit Amounts)*

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

4. Acquisitions

On November 1, 2019, the Company entered into an asset purchase agreement to purchase the majority of the assets of Free Range American, LLC (Free Range) for cash consideration of \$63. The transaction was initially accounted for as a business combination but was reassessed and determined to be an asset acquisition since substantially all of the fair value of assets acquired is concentrated in a single identifiable asset, the trade name. The selling equity holders of Free Range are eligible to receive contingent payments of up to \$1,000 if the sale of Free Range or change in control of the Company occurs by November 1, 2026. However, since the Free Range acquisition should have been accounted for as an asset acquisition, the contingent consideration should not be recognized until the contingency is resolved (i.e., sale of Free Range or change in control of the Company occurs), which was not probable as of December 31, 2020 or 2019. As such, the Company corrected the earnout liability and related identifiable intangible of \$75 for the year ended December 31, 2019.

On July 20, 2018, the Company entered into an agreement to purchase the assets of Grounds and Hounds Coffee Company (GHCC) for cash consideration of \$200 and a contingent earnout liability which includes revenue and change in control provisions. The Company determined the acquisition date fair value of the contingent consideration to be \$612, resulting in \$641 allocated to goodwill. However, the Company reassessed the accounting for the contingent consideration in the current year, determining the amounts should be accounted for as compensation expense. As such, the Company recognized expense related to payments tied to revenue targets and corrected the earnout liability and related goodwill during the year ended December 31, 2019. Additional payments will be required upon change in control but are not recognized until deemed probable.

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued)
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The Company made the following corrections to the balance sheet as of December 31, 2019:

	As Reported		As Corrected
	December 31, 2019	Adjustment	December 31, 2019
Goodwill	\$ 641	\$ (641)	\$ –
Identifiable intangibles, net	292	(75)	217
Current Liabilities: Contingent consideration	42	(42)	–
Non-Current Liabilities: Contingent consideration	652	(652)	–
Members' Equity (Deficit)	(1,227)	(22)	(1,249)

After the reclassification of donations from other expenses to general and administrative expenses of \$456 discussed in Note 2, the Company made the following corrections to salaries, wages, and benefits and other income (expense), net in the consolidated statement of operations for the year ended December 31, 2019:

	As Reported		As Corrected
	December 31, 2019	Adjustment	December 31, 2019
Salaries, wages, and benefits	\$ 13,073	\$ 56	\$ 13,129
Other income (expense), net	57	34	91

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued)
(Amounts in Thousands, Except Unit and per Unit Amounts)

5. Inventories

Inventories consist of the following:

	December 31	
	2020	2019
Coffee:		
Unroasted	\$ 2,397	\$ 1,483
Finished Goods	5,117	1,960
Ready-to-Drink	2,672	—
In transit	1,098	287
Apparel and other merchandise	5,901	1,560
	17,185	5,290
Inventory reserve	(1,144)	(146)
Inventories	<u>\$ 16,041</u>	<u>\$ 5,144</u>

6. Property and Equipment, Net

Property and equipment, net consists of the following:

	December 31	
	2020	2019
Land	\$ 2,086	\$ 649
Building and leasehold improvements	5,291	1,617
Computer equipment and software	1,944	271
Machinery and equipment	4,808	4,130
Vehicles	721	363
Furniture and Fixtures	714	118
Construction in progress	1,953	420
	17,517	7,568
Less: accumulated depreciation and amortization	(2,803)	(1,454)
Property and Equipment, net	<u>\$ 14,714</u>	<u>\$ 6,114</u>

The Company's depreciation expense for the years ended December 31, 2020 and 2019 were \$1,350 and \$911, respectively. The portion of depreciation expense related to production and distribution facilities is included in cost of goods sold including occupancy costs on the

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued)
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consolidated statements of operations. For the year ended December 31, 2020, depreciation expense included in cost of goods sold and general and administrative expenses in the accompanying consolidated statements of operations totaled \$586 and \$764, respectively. For the year ended December 31, 2019, depreciation expense included in cost of goods sold and general and administrative expenses in the accompanying consolidated statements of operations totaled \$417 and \$494, respectively.

The total depreciation expense for internal use software was \$138 and \$0 for the years ended December 31, 2020 and 2019, respectively.

7. Identifiable Intangibles, Net

The Company's identifiable intangibles consist of the following:

December 31, 2020	Useful Life	Cost	Accumulated Amortization	Net
Trademark and tradename	10 years	\$ 247	\$ 56	\$ 191

December 31, 2019	Useful Life	Cost	Accumulated Amortization	Net
Trademark and tradename	10 years	\$ 248	\$ 31	\$ 217

As of December 31, 2020, the following is a summary of future minimum amortization expense for identifiable intangibles:

Year ending December 31:	
2021	\$ 25
2022	25
2023	25
2024	25
2025	25
Thereafter	66
	<u>\$ 191</u>

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued)

(Amounts in Thousands, Except Unit and per Unit Amounts)

Amortization expense for definite lived identifiable intangibles for the years ended December 31, 2020 and 2019 was \$25 and \$22, respectively, and is included in general and administrative expenses on the accompanying consolidated statements of operations.

8. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31	
	2020	2019
Accrued compensation and benefits	\$ 5,159	\$ 2,472
Accrued marketing	4,304	1,716
Accrued freight	1,394	1,007
Credit card liabilities	1,340	876
Other accrued expenses	2,041	2,741
Total	<u>\$ 14,238</u>	<u>\$ 8,812</u>

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued)
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9. Long-Term Debt

As of December 31, 2020 and 2019, the Company's credit facilities and related balances were as follows:

	December 31	
	2020	2019
Mortgages	\$ 5,423	\$ —
Equipment financing loan	1,007	—
Loan and security agreement	6,500	—
Related party note payable	565	1,000
Term loan	—	1,800
Total principal	13,495	2,800
Less debt issuance costs	(459)	—
Long-term debt, net	\$ 13,036	\$ 2,800
Current maturities:		
Current maturities of principal	\$ 1,030	\$ 2,235
Less current portion of debt issuance costs	(164)	—
Current maturities of long-term debt, net	\$ 866	\$ 2,235
Long-term debt:		
Non-current principal	\$ 12,465	\$ 565
Non-current portion of debt issuance costs	(295)	—
Long-term debt, net	\$ 12,170	\$ 565

Future contractual maturities of credit facilities as of December 31, 2020 are as follows:

Year ending December 31:	
2021	\$ 1,030
2022	765
2023	6,255
2024	347
2025	4,716
Thereafter	382
	<u>\$ 13,495</u>

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Notes to Consolidated Financial Statements (continued) *(Amounts in Thousands, Except Unit and per Unit Amounts)*

Debt Issuance Costs

The Company capitalizes fees associated with the origination of its credit facilities which are presented in the consolidated balance sheets as a direct deduction from the carrying amount of the related loans. The debt issuance costs are amortized using the effective interest method. The Company incurred debt issuance costs of \$592 and \$59 for the years ended December 31, 2020 and 2019, respectively. Amortization of the debt issuance costs for the years ended December 31, 2020 and 2019 was \$133 and \$314, respectively, and are included in interest expense in the consolidated statement of income.

Mortgages

On July 29, 2020, the Company entered into mortgage loan agreements to refinance the purchase of buildings for a total of \$5,500 at an interest rate of 3.67% per annum. The loans are secured by the real property financed. The loans mature on July 29, 2025. The loans are payable in monthly installments of principal and interest of \$32 commencing on August 29, 2020. The mortgage loans require quarterly financial covenants related to fixed charge coverage, cash flows, and dividends and distributions. As of December 31, 2020, the Company was in compliance with all covenants related to these mortgage loan agreements.

Equipment Financing Loan

On July 29, 2020, the Company entered into an equipment financing agreement which provided a credit line totaling \$3,250 at an interest rate of LIBOR plus 3.5%. The credit line will convert to a fully amortizable term loan at the earlier of the equipment project completion or August 1, 2021. The credit line is secured by the equipment financed. The equipment financing agreement matures the earlier of (i) five years subsequent to the equipment project completion or (ii) August 1, 2026. The equipment financing agreement is secured by the equipment financed. As of December 31, 2020, the Company has available credit under this financing agreement of \$2,243.

Loan and Security Agreement

On January 31, 2020, the Company entered into a Loan and Security Agreement which provided two funding tranches to the Company, Term A and Term B. Term A is for \$4,000 and is immediately available to be drawn. Term B is for \$6,000 in which funds can be withdrawn monthly in minimum installments of \$500. After repayment, no funds can be reborrowed. Further, for Term A and Term B, the Company will make monthly payments of interest only on the outstanding principal balances. The interest rates for Term A and Term B are a floating rate equal to 7% above 30-day LIBOR Rate with a LIBOR rate floor of 1.5%. For the year ended December 31, 2020, interest rate was 8.5%. Quarterly principal payments totaling 1.25% of outstanding

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) *(Amounts in Thousands, Except Unit and per Unit Amounts)*

principal balance are due the second month of each fiscal quarter beginning on February 1, 2021. The Loan and Security Agreement matures on January 1, 2023 and is secured with the outstanding and issued units of the Company and all personal property of the Company excluding property and equipment. The Loan and Security Agreement requires monthly financial covenants related to revenue and minimum liquidity. As of December 31, 2020, the Company was compliant with all covenants. On January 31, 2020, the Company exercised a draw on the Term A tranche of \$4,000. On April 15, 2020 and March 30, 2020, the Company exercised a draw totaling \$1,000 and \$1,500 under the Term B tranche. As of December 31, 2020, the Company has available credit under the Loan and Security Agreement of \$3,500.

Related Party Notes Payable

As discussed in Note 11, on December 31, 2019, the Company entered into an unsecured related party loan agreement with an affiliate of the Company for \$1,000 due January 5, 2022 for the repurchase of member units. The loan is payable in monthly installments of principal and interest of \$46 and carries an interest rate of 9.0%. On December 28, 2020, the related party redeemed its remaining member units in the Company. As of December 31, 2020, the outstanding balance on this related party note payable is \$565.

On January 10, 2020, the Company entered into an unsecured related party promissory note with an affiliate of the Company for \$1,000 at an interest rate of 5%, compounded quarterly. The promissory note was fully repaid on January 31, 2020.

On January 10, 2020, the Company entered into a real estate purchase agreement to purchase its Salt Lake City facility. The Company financed a portion of the purchase through a loan agreement of \$2,500 and a promissory note of \$533 with affiliates of the Company. The loan agreement and the promissory note were fully repaid on July 29, 2020 and August 3, 2020, respectively.

Term Loan

On August 3, 2018, a subsidiary of the Company entered into an agreement to finance the purchase of a building for \$1,800 at an interest rate of 8%. The Company repaid the note in full during May 2020.

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued)
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10. Commitments and Contingencies**Leases**

The Company leases certain property and equipment under non-cancelable capital and operating leases which expire at various dates through December 2024. The Company's operating leases relate to roasting facilities in Tennessee and retail stores.

On June 30, 2018, the Company entered into a lease agreement to lease equipment for \$1,863 at an implicit interest rate of 6.6%. The lease maturity is October 31, 2022 and is secured by the assets purchased. The lease is accounted for as a capital lease due to the present value of minimum lease payments being greater than 90% value of the assets. Interest expense totaled \$77 and \$112 for the years ended December 31, 2020 and 2019, respectively.

The Company has vehicle leases that are accounted for as capital leases based on the lease term representing greater than 75% of the economic life of the assets. Total assets purchased under a capital lease totaled \$350. The period of these leases is between 60 and 72 months and have interest rates between 3.9% and 12.6%.

Total rent expense for the years ended December 31, 2020 and 2019 was \$820 and \$675, respectively.

Future minimum lease payments under non-cancelable operating leases are as follows:

	<u>Operating</u>
Year ending December 31:	
2021	\$ 1,103
2022	1,101
2023	996
2024	801
2025	<u>805</u>
Total minimum lease payments	4,806

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued)
(Amounts in Thousands, Except Unit and per Unit Amounts)

Future minimum lease payments under non-cancelable capital leases are as follows:

	Capital
Year ending December 31:	
2021	\$ 537
2022	631
2023	56
2024	67
2025	13
Total minimum lease payments	1,304
Less: amount representing interest	108
Present value of net minimum lease payments	1,196
Less: current portion	537
Capital lease obligations, net of current maturities	\$ 659

The following describes property and equipment which have been classified as capital leases:

	December 31	
	2020	2019
Vehicles	\$ 481	\$ 291
Machinery and equipment	1,732	1,732
	2,213	2,023
Less: accumulated amortization	801	494
Total	\$ 1,412	\$ 1,529

Depreciation expense of assets recorded under capital leases totaled \$321 and \$302 for the years ended December 31, 2020 and 2019, respectively.

Royalties

As of December 31, 2020 and 2019, the Company has several branding agreements with outside parties for which it makes monthly and quarterly royalty payments based on a percentage of sales for those specifically branded items. For the years ended December 31, 2020 and 2019, royalty expense related to these arrangements totaled \$131 and \$212 respectively. As of December 31, 2020 and 2019, related liabilities totaled \$33 and \$41, respectively.

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

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. 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. Based on the 2018 Supreme Court decision in *South Dakota v. Wayfair Inc.*, an increasing number of states have considered or adopted laws or administrative practices, with or without notice, that impose new taxes on remote sellers to collect transaction taxes such as sales, consumption, or similar taxes. Failure to comply with such laws or administrative practices, or a successful assertion by such states requiring the Company to collect taxes where it does not, could result in substantial tax liabilities, including for past sales, as well as penalties and interest. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Furthermore, more jurisdictions are considering laws or administrative practices to assess new taxes on all or a portion of gross revenue or other similar amounts. The Company follows the guidelines of ASC 450, *Accounting for Contingencies*, and the consolidated financial statements reflect the current impact of such legislation through the Company's best estimates. However, any of these events could have a material effect on the Company's business and operating results depending on the previous periods of applied enforcement by certain jurisdictions.

The Company is also subject to U.S. (federal and state) laws, regulations, and administrative practices that require us to collect information from its customers, vendors, merchants, and other third parties for tax reporting purposes and report such information to various government agencies. The scope of such requirements continues to expand, requiring us to develop and implement new compliance systems. Failure to comply with such laws and regulations could result in significant penalties and interest which might have an adverse effect on the Company's business and operating results.

The Company has accrued \$628 and \$1,095 related to potential sales and other tax exposure as of December 31, 2020 and 2019, respectively, which is included in accrued sales taxes on the accompanying consolidated balance sheets.

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued)
(Amounts in Thousands, Except Unit and per Unit Amounts)

11. Members' Equity

Members' equity consists of Class A common units, Class B common units, and Incentive Units discussed in Note 12. The details of the Class A common units and the Class B common units outstanding for the years ended December 31, 2020 and 2019 are as follows:

	Class A Common Units	Class B Common Units	Total
Outstanding, January 1, 2019	20,000	94,286	114,286
Repurchased	—	(5,714)	(5,714)
Outstanding, December 31, 2019	20,000	88,572	108,572
Issued	—	8,855	8,855
Repurchased	(1,231)	(23,537)	(24,768)
Outstanding, December 31, 2020	18,769	73,890	92,659

Each Class A common unit entitles the holder to ten votes on any matter submitted to a vote of the members. Each Class B common unit entitles the holder to one vote on any matter submitted to a vote of the members. Profits and losses are allocated pro rata to each common unit holder and Incentive Unit holder whose participation threshold has been achieved. Upon a liquidation event, remaining available cash after distribution to Series A Preferred Equity holders is distributed pro rata to each common unit holder and Incentive Unit holder whose participation threshold has been met.

On December 28, 2020, the Company entered into several equity repurchase agreements with several members. The purchase was funded through the proceeds of the Series A preferred units sale. See details in Note 14.

On December 31, 2019, the Company entered into an equity repurchase agreement with one of its members. The purchase was financed with a \$1,000 long-term note payable due January 5, 2022 and a \$1,000 current liability. As of December 31, 2020, the outstanding balance on the current liability and long-term note were \$0 and \$565.

During 2018, BRCC entered into notes receivable totaling \$250 and accrued annual interest at 2% compounded monthly with two of its executives, who are members, to facilitate the purchase of member units held by and among other members of the Company. At December 31, 2020, the notes were paid off.

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued)
(Amounts in Thousands, Except Unit and per Unit Amounts)

12. Equity-Based Compensation

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

For the years ended December 31, 2020 and 2019, the Company granted 49,119 and 50,000 Incentive Units with time vesting provisions.

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 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)	2 to 5 years
Grant date performance and market threshold	\$35,000 to \$600,000

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.

All nonvested Incentive Units vest 100% upon a change of control event, as defined in the Plan. The following table summarizes the changes in the number of incentive units for the years ended December 31, 2020 and 2019:

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued)
(Amounts in Thousands, Except Unit and per Unit Amounts)

	Incentive Units	Weighted Average Grant Date Fair Value	Total Value
Granted and Outstanding at January 1, 2019	108,500	\$ 49.89	\$ 5,413
Granted	50,000	5.13	257
Forfeited	(16,000)	15.04	(241)
Granted and Outstanding at December 31, 2019	142,500	\$ 38.10	\$ 5,429
Granted	49,119	95.27	4,680
Forfeited	(10,000)	15.40	(154)
Repurchased	(7,116)	447.15	(3,182)
Granted and Outstanding at December 31, 2020	174,503	\$ 38.82	\$ 6,773
Vested at December 31, 2020	112,022	\$ 59.55	\$ 6,671

As of December 31, 2020 and 2019, the Company maintained 25,497 and 63,750 Incentive Units available for granting, respectively. As of December 31, 2020, the weighted average expected term of vested Incentive units was 2 years. As of December 31, 2020, total unrecognized equity compensation expense related to nonvested Incentive Units to be recognized over a weighted average period of approximately 3 years was \$3,107.

13. 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 \$300 and \$317 for the years ended December 31, 2020 and 2019.

14. Series A Redeemable Preferred Equity

On December 15, 2020, the Company entered into a purchase agreement under which various parties agreed to purchase 150,000 Series A preferred units and 3,425 Class B common units for an aggregate purchase price of \$150,000.

The Company recorded the Series A preferred units and Class B common units at their relative fair values on the date of issuance, net of issuance costs. The Company classified the Series A preferred units outside of members' equity (deficit) because, in the event certain circumstances

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

occurred in connection with certain liquidation events, the shares would become redeemable at the option of the holders. The Company did not adjust the carrying values of the redeemable preferred equity to the deemed liquidation values of such shares since a liquidation event was not probable as of December 31, 2020.

Redemption Rights

The Series A preferred units contain several redemption features that could result in the Company redeeming the Series A preferred units by transferring cash or other assets. Specifically, the following provisions could result in the Company redeeming the Series A preferred units by transferring assets:

- (i) The occurrence of a Liquidation Event (as defined below);
- (ii) In connection with a change of control;
- (iii) The preferred members exercising their rights under Exit Rights (as defined below); or
- (iv) The Company exercising its rights under Optional Redemption (as defined below).

Voting Rights

The Series A preferred units are not granted any voting rights.

Conversion Rights

The Series A preferred units do not provide the preferred members with any conversion rights.

Dividend Rights

The preferred members are entitled to Series A preferred distributions which are non-discretionary distributions that accrue (i.e., cumulative) at a stated Series A preferred distributions rate (i.e., increasing rate). Furthermore, in the event that the Series A preferred distributions are not paid within the specified timeframe, the Company is subject to a step-up rate (i.e., a penalty provision of an additional 3.0%).

Issuance of Additional Common Units

So long as a new common member holds any Series A preferred units, such new common member will receive on each of December 31, 2022, December 31, 2023, and December 31, 2024 (each such date, a “Distribution Date”) such member’s pro rata share of additional Class B common units representing 1.00% of post-distribution outstanding common units; provided, that, if the Series A preferred units are partially redeemed on or prior to a Distribution Date, the percentage of additional Class B common units to be issued to the new common member on such Distribution Date will be proportionately decreased to reflect the number of Series A preferred units outstanding

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

on such Distribution Date as compared to the amount of Series A preferred units outstanding on December 15, 2020.

Liquidation Event

A Liquidation Event is defined as any liquidation, dissolution, or winding up, whether voluntary or involuntary of the Company or its subsidiaries; provided, that, in case of any involuntary event, such event is not cured within 60 days following its commencement.

Any distributions in connection with a Liquidation Event will be made among members as follows:

- (i) First, to the preferred members, *pari passu* and pro rata based on the number of Series A preferred units held by each preferred member, until the aggregate amounts distributed to each preferred member is equal to the applicable redemption price payable at the time of such Liquidation Event;
- (ii) Second, an amount equal to the product of the remaining available cash after the distribution described in (i) above multiplied by the incentive unit factor will be distributed to the members holding vested units in proportion to the number of vested units held by each such member (provided, however, that the participation threshold for the incentive units has been achieved);
- (iii) Thereafter, an amount equal to the remaining available cash after the distribution described in (i) and (ii) above will be distributed to the holders of common units pro rata in accordance with their respective aggregate number of common units.

Permitted Distributions

Until April 15, 2021, the Company is permitted to make distributions with available cash and/or proceeds from the sale of Series A preferred units and Class B common units to the common members for a total amount of up to \$135,000, provided that the Company will have at least \$30,000 of cash equivalents, after payment of up to \$5,000 of fees and expenses. The Company paid distributions of \$125,000 in December 2020.

Distributions on Series A Preferred Units – Cumulative Cash Distributions

After December 15, 2020, distributions at the Series A preferred Distributions Rate (defined below) will accrue on each Series A preferred unit. Series A preferred distributions accrue, whether or not declared, and are cumulative. Subject to the Company's right to make Series A non-cash distribution elections during the period from December 15, 2020 to December 31, 2022, Series A preferred distributions will be payable in cash, in arrears on each Series A preferred distributions payment date.

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

“Series A Preferred Distributions Rate” means (i) in the event distributions are made in cash, (a) 7.0% per annum through December 31, 2021, (b) 7.5% per annum from January 1, 2022 through December 31, 2022, (c) 8.0% per annum from January 1, 2023 through December 31, 2023, (d) 8.5% per annum from January 1, 2024 through December 31, 2024 and (e) 9.0% per annum from January 1, 2025 through December 31, 2025, and (ii) in the event of a Series A non-cash distribution election and solely with respect to such non-cash portion, (a) 7.5% per annum through December 31, 2021, (b) 8.0% per annum from January 1, 2022 through December 31, 2022, (c) 8.5% per annum from January 1, 2023 through December 31, 2023, (d) 9.0% per annum from January 1, 2024 through December 31, 2024 and (e) 9.5% per annum from January 1, 2025 through December 31, 2025, in each case of the Series A preferred issue amount as in effect for the applicable period.

Distributions on Series A Preferred Units – Non-Cash Distributions

The Company may, at the sole election of the board of directors, with respect to any Series A preferred distribution accrued until December 31, 2022, elect to have up to 50% of the amount that would have been payable in cash if such distribution had been a cash distribution to instead be paid through the issuance to the preferred members of a number of Series A preferred units. In the event that the Company makes a Series A non-cash distribution election, the applicable Series A preferred distributions rate will increase by 50 basis points. As of December 31, 2020, the Company has elected to pay distributions in cash.

Limitation on Debt

For so long as last twelve months’ (LTM) earnings before taxes, depreciation, and amortization (EBITDA) is less than \$20,000, the Company will not incur any debt, unless immediately after giving effect to the incurrence thereof, (i) the aggregate outstanding principal amount of all debt outstanding does not exceed \$45,000 and (ii) debt incurred under any asset backed line of credit facility does not exceed \$20,000.

For so long as LTM EBITDA equals to or exceeds \$20,000, but is less than \$25,000, the Company will not incur any debt, unless immediately after giving effect to the incurrence thereof, the aggregate outstanding principal amount of all debt outstanding does not exceed 300% of LTM EBITDA.

For so long as LTM EBITDA equals to or exceeds \$25,000, the Company and its subsidiaries will not incur any debt, unless immediately after giving effect to the incurrence thereof, the aggregate outstanding principal amount of all debt outstanding does not exceed 400% of LTM EBITDA.

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) (Amounts in Thousands, Except Unit and per Unit Amounts)

Exit Right

Unless previously redeemed by the Company pursuant to Optional Redemption described below, at any time on or after December 31, 2025, any holder of Series A preferred units may redeem all or a portion of its outstanding Series A preferred units at a redemption price equal to 103.00% of the total outstanding principal amount thereof, plus accrued and unpaid distributions, if any, to, but excluding, the redemption date.

Optional Redemption

At any time on or before December 31, 2022, the Company may elect at its sole discretion to redeem all or a portion of the outstanding Series A preferred units at a redemption price equal to 100% of the total outstanding principal amount thereof plus the applicable premium as of, and accrued and unpaid distributions, if any, to, but excluding the redemption date. No applicable premium will be payable if the Series A preferred units are redeemed (i) following the expiration of a lock-up period relating to a qualified IPO that occurred on or prior to December 31, 2022; provided, that, at the time of such redemption, the equity value of the Company is equal to or in excess of \$1,250,000 (determined using the 30-day volume-weighted average price ending two trading days prior to the calculation date) or (ii) in connection with a sale of the Company occurring prior to December 31, 2022, provided, that such sale of the Company is based on an equity value of the Company equal to or in excess of \$1,250,000.

At any time on or after January 1, 2023, the Company may elect at its sole discretion to redeem all or a portion of the outstanding Series A preferred units at a redemption price equal to the percentage of the total outstanding principal amount thereof as set forth below, plus accrued and unpaid distributions, if any, to, but excluding, the applicable redemption date, if redeemed during the twelve-month period beginning on January 1 of the year indicated below:

<u>Year</u>	<u>Percentage</u>
2023	101.00%
2024	102.00%
2025	103.00%

Authentic Brands LLC

Notes to Consolidated Financial Statements (continued) *(Amounts in Thousands, Except Unit and per Unit Amounts)*

15. Concentrations

The Company has significant suppliers and service providers that are important to its sourcing, roasting, manufacturing, and any related ongoing servicing of merchandise and content. Approximately 71.6% and 80.9% of the Company's coffee purchases are generated from four vendors for the years-ended December 31, 2020 and December 31, 2019. The Company's three main shipping vendor accounts for approximately 81.0% and 82.5% of total shipping expenses for the years ended December 31, 2020 and 2019, respectively. In addition, the Company's primary fulfillment service provider accounts for 92.0% and 99.0% of total fulfillment costs for the years ended December 31, 2020 and 2019, respectively. Further, approximately 62.0% of the Company's marketing expenses for the year ended December 31, 2020 are generated from four vendors and 57.6% of the Company's marketing expenses for the year ended December 31, 2019 are generated from three vendors. The Company does not have any long-term arrangements with these vendors or its other suppliers and service providers to guarantee availability of inventory, content, or services. The loss of the above vendors could have an impact on the operations of the Company until a suitable replacement could be engaged.

16. Subsequent Events

On April 12, 2021, the Company entered into a revolving promissory note agreement for \$10,000 and a letter of credit agreement for \$400. The revolving promissory note is secured by the assets of the Company. The revolving promissory note matures on July 30, 2023. The letter of credit agreement matures no later than January 28, 2025 to support an existing lease on real estate. The promissory note agreement and letter of credit agreement have certain financial covenants.

On April 14, 2021, the Company terminated its Loan and Security Agreement and paid the balance in full.

On April 16, 2021, the Company increased its credit line related to the equipment financing agreement discussed in Note 9 an additional \$10,000. In addition, the credit line conversion date was extended to the earlier of the equipment project completion or December 1, 2021. The loan matures five years after conversion.

The Company has evaluated events from December 31, 2020 through April 29, 2021, the date the financial statements were available to be issued. Other than those noted above, no other material subsequent events have occurred.

EXHIBIT F-2

Audited Financial Statements

F-1 Authentic Brands, LLC Consolidated Financial Statements for the Fiscal Years Ended December 31, 2019 and December 31, 2018

Authentic Brands, LLC

Consolidated Financial Statements

As of and for the Years Ended
December 31, 2019 and 2018

Authentic Brands, LLC

Consolidated Financial Statements

As of and for the Years Ended
December 31, 2019 and 2018

Authentic Brands, LLC**Contents**

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Report of Independent Registered Public Accounting Firm

Board of Directors and Members of
Authentic Brands, LLC
San Antonio, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Authentic Brands, LLC and its subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, members' equity (deficit), and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

BDO USA, LLP

April 10, 2020

We have served as the Company's auditor since 2018.

Consolidated Financial Statements

Authentic Brands, LLC
Consolidated Balance Sheets
(Amounts in thousands)

<i>December 31,</i>	2019	2018
Assets		
Current Assets		
Cash	\$ 3,871	\$ 3,540
Accounts receivable, net	2,032	1,211
Inventories	5,144	5,398
Prepaid expenses and other current assets	1,164	484
Total Current Assets	12,211	10,633
Property and Equipment, net	6,114	5,832
Other Assets		
Goodwill	641	641
Identifiable intangibles, net	292	211
Equity investment	52	25
Other	117	107
Total Other Assets	1,102	984
Total Assets	\$ 19,427	\$ 17,449
Liabilities and Members' Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 4,496	\$ 3,327
Accrued liabilities	8,812	4,849
Accrued sales taxes	1,095	975
Deferred revenue and gift card liability	1,300	707
Contingent consideration	42	83
Current maturities of long-term debt, net	2,235	1,891
Current maturities of capital lease obligations	402	369
Total Current Liabilities	18,382	12,201
Non-Current Liabilities		
Contingent consideration	652	529
Long-term debt, net	565	1,566
Capital lease obligations, net of current maturities	1,055	1,407
Other non-current liabilities	-	565
Total Non-Current Liabilities	2,272	4,067
Total Liabilities	20,654	16,268
Commitments and Contingencies (Note 9)		
Members' Equity (Deficit)	(1,227)	1,181
Total Liabilities and Members' Equity (Deficit)	\$ 19,427	\$ 17,449

See notes to consolidated financial statements.

Authentic Brands, LLC

Consolidated Statements of Operations
(Amounts in thousands)

<i>Year Ended December 31,</i>	2019	2018
Revenue, net	\$ 82,128	\$ 59,290
Cost of Goods Sold	46,423	37,393
Gross Margin	35,705	21,897
Operating Expenses		
Salaries, wages and benefits	12,930	7,386
Marketing and advertising	13,349	10,030
General and administrative	8,887	8,991
Share based compensation	143	4,905
Total Operating Expenses	35,309	31,312
Income (Loss) from Operations	396	(9,415)
Other Income (Expense)		
Interest expense	(733)	(204)
Other income	63	20
Other expense	(462)	(63)
Total Other Expense	(1,132)	(247)
Loss Before State Income Taxes	(736)	(9,662)
State Income Tax Expense	14	38
Net Loss	\$ (750)	\$ (9,700)

See notes to consolidated financial statements.

Authentic Brands, LLC

Consolidated Statements of Members' Equity (Deficit)
(Amounts in thousands)

	Class A Members' Equity (Deficit)	Class B Members' Equity (Deficit)	Incentive Units	Notes Receivable from Members	Total
Balance at January 1, 2018	\$ 1,492	\$ 7,034	\$ -	\$ -	\$ 8,526
Share Based Compensation	-	-	4,905	-	4,905
Member Unit Exchange	-	-	-	(250)	(250)
Accrued Interest on Notes Receivable from Members	-	-	-	(5)	(5)
Distributions	(402)	(1,893)	-	-	(2,295)
Net Loss	(1,698)	(8,002)	-	-	(9,700)
Balance at December 31, 2018	(608)	(2,861)	4,905	(255)	1,181
Share Based Compensation	-	-	143	-	143
Repayment of Notes Receivable from Members	-	-	-	201	201
Accrued Interest on Notes Receivable from Members	-	-	-	(2)	(2)
Repurchase Member Units	-	(2,000)	-	-	(2,000)
Net Loss	(131)	(619)	-	-	(750)
Balance at December 31, 2019	\$ (739)	\$ (5,480)	\$ 5,048	\$ (56)	\$ (1,227)

See notes to consolidated financial statements.

Authentic Brands, LLC

Consolidated Statements of Cash Flows (Amounts in thousands)

<i>Year Ended December 31,</i>	2019	2018
Cash Flows from Operating Activities		
Net loss	\$ (750)	\$ (9,700)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	933	481
Amortization of debt issuance costs	314	26
Share based compensation	143	4,905
Inventory reserves	96	50
Bad debt (recovery) expense	(37)	188
Accrued interest on notes receivable from members	(2)	(5)
Change in fair value of contingent consideration	(63)	-
Loss from equity investment	80	16
Loss on sale of property and equipment	4	80
Changes in operating assets and liabilities, net of effects of business acquisitions:		
Accounts receivable, net	(784)	(766)
Inventories, net	193	(3,075)
Prepaid expenses and other assets	(690)	(586)
Accounts payable	986	2,598
Accrued liabilities	3,082	3,529
Accrued sales tax	120	551
Deferred revenue and gift card liability	593	(92)
Other liabilities	(615)	759
Net Cash Provided by (Used in) Operating Activities	3,603	(1,041)
Cash Flows from Investing Activities		
Cash paid for business acquisitions	(63)	(200)
Purchased identifiable intangibles	-	(30)
Purchases of property and equipment	(1,043)	(2,921)
Proceeds on sale of property and equipment	-	130
Net Cash Used in Investing Activities	\$ (1,106)	\$ (3,021)

Authentic Brands, LLC

Consolidated Statements of Cash Flows - Continued (Amounts in thousands)

<i>Year Ended December 31,</i>	2019	2018
Cash Flows from Financing Activities		
Proceeds from issuance of long-term debt	\$ 2,758	\$ 3,857
Repayment of long-term debt	(4,670)	(782)
Cash paid for debt issuance costs	(59)	(282)
Repayment of capital lease obligations	(396)	-
Repurchase of member units	-	(250)
Repayment of notes receivable from members	201	-
Distributions to members	-	(2,295)
Net Cash (Used In) Provided by Financing Activities	(2,166)	248
Net Increase (Decrease) in Cash	331	(3,814)
Cash - Beginning of Year	3,540	7,354
Cash - End of Year	\$ 3,871	\$ 3,540
Non-Cash Investing and Financing Activities		
Equity investment of property and equipment	\$ 107	\$ 16
Equity investment of inventories	-	25
Notes receivable issued for members' exchange of units	-	250
Issuance of note and other payables for repurchase of member units	2,000	-
Contingent consideration for acquisitions	75	612
Capital expenditures financed through credit facilities and capital leases	77	1,863
Accrued capital expenditures	183	97
Supplemental Cash Flow Information		
Cash paid for state income taxes	\$ 14	\$ 91
Cash paid for interest	332	174

See notes to consolidated financial statements.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

1. Organization and Nature of Business

Authentic Brands, LLC (individually, “Authentic Brands”, collectively, “the Company” or “we”) was formed on June 5, 2018. Prior to the formation of Authentic Brands, the Company operated through Black Rifle Coffee Company, LLC (“BRCC”), an entity under common control. On July 19, 2018, the members of BRCC elected to exchange their respective ownership of BRCC for a pro rata ownership of Authentic Brands. As the exchange was a common control transaction, the consolidated financial statements as of January 1, 2018 have been retrospectively adjusted to reflect the new reporting entity.

The Company, through its wholly owned subsidiaries, purchases, roasts, and sells high quality coffee, coffee accessories, and branded apparel through its online channels and business networks. In addition, the Company develops and promotes online content for the purpose of growing its brands.

Good Beans, LLC (“Good Beans”) is a wholly owned subsidiary of Authentic Brands, LLC. Good Beans is a holding company for its wholly owned subsidiaries, BRCC, Grounds and Hounds Coffee Company, LLC (“GHCC”) purchased in 2018 (See Note 3), Signal Mountain Media Works, LLC (“Signal Mountain”), and Free Range American Media Company, LLC (“FRA”) purchased in 2019 (See Note 3).

BRCC, is the parent company of Spencer 355, LLC, a company whose primary purpose is to purchase a facility, and BRCC Operating Company, LLC, a company whose primary purpose is to operate brick-and-mortar stores. In addition, BRCC maintains a 50% non-controlling ownership interest in Bison Union Coffee Company, LLC (“BUCC”). BUCC’s primary purpose is to purchase, roast, and sell high quality coffee through its company operated store. In January 2020, the Company formed Independent Coffee Solutions, LLC and 1144 SLC LLC. The primary purpose of Independent Coffee Solutions, LLC is to roast and sell coffee to other coffee distributors. The primary purpose of 1144 SLC LLC is to purchase a facility.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

We have prepared the accompanying consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (“US GAAP”).

The consolidated financial statements reflect the financial position and operating results of the Company including wholly-owned subsidiaries. Investments in entities that we do not control but have the ability to exercise significant influence over operating and financial policies are accounted for under the equity method. The financial results of GHCC are reflected in our consolidated financial statements from the date of acquisition, July 20, 2018, see Note 3. The financial results of FRA are reflected in our consolidated financial statements from the date of acquisition, November 1, 2019. Intercompany transactions and balances have been eliminated in consolidation.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

Use of Estimates

The preparation of 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 consolidated financial statements and accompanying notes. Such estimates include but are not limited to estimated losses on accounts receivable, inventory reserves, estimates related to fair value of the entity for purposes of assessing goodwill for impairment, estimates of undiscounted future cash flows and the fair value of assets or asset groups for the purpose of assessing impairment of long-lived assets, estimated liabilities for contingencies, and allocation of purchase price in business combinations. Actual results could differ materially from those estimates.

Revenue from Contracts with Customers

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

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

Sources and Timing of Revenue:

We have three sales channels where our revenue is derived from, which include on-line e-commerce websites, direct to businesses and dealers, and company operated store locations. 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 we ship high volumes of packages through multiple carriers, it is not practical for us to track the actual delivery date of each shipment. Therefore, we use estimates to determine which shipments are delivered and, therefore, recognize revenue at the end of the period. Delivery date estimates are based on average transit times calculated based on factors such as the type of carrier, the fulfillment source, the delivery destination and historical transit time experience. Actual shipping times may differ from our estimates. We do not recognize assets associated with costs to obtain or fulfill a contract with a customer.

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

Deferred Revenue

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

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

Gift Cards

Gift cards are offered through our on-line e-commerce websites through the form of an e-certificate. When a gift card is purchased, we recognize a corresponding liability for the full amount of the gift card, which is recorded in Deferred Revenue and Gift Card Liability on our consolidated balance sheet. Gift cards can be redeemed online, in Company stores, on our Company web-site. When a gift card is redeemed, we reduce the corresponding liability and recognize revenue. There are no expiration dates to our gift cards. While we will continue to honor all gift cards presented for payment, we 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 we also determine 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 our consolidated statements of operations. The Company recorded no breakage income for the years ended December 31, 2019 and 2018.

The following table provides information about deferred revenue and gift cards from contracts with customers, including significant changes in deferred revenue balances during the years ended December 31, 2019 and 2018:

January 1, 2018	\$ 798
Redemption of gift cards	(95)
Sales of gift cards	139
Decrease from revenue recognition	(754)
Increase from deferral of revenue	619
December 31, 2018	707
Redemption of gift cards	(163)
Sales of gift cards	268
Decrease from revenue recognition	(619)
Increase from deferral of revenue	1,107
December 31, 2019	\$ 1,300

Returns and Discounts:

Our product sales contracts include terms that could cause variability in the transaction price for items such as discounts, credits, 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.

We inspect returned items when they arrive at our processing facilities. We refund the full cost of the merchandise returned if the returned item is defective or we or our 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 we refund the full cost of the merchandise minus the original shipping charge and actual return shipping fees. However, we reduce refunds for returns initiated more than 30 days after delivery or that are received at our returns processing facility more than 45 days after initial delivery. If our customer returns an item that has been opened or shows signs of wear, we issue a partial refund minus the original shipping charge and actual return shipping fees.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

Revenue is recorded net of estimated returns. We record an allowance for returns based on current period revenues and historical returns experience. We analyze actual historical returns, current economic trends and changes in order volume and acceptance of our products when evaluating the adequacy of the sales returns allowance in any accounting period.

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 our performance obligation. Shipping and handling costs associated with inbound freight are capitalized to inventories and relieved to cost of goods sold.

Cost of Goods Sold

Cost of goods sold includes product costs, occupancy costs, outbound shipping costs, handling and fulfillment costs, credit card fees, and royalty fees, and is recorded in period incurred. For the years ended December 31, 2019 and 2018, the Company incurred \$5,724 and \$5,332, respectively, in fulfillment costs associated with finished products sold to consumers.

Accounts Receivables

Accounts receivable consist primarily of trade amounts due from customers and uncleared credit card transactions at period end. Accounts receivable are recorded at invoiced amounts and do not bear interest. From time to time, we grant credit to some of our business customers on normal credit terms. We maintain an allowance for doubtful accounts receivable based upon our business customers' financial condition and payment history, and our historical collection experience and expected collectability of accounts receivable. The allowance for doubtful accounts receivable was \$142 and \$188 as of December 31, 2019 and 2018, respectively.

Inventories

Inventories are stated at the lower of cost or net realizable value. We record inventory reserves for obsolete and slow-moving inventory and for estimated shrinkage between physical inventory counts. Inventory reserves are based on inventory obsolescence trends, historical experience and application of the specific identification method. As of December 31, 2019 and 2018, the Company's inventory reserve was \$146 and \$50, respectively. Finished goods includes allocations of labor and occupancy expenses.

Property and Equipment

Property and equipment acquired in connection with acquisitions are recorded at fair value as of the date of acquisition. All other additions of property and equipment are stated at cost with depreciation calculated using the straight-line method over the estimated useful lives of the related assets or the term of the related capital 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.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

Estimated useful lives are as follows:

	Estimated Useful Lives
Land	-
Building and Leasehold improvements	5-39 years
Computer equipment and software	3 years
Machinery and equipment	3-7 years
Vehicles	5 years

Impairment of Long-Lived Assets

The Company reviews the recoverability of its long-lived assets, such as property and equipment and identifiable intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset or asset group may not be recoverable. The assessment of possible impairment is based on the Company's ability to recover the carrying value of the asset or asset group from the expected future undiscounted pre-tax cash flows of the related operations. If these undiscounted cash flows are less than the carrying amount of the related asset, an impairment is recognized for the excess of the carrying value over its fair value. No impairment loss was recognized for the years ended December 31, 2019 and 2018.

Goodwill

Goodwill represents the excess of acquisition consideration paid over the fair value of identifiable net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but rather is reviewed for impairment on an annual basis (or more frequently if impairment indicators exist). The Company tests goodwill at the reporting unit level, which is the level for which there are distinct cash flows, products, capabilities and available financial information by first performing a qualitative assessment to determine if it is more likely than not that the carrying value of the entity exceeds its fair value. If there are indicators that goodwill may be impaired and a quantitative assessment is necessary, the Company must determine the fair value of each reporting unit and compare it to the reporting unit's carrying value. Fair value of the reporting unit is determined based on the present value of estimated cash flows using available information regarding expected cash flows of each reporting unit, discount rates and the expected long-term cash flow growth rates. If the fair value of the reporting unit exceeds the carrying value, goodwill is not impaired, and no further testing is performed. The Company applies FASB ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). This update eliminates the requirement to compute the implied fair value of goodwill under Step 2 of the goodwill impairment test which requires the recording of impairment to the extent the carrying value exceeds the fair value and to the extent there is remaining goodwill in the reporting unit under a one-step model. No impairment was recorded for the years ended December 31, 2019 and 2018.

Identifiable Intangibles

Identifiable intangibles acquired separately from third-parties are capitalized at cost while such assets acquired as part of an acquisition are capitalized at their acquisition-date fair value. Indefinite-lived intangible assets are tested for impairment annually or more frequently when events or circumstances indicate that the carrying value more likely than not exceeds its fair value. Definite lived intangible assets are amortized over the period to which the asset is expected to contribute to future cash flows.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

Investments

Equity investments are accounted for using the equity method of accounting if the investment gives us the ability to exercise significant influence, but not control, over an investee. The Company's share of the earnings or losses as reported by equity method investees are included within income (loss) from operations on our consolidated statements of operations. As of December 31, 2019 and 2018, we held a 50% interest in BUCC, which was determined to be an equity investment and is included in other assets in our consolidated balance sheets. Our net investment in BUCC totaled \$52 and \$25 as of December 31, 2019 and 2018, respectively, which consisted of inventories and equipment provided to BUCC. The Company's share of the losses for the years ended December 31, 2019 and 2018 was \$80 and \$16, respectively.

Income Taxes

The Company was formed as an LLC in the state of Delaware and thus is not subject to federal income taxes; therefore, its pro rata share of income, losses and tax credits are reported by its members on their individual income tax returns. However, the Company is subject to state income taxes in various states in which it operates.

The Company applies guidance issued by FASB which clarifies accounting for uncertainty in income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the consolidated financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement.

The Company has completed an analysis of its tax positions and believes there are no uncertain tax positions that would require recognition in the consolidated financial statements as of December 31, 2019 and 2018. The Company believes that there are no tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within twelve months of the reporting date. The federal income tax position taken for each of the subsidiaries organized as LLC's for any years open under the various statutes of limitations is that they will continue to be exempt from income taxes by virtue of being a pass-through entity. The statute of limitations for federal income tax returns are open from the period ending December 31, 2015. The statute of limitations for the state income tax returns are generally open from the period ended December 31, 2015.

Share-Based Compensation

The Company recognizes the cost of share-based restricted and incentive unit awards accounted for under FASB Accounting Standards Codification ASC 718, *Stock Based Compensation* ("ASC 718") on a straight-line basis over the requisite service period of the award, which is usually the vesting period under the fair value method. Total compensation cost is measured on the grant date using fair value estimates.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

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 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, a majority of which are credit card processors. 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

Our marketing and advertising expenses are primarily internet marketing expenses. These internet 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 our websites that generate a sale, programmatic targeting advertisements, or payments to social media influencers. Marketing and advertising expenses totaled \$13,350 and \$10,030 for the years ended December 31, 2019 and 2018, respectively.

Fair Value Measurements

The Company's financial instruments consist primarily of accounts receivable, accounts payable, contingent consideration 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 Prime Rate plus an applicable floating margin. The Company records contingent consideration at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company incorporates assumptions that market participants would use in pricing the asset or liability and utilizes market data to the maximum extent possible. These fair value measurements incorporate nonperformance risk (i.e., the risk that an obligation will not be fulfilled). In measuring fair value, the Company reflects the impact of credit risk on liabilities, as well as any collateral. The Company also considers the credit standing of counterparties in measuring the fair value of assets.

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

The Company follows the provisions of ASC 820, *Fair Value Measurements* ("ASC 820") for non-financial assets and liabilities measured on a non-recurring basis such as on a potential impairment loss related to goodwill and long-lived assets and assets and liabilities acquired in a business combination.

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).

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

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.

New Accounting Pronouncements

Accounting Pronouncements Not Yet Implemented

In February 2016, the FASB issued ASU 2016-02, *Leases (Subtopic 842)*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current US GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current US GAAP, which requires only capital leases to be recognized on the balance sheet, ASU 2016-02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 also will require disclosures to help investors and other financial statement users to better understand the amount, timing and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. For non-public entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption of the amendments of ASU 2016-02 is permitted for all entities is to be applied using the modified retrospective approach. The Company has not yet fully determined or quantified the effect ASU 2016-02 will have on the consolidated financial statements. Management continuously evaluates the economics of leasing vs. purchase for operating equipment. The lease obligations that will be in place upon adoption of ASU 2016-02 may be significantly different than the current obligations. Accordingly, at this time the Company cannot estimate the amounts that will be recorded when this standard is adopted.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments*, which amends the financial instruments impairment guidance so that an entity is required to measure expected credit losses for financial assets based on historical experience, current conditions and reasonable and supportable forecasts. As such, an entity will use forward-looking information to estimate credit losses. ASU 2016-13 also amends the guidance in FASB ASC 325 - 40, Investments Other, Beneficial Interests in Securitized Financial Assets, related to the subsequent measurement of accretible yield recognized as interest income over the life of a beneficial interest in securitized financial assets under the effective yield method. The standard will be effective January 2023 for smaller reporting public companies and private companies. At this time the Company cannot estimate the amounts that will be recorded when this standard is adopted.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

3. Acquisitions

On November 1, 2019, the Company entered into an agreement to purchase the majority of the assets of Free Range American, LLC for cash consideration of \$63 in cash and a contingent earn-out liability, which includes revenue and change of control provisions. The Company estimated the earn-out liability based on expected revenue growth and assigning a probability rate on change of control as defined in the assignment and assumption agreement, determining the acquisition date fair value to be \$75. Free Range American, LLC provides the Company with an additional brand with respect to merchandise and apparel and related media channels. The acquisition was accounted for as a business combination. There were no outstanding escrow amounts as of December 31, 2019 and all related working capital settlements are complete.

At the acquisition date above, fair value of the consideration consisted of the following:

Cash	\$	63
Contingent consideration		75
Total	\$	138

The following table summarizes the estimated fair value of assets acquired as of the acquisition date:

Assets Acquired		
Inventories	\$	35
Identifiable intangibles		103
Total Assets Acquired	\$	138

On July 20, 2018, the Company entered into an agreement to purchase a majority of the net assets of GHCC for cash consideration of \$200 in cash and a contingent earn-out liability which includes revenue and change of control provisions. The Company estimated the earn-out liability based on expected revenue growth and assigning a probability rate on change of control, as defined in the purchase and sale agreement, determining the acquisition date fair value to be \$612. GHCC provides the Company with an additional brand with respect to coffee roasting and related merchandise and apparel and provides an opportunity to gain additional market share in the industry. The acquisition was accounted for as a business combination. There were no outstanding escrow amounts as of December 31, 2018 and all related working capital settlements are complete.

At the acquisition dates above, fair value of the consideration consisted of the following:

Cash	\$	200
Contingent consideration		612
Total	\$	812

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

The following table summarizes the estimated fair value of assets acquired and liabilities assumed as of the acquisition date:

Assets Acquired	
Accounts receivable	\$ 16
Inventories	26
Identifiable intangibles	190
Goodwill	641
Total Assets Acquired	873
Accounts Payable Assumed	61
Net Assets Acquired	\$ 812

4. Inventories

Inventories consist of the following:

<i>December 31,</i>	2019	2018
Coffee:		
Unroasted	\$ 1,483	\$ 811
Roasted	1,960	2,897
In transit	287	446
Apparel and other merchandise	1,560	1,294
	5,290	5,448
Inventory reserve	(146)	(50)
Inventories	\$ 5,144	\$ 5,398

We maintain inventories with third party fulfillment centers to facilitate the shipping of orders. The inventories held with these third-parties was \$3,338 and \$4,011 as of December 31, 2019 and 2018, respectively.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

5. Property, Plant and Equipment, net

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

<i>December 31,</i>	2019	2018
Land	\$ 649	\$ 649
Building and leasehold improvements	1,735	1,535
Computer equipment and software	271	184
Machinery and equipment	4,130	3,325
Vehicles	363	320
Construction in progress	420	367
	7,568	6,380
Less: accumulated depreciation and amortization	(1,454)	(548)
Property and Equipment, net	\$ 6,114	\$ 5,832

The portion of depreciation expense related to production and distribution facilities is included in cost of goods sold including occupancy costs on our consolidated statements of operations. For the year ended December 31, 2019, depreciation and amortization expense included in cost of revenues and general and administrative expenses in the accompanying consolidated statements of operations totaled \$417 and \$494, respectively. For the year ended December 31, 2018, depreciation and amortization expense included in cost of revenues and general and administrative expenses in the accompanying consolidated statements of operations totaled \$267 and \$205, respectively.

6. Identifiable Intangibles, net

The Company's identifiable intangibles consist of the following:

<i>December 31, 2019</i>	Useful Life	Cost	Accumulated Amortization	Net
Trademark and Tradename	10 years	\$ 323	\$ 31	\$ 292

<i>December 31, 2018</i>	Useful Life	Cost	Accumulated Amortization	Net
Trademark and Tradename	10 years	\$ 220	\$ 9	\$ 211

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

As of December 31, 2019, the following is a summary of future minimum amortization expense for identifiable intangibles:

<i>Year Ending December 31,</i>		
2020	\$	32
2021		32
2022		32
2023		32
2024		32
Thereafter		132
	\$	292

Amortization expense for definite lived identifiable intangibles for the years ended December 31, 2019 and 2018 was \$22 and \$9, respectively, and is included in general and administrative expenses on the accompanying consolidated statements of operations.

7. Accrued Liabilities

Accrued liabilities consist of the following:

<i>December 31,</i>	2019	2018
Credit card liabilities	\$ 876	\$ 743
Accrued purchase commitment termination fee	-	500
Accrued compensation	2,472	1,514
Accrued marketing	1,716	-
Accrued freight	1,007	1,104
Accrued redemption of member units	1,000	-
Accrued legal & professional fees	463	85
Accrued payables	410	337
Accrued state income taxes	76	20
Other accrued expenses	792	546
Total	\$ 8,812	\$ 4,849

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

8. Long-Term Debt

As of December 31, 2019 and 2018, the Company's credit facilities and related balances were as follows:

<i>December 31,</i>	2019	2018
Term loan	\$ 1,800	\$ 1,800
Revolving credit facility	-	1,719
Related party note payable	1,000	194
Total principal	2,800	3,713
Less debt issuance costs	-	(256)
Long-Term Debt, net	\$ 2,800	\$ 3,457
Current maturities:		
Current maturities of principal	\$ 2,235	\$ 1,994
Less current portion of debt issuance costs	-	(103)
Current Maturities of Long-Term Debt, net	\$ 2,235	\$ 1,891
Long-term debt:		
Non-current principal	\$ 565	\$ 1,719
Non-current portion of debt issuance costs	-	(153)
Long-Term Debt, net	\$ 565	\$ 1,566

Future contractual maturities of credit facilities as of December 31, 2019 are as follows:

<i>Year Ending December 31,</i>	
2020	\$ 2,235
2021	519
2022	46
	\$ 2,800

Debt Issuance Costs

The Company capitalizes fees associated with the origination of its credit facilities which are presented in the consolidated balance sheet as a direct deduction from the carrying amount of the related loans. The debt issue costs are amortized on a straight-line basis to interest expense over the life of the related facility, which approximates the effective interest method. The Company incurred debt issue costs of \$59 and \$282 for the years ended December 31, 2019 and 2018, respectively. Amortization of the debt issuance costs for the years ended December 31, 2019 and 2018 was \$314 and \$26, respectively.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

Term Loan

On August 3, 2018, 355 Spencer Lane, LLC entered into an agreement with Speedwagon Properties Fund, IV to finance its purchase of a building for \$1,800 at an interest rate of 8%. The note originally matured on August 3, 2019 with an option to extend for 6 months which was exercised by the Company. On March 18, 2020, the Company entered into Amendment No. 3 to extend the maturity date to May 3, 2020. The loan is secured by the building and there are no financial covenants related to the note agreement.

Revolving Credit Facility

On November 15, 2018, BRCC entered into a revolving credit facility of \$4,000 with Stonegate Asset Company II, LLC. The revolving credit facility matures on November 15, 2021 at which time all remaining principal and interest are due. The credit facility carries a variable interest rate of 3% above Prime Rate with Prime Rate never being lower than 4%. For the years ended December 31, 2019 and 2018, the interest rate was 7.75% and 8.5%, respectively. The credit facility is secured by business customer accounts receivable and inventory of the Company. On December 27, 2019, the Company terminated its revolving credit facility with Stonegate Asset Company II, LLC. The termination of the agreement included a termination fee of \$40, which is included in interest expense in 2019. See Note 14 for credit facility agreements executed subsequent to December 31, 2019.

Related Party Loan

As discussed in Note 11, on December 31, 2019, the Company entered into an unsecured related party loan agreement with an affiliate of the Company for \$1,000 due January 5, 2022 for the repurchase of member units. The loan is payable in monthly installments of principal and interest of \$46 and carries an interest rate of 9.0%.

On September 26, 2017, BRCC entered into an unsecured related party loan agreement with an affiliate of the Company for \$500 due September 1, 2019. The loan was payable in monthly installments of principal and interest of \$22 and carried an interest rate of 6.0%. As of December 31, 2019, the loan was paid off.

9. Commitments and Contingencies

Leases

The Company leases certain property and equipment under non-cancelable capital and operating leases which expire at various dates through April 2023. The Company's operating leases relate to roasting facilities in Salt Lake City and Tennessee. In January 2020, the Company purchased the Salt Lake City roasting facility (See Note 15).

On June 30, 2018, the Company entered into a lease agreement with First National Capital LLC to lease equipment for \$1,863 at an implicit interest rate of 6.9%. The lease maturity is October 31, 2022 and is secured by the assets purchased. The lease is accounted for as a capital lease due to the presence of a bargain purchase option. Interest expense totaled \$112 and \$63 for the years ended December 31, 2019 and 2018, respectively.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

The Company has four vehicle leases that are accounted for as capital leases based on the lease term representing greater than 75% of the economic life of the assets. Total assets purchased under a capital lease totaled \$160. The period of these leases is between 60 and 72 months and have interest rates between 5.49% and 12.6%.

Total rent expense for the years ended December 31, 2019 and 2018 was \$675 and \$467, respectively.

Future minimum lease payments under non-cancelable operating and capital leases are as follows:

<i>Year Ending December 31,</i>	Operating	Capital
2020	\$ 628	\$ 495
2021	498	495
2022	234	617
2023	234	15
2024	78	19
Total minimum lease payments	1,672	1,641
Less: amount representing interest	-	(184)
Present value of net minimum lease payments	1,672	1,457
Less: current portion	-	(402)
Capital Lease Obligations, net of current maturities	\$ -	\$ 1,055

The following describes property and equipment which have been classified as capital leases:

<i>December 31,</i>	2019	2018
Vehicles	\$ 291	\$ 238
Machinery and equipment	1,732	1,732
	2,023	1,970
Less: accumulated amortization	494	192
Total	\$ 1,529	\$ 1,778

Depreciation expense of assets recorded under capital leases totaled \$302 and \$144 for the years ended December 31, 2019 and 2018, respectively.

Purchase Commitments and Royalties

The Company has several purchase commitments with its green coffee bean suppliers to match its production strategies. The purchase commitments are non-cancellable and do not have a net settlement provision. As of December 31, 2019, the Company's purchase commitments for green coffee beans totals \$2,166. In 2020, the Company entered into additional purchase commitments for green coffee beans totaling \$1,144. All commitments are expected to mature in fiscal year 2020.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

The Company previously held a purchase and production agreement with Mill Creek Roasters (“Mill Creek”) for roasting coffee. On December 31, 2018, BRCC entered into a termination agreement with Mill Creek as a result of changes in production strategies. The termination agreement resulted in an early termination fee of \$500, which is included in general and administrative expenses on the consolidated statements of operations for the year ended December 31, 2018 and accrued liabilities on the consolidated balance sheets as of December 31, 2018.

As of December 31, 2019 and 2018, the Company has several branding agreements with outside parties for which we make monthly and quarterly royalty payments based on a percentage of sales for those specifically branded items. For the years ended December 31, 2019 and 2018, royalty expense related to these arrangements totaled \$212 and \$422 respectively. As of December 31, 2019 and 2018, related liabilities totaled \$41 and \$137, respectively.

Contingencies

As discussed in Note 3, the Company entered into agreements to purchase a majority of the assets of Free Range American, LLC and a majority of net assets of GHCC which included contingent earn-out liabilities of \$75 and \$612, respectively. The Company remeasures the estimated fair value of the contingent consideration on a recurring basis each reporting period. Changes in the fair value of the contingent consideration for the years ended December 31, 2019 and 2018 were immaterial to the consolidated financial statements.

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. 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. Based on the 2018 Supreme Court decision in *South Dakota v. Wayfair Inc.*, an increasing number of states have considered or adopted laws or administrative practices, with or without notice, that impose new taxes on remote sellers to collect transaction taxes such as sales, consumption, or similar taxes. Failure to comply with such laws or administrative practices, or a successful assertion by such states requiring us to collect taxes where we do not, could result in substantial tax liabilities, including for past sales, as well as penalties and interest. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Furthermore, more jurisdictions are considering laws or administrative practices to assess new taxes on all or a portion of gross revenue or other similar amounts. The Company follows the guidelines of ASC 450, *Accounting for Contingencies*, and our financial statements reflect the current impact of such legislation through our best estimates. However, any of these events could have a material effect on our 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 our 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 our business and operating results.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

The Company has accrued \$1,095 and \$975 related to potential sales and other tax exposure as of December 31, 2019 and 2018, respectively, which is included on the accompanying consolidated balance sheets.

10. Fair Value Measurements

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The following table sets forth by level within the fair value assets hierarchy the Company's financial liabilities that were accounted for at fair value as of December 31, 2019 and 2018:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Contingent consideration	\$ -	\$ -	\$ 694	\$ 694

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Contingent consideration	\$ -	\$ -	\$ 612	\$ 612

See "Fair Value Measurements" in Note 2, Summary of Significant Accounting Policies, for a description of the levels. There were no transfers between fair value hierarchy levels for any period presented.

11. Members' Equity

Members' equity consists of Class A, Class B, and Incentive Units discussed in Note 12. The details of the Class A units and the Class B units outstanding for the years ended December 31, 2019 and 2018 are as follows:

	Class A Units	Class B Units	Total
Outstanding, January 1, 2018	20,000	94,286	114,286
Repurchased	-	(5,000)	(5,000)
Issued in exchange for notes receivable	-	5,000	5,000
Outstanding, December 31, 2018	20,000	94,286	114,286
Repurchased	-	(5,714)	(5,714)
Outstanding, December 31, 2019	20,000	88,572	108,572

Each Class A Common Unit entitles the holder to ten votes on any matter submitted to a vote of the Members. Each Class B Common Unit entitles the holder to one vote on any matter submitted to a vote of the Members. Profits and losses are allocated to each unit holder pro rata.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

On December 31, 2019, the Company entered into a stock repurchase agreement with one of its Members. The purchase was financed with a \$1,000 note payable due January 5, 2022 and a current non-interest-bearing liability of \$1,000.

During 2018, BRCC entered into notes receivable with two of its executives, who are members, to facilitate the purchase of member units held by and among other members of the Company. The notes total \$250 and accrue annual interest at 2% compounded monthly. At December 31, 2019, principal and accrued interest totaled \$50 and \$5, respectively, and is included as an offset to Members' Equity. At December 31, 2018, principal and accrued interest totaled \$250 and \$5, respectively, and is included as an offset to Members' Equity. The notes are due December 31, 2026 and are payable annually. Early payment is permitted.

12. Share-Based Compensation

The Company maintains an equity incentive plan (the "Plan") under which it may grant incentive units ("Incentive Units") to employees or non-employee directors. The board has the authority to determine the terms and conditions of each grant. In connection with the Plan, an additional 150,000 shares of 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 shares of non-voting stock upon vesting, subject solely to the employee's continuing employment or the non-employee director's continuing service on the board. The majority of the Incentive Units issued in 2018 vested immediately upon grant with the remaining units vesting 25% on the employee's first year work anniversary and then quarterly for a total vesting period of approximately four years.

In September 2018, the Company granted 38,500 shares of Incentive Units with time vesting provisions and 70,000 shares of Incentive Units which immediately vested.

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 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	35.00%
Risk-free interest rate	2.50%
Expected life of incentive awards (in years)	4
Grant-date performance and market threshold	\$35,000,000 to \$104,000,000
Grant-date fair value	\$11.05 to \$80.39

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 time-frame of the occurrence of the performance condition. 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 adopted ASU 2016-09 and has elected to record actual forfeitures as they occur rather than estimate the forfeiture rate at the grant date.

Authentic Brands, LLC

Notes to Consolidated Financial Statements (Amounts in thousands, except unit and per unit amounts)

All non-vested Incentive Units vest 100% upon a change of control event, as defined in the Plan. The following table summarizes the changes in the number of incentive units for the years ended December 31, 2019 and 2018:

	Incentive Units	Weighted Average Grant Date Fair Value	Total Value
Incentive Units			
Authorized for Issuance in 2018	150,000	\$ -	\$ -
Granted and Outstanding at January 1, 2018	-	\$ -	\$ -
Granted	108,500	49.89	5,413
Granted and Outstanding at December 31, 2018	108,500	49.89	5,413
Available for Granting at December 31, 2018	41,500	-	-
Granted	-	-	-
Forfeited	(18,500)	15.08	(279)
Repurchased	(3,750)	15.40	(58)
Granted and Outstanding at December 31, 2019	86,250	\$ 58.73	\$ 5,065
Available for Granting at December 31, 2019	63,750	\$ -	\$ -
Vested at December 31, 2019	79,200	\$ 62.83	\$ 4,976

As of December 31, 2019, total unrecognized stock compensation expense related to nonvested Incentive Units to be recognized over a weighted average period of approximately 2.7 years was \$85.

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's main shipping vendor accounts for approximately 49.3% and 71.6% of total shipping expenses for the years ended December 31, 2019 and 2018, respectively. In addition, the Company's primary fulfillment service provider accounts for 99% and 75.2% of total fulfillment costs for the years ended December 31, 2019 and 2018, respectively. Further, approximately 57.6% and 54.6% of the Company's marketing expenses for the years ended December 31, 2019 and 2018, respectively, are generated from three vendors. The Company does not have any long-term arrangements with these vendors or its other suppliers and service providers to guarantee availability of inventory, content, or services. The loss of the above vendors could have an impact on the operations of the Company until a suitable replacement could be engaged.

Authentic Brands, LLC

Notes to Consolidated Financial Statements

(Amounts in thousands, except unit and per unit amounts)

14. Subsequent Events

On January 10, 2020, the Company entered into a promissory note with Sterling New Investment Holdings, LLC, a related party, for \$1,000 at an interest rate of 5%, compounded quarterly. The note is a demand maturity note with quarterly interest payments due on the first of each quarter. The balance of the note was paid off on January 31, 2020.

On January 10, 2020, the Company entered into a real estate purchase agreement to purchase its Salt Lake City facility, previously rented. The total purchase price was \$3,600 with \$547 paid in cash upon closing and the remaining portion of \$3,057 financed through a promissory note with an affiliate of the Company of \$533 and a loan agreement with an affiliate of the Company of \$2,500. The promissory note is due January 5, 2021 and is payable in monthly installments of interest with full payment of principal on January 5, 2021. The interest rate is 9.0%. The loan agreement is due September 1, 2020 and carries an interest rate of 6%. The loan agreement is payable in monthly interest only installments of \$13 with the aggregate unpaid principle balance due September 1, 2020.

On January 31, 2020, the Company entered into a Loan and Security Agreement with LAGO Innovation Fund, LLC (LAGO Agreement). The LAGO Agreement provided two funding tranches to the Company, Term A and Term B. Term A is for \$4,000 and is immediately available to be drawn. Term B is for \$6,000 in which funds can be withdrawn monthly in minimum installments of \$500. After repayment, no funds can be reborrowed. Further, for each Term, the Company will make monthly payments of interest only on the outstanding principal balances. The interest rates for Term A and Term B are a floating rate equal to 7% above 30-day LIBOR Rate with a LIBOR rate floor of 1.5%. Principle payments are due the second month of each fiscal quarter beginning on February 1, 2021. The LAGO Agreement matures on January 1, 2023. The LAGO Agreement is secured with the Outstanding and Issued shares of the Company and all personal property of the Company excluding Property and equipment. On January 31, 2020, the Company exercised a draw on the Term A tranche of \$4,000. In March 30, 2020, the Company exercised a draw totaling \$1,500 under the Term B tranche.

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. We are actively monitoring the COVID-19 outbreak and its potential impact on our financial condition, liquidity, industry, workforce, supply chain and future results of operations. As the date of this report, the Company’s roasting facilities and third-party fulfillment servicer continue to operate. We cannot reasonably estimate the length or severity of this pandemic; therefore, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations.

The Company has evaluated events from December 31, 2019 through April 10, 2020, the date the financial statements were available to be issued. Other than those noted above and in Note 9, no other material subsequent events have occurred.

EXHIBIT F-3

Audited Financial Statements

F-3 Authentic Brands LLC's Guarantee of Performance

[Form E – Guarantee of Performance]

GUARANTEE OF PERFORMANCE

For value received, AUTHENTIC BRANDS LLC, a Delaware limited liability company, with its offices at 1144 South 500 West, Salt Lake City, Utah 84101-3018 (the “**Guarantor**”), absolutely and unconditionally guarantees to assume the duties and obligations of BLACK RIFLE COFFEE COMPANY LLC, whose offices are located at 1144 South 500 West, Salt Lake City, Utah 84101-3018 (the “**Franchisor**”), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its Franchise Disclosure Document issued April 29, 2021, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, which ever occurs first. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor has executed this guarantee in the city of San Antonio on April 29, 2021.

Guarantor: Authentic Brands LLC

By: _____

Printed Name: _____

Title: _____

EXHIBIT G

State-Specific Addenda

**State-Specific Disclosures
and
State-Specific Amendments to Franchise Agreement**

Exhibit G-1 California Disclosure Addendum

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Disclosure Document for Black Rifle Coffee Company, LLC in connection with the offer and sale of franchises for use in the State of California is amended to include the following:

1. Our website, [www. www.blackriflecoffee.com](http://www.blackriflecoffee.com), has not been reviewed or approved by the California Department of Business Oversight. Any complaints concerning the content of the website may be directed to the California Department of Business Oversight at www.dbo.ca.gov.
2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.
3. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.
4. YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE § 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§ 31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE § 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§ 20000 THROUGH 20043).
5. In Item 3, "Litigation," is amended by adding the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

Neither we, nor any person identified in Item 2 above, is subject to any currently effective order of any national securities association or national securities exchange (as defined in the Securities and Exchange Act of 1934, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.
6. Item 5, "Initial Fees," and Item 7, "Estimated Initial Investment," are each amended by the addition of the following:

The Department of Business Oversight requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

7. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by adding the following paragraphs at the conclusion of the Item:

California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. § 101, et seq.).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the laws of Texas. This provision may not be enforceable under California law.

The Franchise Agreement requires litigation by courts with jurisdiction over San Antonio, Texas. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

You must sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).

8. The Franchise Disclosure Document is amended to include the following:

Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

9. This addendum will apply only if the California Franchise Investment Law or the California Franchise Relations Act would apply independently without referring to this addendum.

Exhibit G-2
California Amendment to the Franchise Agreement

In recognition of the restrictions contained in Section 31113 of the California Franchise Investment Law, the parties to the attached Black Rifle Coffee Company LLC Franchise Agreement (the "Agreement") agree as follows:

1. In Section 4.1 of the Agreement, under the subheading "Initial Franchise Fee," the second sentence will be deleted and replaced by the following:

The Department of Business Oversight requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

2. This amendment will apply only if the California Franchise Investment Law would apply independently without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this California amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Black Rifle Coffee Company LLC
Franchisor

Franchisee

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Exhibit G-3
Maryland Disclosure Addendum

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Franchise Disclosure Document for Bruster's Limited Partnership for use in Maryland shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise

2. Exhibit L, "Franchise Compliance Certification," shall be amended by the addition of the following at the end of Exhibit L:

The representations under this Franchisee Compliance Certification are not intended to act as (nor shall they be interpreted to be) a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. This addendum will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own without reference to this addendum.

Exhibit G-4

Maryland Amendment to Franchise Agreement

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Black Rifle Coffee Company LLC Franchise Agreement (the "Agreement") agree as follows:

1. Sections 2.2.7 of the Agreement, under the heading "Term And Renewal," shall be amended by adding the following:

The release required under this Section shall not apply with respect to any liability arising under the Maryland Franchise Registration and Disclosure Law.

2. Section 16.5.1 of the Agreement, under the heading "Transfer Of Interest," shall be amended by adding the following:

The release required under this Section shall not apply with respect to any liability arising under the Maryland Franchise Registration and Disclosure Law.

3. Section 25 of the Agreement, under the heading "Entire Agreement and Amendment," shall be amended by adding the following:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. Section 27 of the Agreement, under the heading "Applicable Law and Dispute Resolution," shall be amended by adding the following:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

5. Section 28 of the Agreement, under the heading "Acknowledgments" shall be amended by adding the following:

These acknowledgments are not intended to nor will they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

6. Section 28.13 of the Agreement, under the heading "Acknowledgements," shall be amended by adding the following:

This General Release does not release any claims that you may have under the Maryland Franchise Registration and Disclosure Law.

7. This amendment will apply only if the Maryland Franchise Registration and Disclosure Law would apply on its own without reference to this amendment.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Black Rifle Coffee Company LLC
Franchisor

_____,
Franchisee

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Exhibit G-5
Michigan Disclosure Addendum

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

- (A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.
- (B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTling ANY AND ALL CLAIMS.
- (C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.
- (D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.
- (E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.
- (F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE.* THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE. (* - DESPITE THIS PROVISION OF THE STATE LAW, WE INTEND TO SEEK ENFORCEMENT OF THE

ARBITRATION CLAUSE, AS PROVIDED IN THE FRANCHISE AGREEMENT, TO THE FULLEST EXTENT PERMITTED UNDER THE FEDERAL ARBITRATION ACT.)

- (G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:
 - (i) THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.
 - (ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.
 - (iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.
 - (iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.
- (H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).
- (I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

* * * *

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

* * * *

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS

INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

* * * *

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: DEPT. OF ENERGY, LABOR, & ECONOMIC GROWTH, CORPORATIONS DIVISION, P.O. BOX 30054, LANSING, MICHIGAN 48909; 7150 HARRIS DRIVE, LANSING, MICHIGAN 48909.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE
CONSUMER PROTECTION DIVISION
ATTN: FRANCHISE SECTION
525 W. OTTAWA ST., FIRST FLOOR
LANSING, MICHIGAN 48913
(517) 373-7117

THIS ADDENDUM WILL APPLY ONLY IF THE MICHIGAN FRANCHISE INVESTMENT LAW WOULD APPLY INDEPENDENTLY WITHOUT REFERRING TO THIS ADDENDUM.

Exhibit G-6
Virginia Disclosure Addendum

In recognition of the restrictions contained in the Virginia Retail Franchising Act, the Franchise Disclosure Document of Black Rifle Coffee Company LLC is amended as follows:

1. Item 5, "Initial Fees," and Item 7, "Estimated Initial Investment," are each amended by the addition of the following:

The Initial Franchise Fee will be due when you open your franchised business as contemplated under this Agreement.

2. Item 17, Additional Disclosure. The following statement is added to Item 17.h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

3. Risk Factor. Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$402,260 to \$952,650. This amount exceeds the franchisor's stockholders' negative equity as of December 31, 2020, which is -\$1,227,000.
4. This addendum will apply only if the Virginia Retail Franchising Act would apply independently without referring to this addendum.

Exhibit G-7
Virginia Amendment to the Franchise Agreement

In recognition of the restrictions contained in the Virginia Retail Franchising Act, the parties to the attached Black Rifle Coffee Company LLC Franchise Agreement (the "Agreement") agree as follows:

1. In Section 4.1 of the Agreement, under the subheading "Initial Franchise Fee," the second sentence will be deleted and replaced with the following:

The Initial Franchise Fee will be due when you open your franchised business as contemplated under this Agreement.

2. Section 17 of the Agreement, under the heading "Default and Termination," will be amended by the addition of the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

3. This amendment will apply only if the Virginia Retail Franchising Act would apply independently without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Virginia amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Black Rifle Coffee Company LLC
Franchisor

_____,
Franchisee

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Exhibit G-8**Washington Disclosure Addendum and Amendment to the Franchise Agreement**

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, the parties to the attached Black Rifle Coffee Company, LLC ("BRCC") Franchise Disclosure Document ("FDD") and Franchise Agreement agree as follows:

1. In Section 4.1 of the Agreement, under the subheading "Initial Franchise Fee," the second sentence is deleted and will be replaced by following:

The Initial Franchise Fee will be due when you open your franchised business as contemplated under this Agreement.

2. Section 16.11.3 of the Agreement shall be deleted and replaced by the following:

For each proposed offering, you agree to pay us the amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.

3. Item 17(d) of BRCC's Franchise Disclosure Document is amended by adding the following:

Franchisees may terminate the Franchise Agreement under any grounds permitted by law.

4. The parties further agree as follows:

- a. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
- b. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
- c. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
- d. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

- e. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
- f. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
- g. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
- h. The undersigned does hereby acknowledge receipt of this addendum.

- 5. This amendment will apply only if the Washington Franchise Investment Protection Act, Wash. Rev. Code Chapter 19.100, would apply independently without referring to this amendment.

IN WITNESS WHEREOF, the parties have signed and delivered this Washington Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

Black Rifle Coffee Company LLC
Franchisor

Franchisee

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

EXHIBIT H**List of Current and Former Franchisees**Current franchisees as of our fiscal year ended Dec. 31, 2020

Name	Address	Telephone
AM Coffee LLC	101 S Main St, Boerne, TX 78006	830.428.6736
Nine Line Apparel, Inc. (2 locations)	450 Fort Argyle Rd, Savannah, GA 31419	912.480.4250

Signed but not yet open as of our fiscal year ended Dec. 31, 2020

None

Former franchisees as of our fiscal year ended Dec. 31, 2020

There are no franchisees with whom we have not communicated in the last ten weeks.

None

EXHIBIT I

List of Company-Owned BRCC Shops

180 W. Bitters Road, San Antonio, TX 78216
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EXHIBIT J**Franchise Compliance Certification**

As you know, you and Black Rifle Coffee Company LLC (the “**Franchisor**” or “**we**” or “**our**” (as the case may be)) are preparing to enter into a Franchise Agreement for the establishment and operation of a “Black Rifle Coffee Company” franchised business. The purpose of this Confirmation is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. The following dates and information are true and correct:

- | | | |
|----|--------------------------------|---|
| a. | _____, 202__
Initials _____ | The date of my first face-to-face meeting with any person to discuss the possible purchase of a franchise for a “Black Rifle Coffee Company” franchised business. |
| b. | _____, 202__
Initials _____ | The date on which I received the Franchisor’s Franchise Disclosure Document (“ FDD ”). |
| c. | _____, 202__
Initials _____ | The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda (if any) and all other documents I later signed. |
| d. | _____, 202__
Initials _____ | The date on which I signed the Franchise Agreement. |

2. Did you receive and personally review the Franchise Agreement and each Addendum and related agreement attached to it?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement and each Addendum and related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)

4. Do you understand that the Franchise Agreement contains a number of provisions that may affect your legal rights, including required mediation, designated locations or states for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations?

Yes _____ No _____

5. Did you receive and personally review the FDD that we gave to you?

Yes _____ No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If no, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, as needed.)

8. Did you discuss the benefits and risks of establishing and operating a “Black Rifle Coffee Company” franchised business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your “Black Rifle Coffee Company” franchised business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

10. Has anyone speaking on our behalf made any statement or promise to you concerning the revenues, profits or operating costs of a “Black Rifle Coffee Company” franchised business operated by us or by our franchisees that is different from the information contained in the FDD?

Yes _____ No _____

11. Has anyone speaking on our behalf made any statement or promise to you about how much amount of money you may earn in operating the franchised business that is different from the information contained in the FDD?

Yes _____ No _____

12. Has anyone speaking on our behalf made any statement or promise concerning the total amount of revenue your "Black Rifle Coffee Company" franchised business will generate that is different from the information contained in the FDD?

Yes _____ No _____

13. Has anyone speaking on our behalf made any statement or promise regarding the costs you may incur in operating your "Black Rifle Coffee Company" franchised business that is different from the information contained in the FDD?

Yes _____ No _____

14. Has anyone speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a "Black Rifle Coffee Company" franchised business?

Yes _____ No _____

15. Has anyone speaking on our behalf made any statement or promise, or made an agreement with you, concerning how much service and assistance we will provide to you (for example, concerning advertising, marketing, training, and support) that is different from the information contained in the FDD?

Yes _____ No _____

16. Before today, did you enter into any binding agreement with us concerning the purchase of this franchise?

Yes _____ No _____

17. Before today, have you paid us any money concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. If you have answered "Yes" to any of questions 10-17, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered "no" to each of questions 10-17, please leave the following lines blank.

19. Do you understand that all disputes and claims you may have against us under the Franchise Agreement and the personal guarantee must be heard in courts having

jurisdiction in San Antonio, Texas (if the parties cannot resolve the matter informally or by mediation)?

Yes _____ No _____

20. Do you understand that the Franchise Agreement and the personal guarantee provides that you can only collect compensatory damages on any claim under or related to the Franchise Agreement and not any consequential or punitive damages?

Yes _____ No _____

21. Do you understand that the Franchise Agreement and the personal guarantee each include a waiver of jury trials?

Yes _____ No _____

22. Do you understand that the Franchise Agreement and the personal guarantee includes a statement that claims need to be brought within one year after they arise or they may no longer be brought after that time?

Yes _____ No _____

23. I spoke with the following persons from the Franchisor, its affiliates, and independent brokers about buying a "Black Rifle Coffee Company" franchise:

24. I signed the Franchise Agreement and Addenda (if any) on _____, 202____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

This Certification is only to confirm whether certain facts are true. Nothing in this Certification is a waiver of any rights that you have under any law. None of our questions and none of your answers are a disclaimer of any information that we have provided in our disclosure document.

I answered all of the questions above truthfully, completely, and understand that you will rely on my answers.

Franchise Applicant

Signed: _____

Dated: _____

Printed Name: _____

EXHIBIT K**State Effective Dates****STATE EFFECTIVE DATES**

The following states require that the Franchise Disclosure Document be registered or filed with the state or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

STATE	EFFECTIVE DATE
California	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Virginia	Pending
Washington	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT L**Item 23 Receipt**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Black Rifle Coffee Company LLC ("**BRCC**") offers you a franchise, it must provide this disclosure document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale; (b) in New York, at the earlier of: (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (d) in Michigan, at least 10 business days before the earlier of when you sign a binding franchise or other agreement or pay any consideration to us (or an affiliate of ours).

If BRCC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to your state authority listed on Exhibit B.

The franchise seller is Scott Harvey, Black Rifle Coffee Company LLC, 355 Spencer Lane, San Antonio, TX 78201 (tel 855.888.2722, ext. 152). Any additional individual franchise sellers involved in offering the franchise are: _____.

The issuance date of this Franchise Disclosure Document is April 29, 2021. BRCC authorizes the agents listed in Exhibit C to receive service of process for us.

I received a disclosure document dated April 29, 2021 that included the following exhibits:

A	Franchise Agreement with Exhibits	G	State-Specific Addenda
B	List of State Administrators	H	List of Current and Former Franchisees
C	List of Agents for Service of Process	I	List of Affiliate-Owned BRCC Shops
D	Form of General Release	J	Franchise Compliance Certification
E	Table of Contents to Brand Manual	K	State Effective Dates
F	Audited Financial Statements	L	Item 23 Receipts

Date Received

Prospective Franchisee

Name (Please print)

Address

Please keep this copy of the receipt with your FDD

EXHIBIT L**Item 23 Receipt**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Black Rifle Coffee Company LLC ("**BRCC**") offers you a franchise, it must provide this disclosure document to you: (a) 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale; (b) in New York, at the earlier of: (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (d) in Michigan, at least 10 business days before the earlier of when you sign a binding franchise or other agreement or pay any consideration to us (or an affiliate of ours).

If BRCC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to your state authority listed on Exhibit B.

The franchise seller is Scott Harvey, Black Rifle Coffee Company LLC, 355 Spencer Lane, San Antonio, TX 78201 (tel 855.888.2722, ext. 152). Any additional individual franchise sellers involved in offering the franchise are:_____.

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E	Table of Contents to Brand Manual	K	State Effective Dates
F	Audited Financial Statements	L	Item 23 Receipts

Date Received

Prospective Franchisee

Name (Please print)

Address

Please sign, date, and return this copy of the receipt to BRCC