

FRANCHISE DISCLOSURE DOCUMENT

Break Coffee Co Franchising LLC  
A Delaware Limited Liability Company  
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www.breakcoffeeco.com



You will operate a business that sell, services and stocks coffee machines, equipment, premium beans and supplies to offices and other commercial centers using the trademark "Break Coffee Co".

The total investment necessary to begin the operation of Break Coffee Co. franchise ranges from \$102,525 - \$146,000. This includes \$84,500 - \$89,500 that must be paid to the franchisor or an affiliate.

The total investment necessary to begin the operation of Break Coffee Co. franchise with two or more territories ranges from \$142,585 - \$237,585 This includes \$167,585 - \$262,585 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 the 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 government agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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, DC, 20580. You can also visit the FTC's home page at

[www.ftc.gov](http://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.

Issuance Date: April 2, 2025, as amended, November 10, 2025

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in New Jersey. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in New Jersey than in your own state.

2. **Spouse Liability.** Your spouse must sign a document that makes your spouse liable for your financial obligations under the franchise agreement, even though your spouse has no ownership interest in the business. This guarantee will place both your and your spouse's personal and marital assets, perhaps including your house, at risk if your franchise fails.

3. **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.

4. **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.

5. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

6. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.

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

~~BREAK COFFEE CO FRANCHISING~~**BREAK COFFEE CO FRANCHISING LLC**  
Franchise Disclosure Document

TABLE OF CONTENTS

<del>ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....</del>	<del>1</del>
<del>ITEM 2: BUSINESS EXPERIENCE .....</del>	<del>3</del>
<del>ITEM 3: LITIGATION .....</del>	<del>4</del>
<del>ITEM 4: BANKRUPTCY .....</del>	<del>4</del>
<del>ITEM 5: INITIAL FEES .....</del>	<del>4</del>
<del>ITEM 6: OTHER FEES .....</del>	<del>5</del>
<del>ITEM 7: ESTIMATED INITIAL INVESTMENT .....</del>	<del>10</del>
<del>ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....</del>	<del>11</del>
<del>ITEM 9: FRANCHISEE'S OBLIGATIONS .....</del>	<del>12</del>
<del>ITEM 10: FINANCING .....</del>	<del>14</del>
<del>ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING .....</del>	<del>14</del>
<del>ITEM 12: TERRITORY .....</del>	<del>19</del>
<del>ITEM 13: TRADEMARKS .....</del>	<del>22</del>
<del>ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....</del>	<del>22</del>
<del>ITEM 15: OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....</del>	<del>23</del>
<del>ITEM 16: RESTRICTION ON WHAT FRANCHISEE MAY SELL .....</del>	<del>24</del>
<del>ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....</del>	<del>24</del>
<del>ITEM 18: PUBLIC FIGURES .....</del>	<del>27</del>
<del>ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS .....</del>	<del>28</del>
<del>ITEM 20: OUTLETS AND FRANCHISEE INFORMATION .....</del>	<del>28</del>
<del>ITEM 21: FINANCIAL STATEMENTS .....</del>	<del>31</del>
<del>ITEM 22: CONTRACTS .....</del>	<del>31</del>
<del>ITEM 23: RECEIPT .....</del>	<del>31</del>
<u>ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....</u>	<u>8</u>
<u>ITEM 2: BUSINESS EXPERIENCE .....</u>	<u>9</u>
<u>ITEM 3: LITIGATION .....</u>	<u>11</u>
<u>ITEM 4: BANKRUPTCY .....</u>	<u>11</u>
<u>ITEM 5: INITIAL FEES .....</u>	<u>11</u>
<u>ITEM 6: OTHER FEES .....</u>	<u>12</u>
<u>ITEM 7: ESTIMATED INITIAL INVESTMENT .....</u>	<u>17</u>
<u>ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....</u>	<u>19</u>
<u>ITEM 9: FRANCHISEE'S OBLIGATIONS .....</u>	<u>20</u>
<u>ITEM 10: FINANCING .....</u>	<u>21</u>
<u>ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING .....</u>	<u>21</u>
<u>ITEM 12: TERRITORY .....</u>	<u>27</u>
<u>ITEM 13: TRADEMARKS .....</u>	<u>29</u>

<b>ITEM 14:</b>	<b>PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....</b>	<b>29</b>
<b>ITEM 15:</b>	<b>OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS .....</b>	<b>30</b>
<b>ITEM 16:</b>	<b>RESTRICTION ON WHAT FRANCHISEE MAY SELL .....</b>	<b>31</b>
<b>ITEM 17:</b>	<b>RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.....</b>	<b>31</b>
<b>ITEM 18:</b>	<b>PUBLIC FIGURES.....</b>	<b>35</b>
<b>ITEM 19:</b>	<b>FINANCIAL PERFORMANCE REPRESENTATIONS.....</b>	<b>35</b>
<b>ITEM 20:</b>	<b>OUTLETS AND FRANCHISEE INFORMATION.....</b>	<b>37</b>
<b>ITEM 21:</b>	<b>FINANCIAL STATEMENTS.....</b>	<b>39</b>
<b>ITEM 22:</b>	<b>CONTRACTS.....</b>	<b>40</b>
<b>ITEM 23:</b>	<b>RECEIPT .....</b>	<b>40</b>

**EXHIBITS**

- A - List of State Franchise Administrators and Agents for Service of Process
- B - Franchise Agreement
- C - Financial Statements
- D - Operations Manual Table of Contents
- E - List of Current Franchisees and Former Franchisees
- F - General Release
- G - State Addenda
- H - Franchisee Acknowledgement Statement
- I - Receipt

in New Zealand since 2006. Xpresso Delight International Pty Limited has approximately 100 franchisees operating outside of the United States as of the Issuance Date of this Disclosure Document. Xpresso Delight International Pty Limited has not offered franchises in any other line of business.

**The Franchise Offered:**

We grant franchisees for the right to operate a business that sells, services and stocks coffee machines, equipment, premium beans and supplies to offices and other commercial centers. You will provide products and services to customers under the “Break Coffee Co.” trademark, using our distinctive operating procedures and standards in a non-exclusive territory (the “Franchised Business”). The distinguishing characteristics of the Franchised Business include, but are not limited to, our distinctive trade dress, inventory, procedures for management, training, advertising, and promotional programs, all of which may be changed, improved or further developed by us at any time (the “System”).

The Break Coffee Co. System is substantially similar to the Xpresso Delight franchise system, which our predecessor and our parent company operated from March 2013 to February 2020. Eight Xpresso Delight franchisees remain in operation, and all have re-branded and have exclusively use the Break Coffee Co. trademarks, as July 2023. We have acquired one Xpresso Delight business from a former franchisee which has been re-branded and exclusively uses the Break Coffee Co. trademarks.

**Market and Competition:**

The market for your Franchised Business consists of professional offices, commercial centers and other high-volume workplaces with 20+ employees, staff members and/or daily visitors to whom coffee beverages are made available.

The market for workplace coffee systems and service is well-developed and highly competitive. You will compete with national, regional and local providers that offer coffee beverage machines, coffee beans, supplies and services similar to those offered by your Franchised Business, and you will compete with local, regional and national coffee shops and cafés, in your territory. The market for our products and services is not seasonal.

**Industry Specific Regulations:**

You and your employees must comply with all local, state and federal health and sanitation laws and laws, rules and regulations for proper storage and handling of food for human consumption.

You must comply with all local, state and federal laws and regulations that apply to the operation of your Franchised Business, including, among others, business operations, insurance, discrimination, and employment laws. Your advertising of the Franchised Business is regulated by the Federal Trade Commission. There may be federal, state and local laws which affect your Franchised Business in addition to those listed here.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for your business.

**ITEM 2: BUSINESS EXPERIENCE**

**Chief Executive Officer:** John DeYonker

Mr. DeYonker has served as Chief Executive Officer of Break Coffee Co., located in New York, New York, since July 2025. Since February 2025, he has also been a Co-Owner of Pure Point Water Solutions, located in New York, New York. From July 2023 to November 2024, Mr. DeYonker was ~~and~~ Director, Capital Formation

at Mirae Asset Global Investments, located in New York, New York. From January 2021 to July 2023, he was Director, Head of Investor Relations at Titan, located in New York, New York.

**Director: Joshua Kovacs**

Joshua ~~is our Chief Executive Officer and~~ has served on our Board of Directors since our inception. Joshua served as a Director of PetWell Franchisor, LLC, headquartered in Knoxville, Tennessee, from July 2020 to October 2023, and Director of Westside NJ PetWell, LLC, based in New York, New York, since June 2020. From June 2017 to February 2023, he served as the Chief Executive Officer of, Oakscale, LLC, a franchise development company located in New York, New York, and has served as its Chief Development Director since March 2023. Joshua is also has also been the Managing Member of Kovacs Holdings LLC since January 2024, and has also been the Managing Member of Kovacs Distribution, LLC, which has operated an Xpresso Delight franchise in Washington, DC, since February 2020.

**Chief Operating Officer and Director: Paul Crabtree**

Paul is the co-founder of our predecessor's Xpresso Delight concept. He has been our Chief Operating Officer and on our Board of Directors since our inception. Prior to that, Paul was employed by our predecessor XD Franchising, LLC, as the Chief Executive Officer from March 2017 to March 2020. In May 2020, Paul co-founded and is a managing member of XD Operations, LLC, based in Jersey City, New Jersey, which provides centralized billing services to the System. Since January 2008, Paul has also been the Chief Executive Officer of our affiliate Xpresso Delight International Pty Limited, in Carrara, Queensland, Australia.

**Director: Nigell Lee**

Nigell has served on our Board of Directors since our inception. Prior to that, Nigell was employed by our predecessor XD Franchising, LLC, as the Chief Operating Officer and President of Franchise Operations from March 2017 to March 2020, and as the Chief Executive Officer March 2013 to February 2017. In May 2020, Nigell co-founded and is a managing member of XD Operations, LLC, based in Jersey City, New Jersey, which provides centralized billing services to the System. Nigell was also a Managing Member of XD Unit Franchise, LLC, which operated our predecessor's Xpresso Delight outlets in New York, New York, from March 2013 to February 2020.

**Director: Robert Huntington**

Rob has served on our Board of Directors since our inception. Rob has also been a Director of PetWell Franchisor, LLC, headquartered in Knoxville, Tennessee, since July 2020 and Director of Westside NJ PetWell, LLC, based in New York, New York, since June 2020. Since 2019, Rob has been the Chief Executive Officer of Westside Franchise Brands, located in New York, New York, and since October 2017, he has been a Franchise Consultant with The Franchise Consulting Company, also located in New York, New York.

**Director: Steve Nave**

Steve has served on our Board of Directors since our inception. Since April 2019, Steve has been a General Partner of Kingsley-Malta Company, located in Eden Prairie, Minnesota, and since December 2019 he has been a Board Member and is a co-founder of J3st Gaming, located in Eden Prairie, Minnesota. Steve has also been on the Board of Directors and has served as Chairman of the Compensation Committee of Libbey Inc., based in Toledo, Ohio, since May 2017.

**Director of Franchising: Tyler Burdett**

Tyler has served as our Director of Franchising since January 2025. From October 2021 to January 2025, Tyler was employed by Oakscale Franchise Partners, in New York, New York, as a Sales Director. Tyler has also

been the General Manager of Kovacs Distribution LLC, since March 2020 which operates an Xpresso Delight franchise in Washington, DC.

**Franchise Consultant: Anthony Spagnola**

Mr. Spagnola has served as Chief Development Officer of Oakscale Franchise Partners, located in Jersey City, New Jersey, since September 2025. From June 2024 to September 2025, Mr. Spagnola was Vice President of Franchise Development at HorsePower Brands, located in Omaha, Nebraska. From August 2022 to June 2024, he was Director of Franchise Development at HorsePower Brands, located in Omaha, Nebraska. From July 2021 to July 2022, he was Vice President of Sales at Metric Collective, located in New York, New York. From January 2020 to July 2021, he was Director of Sales at FranFunnel (a Metric Collective business), located in New York, New York.

**ITEM 3: LITIGATION**

*XD Franchising LLC v. Stuart Mills*, Case No. 01-24-0006-6292) in the Commercial Arbitration Tribunal, American Arbitration Association, filed July 22, 2024. We filed an application for emergency measures seeking to enjoin a former franchisee Stuart Mills from operating a competing business in violation of the non-competition provisions of the franchise agreement. The arbitrator issued a preliminary injunction on August 19, 2024, enjoining Mills from operating such a competing business, soliciting our customers, and using our confidential information. On October 29, 2024, the parties reached a settlement wherein Mills agreed to pay us \$8,915.38 and sold us all assets of the competing business for \$100.

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

**ITEM 4: BANKRUPTCY**

No bankruptcy information is required to be disclosed in this Item.

**ITEM 5: INITIAL FEES**

You must pay an initial franchise fee (“Initial Franchise Fee”) when you sign the Franchise Agreement, which is included in this Disclosure Document in Exhibit B. The amount of the Initial Franchise Fee will depend on the number of territories you purchase and is calculated as follows:

Territory Number	Cumulative Initial Franchise Fee	Individual Initial Franchise Fee	Cumulative Number of Businesses Maximum
1	\$59,500	\$59,500	<del>1</del> 2,000
2	\$99,500	\$40,000	<del>2</del> 4,000
3	\$134,500	\$35,000	<del>3</del> 6,000
4	\$164,500	\$30,000	<del>4</del> 8,000
5	\$194,500	\$30,000	<del>5</del> 10,000

Each territory contains approximately ~~12~~,000 businesses with 20+ employees per the most recent U.S. census-  
and third-party business datasets we license and compile. If the cumulative number of businesses in your territory(ies) exceeds the cumulative number of businesses maximum stated in the table above, the Initial Franchise Fee will increase by \$59.50 per each additional business over the maximum.

If the number of Qualified Employers (20 or more employees) in your territory exceeds the maximum allowed for your purchased territory, you will incur an Overage Fee. This fee is calculated by multiplying the excess number of employers by the current per-business overage rate for the next tier. You can purchase overage up to the next tier limit; beyond that, we may require you to purchase an additional territory at the then-current rate. We use our approved data sources to determine employer counts and make the final determination. If

your designated territory exceeds this count, overage is priced according to the next tier. You can purchase overage up to the next tier limit; beyond that, you must acquire the next territory at the current rate.

<u>Excess Band (Total Businesses in Your Territory)</u>	<u>Overage Rate per Additional Qualified Employers (20 or more employees)</u>
<u>2,001-4,000</u>	<u>\$25.00</u>
<u>4,001-6,000</u>	<u>\$20.00</u>
<u>6,001-8,000</u>	<u>\$17.00</u>
<u>8,001-10,000</u>	<u>\$17.00</u>

The entire cumulative Initial Franchise Fee is fully earned by us and due in lump sum when you sign the Franchise Agreement. The Initial Franchise is non-refundable.

You must purchase from us an initial inventory of 6 Break Coffee Beverage Machines ~~for each territory, when you sign, regardless of whether you purchase one or multiple Territories.~~ The cost of ~~the~~ this initial inventory ~~of Break Coffee Beverage Machines~~ is \$25,000 to \$30,000 ~~in total per territory.~~ This charge is due and payable when you sign the Franchise Agreement and is non-refundable.

From time to time, we may offer special incentive programs as part of our franchise development activities. We reserve the right to offer, modify or withdraw any incentive program without notice to you. We currently offer a fifteen percent (15%) discount from the Initial Franchise Fee to veterans of the U.S. Armed Forces.

**ITEM 6: OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	12% of Gross Sales or the minimum weekly Royalty Fee described in footnote 1, whichever is greater	As customer payments are received	We will deduct this fee from customer payments we collect through our centralized payment systems, prior to distributing the balance to you. See footnote 1.
Brand Fund Contribution	2% of Gross Sales or the minimum weekly Brand Fund Contribution described in footnote 2, whichever is greater	As customer payments are received	We will deduct this fee from customer payments we collect through our centralized payment systems, prior to distributing the balance to you. See footnote 2.
Technology and Support Fee	\$49, subject to increase <del>not to per exceed.</del> <u>Maximum increase of \$500.</u>	Monthly	We will deduct this fee from customer payments we collect through our centralized payment systems, prior to distributing the balance to you.
Accounting, Bookkeeping and/or Payroll Service Fee	Currently \$0, <del>subject to increase not to exceed.</del> <u>Maximum amount we will charge is \$349.</u>	Monthly	This fee is payable if we require you to use our designated provider for accounting, bookkeeping and/or payroll services.

~~Sales and Marketing Fee for~~ Placed Accounts Fee

Business	360% of the amount of the first full invoice to a new account, subject to increase to up to 500% of the amount of the first full invoice 15% of collected Revenue for months 1-12	As incurred	If we or another franchisee secures a new account in your territory, you may service this account and pay us or the other franchisee a Sales and Marketing Fee for Placed Business. If you decline to service the new account in your territory, we or another franchisee may do so. See footnote 3. This fee is payable if we assign a national or corporate customer to you for you to service in your Territory. See footnote 3.
Credit Card Processing Fee Reimbursement	Up to 3.5% of the transaction price, subject to increase by card issuers	As incurred	You must reimburse to us for any credit card processing fees we pay on behalf of your customers.
Late Charge	\$150 per occurrence	As incurred	If you fail to pay us the Royalty Fee, Technology and Support Fee, Brand Fund Fee or any other fee or sum due to us, or if you fail to submit your Gross Sales or other required report when due, we may charge you a late fee in addition to interest charges explained below.
Interest Charge	18% per annum from due date, or maximum allowed by law	As incurred	If you fail to pay us any amount when due, we may charge you interest on the unpaid balance until the payment is received.
<u>Minimum Marketing Fee</u>	<u>\$500 per month</u>	<u>Monthly</u>	<u>You must spend \$500 per month on advertising for the Franchised Business in your territory unless and until you place and maintain 25 Break Coffee Beverage Machines in your Territory</u>
Non-Sufficient Funds Fee	\$50 per occurrence	As incurred	If your check is returned or an electronic funds transfer from your bank account is denied for insufficient funds, for each occurrence we may charge you a Non-sufficient Funds Fee.
Successor Agreement Fee	50% of the then-current initial franchise fee	Before signing successor franchise agreement	Payable to us. See Item 17.
Transfer Fee	\$2,500, plus training costs and our legal fees not to exceed \$12,500. To add a principal or entity, the transfer fee is \$1,500	Upon your request for approval of the transfer	Payable to us. See Item 17

On-Site Supplemental Training	\$1,000 per day	As incurred	We may impose this fee, payable to us, if you request additional training at your premises, or if you are operating below our standards and we require you to have additional training. You must also pay all costs of our trainer, which include but are not limited to, airfare, transportation, hotel and meals.
Additional Training	Actual tuition or attendance fee	As incurred	See footnote <u>45</u> .
Interim Management Support Fee	The greater of \$250 per day or 30% of revenue earned, plus all travel expenses.	As incurred.	We may impose this fee (in addition to all regularly occurring fees such as the Continuing Royalty Fee and Brand Fund Contributions), payable to us, if we provide on-site management of your Franchised Business.
Examination of Books and Records	Cost of examination plus related expenses.	As incurred.	We have the right under the Franchise Agreement to examine your books, records and tax returns. If an examination reveals that you have understated any Gross Sales, you must pay us the owing Royalty Fees and Brand Fund Contribution, with interest, and if there is an understatement of 2% or more, you must pay to us the cost of the audit and all travel and related expenses.
Evaluation Fee	Actual cost of inspection and testing of a proposed item or vendor	As incurred.	Payable to us.
<u>Commission</u>	<u>The greater of \$40,000 or 10% of the gross purchase price of the Franchised Business</u>	<u>At closing</u>	<u>See footnote 6.</u>
Quality Review Services	Actual costs	As incurred.	Payable to us or third-party providers. See footnote <u>57</u> .
Confidential Operation Manual Replacement Fee	Currently \$500; <u>subject to change.</u>	As incurred	Paid to us.

Liquidated Damages – Default and Termination of Franchise	Up to 36 months of Royalty Fees and Brand Fund Contributions	Upon termination of the Franchise Agreement due to your default, in a lump sum	If your Franchise Agreement is terminated due to your default, you must pay us the average monthly Royalty Fee and Brand Fund Contribution payable by you for the 12 months prior to your default multiplied by the lesser of 36 months or the number of months remaining in the term of your Franchise Agreement.
Liquidated Damages – Breach of Confidentiality or Non-Competition Covenant	\$100,000, plus our attorney’s fees	As incurred	Payable to us.
Insurance Reimbursement	Amount paid by us for your insurance obligations, plus a 10% administrative fee and other actual expenses	As incurred.	You must reimburse us for any insurance costs and other fees we incur due to your failure to meet the insurance obligations required by the Franchise Agreement.
Indemnification	Amount of loss or damages plus costs	As incurred.	See footnote <a href="#">68</a> .
Reimbursement of Cost and Expenses for Non-compliance	Actual costs and expenses	As incurred.	See footnote <a href="#">7-9</a>
Taxes	Amount of taxes	When incurred.	You must reimburse us for any taxes that we must pay to any taxing authority on account of either the operation of your Franchised Business or payments that you make to us, including, but not limited to any sales, excise, use, privilege or income taxes imposed by any authority.

All fees and expenses described in this Item 6 are nonrefundable and are uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us.

<sup>1</sup> Your Royalty Fee, on a monthly basis, will equal the greater of (i) 12% of your Gross Sales or (ii) the following amount **per Territory** based on your Territory Count and operating month:

Month	If you have:				
	1 Territory	2 Territories	3 Territories	4 Territories	5 Territories
Your monthly Minimum Royalty Fee <b>per Territory</b> is:					
0 - 6	\$0	\$0	\$0	\$0	\$0

7 – 24	\$350	\$210	\$175	\$150	\$140
25 - 60	\$700	\$420	\$350	\$315	\$280
61+	\$1,050	\$630	\$525	\$473	\$420

We will reconcile the actual Royalty Fees you have paid to us in each 6-month period ending January 31 and July 31. If your total Royalty Fee payments for any 6-month period do not meet or exceed the cumulative monthly Minimum Royalty Fees required, you must pay us the difference.

“Gross Sales” includes all revenues and income from any source derived or received from, through, by or on account of the operation of the Franchised Business or made pursuant to the rights granted to you by the Franchise Agreement. Gross Sales excludes: (i) federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority; (ii) proceeds from insurance, excluding business interruption insurance; and (iii) proceeds from any civil forfeiture, condemnation, or seizure by government entities. We will invoice your customers on your behalf for all services and supplies your customers purchase from you, and your customers will pay us directly.

<sup>2</sup>Your Brand Fund Contribution, on a monthly basis, will equal the greater of (i) 2% of your Gross Sales or (ii) the following amount **per Territory** based on your Territory Count and operating month:

Month	If you have:				
	1 Territory	2 Territories	3 Territories	4 Territories	5 Territories
	Your monthly Minimum Brand Fund Contribution <b>per Territory</b> is:				
0 - 6	\$0	\$0	\$0	\$0	\$0
7 – 24	\$58	\$35	\$29	\$26	\$23
25 - 60	\$117	\$70	\$58	\$53	\$47
61+	\$175	\$105	\$88	\$79	\$70

We will

reconcile the actual Brand Fund Contributions you have paid to us in each 6-month period ending January 31 and July 31. If your total Brand Fund Contributions for any 6-month period do not meet or exceed the cumulative monthly Minimum Brand Fund Contributions required, you must pay us the difference

~~<sup>3</sup>We may solicit, sell to, and negotiate rates with any business or other organization in your Territory. As a condition to accepting to service any new account we acquire, you must agree to our negotiated terms and sign a general release, which is attached as Exhibit F to this Disclosure Document, as well as pay the Sales and Marketing Fee for Placed Business.~~

<sup>4</sup>

~~<sup>3</sup>We may originate and contract with national/corporate customers and assign the account to you for service in your Territory (“Placed Account”). You must accept and service a Placed Account that meets the Account Standards below. You will pay a Placement Fee equal to 15% of Collected Revenue for months 1–12 (calculated only on amounts actually collected; excludes taxes, refunds, and credits; fee stops if the account terminates). Leads from system-wide marketing routed to you that you close are not Placed Accounts and no Placement Fee applies.~~

~~<sup>4</sup>We may solicit, sell to, and negotiate rates with businesses in your Territory for national/corporate accounts and the Corporate Placement Program. If we acquire a new account in your Territory, you must (i) service the account on the pricing/terms we negotiate, and (ii) pay the Placement Fee described in Item 6. For clarity, leads arising from Brand Fund/system-wide marketing campaigns, and routed inbound inquiries, are not Placed Accounts, and you are obligated to work these leads as pursuant to section 3.5 of the franchise agreement.~~

<sup>5</sup> We may offer mandatory and/or optional additional training programs, including an annual business meeting or convention, from time to time. If we require it, you must participate in additional training for up to 3 days per year and an annual business meeting or convention for up to 3 days, at a location we designate. We reserve the right to impose a reasonable fee for all additional training programs, including the annual convention. You are responsible for any and all incidental expenses incurred by you and your personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages.

<sup>46</sup> If we assist you in selling the Franchised Business, we will receive at closing a commission in the greater amount \$40,000 or 10% of the gross purchase price.

<sup>7</sup> In the event of your death or disability, your default of the Franchise Agreement, or other reasons, in our sole discretion, we may provide interim on-site management of your Franchised Business.

<sup>58</sup> We may establish quality assurance programs conducted by third-party providers, such as, by way of example only, mystery shop programs and periodic quality audits, to monitor the operations of your Franchised Business. If we require it, you must subscribe and pay the fees for any such program.

<sup>69</sup> You must indemnify and hold us, our affiliates, and all of our respective officers, directors, agents and employees harmless from and against any and all claims, losses, costs, expenses, liability and damages arising directly or indirectly from, as a result of, or in connection with your business operations under the Franchise Agreement, as well as the costs, including attorneys' fees, of defending against them.

<sup>79</sup> If you breach the Franchise Agreement, you must reimburse us any costs we incur to cure your default. You must also pay us all damages, costs and expenses, including reasonable attorneys' fees, we incur to enforce the terms of the Franchise Agreement or to obtain any remedy, injunctive or other relief.

**ITEM 7: ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**  
(1 Territory)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee	\$59,500	Lump sum payment by wire or ACH	Upon signing the Franchise Agreement.	Us
Break Coffee Beverage Machines	\$25,000 - \$30,000	Lump sum payment by wire or ACH	Upon signing the Franchise Agreement.	Us
Initial Training Expenses	\$1,000- \$3,000	As required	Before Opening	Suppliers of transportation, lodging & meals
Professional Fees <sup>1</sup>	\$1,000 - \$3,000	As required	Before opening, as required	Supplier
Business Licenses and Permits <sup>2</sup>	\$25 - \$500	As required	Before opening, as required	Government agencies
Computer Systems <sup>3</sup>	\$0 - \$ 1,000	As required	Before opening	Suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Vehicle <sup>4</sup>	\$0- \$ 1,500	As required	Before opening	Supplier
Initial Inventory to Begin Operating <sup>5</sup>	\$500 - \$1,000	As required	Before opening	Suppliers
Grand Opening Advertising	\$5,000	As required by supplier	As required by supplier	Suppliers
Insurance <sup>6</sup>	\$500 - \$1,500	As required	Before opening	Insurer
Additional Funds – 3 months <sup>7</sup>	\$10,000 - \$40,000	As incurred	Weekly payroll, other purchases according to agreed-upon terms	Employees, utilities, suppliers, etc.
<b>TOTALS:</b> \$102,525 - \$146,000				

<sup>1</sup> You may incur professional fees depending on the scope of work performed, which may include, legal and accounting fees to review franchise documents and costs of forming a separate legal entity. This list is not exhaustive. This amount will vary greatly depending on your specific needs and location. ~~We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document and the Franchise Agreement.~~

<sup>2</sup> You are responsible for applying for, obtaining and maintaining all required permits and licenses necessary to operate your Franchised Business. This estimate includes the initial cost of licenses, certifications and/or permits that may be required by you to provide services offered by your Franchised Business. The costs of permits and licenses will vary by location.

<sup>3</sup> We require you to purchase computer systems, software and applications meeting our minimum specifications for use at your Franchised Business. You must also have internet and other telecommunications equipment and services in accordance with our standards to permit electronic transmission of sales information. The cost internet and other telecommunications equipment & services is included within this estimate. We reserve the right to change your requirements for computer hardware and software at any time.

<sup>4</sup> Depending on the size and location of your Territory, you may need a vehicle to service your customers.

<sup>5</sup> This estimate is for the cost of the initial inventory sufficient for approximately 3 months of operation. Your initial inventory will include coffee and machine cleaning products.

<sup>6</sup> You must purchase the amounts and types of insurance as required by our Confidential Operations Manual from time to time (see Item 8). Factors that affect your cost of insurance include the location of the Franchised Business, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.

<sup>7</sup> This is an estimate of ~~other required~~ expenses you will incur before operations begin and during the initial 3-month period of operation. This estimate reflects expenses for marketing, transportation, additional Break Coffee Beverage Machine purchases, and administrative expenses.

We relied upon the experience of our franchised Break Coffee Co. outlets to compile these estimates.

We do not offer financing for any part of the initial investment.

All of these fees are nonrefundable.

#### **ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

We have identified various suppliers, distributors and manufacturers of equipment, inventory, and services that your Franchised Business must use or provide which meets our standards and requirements. You must purchase all equipment, fixtures, inventory, supplies and services from our designated suppliers and contractors or in accordance with our specifications.

You are required to purchase all Break Coffee Beverage Machines, filtered/sparkling water machines, coffee machine equipment and attachments, coffee beans, tea, tea making equipment, cold brew products, creamers, sweeteners, machine cleaning products, and paper products from our affiliate Break Coffee Supply Co LLC. Break Coffee Supply Co LLC is the only approved supplier of these items.

XD Operations, LLC, is the sole designated supplier of centralized billing services for all Break Coffee Co. franchisees.

Other than Break Coffee Supply Co LLC and XD Operations, LLC, 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.

Before you open for business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. This includes comprehensive general liability insurance in the amount of at least \$1,000,000; comprehensive automobile liability insurance of at least a combined single limit for bodily injury and property damage of \$1,000,000; and statutory worker's compensation insurance in the limits required by state law. Each policy must be written by a responsible carrier or carriers acceptable to us, and must name us and our respective officers, directors, partners, agents and employees as additional insured parties. Insurance costs and requirements may vary widely in different localities. We reserve the right to require additional types of insurance and coverage as provided in the Franchise Agreement.

We approve suppliers after careful review of the quality of the products they provide to us and you. Our criteria for approving items and suppliers are not available to you. If you would like us to consider another item or supplier, you must make such request in writing to us and have the supplier give us samples of its product or service and such other information that we may require. We reserve the right to charge you a fee equal to the actual costs of our inspection and testing. If the item and/or supplier meet our specifications, as we determine in our sole discretion, we will approve it as an additional item or supplier. We will make a good-faith effort to notify you whether we approve or disapprove of the proposed item or supplier within 90 days after we receive all required information to evaluate the product or service. If we do not approve any request within 90 days, it is deemed unapproved. We reserve the right to revoke approval of any item or supplier that does not continue to meet our then-current standards.

We maintain written lists of approved items of equipment, fixtures, inventory and services (by brand name and/or by standards and specifications) and a list of designated suppliers and contractors for those items. We update these lists periodically and issue the updated lists to all franchisees.

During the last fiscal year ending December 31, our affiliate XD Franchising, LLC, received \$149,331 from franchisees' required coffee purchases. We and our affiliates have not received any other revenue, rebates, discounts or other material consideration from any other suppliers based on your required purchases of products, supplies or equipment.

We estimate that your purchase or lease of products, supplies and services from approved suppliers (or those which meet our specifications) will represent approximately 50% of your costs to establish your Franchised Business and approximately 80% of your costs for ongoing operation.

Currently, there are no purchasing or distribution cooperatives. However, we can require that you make your purchases through a cooperative if one is formed.

From time to time, we may negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of all franchisees. As of the date of this Disclosure Document, we have not created any purchasing arrangements with suppliers.

We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources; however, failure to use approved items or designated suppliers and contractors may be a default under the Franchise Agreement. Additionally, when there is any default under the Franchise Agreement, we reserve the right, in addition to other remedies available under the Franchise Agreement, to direct suppliers to withhold furnishing products and services to you.

**ITEM 9: FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.**

Obligation	Section or Article in Franchise Agreement	Item in Franchise Disclosure Document
a. Site Selection and Acquisition/Lease	8.1	11
b. Pre-Opening Purchase/Leases	8.2, 12.3.1, 12.3.2	7, 11
c. Site Development & other Pre-Opening Requirements	8.1, 8.2	11
d. Initial and Ongoing Training	Article 7	11
e. Opening	8.2	11
f. Fees	5.2.7, Article 6, 7.3, 11.4.3, 12.2.5, 12.3.6, 12.6, 12.7, 13.3.1, 16.4, 16.7, 16.8, 18.1.8, 19.1.5	5, 6, 7
g. Compliance with Standards and Policies/Operating Manual	Article 9, 12.1, 19.1.1	8, 11
h. Trademarks and Proprietary Information	9.4, 12.1.9, 12.2.1, Article 14, 19.2, 19.3, 19.4	13, 14
i. Restrictions on Products/Services Offered	12.1.2, 12.6	8, 16
j. Warranty and Customer Service Requirements	Not Applicable	Not Applicable

<b>Obligation</b>	<b>Section or Article in Franchise Agreement</b>	<b>Item in Franchise Disclosure Document</b>
k. Territorial Development and Sales Quotas	13.2	12
l. Ongoing Product/Service Purchases	9.1, 12.1.2, 12.1.5, 12.3.7	8
m. Maintenance, Appearance and Remodeling Requirements	Article 9, 12.1.4	Item 11
n. Insurance	Article 15	7
o. Advertising	12.1.9, Article 13	6, 11
p. Indemnification	15.6, 16.3.6, 21.1	14
q. Owner's Participation, Management, Staffing	11.1, 11.4, 12.1.6	11, 15
r. Records /Reports	12.2	6
s. Inspections and Audits	12.1.7, 12.2.5	6, 11
t. Transfer	Article 16	17
u. Renewal	Article 5	17
v. Post-Termination Obligations	Article 18	17
w. Non-Competition Covenants	19.5	17
x. Dispute Resolution	Article 20	17
y. Spouse Guaranty	11.3, Attachment 7	15

**ITEM 10: FINANCING**

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

**ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

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

1. **Pre-Opening Obligations**

Before you open your Franchised Business, we will:

- a. designate mutually-agreed upon boundaries of your territory. (Franchise Agreement, Article 2, Section 10.1). You may operate the Franchised Business from a home-based office. You assume all cost,

liability, expense and responsibility for equipping and outfitting the home-based office as outlined in the Operations Manual. We do not own and/or lease a site to you, and we do not assist you with any site lease or purchase negotiation or any construction or remodeling of a site. (Franchise Agreement, Section 8.1)

- b. provide access to the Break Coffee Co. Operations Manual, and other manuals and training aids we designate for use in the operation of your Franchised Business, as they may be revised from time to time (Franchise Agreement, Section 10.1).
- c. upon your payment of the purchase price, deliver to you a minimum of 6 Coffee Beverage Machines (Franchise Agreement, Section 6.2, 10.2);
- d. deliver to you a Franchise Start-Up Kit, which includes spare hoses, initial cleaning supplies, laminated signage and procedures, training and operations manuals, business cards and T-shirts (Franchise Agreement, Section 10.2);
- e. provide a written list of other equipment, signage, supplies and products that will be required to open the Franchised Business. We do not provide, purchase, deliver, or install any of these other items for you (Franchise Agreement, Section 10.2).
- f. provide you with samples or digital ~~artwork~~artwork of advertising and promotional materials for your initial marketing activities (Franchise Agreement, Section 10.4)
- g. provide initial training. We will determine, in our sole discretion, whether you satisfactorily complete the initial training program. (Franchise Agreement, Sections 7.1, 7.2).
- h. provide you with standards for qualifications and training of your employees. We do not otherwise assist you with employee hiring and training (Franchise Agreement, Section 12.1.6).

## 2. **Time to Open**

We estimate the typical length of time between the signing of the Franchise Agreement and the time you open your Franchised Business is between 30 to 90 days. Factors that may affect this time period include your ability to acquire financing or permits, and completion of required training. If you have not opened your Franchised Business within 90 days after you sign the Franchise Agreement, you must obtain our consent to extend the time to open, which we may or may not grant, at our discretion. Failure to open your Franchised Business within the original time as extended, is a default of the Franchise Agreement. (Franchise Agreement, Sections 8.2).

## 3. **Obligations After Opening**

During the operation of your franchise, we will:

- a. offer from time to time, in our discretion, mandatory or optional additional training programs, including an annual business meeting or convention. If we require it, you must attend an annual business meeting or convention for up to days (3) days and mandatory additional training offered by us for up to three (3) days per year. Failure to attend mandatory additional training or an annual business meeting or conference is a default of the Franchise Agreement. We reserve the right to impose a ~~reasonable~~ fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-

current rate, plus all of your travel costs and our trainer's travel costs (Franchise Agreement, Section 7.3).

- b. upon your request, or as we determine to be appropriate, provide supplemental or remedial on-site training and assistance. For any on-site supplemental or remedial training, you must reimburse all costs for the services of our trainer, including but not limited to the trainer's then-current per diem fee and all travel-related expenses, such as transportation, meals and lodging. The current fee is \$1,000 per trainer per day of on-site training (Franchise Agreement, Section 7.4).
- c. upon your request, provide individualized assistance to you within reasonable limits by telephone, video conferencing, electronic mail or postage service, subject at all times to availability of our personnel and in reasonable limits (Franchise Agreement, Section 7.4).
- d. provide customer billing and collection services on your behalf (Franchise Agreement, Section 6.1.4)
- e. from time to time, as may become available, provide you with samples or digital artwork, advertising and promotional materials (Franchise Agreement, Section 10.4).
- f. conduct inspections of your Franchised Business, including our attendance at your service calls, at the frequency and duration that we deem advisable. Such inspections include evaluating your products and service to ensure that they meet our standards (Franchise Agreement, Section 12.1.7).
- g. provide you with any written specifications for required equipment, products and services and updated lists of any approved suppliers of these items (Franchise Agreement, Section 10.5).
- h. offer guidance from time to time regarding prices for products and services (Franchise Agreement, Section 12.5).
- i. approve or disapprove of all advertising, direct mail, and other promotional material and campaigns you propose in writing to us. We will respond within 10 business days, either accepting or rejecting the proposed material and/or campaign; however, if we do not respond within ten business days, the proposed material and/or campaign is deemed "disapproved". (Franchise Agreement, Section 13.6).

#### 4. **Advertising**

##### **Local Advertising** (Franchise Agreement, Sections 13.2 and 13.5)

We require you to spend a minimum of Five Thousand Dollars (\$5,000) in grand opening advertising and promotional activities within the first ninety (90) days following the date you sign the Franchise Agreement. You will conduct a grand opening campaign in accordance with plans approved by us. Following your grand opening campaign, you are required to spend at least Five Hundred Dollars (\$500.00) per month on advertising for the Franchised Business in your territory unless and until you place and maintain 25 Break Coffee Beverage Machines in your Territory. We must approve all advertising materials.

You may develop advertising materials for your own use at your own cost, and you may use marketing materials that we may offer to you from time to time. You may not use any advertising or marketing materials, including press releases, unless they have been approved in advance in writing by us, which approval may be withheld in our discretion. We will respond to your request for approval within 10 business days; however, if we do not respond within 10 business days, the proposed advertising or marketing material is deemed "disapproved".

We do not provide for placement of local advertising on your behalf, and we have no obligation to spend any amount on advertising in your area or territory. You are responsible for local advertising placement. If feasible, you may do cooperative advertising with other Break Coffee Co. franchisees in your area, with our prior written

approval. You may not maintain any business profile on Facebook, Twitter, Instagram, LinkedIn, YouTube or any other social media and/or networking site without our prior written approval.

You are not required to participate in any local or regional advertising cooperative.

**Brand Fund** (Franchise Agreement, Section 13.3)

You are required to contribute to our systemwide Brand Fund the greater of (i) 2% of your Gross Sales or (ii) the following minimum contribution:

Month	If you have:				
	1 Territory	2 Territories	3 Territories	4 Territories	5 Territories
	Your monthly Minimum Brand Fund Contribution <b>per Territory</b> is:				
0 - 6	\$0	\$0	\$0	\$0	\$0
7 - 24	\$58	\$35	\$29	\$26	\$23
25 - 60	\$117	\$70	\$58	\$53	\$47
61+	\$175	\$105	\$88	\$79	\$70

Each Break Coffee Co. outlet operated by our affiliates or us may, but is not obligated to, contribute to the Brand Fund on the same basis as System franchisees.

The Brand Fund is administered by our accounting and marketing personnel. We may use Brand Fund contributions to pay any and all costs for developing, producing and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through any media we determine; conducting marketing research and employing advertising agencies; developing, enhancing and maintaining our website, social media platforms, apps, and other technology for the benefit of the Brand image and/or Systemwide improvements; and staff salaries and other personnel and departmental costs for advertising that we internally administer or prepare.

The Brand Fund will not be used to defray any of our other general operating expenses. Brand Fund contributions will not be used to solicit new franchise sales; provided however, we have the right to use the Brand Fund for public relations, to explain the franchise system, and/or include “Franchises Available” or similar language and contact information in advertising produced with Brand Fund contributions.

The Brand Fund collects and expends contributions for the benefit of the System as a whole. We have the right to use the Brand Fund contributions to place advertising in national, regional or local media (including broadcast, print, or other media) and to conduct marketing campaigns through any channel, in our discretion, including but not limited to, internet and direct-mail campaigns. We have no obligation, however, to use the Brand Fund to place advertising or conduct marketing campaigns in any particular area, including the geographical area where your Franchised Business is located.

We have no obligation to make expenditures that are equivalent or proportionate to your Brand Fund contribution or to ensure that you benefit directly or pro rata from the production or placement of advertising from the Brand Fund.

The Brand Fund is not audited. An annual unaudited financial statement of the Brand Fund is available to any franchisee upon written request.

If we spend more or less than the total of all contributions to the Brand Fund in any fiscal year, we may carry forward any surplus or deficit to the next fiscal year. Although the Brand Fund is intended to be of perpetual duration, we may terminate it at any time and for any reason or no reason. We will not terminate the Brand Fund, however, until all monies in the Brand have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

No Brand Fund contributions were required, made or expended in our most recently concluded fiscal year.

**Advertising Council** (Franchise Agreement, Section 9.4)

We do not have an advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement gives us the right, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies, in an advisory capacity only. If created, we will determine in advance how franchisees are selected to the council, which may include factors such as a franchisee's level of success, superior performance, and outlet profitability. We reserve the right to change or dissolve the council at any time.

5. **Computer Systems** (Franchise Agreement, Section 12.3)

You are required to have a mobile phone and an internet-capable laptop computer or smart tablet that can operate the latest versions of software and applications platforms we require. You are required to use our customized, cloud-based customer management platform ("CMP"). Quickbooks is recommended for bookkeeping. The CMP is used for customer data collection and billing. You must purchase the required technology hardware and software, at your expense. If you do not have an existing mobile phone or computer or tablet to access and use the CMP, your cost to purchase this hardware is approximately \$1,000.

There are no contractual limitations on the frequency and cost of upgrades and/or updates to the above-described systems. We may in the future modify or establish other service performance or revenue reporting systems, as we deem appropriate, for the accurate and expeditious reporting of Beverage Machine activity, Gross Sales, and delivery of our products and services. You must fully cooperate in implementing any such modifications at your expense.

We have no obligation to maintain, repair, update or upgrade your computer hardware and software. At your cost, you must provide on-going maintenance and repairs to your technology hardware and software. You must upgrade your technology hardware and software as necessary to operate the most current version of our System requirements. We cannot estimate the cost of maintaining, updating and upgrading your technology hardware and software because it will depend on the make and model of your mobile phone, laptop computer and/or smart tablet, repair history, usage, local cost of maintenance services in your area and technological advances that we cannot predict.

We have remote and independent access to all information generated by and stored by you in the CMP, including your revenue information and customer data. There are no contractual limitations on our right to have full access to this information. At our option, we may retrieve, download, analyze and store such information and data at any time. Upon our request, you must sign any documents we require to allow us to independently and electronically access and retrieve the information stored in your technology systems. We own all client data stored in your technology systems.

6. **Table of Contents of Operations Manual**

The Table of Contents of our operations manuals, current as of the date of this Disclosure Document is attached as Exhibit D. The operations manuals have a total of 269 pages.

7. **Training** (Franchise Agreement, Article 7)

You (if the franchisee is an individual) or at least one owner (if the franchisee is a business entity) must complete our initial training program, to our satisfaction, no earlier than ten (10) days before opening your Franchised Business. The initial training program is a 2-day course conducted in New York, New York, Jersey City, New Jersey, or at another location we specify.

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Coffee Beans to Cup	1	0	Jersey City, NJ or New York, NY
Psychology of Success	1	0	Jersey City, NJ or New York, NY
Break Coffee Co. Brand	1	0	Jersey City, NJ or New York, NY
Sales and Marketing Processes	1	0	Jersey City, NJ or New York, NY
Client Lifetime Profit Calculator	1	0	Jersey City, NJ or New York, NY
Marketing Business Models	1	0	Jersey City, NJ or New York, NY
Conversation Mapping	1	0	Jersey City, NJ or New York, NY
Installations Demonstration	1	0	Jersey City, NJ or New York, NY
Lead Generation	1	0	Jersey City, NJ or New York, NY
Location Sourcing System	1	0	Jersey City, NJ or New York, NY
Monthly Marketing Plan System	1	0	Jersey City, NJ or New York, NY
Frequently Asked Questions	1	0	Jersey City, NJ or New York, NY
Address Prospect Objections	1	0	Jersey City, NJ or New York, NY
Sales Model Expectations	1	0	Jersey City, NJ or New York, NY
Customer Service	1	0	Jersey City, NJ or New York, NY
Marketing Playbook	1	0	Jersey City, NJ or New York, NY
<b>TOTALS</b>	<b>16</b>	<b>0</b>	

We periodically conduct our initial training program throughout the year, as needed. Training will be provided by or under the direction of Joshua Kovacs and Tyler Burdett. Joshua Kovacs is our Chief Executive Officer and has served on our Board of Directors since our inception. Joshua is also the managing member of our Washington, DC, franchised outlet, which he has owned since 2020. Tyler Burdett is the General Manager of our Washington, DC, franchised outlet, which he has owned since 2020.

Our training materials consist of our Operations Manuals. You will be required to pay \$1,000-\$3,000 for our initial training program, including your travel and living expenses.

If you do not complete our initial training program to our satisfaction, we have the right to terminate the Franchise Agreement.

If you request it, we will provide supplemental, on-the-job initial training to you in your Territory. You will be required to pay our trainer's per diem training fee, which is currently \$1,000/day, as well as our trainer's expenses for travel, meals and lodging.

We may offer mandatory and/or optional additional training programs, including an annual business meeting or convention, from time to time. If we require it, you must participate in additional training for up to 3 days per year and an annual business meeting or convention for up to 3 days, at a location we designate. We have the right to impose a reasonable fee for all additional training programs, including the annual convention. You are responsible for any and all incidental expenses incurred by you and your personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs.

#### **ITEM 12: TERRITORY**

The Franchise Agreement will grant you the right to operate your Franchised Business in a territory or territories ("Territory") that will be mutually-agreed upon by you and us and defined in Attachment 2 of the Franchise Agreement before you sign it. Your Territory is located in one or more towns or counties and will be identified by zip codes, name, jurisdiction boundaries, geographic demarcation lines or a marked map. Each single Territory will contain approximately +2,000 businesses that have 20+ employees, according to our territory methodology described below.

For purposes of Territory sizing and the most recent fee table in Item 5, we count "businesses with 20+ employees" using third-party datasets we license and compile (including U.S. Census-derived business statistics and commercial business databases), together with our internal methodology. In these data sets, the term "establishments" is commonly used and is a proxy for "businesses." Establishment counts are derived from business registration records and related sources; as a result, multiple businesses can share the same address, and a business's registration address may differ from its physical office location. Counts are therefore estimates and may vary over time as data providers update their files. We design Territories by ZIP codes and/or other geographic boundaries and verify counts using our territory-design software. We use these establishment counts to approximate the number of businesses with 20+ employees in each Territory; they are not a representation of the number of unique office locations, customers, or guaranteed prospects in a Territory. We may update data sources or methodology from time to time without notice, and such updates do not modify any existing Territory's boundaries. (See Franchise Agreement, Attachment 2, for your Territory's legal description.)

—Your Territory will be determined when you sign the Franchise Agreement and will not be modified or relocated, even if the number of businesses in your Territory increases or decreases. You are encouraged to conduct due diligence, in your discretion and to your satisfaction, regarding the customer potential, wage rates, travel distances, and other matters relative to the operation of the Franchised Business in the Territory, prior to signing the Franchise Agreement.

The Franchise Agreement permits you to operate from a home-based office. You may change the location of your office, without our consent, provided that your office remains in your Territory.

The Franchise Agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises or contiguous territories. We may, but have no obligation to, consider granting to you the right to establish additional Franchised Businesses under other franchise agreements or acquire additional territories if you are in compliance with the Franchise Agreement and propose to open another Franchised Business or expand your territory in an area that we approve.

You will receive an exclusive territory, which means that we will not open another dedicated Break Coffee business or grant the right to anyone else to open a dedicated Break Coffee business within your Territory, provided that you are not in default of your Franchise Agreement.

Notwithstanding your Territory exclusivity, (i) the Franchise Agreement allows us to solicit, sell to, and negotiated rates with any business or other organization in the Territory, and (ii) another Break Coffee franchisee may be the referral source of a new business account in your Territory (each a “Placed Business Account”). We will offer you the right to service any Placed Business Account in your Territory, provided that you pay the Sales and Marketing Fee for Placed Business. Also, as further conditions to accepting any Placed Business Account that we negotiate, you must agree to our negotiated terms and sign a general release, which is attached as Exhibit F to this Disclosure Document. If you decline to service any Placed Business Account in your Territory offered to you, we or another franchisee may provide service to that Placed Business Account.

During each year of the Term, you must maintain a minimum amount of active accounts within each Territory count, as follows:

Month	If you have:				
	1 Territory	2 Territories	3 Territories	4 Territories	5 Territories
	The Minimum Number of Active Accounts <b>per Territory</b> is:				
0 - 6	0	0	0	0	0
7 - 24	6	4	3	3	3
25 - 60	12	7	6	5	5
61+	18	11	9	8	7

“Active Account” is a customer who has a Break Coffee Beverage Machine in use such that it generates a billing invoice.

If you do not meet these minimum requirements, we have the right to reduce the size of your Territory, terminate your Territory exclusivity, or terminate your Franchise Agreement.

There is no other market penetration, other contingency, or other circumstance that will affect your Territory rights during the term of your Franchise Agreement, unless you are in default of your obligations to us.

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 Break Coffee Co. businesses outside of the Territory and may operate other kinds of businesses within the Territory. 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. We also have the right to merge with, acquire, or be acquired by, an existing competitive or non-competitive franchise network, chain or other business; however, we will not convert any acquired business in your Territory to a franchise using our Principal Trademark during the Term of your Franchise Agreement. Although we grant you an exclusive territory, we nevertheless have the right to sell, either directly or through others, our products and services under the Marks in the Territory through alternative distribution channels, which are described below.

We and our affiliates reserve the right to sell products and services under the Marks or other trademarks within or outside the Territory through other channels of distribution, such as through retail stores, the internet, catalog

sales, telemarketing, and direct marketing (“Alternative Distribution Channels”). You will receive no compensation for our sales through Alternative Distribution Channels in the Territory.

You may not solicit and/or service a customer who resides outside of your Territory without our consent, and you cannot use Alternative Distribution Channels to make sales outside of your Territory.

### ITEM 13: TRADEMARKS

The Franchise Agreement will license to you the right to operate your Franchised Business under the following principal trademarks, which our affiliate has filed for registration with the U.S. Patent and Trademark Office (“Principal Marks”):

Mark	Registration Date	Registration Number	Register
BREAK COFFEE	March 4, 2025	7715906	Principal
BREAK COFFEE	March 4, 2025	7715907	Principal

All required affidavits have been filed for the above Principal Marks, and they are not due for renewal as of the Issuance Date of this Disclosure Document.

You must notify us immediately when you learn about an infringement of or challenge to your use of any Principal Marks or other mark. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of any Principal Marks or other mark. We have the right to control any administrative proceedings or litigation involving any Principal Mark or other mark licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

We have the right to substitute different marks if we can no longer use the current Principal Mark(s), or if we determine that substitution of different marks will be beneficial to the System. In such event, we may require you, at your expense, to modify or stop using any mark, including any Principal Mark, or to use one or more additional or substitute marks.

You must not directly or indirectly contest our affiliate’s right, or our right, to any Principal Mark or other marks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to the marks. There is no pending infringement, opposition, or cancellation. There is no pending material federal or state court litigation involving the Principal Marks or other marks.

There are no currently effective agreements that significantly limit our rights to use or license the use of the Principal Mark or other Marks in a manner material to the franchise.

As of the date of this Disclosure Document, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Trademarks.

### ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials, the Operations Manual, and the contents of our website.

There are no current material determinations of, or proceedings pending in, the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect that limit your right to use any of our copyrights. As of the date of this Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights that could materially affect your use of them.

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyrights. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of our copyrights. We have the right to control any administrative proceedings or litigation involving our copyrights licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, formulas, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the "Confidential Information"). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all Confidential Information and trade secrets will remain our exclusive property. You may never (during the initial term, any renewal term, or after the Franchise Agreement expires or is terminated) reveal any of our Confidential Information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Your personnel who have access to our Confidential Information must sign our Confidentiality and Non-Compete Agreement (Franchise Agreement, Attachment 8).

You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information.

We reserve the right to modify or discontinue using the subject matter covered by a patent or copyright. In such event, we may require you, at your expense, to modify or discontinue using the subject matter in the operation of your Franchised Business.

#### **ITEM 15: OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

The Franchise Agreement requires that you personally supervise, devote full time, and manage the day-to-day operation of your Franchised Business. You may not appoint a non-owner manager of your Franchised Business, unless you receive our prior written approval. Upon approval, your manager must successfully complete our Initial Training Program and all other training courses we require. Your manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors. Your manager is not required to have an equity interest in the franchisee entity but must otherwise meet our approval.

Your manager and all other personnel who will have access to our proprietary and Confidential Information and training must sign our Confidentiality and Non-Compete Agreement, which is attached to our Franchise Agreement as Attachment 9. All owners of the entity must personally sign the Franchise Agreement as a

Principal. If you are a married individual, your spouse must sign our Spouse Guaranty, which is attached to our Franchise Agreement as Attachment 7.

**ITEM 16: RESTRICTION ON WHAT FRANCHISEE MAY SELL**

You must offer and sell all products and services that are part of the System, and all services and products which we incorporate into the System in the future. You may only offer products and services that we have previously approved. You may only engage in providing products and services to end-consumers.

You may not use our Principal Marks or other trademarks for any other business, and you may not conduct any other business at or through your Franchised Business operations.

We may add to, delete from or modify the products and services that you can and must offer. You must abide by any additions, deletions and modifications. There are no other limits on our rights to make these changes.

You may only solicit sales from customers located within the Territory. Notwithstanding, you may solicit and/or service a customer located outside of the Territory, with our prior consent, which we may grant in our sole discretion and may revoke at any time.

**ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Art. 4	Term is 10 years
b.	Renewal or extension of the term	Sections 5.1 and 5.4	If you are in good standing as defined below, you can sign a successor franchise agreement for one additional 10-year term, unless we have determined, in our sole discretion, to withdraw from your Territory.
c.	Requirements for franchisee to renew or extend	Sections 5.1, 5.2 and 5.3	Be in full compliance, have at least 5 Break Coffee Beverage Machines in place at customers' premises; have no more than three events of default during current term; provide written notice to us 90-180 days before the end of the term; execute a new franchise agreement; pay us a renewal fee equal to 50% of the then-current initial franchise fee; repair, upgrade or replace the equipment and other Franchised Business assets to meet then-current specifications; execute a general release; comply with then-current qualifications and training requirements; including completion of additional training.  You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original Franchise Agreement.
d.	Termination by franchisee	Not applicable	You may seek termination upon any grounds available by state law.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
e.	Termination by franchisor without cause	Section 16.7	The Franchise Agreement will terminate upon your death or permanent disability and the Franchise must be transferred within 6 months to a replacement franchisee that we approve.
f.	Termination by franchisor with cause	Article 17	We may terminate only if you default. The Franchise Agreement describes defaults throughout. Please read it carefully.
g.	"Cause" defined – curable defaults	Section 17.3	You have 5 days to cure non-payments and any other defaults (except for non-curable defaults listed in the Franchise Agreement and described in h. immediately below).
h.	"Cause" defined - non-curable defaults	Sections 17.1 and 17.2	<p>The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days.</p> <p>We may terminate the Franchise Agreement upon notice to you if you: do not obtain required licenses and permits and/or open the Franchised Business within required time frames; falsify any report to us; fail to operate for a period of 3 consecutive days or more; fail to comply with applicable laws; understate Gross Sales 2 or more times; fail to comply with insurance and indemnification requirements; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to transfer as required upon your death or permanent disability; misrepresent or omit a material fact in applying for the Franchise; are convicted or plead no contest to a felony or crime that could damage the goodwill associated with the Marks or do anything to harm the reputation of the Marks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of the Marks or the System; conceal revenues or maintain false books; create a threat or danger to public health or safety; refuse an inspection or audit by us; use the Marks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations 3 or more times during the term or receive 2 or more default notices in any 12-month period; have insufficient funds to honor a check or EFT 2 or more times within any 12-month period; default under any other agreement with us, our affiliate or a supplier; offer unauthorized products or services; fail to meet Minimum Performance Standards for 3 consecutive months or on 3 occasions during</p>

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
			the Term; or terminate the Franchise Agreement without cause.
i.	Franchisee's obligations on termination/ non-renewal	Article 18	Upon termination, you must: cease operations; cease to identify yourself as a Break Coffee Co. franchisee; cease to use our trademarks or other intellectual property; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorney's fees; deliver to us all Confidential Information, the operations manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; pay liquidated damages; sell to us, at our option, all furnishing, fixtures, equipment, inventory and supplies of your Franchised Business; and assign, at our option, your telephone numbers, directory and internet listings, and social media accounts.
j.	Assignment of contract by franchisor	Section 16.1.1	No restrictions on our right to assign.
k.	"Transfer" by franchisee defined	Section 16.3	Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Franchise Agreement, the Franchised Business, any assets of the Franchised Business, or in the Franchisee (if the Franchisee is a business entity).
l.	Franchisor approval of transfer by franchisee	Section 16.3	No transfer is allowed without our consent, which we will not unreasonably withhold.
m.	Conditions for franchisor approval of a transfer	Section 16.3 and 16.4	Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise Agreement; transferee successfully complete our initial training program; you have paid us and third-party creditors all amounts owed; you and the transferee sign a Release; you will subordinate any claims you have against the transferee to us; you will indemnify us for misrepresentations in the transfer process, excluding the representations we make in our Disclosure Document; our approval of the material terms and conditions of the transfer; and payment of a transfer fee equal to \$2,500, plus the transferee's training costs and our legal fees, not to exceed \$12,500.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 16.6	You must promptly notify us of any written offer to purchase your Franchise. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have up to 90 days to close and (e) you will give us all customary seller's representations and warranties.
o.	Franchisor's option to purchase franchisee's business	Section 18.2	Upon <del>termination</del> termination of the Franchise Agreement, we have the option to purchase your equipment, computer system, signage, advertising materials, supplies, and inventory at your cost or fair market value, whichever is less.
p.	Death or disability of franchisee	Sections 16.3, 16.4 and 16.7	The Franchise Agreement will terminate upon your death or permanent disability, and the Franchise must be transferred within six months to a replacement franchisee that we approve.
q.	Non-competition covenants during the term of the franchise	Section 19.5.1	You may not: divert, or attempt to divert, customers of any Break Coffee Co. business (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
r.	Non-competition covenants after the franchise is terminated or expires	Section 19.5.2	For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Break Coffee Co. business (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business within 15 miles of your Territory or the territory of any other Break Coffee Co. outlet; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
s.	Modification of the agreement	Sections 9.4, 14.6 and 19.1.4	No oral modifications. We may change the operations manual and System standards at any time. You may be required to implement these changes at your own costs. We have the right to modify our Marks at any time upon written notice to you.

	Provision	Section in Franchise Agreement	Summary
t.	Integration/merger clause	Section 21.412	Only the terms of the Franchise Agreement and other related written agreements, such as any attachments to the Franchise Agreement or addenda, are binding (subject to applicable state law). Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u.	Dispute resolution by arbitration or mediation	Sections 20.1 and 20.2	At our option, claims that are not resolved internally may be submitted to non-binding mediation and arbitration in the state where our headquarters is located, subject to state law.
v.	Choice of forum	Section 20.3	Litigation takes place in New Jersey (subject to applicable state law).
w.	Choice of law	Section 20.3	New Jersey law applies (subject to applicable state law).

See the state addenda to this Franchise Disclosure Document and the Franchise Agreement for special state disclosures.

**ITEM 18: PUBLIC FIGURES**

We do not currently 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.

This item contains a historic financial performance representation of our franchised Break Coffee outlets as of December 31, 2024, our fiscal year end. As of December 31, 2024, we had a total of 8 franchised outlets, all of which operated for the full fiscal year. The 8 franchised outlets were previously Xpresso Delight franchisees and all have re-branded and have exclusively use the Break Coffee Co. trademarks, as July 2023.

**Table 1<sup>1</sup>  
Income and Expense – All Franchised Businesses  
January 1 – December 31, 2024**

	Average	% of Gross Revenue	Median	% of Gross Revenue	Minimum of Range	% of Gross Revenue	Maximum of Range	% of Gross Revenue
<b>REVENUE</b>								
<b>Gross Revenue<sup>2</sup></b>	\$ 151,804	100.0	\$ 141,628	100.0	\$ 10,695	100.00	\$ 289,045	100.00
Sales Tax	\$ 9,749	6.42	\$ 8,529	6.02	\$ 825	7.72	\$ 18,972	6.56

Royalty	\$ 18,921	12.46	\$ 18,076	12.76	\$ 1,993	18.63	\$ 32,267	11.16
COGS	\$ 21,709	14.30	\$ 17,542	12.39	\$ 1,643	15.36	\$ 52,824	18.28
<b>Gross Margin</b>	\$ 101,425	66.81	\$ 98,050	69.23	\$ 6,234	58.29	\$ 193,058	66.79
<b>EXPENSES<sup>3</sup></b>								
Labor	\$ 14,791	9.74	\$ 15,542	10.97	\$ --	--	\$ 25,400	8.79
Machine Cleaning Supplies	\$ 2,239	1.47	\$ 1,100	0.78	\$ --	--	\$ 5,775	2.00
Marketing	\$ 4,652	3.06	\$ 2,586	1.83	\$ --	--	\$ 13,822	4.78
Transportation	\$ 2,417	1.59	\$ 2,235	1.58	\$ --	--	\$ 5,775	2.00
Admin Expenses	\$ 4,160	2.74	\$ 3,367	2.38	\$ --	--	\$ 15,365	5.32
Office / Storage	\$ 30	0.02	\$ --	0.00	\$ --	--	\$ 237	0.08
Machine Repair & Maintenance	\$ 5,650	3.72	\$ 4,384	3.10	\$ --	--	\$ 14,002	4.84
Meals / Entertainment	\$ 795	0.52	\$ 49	0.03	\$ --	--	\$ 2,859	0.99
<b>Total Expenses</b>	\$ 34,620	22.81	\$ 39,310	27.76	\$ --	--	\$ 54,973	19.02
<b>OPERATING INCOME</b>	\$ 66,805	44.01	\$ 55,916	39.48	\$ 6,234	58.29	\$ 138,085	47.77

\* The number and percentage of outlets that attained or surpassed the results in the above table are as follows: Gross Revenue: 4 out of 8 outlets or 50%, Gross Margin: 4 out of 8 outlets or 50%, and Operating Income 3 out of 8 outlets or 37.5%.

**Table 2<sup>1</sup>**  
**Income and Expense – By Franchisee**  
**January 1 – December 31, 2024**

	Outlet 1	Outlet 2	Outlet 3	Outlet 4	Outlet 5	Outlet 6	Outlet 7	Outlet 8
<b>REVENUE</b>								
<b>Gross Revenue<sup>2</sup></b>	\$ 114,131	\$ 158,238	\$ 243,759	\$ 235,503	\$ 38,045	\$ 125,018	\$ 10,695	\$ 289,045
Sales Tax	\$ 7,267	\$ 7,635	\$ 16,563	\$ 15,235	\$ 2,069	\$ 9,423	\$ 825	\$ 18,972
Royalty	\$ 16,387	\$ 19,292	\$ 29,435	\$ 29,464	\$ 5,670	\$ 16,860	\$ 1,993	\$ 32,267
COGS	\$ 12,000	\$ 23,084	\$ 52,824	\$ 25,254	\$ 3,261	\$ 10,863	\$ 1,643	\$ 44,747
<b>Gross Margin</b>	\$ 78,477	\$ 108,228	\$ 144,938	\$ 165,550	\$ 27,045	\$ 87,872	\$ 6,234	\$ 193,058
<b>EXPENSES<sup>3</sup></b>								
Labor	\$ 21,600	\$ 24,267	\$ 22,998	\$ 8,856	\$ 5,731	\$ 25,400	\$ --	\$ 9,485
Machine Cleaning Supplies	\$ 1,200	\$ 900	\$ 3,952	\$ 4,932	\$ 150	\$ 1,000	\$ --	\$ 5,775
Marketing	\$ 6,000	\$ 12,063	\$ 156	\$ 3,972	\$ 1,200	\$ --	\$ --	\$ 3,822
Transportation	\$ 2,400	\$ 2,071	\$ 1,581	\$ 2,030	\$ 2,881	\$ 2,600	\$ --	\$ 5,775
Admin Expenses	\$ 3,600	\$ 3,346	\$ 3,388	\$ 15,365	\$ 500	\$ 1,000	\$ --	\$ 6,079
Office / Storage	\$ --	\$ --	\$ --	\$ 237	\$ --	\$ --	\$ --	\$ --

Machine Repair & Maintenance	\$ 2,400	\$ 4,718	\$ 10,563	\$ 3,564	\$ 4,050	\$ 5,903	\$ --	\$ 14,002
Meals / Entertainment	\$ 2,400	\$ --	\$ 2,859	\$ 62	\$ --	\$ 1,000	\$ --	\$ 35
<b>Total Expenses</b>	\$ 39,600	\$ 47,364	\$ 45,487	\$ 39,020	\$ 13,613	\$ 36,903	\$ --	\$ 54,973
<b>OPERATING INCOME</b>	\$ 38,877	\$ 60,864	\$ 99,451	\$ 126,531	\$ 13,433	\$ 50,969	\$ 6,234	\$ 138,085
Depreciation/Amortization	\$ --	\$ 28,765	\$ 28,489	\$ 59,975	\$ --	\$ --	\$ --	\$ 58,138
Interest	\$ 12,000	\$ 6	\$ --	\$ 6,289	\$ --	\$ --	\$ --	\$ --
Machines–Start of Year	14	25	67	31	16	23	4	32
Machines–End of Year	23	30	75	52	16	14	4	59

<sup>1</sup> The information contained in this Chart has not been audited.

<sup>2</sup> Gross revenue is defined as total billings to customers for the sale of products and services.

<sup>3</sup> Expense data is submitted to us by the franchisees and we have not independently verified this information.

[A new franchisee’s financial results are likely to differ from the results states in the financial performance representation.](#)

Written substantiation of the data used in preparing these figures will be made available to you upon reasonable request. The information presented above has not been audited.

**Some outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.**

Other than the preceding financial performance representation, 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 ~~Joshua Kovacs~~ John DeYonker, 155 2<sup>nd</sup> Street, Jersey City, New Jersey, 07302 and ~~347-421-4196~~ 404-663-4106, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1  
System-wide Outlet Summary  
For Years 2022 to 2024

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2022	9	9	0
	2023	9	9	0
	2024	9	8	-1
Company – Owned*	2022	1	1	0
	2023	1	1	0
	2024	1	+2	+1
	2022	<b>10</b>	<b>10</b>	<b>0</b>

<b>Total Outlets</b>	2023	<b>10</b>	<b>10</b>	<b>0</b>
	2024	<b>10</b>	<b>910</b>	<b>-10</b>

Table No. 2  
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)  
For Years 2022 to 2024

Column 1 State	Column 2 Year	Column 3 Number of Transfers
None	2022	0
	2023	0
	2024	0
<b>Total</b>	2022	<b>0</b>
	2023	<b>0</b>
	2024	<b>0</b>

Table No. 3  
Status of Franchised Outlets  
For Years 2022 to 2024

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of the Year
Washington DC	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Florida	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Illinois	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
New Jersey	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
New York	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	10	0	1	0	3
North Carolina	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
<b>Total</b>	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9
	2024	9	0	10	0	1	0	8

Table No. 4  
Status of Company Owned Outlets  
For Years 2022 to 2024

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired from Franchisees	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisees	Col. 8 Outlets at End of the Year
New York	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0 <del>1</del>	0	0	1 <del>2</del>
<b>Total</b>	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0 <del>1</del>	0	0	1 <del>2</del>

Table No. 5  
Projected Openings as of December 31, 2024

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company Owned Outlets in the Next Fiscal Year
Florida	0	1	0
New York	0	1	0
Pennsylvania	0	1	0
Texas	0	1	0
<b>Total</b>	<b>0</b>	<b>4</b>	<b>0</b>

Exhibit E lists the location of each Break Coffee Co. franchised outlet in our System and each franchisee during our last fiscal year who has had an outlet terminated, canceled, not renewed, or has otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or has not communicated with us within 10 weeks of the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Break Coffee franchise system or the Xpresso Delight franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

**ITEM 21: FINANCIAL STATEMENTS**

We have not been in business for three years or more and cannot include all financial statements required for Item 21. Our audited financial statements, which are comprised of our- balance sheet as of January 17, 2025, and our statements of operations, members' equity, and cash flows for the period January 1, 2025 to January

17, 2025, are included in Exhibit C. Also included in Exhibit B are our unaudited financial statements as of November 12, 2025.

Our fiscal year end is December 31.

#### **ITEM 22: CONTRACTS**

A copy of all proposed agreements regarding the franchise offering are included in this Disclosure Document, as follows:

- Exhibit B -- The Franchise Agreement and all attachments to it.
- Exhibit H -- Franchisee Acknowledgement Statement, as permitted by state law.

#### **ITEM 23: RECEIPT**

A receipt in duplicate is attached to this Disclosure Document as Exhibit I. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to Joshua Kovacs, 155 2<sup>nd</sup> Street, Jersey City, New Jersey, 07302.

**EXHIBIT A**

**LIST OF STATE FRANCHISE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8222 Phone	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 11231-0001 (518) 473-2492

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, State Capitol, 14 <sup>th</sup> Floor, Dept. 414, Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of South Dakota Division of Insurance – Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT B  
FRANCHISE AGREEMENT

**These Financial Statements Have Been Prepared without an Audit. Prospective Franchisees or Sellers of Franchises Should be Advised that No Independent Certified Public Accountant Has Audited These Figures or Expressed an Opinion with Regard to their Content or Form.**

# Profit and Loss

Break Coffee Co Franchising LLC

January 1-November 12, 2025

DISTRIBUTION ACCOUNT	TOTAL
Income	
<b>Gross Profit</b>	
Expenses	
<b>Net Operating Income</b>	
<b>Net Other Income</b>	
<b>Net Income</b>	

# Balance Sheet

## Break Coffee Co Franchising LLC

As of November 12, 2025

DISTRIBUTION ACCOUNT	TOTAL
<b>Assets</b>	
Current Assets	
Bank Accounts	
Mercury Checking (9075) - 1	970.70
<b>Total for Bank Accounts</b>	<b>\$970.70</b>
<b>Total for Current Assets</b>	<b>\$970.70</b>
<b>Total for Assets</b>	<b>\$970.70</b>
<b>Liabilities and Equity</b>	
Liabilities	
<b>Total for Liabilities</b>	
Equity	
Opening Balance Equity	970.70
Retained Earnings	
Net Income	
<b>Total for Equity</b>	<b>\$970.70</b>
<b>Total for Liabilities and Equity</b>	<b>\$970.70</b>

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
PURSUANT TO THE ILLINOIS FRANCHISE DISCLOSURE ACT**

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

The franchisor will offer you the right to service any Placed Business Account in your Territory, provided that you pay the Sales and Marketing Fee for Placed Business. If you decline to service any Placed Business Account in your Territory offered to you, the franchisor or another franchisee may provide service to that Placed Business Account.

You must maintain a minimum amount of active accounts within each Territory. If you do not meet these minimum requirements, the franchisor has the right to reduce the size of your Territory, terminate your Territory exclusivity, or terminate your Franchise Agreement.

For info about obtaining a liquor license in Illinois, see:

<https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

For info about obtaining TIPS certification in Illinois, see:

<https://www.tipscertified.com/tips-state-pages/illinois/>

**AMENDMENT TO THE BREAK COFFEE CO FRANCHISING LLC FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS**

Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

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You must maintain a minimum amount of active accounts within each Territory. If you do not meet these minimum requirements, the franchisor has the right to reduce the size of your Territory, terminate your Territory exclusivity, or terminate your Franchise Agreement.

For info about obtaining a liquor license in Illinois, see:

<https://www.illinois.gov/ilcc/Pages/Forms-and-Applications.aspx>

For info about obtaining TIPS certification in Illinois, see:

<https://www.tipscertified.com/tips-state-pages/illinois/>

The parties hereto have duly executed this Illinois Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:  
Break Coffee Co Franchising, LLC

By: \_\_\_\_\_

\_\_\_\_\_  
(Print Name, Title)

FRANCHISEE:  
\_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_

\_\_\_\_\_  
(Print Name, Title) \_\_\_\_\_

\_\_\_\_\_  
PRINCIPAL: \_\_\_\_\_

\_\_\_\_\_  
(Print Name) \_\_\_\_\_

\_\_\_\_\_  
PRINCIPAL: \_\_\_\_\_

\_\_\_\_\_  
(Print Name) \_\_\_\_\_

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MARYLAND**

The Office of Attorney General for the State of Maryland requires that certain provisions contained in franchise documents be amended to be consistent with Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., and of the Rules and Regulations promulgated under the Act (collectively the "Maryland Franchise Law"). To the extent that this Disclosure Document or Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. No requirement that you agree to any release, assignment, novation, estoppel or waiver of liability as a condition to your purchasing a Break Coffee Co franchise shall act as a release, estoppel or waiver of any liability under the Maryland Franchise Law.

2. Item 17 is amended to state:

(a) Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.

(b) Any general release required by the terms and conditions of the Franchise Agreement as a condition of renewal, assignment or transfer shall not apply to any liability under the Maryland Franchise Law.

(c) Our right to terminate you upon your bankruptcy may not be enforceable under federal bankruptcy law (11 U.S.C. §101 et. seq.).

(d) Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

3. Item 5 is amended to state:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

4. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**THE REGISTRATION OF THIS FRANCHISE DISCLOSURE DOCUMENT WITH MARYLAND SECURITIES DIVISION OF THE OFFICE OF ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE SECURITIES COMMISSIONER.**

**AMENDMENT TO THE BREAK COFFEE CO FRANCHISE AGREEMENT REQUIRED BY THE  
STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., and of the Rules and Regulations promulgated thereunder, the parties to the attached Break Coffee Co Franchise Agreement (the "Franchise Agreement") agree as follows:

1. The Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a franchisee's assent to a release of liability under that Law as a condition for the sale, renewal, assignment or transfer of the franchise. To the extent of any inconsistencies with the Maryland Franchise Registration and Disclosure Law contained in Article 16 of the Franchise Agreement, such inconsistent provisions are hereby deleted.

2. To the extent of any inconsistencies, Section 17.1 of the Franchise Agreement is hereby amended to further state:

"Our right to terminate you upon your bankruptcy, however, may not be enforceable under federal bankruptcy law (11 U.S.C. §101 et. seq.)."

3. To the extent of any inconsistencies, Section 20.3 of the Franchise Agreement is hereby amended to further state:

"Nothing herein shall waive your right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland."

4. To the extent of any inconsistencies, Section 20.8 of the Franchise Agreement is hereby amended to further state:

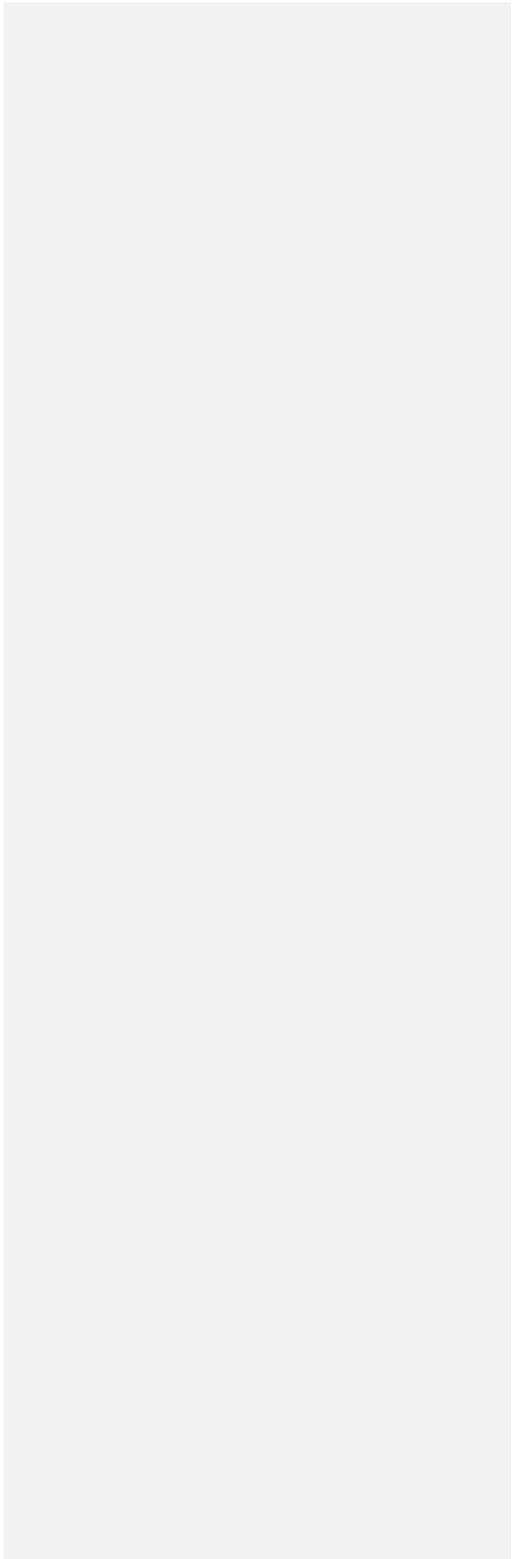
"Any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise."

5. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. § 14-201 et seq., are met independently without reference to this Amendment.

7. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



The parties hereto have duly executed this Maryland Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

Break Coffee Co Franchising LLC

By:

(Print Name, Title)

FRANCHISEE:

By:

(Print Name, Title)

PRINCIPAL:

(Print Name)

PRINCIPAL:

(Print Name)

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MINNESOTA**

The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. Item 6, Non-Sufficient Funds Fee, is amended to state:

Pursuant to Minn. Stat. § 604.113, the Non-Sufficient Funds Fee is \$30.00 per occurrence.

2. Item 17 is amended to state:

(a) Minn. Stat. § 80C.21 and Minnesota Rules § 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this Franchise Disclosure Document or agreement(s) shall abrogate or reduce (1) any of your rights as provided for in Minn. Stat. Chapter 80C or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

(b) In accordance with Minn. Stat. § 80C.14 subd. 3-5, except in certain specified cases, we will give you 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement. Additionally, we will not unreasonably withhold our consent to a transfer of your Board and Brush Creative Studio.

(c) In accordance with Minnesota Rules 2860.4400(D), we cannot require you to assent to a general release.

(d) In accordance with Minnesota Rules 2860.4400(J), we cannot require you to consent to liquidated damages.

(e) Minn. Stat. § 80C.17 subd. 5 requires that an action be commenced pursuant to the Franchise Act within three (3) years after the cause of action accrues.

(f) You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rules 2860.4400(J).

3. Item 5 is amended to state: Based upon the franchisor's financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

**AMENDMENT TO THE  
BREAK COFFEE CO. FRANCHISING LLC  
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MINNESOTA**

In recognition of the requirements of the Minnesota Statutes Chapter 80C, the parties to the attached Break Coffee Co. Franchise Agreement (the "Franchise Agreement") agree as follows:

1. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee's assent to a release other than as part of a voluntary settlement of disputes. To the extent of any inconsistencies with the Minnesota Rules requirement contained in Sections 5.2.6 of the Franchise Agreement, such inconsistent provisions are hereby deleted.

2. To the extent of any inconsistencies, Section 5.1.1 of the Franchise Agreement is hereby amended to state:

"Except in certain specified cases as set forth in Minn. Stat. § 80C.14 subd. 4, Franchisor will give Franchisee 180 days' notice for non-renewal of the Franchise Agreement."

3. To the extent of any inconsistencies, Section 6.6 of the Franchise Agreement is hereby amended to state that the non-sufficient funds fee is Thirty Dollars (\$30.00) per occurrence.

4. To the extent of any inconsistencies, Sections 17.2.1 through 17.2.22 of the Franchise Agreement are hereby amended to state:

"Except in certain specified cases as set forth in Minn. Stat. § 80C.14 subd. 3, Franchisor will give Franchisee 90 days notice of termination (with 60 days to cure)".

5. To the extent of any inconsistencies, Article 20, Dispute Resolution, of the Franchise Agreement is hereby amended to state:

"Franchisor cannot require Franchisee to: (i) conduct litigation outside Minnesota, (ii) waive a jury trial, or (iii) consent to liquidated damages, termination penalties or judgment notes. Nothing in this Franchise Agreement shall abrogate or reduce (1) any of Franchisee's rights as provided for in Minn. Stat. Chapter 80C or (2) Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Franchisee cannot consent to Franchisor obtaining injunctive relief. Franchisor may seek injunctive relief."

8. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Statutes Chapter 80C are met independently without reference to this Amendment.

9. Based upon the franchisor's financial condition, the Minnesota Department of Commerce has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

*Signature Page to Follow*

The parties hereto have duly executed this Minnesota Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

\_\_\_\_\_  
FRANCHISOR:  
\_\_\_\_\_  
BREAK COFFEE CO FRANCHISING LLC

\_\_\_\_\_  
By: \_\_\_\_\_  
\_\_\_\_\_  
(Print Name, Title)

\_\_\_\_\_  
FRANCHISEE:  
\_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_  
\_\_\_\_\_  
(Print Name, Title)

\_\_\_\_\_  
PRINCIPAL:  
\_\_\_\_\_  
\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
PRINCIPAL:  
\_\_\_\_\_  
\_\_\_\_\_  
(Print Name)

**NEW YORK STATE ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or 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, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements

for a franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by a franchisee”: “You may terminate the agreement on any grounds available by law.”

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**NEW YORK RIDER TO BREAK COFFEE CO FRANCHISING LLC  
FRANCHISE AGREEMENT**

THIS RIDER TO THE FRANCHISE AGREEMENT FOR NEW YORK (“Rider”) is entered into by and between Break Coffee Co Franchising LLC, a New Jersey limited liability company with its principal office at 155 2<sup>nd</sup> Street, Jersey City, New Jersey, 07302 (“we,” “us” or “our”) and \_\_\_\_\_ (“you” or “your”), whose principal business address is \_\_\_\_\_.

WHEREAS, we and you have entered into a certain Franchise Agreement dated \_\_\_\_\_ which grants you the right to operate a Break Coffee franchise (the “Franchise Agreement”);

WHEREAS, you are domiciled in New York and the Break Coffee franchise will be located in New York, and/or any of the offering or sales activity relating to the Franchise Agreement occurred in the State of New York; and

WHEREAS, in recognition of the requirements of the General Business Law of the State of New York, Article 33, Sections 680-695, we and you desire to amend certain terms of the Franchise Agreement in accordance with the terms and conditions contained in this Rider.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in the Franchise Agreement and this Rider and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, we and you agree as follows:

1. Sections 5.2.6 and 16.3.6 of the Franchise Agreement are amended by adding the following language to each Section:

However, to the extent required by applicable law, notwithstanding the signing of a General Release, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force.

2. Section 16.1 of the Franchise Agreement is amended by adding the following language to this Section:

However, to the extent required by applicable law, Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor’s obligations under the Franchise Agreement, in Franchisor’s good faith judgment.

3. Section 20.5 of the Franchise Agreement is amended by adding the following language:

New York Law governs any cause of action which arises under the New York General Business Law, Article 33, Sections 680-695. The provisions of this Franchise Agreement shall not be deemed a waiver of any rights conferred upon Franchisee by Article 33 of the General Business Law of the State of New York and the regulations issued thereunder.

4. In the event of any conflict between a provision of the Franchise Agreement and this Rider, the provision of this Rider shall control. All terms which are capitalized in this Rider and not otherwise defined, will have the meanings given to them in the Franchise Agreement. Except as amended by this Rider, the Franchise Agreement is unmodified and in full force and effect in accordance with its terms.

5. Each provision of this Rider will be effective only to the extent that the jurisdictional requirements of the New York General Business Law, Article 33, Sections 680-695 are met independent of this Rider.

The parties hereto have duly executed this New York Rider to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

\_\_\_\_\_  
FRANCHISOR:  
\_\_\_\_\_  
BREAK COFFEE CO FRANCHISING LLC

\_\_\_\_\_  
By:  
\_\_\_\_\_  
(Print Name, Title)

\_\_\_\_\_  
FRANCHISEE:  
\_\_\_\_\_  
By:  
\_\_\_\_\_  
(Print Name, Title)

\_\_\_\_\_  
PRINCIPAL:  
\_\_\_\_\_  
\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
PRINCIPAL:  
\_\_\_\_\_  
\_\_\_\_\_  
(Print Name)

**AMENDMENT TO THE BREAK COFFEE CO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE OF VIRGINIA**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Break Coffee Co Franchising LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17.h.

Under 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.

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$102,525 - \$146,000. This amount exceeds the franchisor's stockholders equity as of January 17, 2025, which is \$971.

No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

The parties hereto have duly executed this Virginia Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

\_\_\_\_\_  
FRANCHISOR:

\_\_\_\_\_  
Break Coffee Co Franchising LLC

\_\_\_\_\_  
By:

\_\_\_\_\_  
(Print Name, Title)

\_\_\_\_\_  
FRANCHISEE:

\_\_\_\_\_  
By:

\_\_\_\_\_  
(Print Name, Title)

\_\_\_\_\_  
PRINCIPAL:

\_\_\_\_\_  
\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
\_\_\_\_\_  
PRINCIPAL:

\_\_\_\_\_  
\_\_\_\_\_  
(Print Name)

**EXHIBIT H**  
**FRANCHISEE ACKNOWLEDGMENT STATEMENT**

**BREAK COFFEE CO. FRANCHISEE ACKNOWLEDGEMENT STATEMENT**

**NOT APPLICABLE TO MARYLAND FRANCHISEES OR FRANCHISES OPEN IN MARYLAND.**

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement. Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

**No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.**

1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.

\_\_\_\_\_  
Initial

2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

\_\_\_\_\_  
Initial

3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement and that it/she/he understands all the terms and conditions of the Franchise Agreement. Franchisee further acknowledges that the Franchise Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

\_\_\_\_\_  
Initial

4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement that are contrary to the terms of the Franchise Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement. Franchisee represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement.

\_\_\_\_\_  
Initial

5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement.

\_\_\_\_\_  
Initial

6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

\_\_\_\_\_  
Initial

7. Franchisee acknowledges that it has received the Break Coffee Co Franchising LLC Franchise Disclosure Document with a complete copy of the Franchise Agreement and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

\_\_\_\_\_  
Initial

8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to the Franchise Agreement or the relationship thereby created.

\_\_\_\_\_  
Initial

9. Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement.

\_\_\_\_\_  
Initial

10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

\_\_\_\_\_  
Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor.

\_\_\_\_\_  
Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE BREAK COFFEE CO FRANCHISING LLC, AND ITS PARENT COMPANY,

SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE SHALL NOT APPLY TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE.

Initial

FRANCHISEE:

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

\_\_\_\_\_

(Print Name)

\_\_\_\_\_  
(Print Name, Title)

Date: \_\_\_\_\_

Date: \_\_\_\_\_

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_

(Print Name)

Date: \_\_\_\_\_

### State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, 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 document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
Illinois	Pending
Maryland	Pending
Michigan	Pending
New York	Pending
Rhode Island	<del>June 5, 2025</del> Pending
<del>Virginia</del>	<del>Pending</del>
Wisconsin	<del>May 23, 2025</del> 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 I**

**RECEIPTS**

**RECEIPT**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Break Coffee Co Franchising LLC offers you a franchise, it must provide this Disclosure Document to you 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.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Break Coffee Co Franchising LLC 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC, 20580, and to your state authority listed on Exhibit A.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

<a href="#"><u>John DeYonker</u></a> <a href="#"><u>155 2<sup>nd</sup> Street</u></a> <a href="#"><u>Jersey City, NJ 07302</u></a> <a href="#"><u>404-663-4106</u></a>	Joshua Kovacs 155 2 <sup>nd</sup> Street Jersey City, NJ 07302 347-421-4196	<a href="#"><u>Anthony Spagnola</u></a> <a href="#"><u>155 2<sup>nd</sup> Street</u></a> <a href="#"><u>Jersey City, NJ 07302</u></a> <a href="#"><u>973-216-7473</u></a>
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Issuance Date: April 2, 2025, as amended, November 10, 2025

I received a Disclosure Document dated April 2, 2025, as amended, November 10, 2025 that included the following Exhibits:

- EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process
- EXHIBIT B: Franchise Agreement
- EXHIBIT C: Financial Statement
- EXHIBIT D: Operations Manual Table of Contents
- EXHIBIT E: List of Current Franchisees and Former Franchisees
- EXHIBIT F: Form of Release
- EXHIBIT G: State Addenda
- EXHIBIT H: Franchisee Acknowledgement Statement
- EXHIBIT I: Receipt

Date Received: \_\_\_\_\_  
(If other than date signed)

Date: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_  
\_\_\_\_\_

**KEEP FOR YOUR RECORDS**

**RECEIPT**

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- EXHIBIT I: Receipt

Date Received: \_\_\_\_\_  
(If other than date signed)

Date: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_

Please return signed receipt to Break Coffee Co Franchising LLC

~~Joshua Kovacs~~  
~~John DeYonker~~  
155 2<sup>nd</sup> Street, Jersey City, NJ 07302