

FRANCHISE DISCLOSURE DOCUMENT



KF TEA FRANCHISING LLC
A Delaware Limited Liability Company
31-19 Newtown Avenue
Astoria, NY 11102
1-855-KFT(538)-9888
info@kfteausa.com
www.kfteausa.com

We offer franchises for the operation of retail shops selling a variety of oriental style brew tea, bubble tea, coffee, juices, smoothies and other hot and cold drinks. We also offer a multi-unit franchise under which you agree to open and operate a specified number of Kung Fu Tea shops over an agreed period of time within an agreed geographic area.

The total investment necessary to begin operation of a Kung Fu Tea shop franchise is \$123,000 to \$422,000 for a standard Kung Fu Tea shop and \$123,000 to \$275,000 for a non-traditional unit. This includes \$67,000 to \$82,000 that you must pay to us or our affiliate.

If you sign a multi-unit agreement (covering at least three units), your total initial investment will be \$173,000 to \$472,000. This includes \$117,000 to \$127,000 that you must pay to us or our affiliate, which is comprised of a development fee equal to the initial fee for three franchises, which is \$87,000 (\$37,000 for the first unit and \$25,000 for each of the next two units); the \$10,000 training fee (which you pay only for the first shop); and \$15,000 to \$20,000 to Arms Global Inc. for equipment and \$5,000 to \$10,000 for supplies (paid for each of the three shops.)

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **NOTE, HOWEVER, THAT NO GOVERNMENTAL AGENCY HAS VERIFIED THE INFORMATION CONTAINED IN THIS DOCUMENT.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Darren Chen at KF Tea Franchising LLC, 31-19 Newtown Avenue, Astoria, NY 11102, telephone 1-855-KFT(538)-9888.

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

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

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

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STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. **REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.**

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following **RISK FACTORS** before you buy this franchise:

1. THE FRANCHISE AGREEMENT STATES THAT NEW YORK LAW GOVERNS THE AGREEMENT. NEW YORK LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS YOUR STATE LAW. YOU MAY WANT TO COMPARE THESE LAWS.

2. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN NEW YORK. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO DEFEND A LAWSUIT IN NEW YORK THAN IN YOUR HOME STATE.

3. YOUR SPOUSE MUST ALSO SIGN A PERSONAL GUARANTEE, MAKING YOUR SPOUSE JOINTLY AND INDEPENDENTLY LIABLE FOR YOUR OBLIGATIONS UNDER THE AGREEMENT, WHICH PLACES YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS AT RISK IF YOUR FRANCHISE FAILS.

4. A FRANCHISEE WILL BE REQUIRED TO MAKE AN INVESTMENT OF FROM \$123,000 TO \$422,000 WHICH IS IN EXCESS OF THE FRANCHISOR'S NET WORTH OF \$139,370.

5. YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS THAT WE CONTROL.

6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We may use the services of one or more **FRANCHISE BROKERS** or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

See the next page for state effective dates.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

<i>State</i>	<i>Effective Date</i>
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

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