

**SBA ADDENDUM**  
**to**  
**FRANCHISE DISCLOSURE DOCUMENT**

**(FOR FRANCHISEES WITH SBA FUNDING ONLY)**

THIS ADDENDUM ("Addendum") is made and entered into as of \_\_\_\_\_, 201\_\_, by \_\_\_\_\_, having a franchise location at \_\_\_\_\_ ("Franchisee"), and Lantis Fireworks Franchising, Inc, a Nevada corporation, having a principal place of business at 9101 West Sahara Avenue, Suite 105 D-26, Las Vegas, NV 89117 (the "Franchisor")

**Recitals.**

Franchisee entered into a Franchise Agreement dated \_\_\_\_\_, 201\_\_ and certain related agreements (collectively the "Franchise Agreement") The Franchisee agreed among other things to operate and maintain a Lantis Fireworks & Lasers Business located at \_\_\_\_\_ (the "Business") Franchisee has obtained from a Lender a loan (the "Loan") in which funding is provided with the assistance of the United States Small Business Administration ("SBA")

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable consideration in hand paid by each of the parties to the others, the receipt and sufficiency of which all of the parties acknowledge, the parties agree as follows

**Terms of Addendum**

- 1 The Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof
- 2 Franchisor will not unreasonably withhold, delay or condition its consent to any transfer requiring Franchisor's consent and that otherwise satisfies the provisions of Sections 14 2, 14 3 and 14 4, as applicable, of the Franchise Agreement
- 3 Section 19 9 of the Franchise Agreement grants Franchisor the right to use its Business Judgment when exercising its rights under the agreement Notwithstanding Section 19 9, Franchisor will not unreasonably withhold, delay or condition consent to a transfer, as provided in paragraph 2, above
- 4 If the Franchisor operates the Franchised Business under Section 14 5 of the Franchise Agreement, Franchisor will operate the Business for up to 90 days This period may be extended by Franchisor for additional 90 day periods, up to a maximum of 12 months, subject to Franchisor's periodic discussions regarding Business status with Franchisee or Franchisee's heirs
- 5 Franchisor's right of first refusal under Section 14 7 of the Franchise Agreement is only applicable to a proposed transfer of one hundred percent (100%) of ownership interests in the Franchise Business
- 6 Except as expressly modified by this Addendum, the terms and conditions of the Franchise Agreement remain as originally written and in full force and effect

#### **14.2 Transfers by You.**

A The rights and duties created by this Agreement are personal to you (or your owners, if the Franchisee is a Business Entity) We have awarded the Franchise relying on the individual integrity, ability, experience and financial resources of you or such owners Therefore, neither this Agreement, the Franchise, the Franchisee nor your LANTIS Unit (or any interest in, or the assets of, any of them) may be transferred without our prior written approval Any transfer or attempted transfer without our approval is null and void

B The term "transfer" includes (but is not limited to) any voluntary or involuntary assignment, sale, gift, pledge or any grant of any security or other interest (whether partial or whole, or direct or indirect), by you (or your owners, if the Franchisee is a Business Entity) A transfer also includes the following events i) any transfer of ownership of capital stock or any partnership or similar interest, ii) any merger, consolidation or issuance of additional securities representing an ownership interest in the Franchisee, iii) any sale of voting stock of the Franchisee or of any security convertible to voting stock, iv) any transfer in a corporate or partnership dissolution, divorce, insolvency proceeding or otherwise by operation of law, v) any transfer of any interest in any revenues, profits, or assets of your LANTIS Unit and which is not in the ordinary course of business, or vi) any transfer to a business entity and/or a trust or similar entity A transfer of ownership, possession or control of your LANTIS Unit, or of its assets, may only be made with a transfer of the Franchise Any transfer in the event of death or disability will be governed by Section 14.5, below

#### **14.3 Conditions for Approval of Any Transfer.**

A All of the following conditions must be met prior to, or concurrently with, the effective date of any transfer We may waive any condition in our sole and absolute discretion

1) You must be in compliance with this Agreement, the Manuals, all other agreements between you and us (including any of our respective Affiliates), and all leases/subleases with any party, and the transferee must expressly assume all obligations under all such agreements, and

2) The transferee and its owners must meet our then-current requirements for new franchisees, including but not limited to business experience, aptitude and financial resources, and

3) You must meet all payment and reporting obligations under the Franchise Agreement and any other agreements between you and us (and any of our respective Affiliates) Promissory notes shall be accelerated and paid in full, and

4) All obligations to third parties in connection with your LANTIS Unit must be satisfied or assumed by the transferee, and

5) Your LANTIS Unit and its operations must have been brought into full compliance with the Manuals and specifications and standards then-applicable for new LANTIS Units, including any equipment upgrades or requirements, and

6) At our option, the transferee must successfully complete, or agree to complete, our training program for new franchisees and pay the then current initial training fee, and

Lantis Fireworks Franchising, Inc - FA June, 2012

7) The transferee must, at our option, i) agree to be bound by all the terms and conditions of this Agreement for the remainder of the term, or ii) execute our then current form of Franchise Agreement and ancillary documents (including guarantees) as are then customarily used by us in the grant of franchises, the term of such new Franchise Agreement shall, at our option, be either for the balance of the term of this Agreement or for the full term generally awarded to new franchisees as of the time of the transfer, and

8) The transfer must be completed in compliance with the terms of any applicable leases and other agreements and with all applicable laws, including but not limited to licensing and operations-related laws and/or laws governing franchise sales, and

9) You or the transferee must pay us with your application for a transfer a non-refundable transfer fee equal to two percent (2%) of your Gross Volume in the calendar year immediately preceding the date of your application for transfer, and

10) You and each of your owners and/or Affiliates, and the transferee (and each owner and/or Affiliate of the transferee), must sign a General Release, and

11) Any grant of a security or similar interest in connection with a transfer (which grant may or may not be permitted by us in our Business Judgment), will be subordinated to our rights and the rights of any Franchisor Related Person/Entity under the Franchise Agreement or any other agreement, provided that we may refuse to allow you or anyone else to grant or receive a pledge, mortgage, lien or any security or similar interest in and/or to the Franchise or the Franchised Business (or any of its assets) if, after having expended commercially reasonable efforts in discussions with lenders or other applicable parties, we are unable in our Business Judgment to obtain appropriate protections for our rights under this Agreement and/or for LANTIS system interests, and

12) You will agree with the transferee not to compete after the transfer in accordance with restrictions acceptable to us and substantially similar to those described in Section 8.2 B, above, to the maximum extent permitted by law. We shall be a third party beneficiary of such agreement, and

13) We may (but are not required to) withhold or condition our consent to any transfer in our Business Judgment, particularly if we believe that the terms of transfer jeopardize the economic viability of the franchise or based on other circumstances of the transfer, and/or if we would not normally directly award a franchise in such a situation

B. You agree that we may (but are not required to) discuss with you and/or the proposed transferee all matters related to any transfer and/or proposed transfer at any time which we consider to be appropriate in our Business Judgment without liability (including our opinion of the terms of sale, performance of your franchise, etc.) You expressly consent to any such discussions by us

C. Neither you nor any transferee shall rely on us to assist in the evaluation of the terms of any proposed transfer. You acknowledge and agree that an approval of a proposed transfer shall not be deemed to be an approval of the terms, nor any indication as to any likelihood of success or economic viability

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