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Or Mania USA, Inc.
Franchise Disclosure Document

MANIA JEANS

Or Mania USA, Inc.
5553 Anglers Avenue Bldg 4
Suite 115
Dania Beach, FL 33312
305-766-0484
http://www.maniajeans.com

The franchise described in this franchise disclosure document is for a business that provides unique products which are designed and manufactured specifically for sale in stores with a proprietary format and process relating to the development and operation of a retail store focusing on high end jeans, clothing, shoes and accessory products for men. ~~The unique, trendy an young Mania Jeans clothing for men is very popular and loved in Israel.~~ The total investment necessary to begin operation of a Mania Jeans franchise is $353,500 - $756,250. This includes $130,000 to $190,000 that must be paid to the franchisor or its affiliate for, among other things, the purchase of the initial inventory of products.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all 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 government agency has verified the information contained in this document.**

The terms of your contract will govern your franchise relationship. Do not 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.

Starting a franchise business 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 for more 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: March 4, 2019

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 B 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 REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION ONLY IN FLORIDA. OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN FLORIDA THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT THE LAW OF FLORIDA GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. IF YOU FAIL TO CONFORM TO BRAND STANDARDS OR REMAINING IN GOOD STANDING, WE MAY TERMINATE YOUR FRANCHISE AGREEMENT OR TERMINATE YOUR EXCLUSIVITY RIGHTS FOR THE TERRITORY, OR REDUCE THE SIZE OF THE TERRITORY RIGHTS. THESE REMEDIES ARE NOT MUTUALLY EXCLUSIVE.

4. WE DO NOT HAVE A FEDERAL REGISTRATION FOR OUR PRINCIPAL TRADEMARK. THEREFORE, OUR TRADEMARK DOES NOT HAVE AS MANY LEGAL BENEFITS AND RIGHTS AS A FEDERALLY REGISTERED TRADEMARK. IF OUR RIGHT TO USE THE TRADEMARK IS CHALLENGED, YOU MAY HAVE TO CHANGE TO AN ALTERNATIVE TRADEMARK, WHICH MAY INCREASE YOUR EXPENSES.

~~4~~5. 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. Any franchise broker or referral source we use represents

us, not you, and we may 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.

STATE EFFECTIVE DATES

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

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

STATE	EFFECTIVE DATE
California	N/A

THE FOLLOWING APPLY TO TRANSACTIONS GOVERNED BY MICHIGAN FRANCHISE INVESTMENT LAW ONLY

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

a. A prohibition on the right of a franchisee to join an association of franchisees.

b. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in the Michigan Franchise Investment Act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

c. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

d. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

e. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

f. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

g. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

i. The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

ii. The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

iii. The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

iv. The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

h. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

i. A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Consumer Protection Division
Attn: Franchise
670 G. Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48933
Telephone Number: (517) 373-7117

Note: Despite paragraph (f) above, we intend, and we and you agree to fully enforce the arbitration provisions of the Franchise Agreement. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing these litigation provisions. You acknowledge that we will seek to enforce those provisions as written.

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EXHIBITS

ITEM 1: THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, "Franchisor", "Mania Jeans", "we", "us" or "our" means Or Mania USA, Inc., the franchisor. "You" means the individual, corporation, or other entity that buys a Mania Jeans franchise.

Franchisor, Parents, Predecessors, and Affiliates

Or Mania USA, Inc. is a Delaware corporation. We conduct business under the name Mania Jeans. Our principal business address is 5553 Anglers Avenue Bldg 4, Suite 115, Dania Beach, FL 33312. We are wholly owned subsidiary of Or Mania Ltd., an Israeli limited company ("**Parent**").

In 2019 ~~W~~we began offering franchises for the development of a retail store format specializing in providing consumers unique and high end jeans, clothes, shoes and accessories for men aged thirteen to thirty-five (the "**Franchised Business**") in the United States~~ and have done so since 2019.~~. ~~We have never offered franchises in this or any other line of business in the United States.~~ All intellectual property including, but not limited to the brand, logos, service marks, trademarks, slogans, symbols and designs (the "**Proprietary Marks**"), systems, databases, technology, hardware, software, and documentation are owned by our Parent and are available to us under license. We do not conduct the type of business that you will operate, but our Parent conducts the same type of businesses and grants franchises to others to operate the same type of businesses in Israel.

~~We also intend to offer a separate franchise u~~Under separate offering documents we will also be offering a separate franchise for a business named Noizz, which will not be competitive to this offering. The Noizz brand offers boys clothes for children aged three to twelve. We have not previously offered Noizz franchises before but ~~we intend to~~began to offer Noizz franchises in the United States for the first time simultaneously with our offering of Mania Jeans franchises.

Predecessors

We do not and did not have any predecessor during the 10-year period immediately before the close of our most recent fiscal year.

Parent

Our parent company, Or Mania Ltd, is an Israeli limited company and maintains its principal place of business at 5 HaYesod Street, Tel Aviv, Israel 6816723. Our Parent was formed in Israel in 2002. As of December 31, 2018, our Parent operates ~~fifty-four (54~~one (1) Mania Jeans location and has granted franchises to others for the operation of fifty-three (53) Mania Jeans locations similar to the Franchised Business in Israel~~, as well as,~~. As of December 31, 2018, our Parent also operates one (1) Noizz clothing store which specialize in children's fashions for boys aged three (3) to twelve (12) and has granted franchises to others for the operation of thirty-~~two~~one (3~~2~~1) additional Noizz clothing stores, all in Israel ~~Noizz clothing stores which specialize in children's fashions for boys aged three (3) to twelve (12)~~; and has granted franchises to others for the operation of fifteen (15) Fetish shoe store locations, all in Israel. Our Parent licenses the Mania Jeans mark and other marks to us with the right to license to you under the terms of the Franchise Agreement. Our Parent has never offered franchises in this or any other line of business in the United States.

Affiliates

We do not have any affiliates in the United States.

Agent for Service of Process

Our agents for service of process in the states which require franchise registration are disclosed in **Exhibit B**.

The Franchise Offered

The Mania Jeans franchise, which is being franchised to you as a Franchised Business, is a unique and distinctive system including our Products, formats, procedures, methods and techniques, owned by us ("**System**"). The distinguishing characteristics of the System include, without limitation, distinctive designs, signage, Products, specifications and appearances, uniform operating methods, procedures and techniques, and other confidential procedures. The System is detailed in our operating manual ("**Operating Manual**") of which you will be loaned a copy. We may change, improve and further develop the System in our discretion.

Mania Jeans was founded in 2002 on the basis of a few t-shirt models. In 2008, our Parent opened its first standalone store occupying only a small, 215 square foot space. From these humble foundations, Or Mania Ltd has developed over fifty stores in Israel, has increased the size of the stores to an average of approximately 1,600 square feet and has increased the product variety in the Mania Jeans stores. ~~Mania Jeans has quickly become one of the most popular brands in Israel for young men.~~ Currently, customers of Mania Jeans are men who are shopping for apparel, accessories, shoes, gifts and impulse buys.

Our mission is to be a leading, imaginative, chic retail group that makes people look and feel special, trendy, young and happy. ~~We value each franchisee and intend to make each feel like part of the family.~~ We are a unique company because we (1) are vision oriented and driven by passion, belief and energy; (2) are committed to our goals, our approach and our mission; (3) value transparency and mutual commitment; (4) are guided by the values of ethics, keeping things in perspective and compassion; and (5) believe in attention to detail, added value and professionalism in the retail arena.

We are offering, under the terms of the Franchise Agreement, the opportunity to become a franchisee to develop and operate a retail store which specializes in providing unique high end jeans, clothing, shoes and accessories for men under the Proprietary Marks to consumers in an unique sales environment. A copy of the Franchise Agreement is attached to this disclosure document as **Exhibit C**. Your Franchised Business will operate in a designated protected territory offering a proprietary system we have developed for providing our jeans, clothing, shoes and other accessories to consumers (the "**Products**"). The Products described herein are a sample of the Products that will be offered by the Franchised Business.

You will not be permitted to offer rights to operate the Franchised Business in the territory to sub-franchisees.

Competition

There are companies such as Zara, American Outfitters, PULL&BEAR and Bershka with which you will compete. ~~In addition,~~ We do not currently compete against you from online stores, nor do we authorize others to do so, but we may do so and/or authorize others to do so in the future, in which case you may face competition from online stores including those which we or our affiliate may operate. ~~However, y~~Your competitors will vary depending on your territory.

Definitions

As used in the Franchise Agreement and in this disclosure document the term "Owner" means any person or entity holding a direct or indirect, legal or beneficial ownership interests in you, as specified in the applicable agreement. The term "Owner" also refers to any person who has any other direct or indirect property rights in you, the Franchise Agreement, or the Franchised Business.

Certain provisions of the Franchise Agreement and other agreements restrict you from participating in certain "Competing Businesses." As used in those agreements and in this disclosure document, a "Competing Business" is a business other than a Franchised Business that offers a retail store format focusing on jeans, clothing, shoes and/or accessory sales.

Applicable Regulations

You must comply with any zoning and environmental laws and regulations applicable to the location of your Franchise. These laws and regulations, and the process and costs associated with compliance, will vary depending on the location of your Franchise. Additionally, there may be other laws or regulations applicable to Stores in your location. We recommend you consult with an attorney or other appropriate advisor regarding laws or regulations specific to the state and local community in which your Franchise will be located. You must obtain and keep in force all necessary licenses and permits required by public authorities.

The United States enacted the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "USA Patriot Act"). We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we ask you in the Franchise Agreement to confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the U.S. government for criminal activity. You may review the Patriot Act and related regulations at: http://www.treasury.gov/offices/enforcement/ofac/sdn.

ITEM 2: BUSINESS EXPERIENCE

Gil Ronen – Chief Executive Officer and Head of Training
Gil Ronen is the Chief Executive Officer of Or Mania USA, Inc. He has held this position with the company since September 2018. Prior to joining Or Mania USA, Mr. Ronen served as the Chief Executive Officer of Anama LLC from August 2006 through October 2018. Currently Mr. Ronen serves in his executive capacity in Dania Beach, FL.

Ronit Haimovitch – Director and President
Ronit Haimovitch is the Director and President of Or Mania USA, Inc. She has held this position with the company since September 2018. She also currently the co-owner of and serves as the Director and President of our Parent company, Or Mania Ltd, and has done so since 2002 when the company was formed. She is also a member of the board of directors at the Strauss Group Ltd and has served in this position since 2003. In addition, she is also the CEO of Strauss Investments Ltd. and has served in this position since 1998. Currently, Ms. Haimovitch works out of the offices of our Parent company in Tel Aviv, Israel.

Ofer Hazut – Chief Executive Officer of Or Mania Ltd.
Ofer Hazut is the Chief Executive Officer of our Parent company, Or Mania Ltd. He has held this position since 2002 when the company was formed. Currently, Mr. Hazut works out of the company offices in Tel Aviv, Israel.

Michel Rogof – Director
Michel Rogof is a Director of Or Mania USA, Inc. He has held this position since September 2018. He also is a co-owner of our Parent, Or Mania Ltd. He has held an ownership interest in our Parent since 2002 when the company started. Mr. Rogof currently works out of the offices of our Parent company in Tel Aviv, Israel.

Oren Ifrah – Director
Oren Ifrah is a Director of Or Mania USA, Inc. He has held this position since September 2018. In addition, he is a co-owner of and currently serves as the Head Designer for our Parent, Or Mania Ltd, and has done so since 2002. Mr. Ifrah currently works out of the offices of our Parent company in Tel Aviv, Israel.

ITEM 3: LITIGATION

No litigation information 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

Initial Fee

There is no initial or upfront fee that is required to be paid to us upon execution of the Franchise Agreement. You will be required before opening to provide a $20,000 deposit as an initial payment of working capital for the business under the Franchise Agreement ("the working capital deposit). You must always maintain the working capital deposit while you are a franchisee. Upon termination or non-renewal of your Franchise Agreement, we will conduct a final reconciliation and you will receive the working capital deposit funds, minus any costs, expenses and then known losses incurred by us on account of your Franchised Business or your operation of your Franchised Business that you failed to pay or that you paid but should not have paid.

In addition, the cost of the initial inventory which we require you to purchase will be between $110,000 to $170,000. See Item 7 for more information on the initial inventory.

ITEM 6: OTHER FEES

Type of Fee[1]	Amount	Due Date	Remarks
Royalty	$0	N/A	We do not collect a royalty on your sales.
Inventory Purchase Price	Varies	When inventory is provided to your store.	You will be required to purchase all inventory for the Franchised Business from us or from our affiliates.
Marketing Fund	1% of Gross Revenue	Payable within 10 days of the end of each month.	We will use this to cover, among other things, advertising, collection of customer data, customer feedback.
POS System	$200 per month (approximately)	Monthly, directly to vendor.	POS System fees are payable by automatic debit, and funds must be made available in your account for withdrawal.
Insurance	Cost of procuring insurance for you.	If incurred	If you do not provide proof of insurance for your Franchised Business we may procure it on your behalf and charge you the cost of procuring this insurance, including an administrative fee of $500 payable to us..
Transfer Fee	$10,000	Prior to consummation of the transfer	Payable if you sell your franchise
Audit Fee	Cost of the audit if we discover you have under reported by more than 2%	Upon demand	
Interest on Late Payments	Interest at the lesser of the rate we prescribe, or the maximum rate	Upon demand	Payable on all overdue amounts.

	allowed by law, plus a late fee of not less than 5% of the total amount overdue.		
Sense Machine	Approximately $100 per month	Monthly, directly to vendor	
Additional Onsite Training	You may request four (4) additional trainings a year without being charged. After the fourth requested visit you will be charged our expenses.	Upon demand	
Refurbishment of Franchised Business	Not to exceed $50,000	If either the initial term or renewal term are greater than five (5) years, then refurbishment may be required every five (5) years.	We may require you to refurbish your Franchised Business to meet our then-current image for all franchises in the System. This is separate from your obligation in order to renew the Franchise Agreement.
Prohibited Product or Service Fee	$5,000 per day of use of unauthorized products or services	If incurred	In addition to other remedies available to us.
Costs and Attorneys' Fees	Will vary under circumstances	Upon request	If you default under a franchise or multi-unit development agreement, you must reimburse us for the expenses we incur (such as attorneys' fees) in enforcing and/or terminating the agreement.
Securities Offering	Will vary under circumstances	Upon request	If you propose to make an offering of any securities, you must reimburse us for our reasonable costs (including attorneys' fees and accounting fees) in evaluating

			your proposed offering.
Indemnification	Will vary under circumstances	Upon request	You must reimburse us for the costs we incur if we are sued or held liable for claims that arise from your operation of the Franchised Business or in connection with any offer of your securities, or for costs associated with defending claims that you used the trademarks in an unauthorized manner.
Non-Compliance Fine	$1,000 for the first violation; additional $3,000 if violation is not corrected within 90 days	If incurred	In addition to other remedies available to us.
Violation of Non-competition Covenant	$5,000 per week	As incurred	If you violate the covenant not to compete in the Franchise Agreement.
Promotional Expenses	Varies	As incurred	You may be required to participate in System-wide promotional programs that we may develop that may include providing free classes and reduced fees for products or other services to guests as part of the program(s).
Liquidated Damages	Varies	If we terminate the Franchise Agreement for cause	Liquidated Damages equal to the average monthly inventory purchase that you paid us during the 12

			months preceding termination multiplied by six (6).
Relocation Fee	$10,000	If you request permission to relocate your Franchised Business	This covers our costs related to your relocation request.
PCI Security System	$25 per month (approximately)	Monthly, directly to vendor	Payment Card Industry compliant security service to protect customer credit card information.
Supplier Approval – Reimbursement Costs	Varies as applicable	As incurred	To purchase products or services from a source other than a pre-approved supplier you must, at your expense, send representative samples or specifications for us to inspect and evaluate and you must reimburse us for the expenses we incur.

1. Except as described below, all fees are uniformly imposed by us. All fees are payable to us or our affiliates are non-refundable. We may require that you participate in an electronic funds transfer program by which payments due us are paid or directed electronically from your bank. Any payments to a third party may be refundable but you will need to negotiate this with the third party.

2. "**Gross Revenue**" means all revenue of the Franchised Business, including all sales of products and services to customers of the Franchised Business, whether for cash or credit and regardless of collection in the case of credit. Gross Sales excludes excise, sales and use taxes, gross receipts taxes or similar taxes you bay based on revenues, if those taxes are separately stated when the customer is charged, and also excluding bona fide refunds actually paid to customers.

ITEM 7: ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When due	To whom payment is to be made
Real Property[1]	$6,000 to $40,000	As agreed	As agreed	Landlord or land owner
Build-Out/Construction[2]	$120,000 to $250,000	As agreed	As agreed	Suppliers
Fixture Package[3]	$3,000 to $5,500	As agreed	As agreed	Suppliers
Inventory Deposit[4]	$20,000	Lump Sum	As agreed	Us
Initial Inventory[5]	$110,000 to $170,000	As incurred	As incurred	Us
Preliminary Store Design[6]	$1,500	As incurred	As incurred	Us
Signage[7]	$3,500 to $7,500	As arranged	As arranged	Us or Suppliers
Computer Hardware, Software, and POS System[8]	$4,250 to $5,200	As arranged	As arranged	Us or Suppliers
Insurance[9]	$1,500 to $3,000	As arranged	As arranged	Insurance Agents/Brokers
Licenses, Permits[10]	$500 to $1,200	As incurred	As incurred	Municipalities and other Government entities
Legal & Accounting[11]	$1,500 to $5,000	As arranged	As arranged	Accountants, Lawyers, other Third Parties
Miscellaneous Opening Costs[12]	$3,000 to $8,000	As incurred	As incurred	
Additional Funds – 3 Months[13]	$80,000 to $240,000	As incurred	As incurred	Employees, Suppliers, Utility Companies and Third Party Vendors
TOTAL[14]	$353,500 to $756,250			

Notes: All payments to us are non-refundable unless otherwise stated.

1. We expect that you will either purchase or lease the real estate for the Franchised Business. This estimate assumes that you will be renting an approximately 1,600 square foot store which meets our standards and specifications. We expect most stores will be approximately this size, but we may approve

smaller stores in our sole discretion. Your actual rent may differ based on market factors in your area. We do not lease or sell space to you, but we may propose locations for you to consider and choose.

2. This amount is based on our ~~prior experience~~ own preliminary investigation and scouting of potential locations in the United States ~~Parent's experience in Israel~~ and is the costs of converting raw space which needs to be fully converted for use as a Franchised Business.

3. This includes the cost of equipment, display racks, mannequins, anti-theft systems and other fixtures.

4. You must provide us with this amount as security towards inventory that will be provided by franchisor. ~~or its affiliates.~~

5. You must purchase an initial inventory as described in the manuals that meet our specifications in our sole and absolute discretion. We, in our sole and absolute discretion, will determine the amount, product makeup, and all details regarding your initial inventory and your inventory at all times during the term of the Franchise Agreement. This determination will depend on factors such as the size of your Franchised Business and your expected customer base.

6. This fee is required to cover the cost of the initial development of design documents for your location.

7. This estimate is for the cost of purchasing signage for your Franchised Business that meets our specifications.

8. This includes the cost of the computer hardware, peripherals, and software that will serve as your point-of-sale computer system, and the maintenance agreement for that system.

9. You must carry insurance. The amount set forth above represents an estimate of the premiums required for general liability, workers' compensation, public liability and property damage, cyber risk, business interruption, employment liability, and any other coverages that we deem necessary.

10. The range given provides our best estimate of the costs you will incur for business permits and licenses.

11. We recommend that you consult an attorney of your own choosing to review this disclosure document and the Franchise Agreement, as well as an independent accountant before signing the Franchise Agreement. The costs of these professional fees will vary depending on your location and the professionals that you select.

12. Miscellaneous fees include opening expenses, pre-opening cleanings and routine business expenses incurred before opening.

13. This is an estimate of the amount of additional operating capital that you may need during the first three months after opening your Franchised Business. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. It is best

to contact your accountant or financial advisor for further guidance. If you commence operations with inadequate cash reserves, you may experience a total loss of your investment.

This category includes estimated payroll, utilities, vendor, advertising, promotion, Marketing Fund fees and similar costs during the initial phase of a new retail store. Your costs will depend on factors such as how much you follow our System and procedures, the prevailing wage rate, competition, and the sales level reached during the initial period. It is best to contact your accountant or financial advisor for further guidance.

14. We relied on the experience we have operating corporate owned businesses in Israel similar to the Franchised Business and our own preliminary investigation and scouting of potential locations in the United States to compile these estimates. Your costs may vary based on a number of factions discussed above, the size and condition of the space, your management skill, experience and business acumen, local economic conditions, the local market for products, the prevailing wage rate, competition, and the sales level reached during the start-up phase. We strongly recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area. You should review these figures with a business advisor before making any decision to purchase the franchise.

THERE ARE NO OTHER DIRECT OR INDIRECT PAYMENTS IN CONNECTION WITH THE PURCHASE OF THE FRANCHISE. WE DO NOT PROVIDE FINANCING FOR THE PAYMENT OF ANY PART OF ANY FEES OR EXPENSES.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Obligation to Purchase or Lease Products or Services from Or Mania USA, Inc. or an Affiliate

You must purchase from us or our affiliates or in accordance with our standards and our requirements substantially all to all of the Products sold at the Franchised Business. Currently, as further explained below, we or our affiliates are the only approved suppliers of the following items: all clothing, shoes and accessories sold at the Franchised Business. The type and amount of inventory you must carry, and the price at which we sell it to you, shall be determined in our sole and absolute discretion. We and/or our affiliate(s) will derive profit from the sales of these items to you. No officers of Or Mania USA, Inc. own any ownership interests in any unaffiliated designated or approved suppliers.

Obligation to Purchase or Lease Products and Services under the Franchisor's Restrictions

There are certain equipment, supplies and products which are not sold to consumers that are selected by us for consistency in quality and other considerations. These items, such as mannequins, clothing racks and certain brand name products which are not sold to consumers, are manufactured or produced only by manufacturers or producers approved by us in writing. To ensure that you adhere to the uniformity requirements and quality standards associated with all the Mania Jeans franchises, you must purchase these items for your Franchised Business but you may purchase them from any approved distributor that can supply them. We will provide a written list of these selected equipment, supplies and products. We will also notify you of any additions to or deletions from this list.

You must purchase certain equipment, supplies and products that satisfy the written standards and specifications established by us. This requirement is necessary to ensure that you adhere to the uniformity requirements and quality standards associated with all the Mania Jeans franchises. We will provide you with written standards and specifications for the layout of your Mania Jeans premises, your equipment and signs, the décor and trade dress of your Franchised Business, and certain equipment and products. We determine our uniformity and quality standards and specifications, in our sole discretion. We may modify our written standards and specifications, and you must comply with any modifications. You will be responsible for ensuring that all the equipment and products selected by you will continue to conform to the standards and specifications established by us.

You must purchase or lease certain equipment, supplies and products required for your Mania Jeans franchise from suppliers approved by us. We will provide a written list of approved suppliers and the equipment, supplies and products subject to the approved supplier requirements and will notify you of any additions or deletions to this list. We reserve the absolute right to update or otherwise modify this list from time to time, in our sole discretion, upon written notice to you. If you want to purchase products, subject to our approved supplier requirements, from a supplier who has not been previously approved by us, then you must, at your expense, send to us representative samples or specifications of that supplier's products or services, and certain other information about the supplier's products and business that we may request. We will also have the right to inspect the supplier's facilities and otherwise evaluate the proposed supplier and its products or services, and you must reimburse us for the expenses we incur to inspect and evaluate the supplier. Within 30 days after receiving the necessary samples and information, we will notify you in writing as to whether the supplier's products or services comply with the uniformity requirements, quality standards and specifications established by us, and whether the supplier's business reputation, delivery performance, credit rating and other relevant information are satisfactory. If we do not respond in this time period, the supplier shall be deemed disapproved. The criteria for supplier approval are available to franchisees upon request. We reserve the right to approve or disapprove any requested supplier for any reason or no reason in our sole discretion.

In the future, you may be required to purchase equipment, supplies, merchandise, leasehold improvements, and/or decorations from us or our affiliates.

We estimate that purchases of equipment, supplies and products that meet our standards and specifications and purchases from designated or approved suppliers will constitute up to 40% of your initial expenditures to open your Mania Jeans franchise, and approximately 95% of the annual ongoing expenditures to operate your Franchised Business.

Revenue from Franchisee Purchases

We do not currently negotiate purchase arrangements, including price terms, with any of your direct suppliers for your benefit, however, we reserve the right to do so in the future. In addition, we do intend to negotiate purchase arrangements with our Product suppliers, which may benefit you indirectly. We reserve the right to negotiate rebates and other forms of compensation from suppliers. If we do, we may use any amounts that we receive from suppliers for any purpose we deem appropriate.

We do not provide material benefits to you (for example, renewal or granting additional franchises) for purchasing particular products or services or using particular suppliers.

We do not have any purchasing or distribution cooperatives at this time but we may establish advertising cooperatives in the future.

Insurance

You must obtain and maintain at your own expense the insurance coverage that we and your landlord (if applicable) periodically require, and you must meet the other insurance-related obligations in the Franchise Agreement. Currently, we require you to maintain the following coverages:

(1) comprehensive general liability insurance for bodily injury, death and property damage caused by your operation of the Franchised Business, including employment practices liability coverage and contractual liability coverage, (not less than $1,000,000 for bodily injury or death and not less than $100,000 property damage; deductible or self-insured retention equal to or less than $5,000);

(2) all risk property and casualty insurance, including fire coverage;

(3) business interruption insurance in sufficient amounts but not less than $100,000;

(4) products liability insurance (minimum coverage of $1,000,000);

(5) worker's compensation insurance and all other insurance required by law;

(6) cyber risk insurance (minimum coverage of $1,000,000); and

(7) commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages (comprehensive general liability, business interruption, products liability and employers liability) to not less than $3,000,000 total limit liability. This umbrella liability

will provide at a minimum those coverages and endorsements required in the underlying policies.

We may require you to obtain insurance coverage for other risks or increase the required amount of coverage and require different or additional insurance during the Franchise Agreement term. Premiums will depend upon the insurance carrier's charges, terms of payment and your loss history. Each insurance policy must: (1) name us and our affiliates as an additional named insureds and contain a waiver of all subrogation rights against us; (2) provide for 30 days' prior written notice to us of any material modification, cancellation, or expiration of the policy; (3) provide that coverage applies separately to each insured against whom a claim is brought; (4) contain no provision which limits coverage in the event of a claim by a party who is indemnified under the Franchise Agreement; (5) be primary; and (6) extend to and provide indemnity for all obligations assumed by you under the Franchise Agreement. You must obtain our approval of your insurance carriers and provide evidence of coverage as and when we may require.

Pricing and Advertising Requirements

We reserve the right, in our sole discretion, to establish minimum prices at which you are permitted to advertise Mania Jeans products for sale in your Franchised Business. The Franchise Agreement requires that you agree to adhere to the Mania Jeans Advertising Requirements, as those requirements may from time to time be amended.

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 other items of this disclosure document.

Obligation	Section in Franchise Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Articles II and VII	Item 11
b. Pre –opening purchase/leases	Articles II, VII, VIII and IX	Items 7 and 8
c. Site development and other pre-opening requirements	Articles II, VII, VIII and IX	Items 7 and 11
d. Initial and ongoing training	Articles VI	Item 11
e. Opening	Articles II, VI, VII and VIII	Item 11
f. Fees	Articles V, VIII, IX and XXI	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	Articles VI, VIII, X, XI and XVI	Items 8, 11 and 14
h. Trademarks and proprietary information	Articles III, VIII and XII	Items 13 and 14
i. Restrictions on products/services offered	Article VII, VIII and IX	Items 8 and 16
j. Warranty and customer service requirements	Not Applicable	
k. Territorial development and sales quotas	Article I and Exhibit A	Item 12
l. Ongoing product/service purchases	Article VIII and IX	Item 8
m. Maintenance, appearance, and remodeling requirements	Articles II, VIII, XVI and XXI	Item 17
n. Insurance	Article XIII	Items 7 and 8
o. Advertising	Article X	Items 6 and 11
p. Indemnification	Article XIV	Item 6
q. Owner's participation/management/staffing	Articles VIII and XX	Item 15
r. Records and reports	Article XI	Item 6
s. Inspections and audits	Articles VII and XI	Items 6 and 11
t. Transfer	Article XXI	Items 6 and 17
u. Renewal	Article IV	Item 17
v. Post-termination obligations	Article XIX	Item 17
w. Non-competition covenants	Article XV	Item 17
x. Dispute resolution	Article XXX	Item 17
y. Guaranty of franchisee obligations	Exhibit B	Item 15

ITEM 10: FINANCING

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

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

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

Pre-Opening Assistance

Before you begin operation of the Franchised Business, we will:

(1) review the site you select for your franchise to determine if it complies with requirements for the Franchised Business (Section 2.1, 2.2 and 2.3 of the Franchise Agreement);

(2) provide an initial training program in the establishment and operation of the Franchised Business. Initial training is described in more detail below and will be provided after you sign the franchise agreement (Section 6.1 of the Franchise Agreement);

(3) provide you with guidelines and specifications for the operation and management of the Franchised Business that you must adopt, including construction and build-out, installation, repair, maintenance and safety procedures, record keeping, sales and marketing (Articles II, VII, X and XI of the Franchise Agreement);

(4) make available to you a copy of the Operating Manual, which will include standards and specifications for procedures, management, and operation of the Franchised Business (Section 12.1 of the Franchise Agreement);

(5) provide a list of the designated and approved suppliers for the products and services required by us for use or sale in your Franchised Business (Sections 8.5 and 8.6, and Article IX of the Franchise Agreement);

(6) license to you the right to use the Proprietary Marks in connection with the Franchised Business (Section 3.2 of the Franchise Agreement); and

Post-Opening Assistance

During the operation of the Franchised Business, we will:

(1) continue to provide you with guidelines, and assist you in the acquisition of items required to operate your Franchised Business (Section 8.4 and 8.5 of the Franchise Agreement);

(2) provide general advisory assistance, including site visits, as we deem necessary, to help you in the ongoing operation, advertising and promotion of the Franchised Business (Section 7.4 and 7.5 of the Franchise Agreement);

(3) provide knowledge and expertise, as we deem appropriate, to help improve the performance of your Franchised Business (Section 7.4 of the Franchise Agreement);

(4) provide you with the specifications for advertising and marketing materials you may use to promote your Franchised Business. You may not use advertising and marketing materials sourced from any supplier without first obtaining our written approval. (Article X of the Franchise Agreement);

(5) Provide you with content for posting on Social Media pages, if we permit you to have a Social Media page. You may not make any social media posts without our consent, and we must have administrator rights for all social media accounts associated with the Franchised Business. (Section 10.6 of the Franchise Agreement);

(6) provide you with updates, revisions and amendments to the Operating Manual as we deem necessary (Section 12.3 of the Franchise Agreement);

(7) provide the names and addresses of newly approved and designated suppliers for the equipment, supplies and products required by us to be used or sold in your Franchised Business (Section 8.5 of the Franchise Agreement);

(8) legally protect the Marks and the System (Section 3.10 of the Franchise Agreement);

(9) administer and maintain the Marketing Fund in our discretion (Section 10.1 of the Franchise Agreement); and

(10) if requested, we will send a consultant to train, assist and advise you on operations issues at the Franchised Business, as applicable (Section 7.3 of the Franchise Agreement). If you exceed two (2) requests in a calendar year you will be required to reimburse us for travel, food and lodging expenses.

Marketing Fund

We will administer and maintain a Marketing Fund (the "Marketing Fund") for national and global advertising programs with monies collected from franchisees and corporate stores. We will determine, in our sole discretion, when, how and where the payments deposited into the Marketing Fund will be spent. We select the types of media used and the location of the advertising campaigns administered through the Marketing Fund. We use or may use the following media: print, radio, television, telephone, smart phone, social media and Internet. We may also use the funds for general public relations, to conduct data studies for the purposes of determining marketing strategies, and to otherwise obtain and build brand awareness. The focus is on national and international coverage and marketing development and will be handled in-house or outsourced to a professional advertising or public relations firm. We will not receive any compensation for providing services to the Marketing Fund, other than the reimbursement of ordinary and necessary expenses, which may include in-house staff.

You must contribute One Percent (1%) of your Gross Revenue to the Marketing Fund. The Franchisor locations will contribute at the same or greater level on a pro rata basis. At your request, we will make available to you an annual unaudited financial statement of the Marketing Fund. As we have just commenced franchising efforts, we have no prior year's allocation of expenditures to disclose.

We are not obligated to spend any amount of the Marketing Fund on marketing in your specific area. Any unspent amounts in the Marketing Fund will be saved for later spending. No percentage of the Marketing Fund will be used for the solicitation of franchisees; however, our advertising and marketing material may contain contact numbers for obtaining information about Mania Jeans franchises.

Regional and Local Advertising

We do not require franchisees ~~If other Franchised Businesses are located in your area, you will be required~~ to participate in any local advertising cooperatives at this time, and we have no plans to so require. ~~that we establish, if we require your participation. Your participation may include paying a pro rata share of any directory listing(s), which will count towards your local advertising requirement.~~

You may be required to participate in marketing campaigns, including a loyalty program. Your participation may include a requirement that you provide free incentives and rewards to customers such as discounts on purchases and other benefits. We will administer any loyalty program established and we will make all decisions regarding its use, including all decisions regarding promotions, rewards, and incentives, which you may be required to provide at your own cost.

If you desire to use marketing materials from sources other than us, you must send us for our review samples of any advertising, promotional and marketing material which we have not prepared or previously approved before you use them. If you do not receive written approval within 15 days after we receive the materials, they shall be deemed disapproved. You may not use any advertising or promotional materials that we have disapproved.

Website

We will maintain a corporate website to advertise, market and promote the Mania Jeans business and our business worldwide, as well as, franchise opportunities (the "**Corporate Website**"), which we periodically may update and modify. We will list your Mania Jeans location and other information related to your Franchised Business on our Corporate Website. You may not use any other Internet or mobile site, account or web pages in connection with the Franchised Business or otherwise containing or displaying the Marks, including but not limited to, YouTube, Facebook, Twitter, Snapchat, LinkedIn or Instagram without our approval and written consent.

In addition, you cannot operate or build a website through other electronic media that provides content in the areas of the business that we operate even if the site does not mention Mania Jeans or contain any of its information or branding, even if said site is not in connection with the Mania Jeans business without our written consent.

We have the right to designate, approve, control or limit all aspects of your Franchised Business that you conduct over the Internet ("**e-commerce**") including, without limitation, the URLs, domain names, website addresses, metatags, links, key words, e-mail addresses, bulletin boards, social media, chat rooms and any other means of electronic identification or origin ("**e-names**") used in connection with your Mania Jeans business. We have final control and approval over all content and information on the Corporate Website as well as franchise subpages. We will own all intellectual property and other rights on the Corporate Website and all information they contain (including but not limited to, the domain name or URL for Your Website, the log of "hits" by visitors, and any personal or business data that visitors supply, but excluding your proprietary information).

All e-commerce activity will be conducted through the Corporate Website or a mobile application that we may develop at our discretion. You shall not be permitted to offer or sell any Products over the internet.

You agree to comply with any additional policies and standards we issue periodically with respect to the Internet and e-commerce. Should we consent in writing to you advertising or usage of the Internet for your Franchised Business, you must supply us with the current usernames, passwords, credentials and other account information that you have used in connection with any accounts relating to any approved Internet usage of the Marks and we must have co-administrative rights to all web pages.

Social Media Policy

You must comply with our Social Media Policy for all social media profiles or accounts related to the Franchised Business. Your compliance will include but not be limited to granting us full administrative rights and providing us password access to all social media profiles or accounts relating to the Franchised Business, obtaining our written consent before establishing or terminating any social media profiles or accounts relating to the Franchised Business, and conforming with our guidelines regarding content.

Computer Requirements

You must keep your books and business records according to our prescribed formats. To help your reporting to us and other communications, you must purchase or lease an electronic cash register in your Franchised Business. We will specify the point of sale ("**POS**") system you must purchase or lease in our Operating Manual. You must also use our online ordering service (and, if we implement them, our online ordering service and/or mobile ordering service) which will be handled by a third party or third parties. The principal function of the system is to capture, track, and organize inventory and financial information including sales, taxes, inventory, and transactions. All items sold must be entered in the POS system.

The computers and software used in your Franchised Business must meet the standards, specifications and requirements established by us in the Operations Manual(s) or otherwise in writing. You must purchase, equip, install and utilize in your Franchised Business computers and software obtained from us or our designated suppliers. The estimated initial cost for your computers and software ranges from $4,250 to $5,200.

You are responsible for all maintenance costs associated with the computer hardware and computer software at your sole expense. We may require you to enter into software or computer maintenance contracts with third parties or our affiliate(s). We estimate that the cost of this obligation with generally range from $150 to $200 per month. There is no contractual limitation on the frequency and cost of this obligation.

You will arrange for broadband Internet service to facilitate electronic communication between us and you and maintain a high speed internet connection attached to the POS system with a static IP address at all times, at your sole cost. You agree to give us, and acknowledge that we shall have, the free and unfettered right to retrieve any data and information from your computers as we deem appropriate, including electronically polling the daily information and other data of the Franchised Business. Your system must be interfaced with the system that we maintain at our offices and we will be able to access your registers to determine your daily receipts. There are no contractual limitations on our independent access to the information and data stored on the required cash register / computer system. You must obtain, provide to us, and maintain an email address in order to allow us to communicate with you electronically and you must immediately advise us of any change in your email address.

All data that you provide, that we download from your system, and that we otherwise collect from you is owned exclusively by us, and we will have the right to use that data in any way that we deem appropriate without compensating you.

You must make such additions, upgrades, changes, modifications, substitutions and replacements to your computer hardware, software, telephone and power lines or other computer-related facilities as we may direct, and on the dates and within the times we specify. There are no contractual limitations on our right to require you to obtain upgrades and/or modifications, or the cost of these upgrades and/or modifications to you. Upon termination or expiration of the Franchise Agreement, any computer software, discs, drives and other storage media we provide must be returned to us in good condition, excepting normal wear and tear.

You must maintain a Payment Card Industry ("**PCI**") compliant security service subscription to protect the confidentiality of information gathered from customers' credit cards and other payment cards. We may designate the PCI compliant vendor that you must use and the security service subscription that you must subscribe to in the Operating Manual.

Confidential Operating Manual

We will loan you an operating manual (the "**Operating Manual**"), which is confidential and remains our property. We may modify the Operating Manual and you will be required to comply with the provisions as modified, but any such modifications will not alter your status and rights under the Franchise Agreement. The table of contents is attached as **Exhibit D**. There are approximately 186 total pages in the Operating Manual.

Every two to five years, or as reasonably required to maintain the functionality of the Operating Manual, we may require you to pay reasonable costs for reproduction of a revised Operating Manual, which we will loan to you.

Initial Training

Our operational training program consists of a total of approximately ten (10) hours of instruction concerning all aspects of the operation and management of the Franchised Business, including review and discussion of the Operating Manual and other detailed aspects of the operation of your business. The training will take place at your store location or at another location that we designate. Our training program is mandatory and is conducted throughout the year on an "as-needed" basis. All training must be completed to our satisfaction. You must pay all expenses that you and your team incur while attending our training program and any refresher training program that we require, including travel, lodging, meals, and applicable wages. If you fail to complete our training program to our satisfaction, we have the right to terminate your Franchise Agreement without providing you a refund of any fees paid to us or an affiliate.

The materials that we use in our initial training program include our Operating Manual and other instructional materials that we believe are beneficial to the training process. Currently, we project the following training schedule, which is subject to change:

TRAINING PROGRAM			
Subject	**Hours of Classroom Training**	**Hours of On-the-Job Training**	**Location**
Sales Process	N/A	2	Your Franchised Business location

• **Store Operations**	N/A	2	Your Franchised Business location
In-Store Marketing and Merchandising	N/A	3	Your Franchised Business location
Product Information and Training	N/A	3	Your Franchised Business location

All training will be provided by Gil Ronen whose biography is included in Item 2 above.

Site Selection

You must operate the Franchised Business from the approved location, which should be approximately 1,600 square feet in size and include sufficient space for among other things, an administrative office, and access to parking facilities. You must obtain our approval of the site you select for location of your Franchised Business. When you have found a site which you believe to be suitable for your Franchised Business, you must submit a completed site approval package to us (the "**Site Approval Package**") and other materials which we may reasonably require within ninety (90) days of the execution of the Franchise Agreement. We will have thirty (30) days to approve or disapprove the site that you propose.

Our site selection and/or acceptance is based on residential population, traffic counts and patterns, competing establishments, median income levels, availability of parking, rental and lease terms, physical configuration of the site and growth trends in the area. We are not obligated to approve any site selected, but we will not unreasonably withhold our approval of a site that meets the minimum criteria for your business premises. You must sign a Conditional Assignment of Lease in a form designated by us. If you do not find a suitable site within the time period set forth in the Franchise Agreement, we can terminate the Franchise Agreement. Our approval of your site is not a guaranty or warranty that the Franchised Business will be successful.

Opening

You may not open the Franchised Business until you and your staff (as required) have completed Initial Training and satisfied all of the other pre-opening obligations, including, securing all required licenses and insurance, hiring sufficient staff, ordering and receiving your fixtures and Initial Inventory, build out of the space in accordance with our System standards, and completing a grand opening campaign that we have approved.

You must complete Initial Training and be ready to open within a maximum of ten (10) months of the signing of the Franchise Agreement unless we agree to a later date in writing. This is the typical length of time required to open a Franchised Business. Your ability to obtain a lease, financing, or building permits; zoning and local ordinances; or delayed installation of equipment, fixtures, and signs may also affect when you open the Franchised Business. If you fail to open your Franchised Business by the required opening date designed in the Franchise Agreement, we can terminate the Franchise Agreement.

We may require you to obtain a loan commitment for a working capital line of credit in an amount to support your Franchised Business as described in your Business Plan. If we impose this requirement, you must provide documentation that the loan commitment has been secured at least 30 days prior to opening.

Customer Loyalty Program

You will be required to participate in any loyalty program we establish. Your participation may include a requirement that you provide discounted rates for products, special discounts, shopping parties and other loyalty benefits throughout the year.

ITEM 12: TERRITORY

Franchise Agreement

The Franchise Agreement does not grant you an exclusive or protected territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we or our affiliates control. You will be granted a license to use the Marks at a specific location described in an exhibit to your Franchise Agreement.

The relocation of any Franchised Business will be subject to our prior written approval, which may be withheld on whatever basis we determine is in our best interests. You have no options, rights of first refusal, or similar rights to acquire additional franchises.

We reserve the right to operate and to grant others the right to operate retail stores at traditional or "Non-Traditional Sites" under any terms and conditions we deem appropriate, regardless of proximity to the Franchised Business.

You may not, without our prior written consent, use other channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales inside or outside the Territory. You may not engage in any promotional activities or sell our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the "Electronic Media"); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. You may not place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located outside of your Territory. You may not sell our proprietary products or services to any business or other customer for resale.

We and our affiliates reserve the right to sell products and services under the Proprietary Marks through any method of distribution, including offering Products through channels of distribution such as the Internet, catalog sales, telemarketing, or other direct marketing sales (together, "**alternative distribution channels**"). You may not use alternative distribution channels to make sales outside or inside your Territory. Additionally, we and our affiliates expressly reserve the exclusive right to offer Products, including those identical to what you offer, through any Electronic Media. You will receive no compensation for our soliciting or accepting orders, regardless of the proximity to your location.

ITEM 13: TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to use the Proprietary Marks for the purposes of the Franchised Business. You may not use any of the Marks as part of your corporate or other entity name. You must also follow the instructions we provide for identifying yourself and for filing and maintaining the requisite trade name of fictitious name registrations.

We license the right to use Proprietary Marks from Or Mania Ltd. All of the Marks are licensed to us pursuant to a License Agreement with Or Mania Ltd dated as of February 8, 2019 (the "License Agreement"). In the License Agreement, Or Mania Ltd authorized us to use the Marks in connection with the offer, sale, and support of Franchise Businesses. The License Agreement does not contain any significant limitations on our right to use or license the Marks to you and is perpetual in duration and may be terminated unilaterally by either party only upon a material breach of the License Agreement. Upon termination of the License Agreement, we must immediately discontinue the use of the Marks and assign to Or Mania Ltd all of our franchise agreements licensing the use of the Marks, and Or Mania Ltd has agreed to assume all obligations under such agreements arising from and after their assignment.

Or Mania Ltd owns the following Marks ~~that have been registered~~ for which an application has been filed for registration on the Principal Register of the USPTO and which is approved for registration pending use in the United States:

Proprietary Marks	Serial Numbers	Date of Filing	Registration Number	Registration Date
MJ MANIA JEANS	87494809	June 19, 2017		

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation involving the Proprietary Marks. There are no agreements currently in effect which significantly limit our right to use or license the use of the Proprietary Marks in any manner material to you.

Your right to use the Proprietary Marks is derived solely from the Franchise Agreement and is limited to your development and/or operation of the Franchised Business in compliance with the applicable agreement and all applicable standards, specifications and operating procedures we prescribe during the term of the applicable agreement. Any unauthorized use of the Proprietary Marks by you constitutes a breach of the applicable agreement and an infringement of our rights in and to the Proprietary Marks. Your use of the Proprietary Marks and any goodwill established by this use will inure to our exclusive benefit. The Franchise Agreement confers no goodwill or other interests in the Proprietary Marks on you. All provisions of the Franchise Agreement applicable to the Proprietary Marks will apply to any other trademarks, service marks, commercial symbols and trade dress we authorize in writing for use by and licensed to you after you sign the applicable agreement.

You must use the Proprietary Marks as the sole trade identification of the Franchised Business and must identify yourself in the form we prescribe as the independent owner of the Franchised Business. You may not use any Proprietary Mark or variation thereof as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form. You may not use any Proprietary Mark in any manner we have not expressly authorized in writing. You must display the Proprietary Marks prominently in the manner we prescribe. You must give notices of trademark and service mark registrations that we specify and obtain business name registrations as required under applicable law.

You must immediately notify us of any apparent infringement of or challenge to your use of any Proprietary Mark or claim by any person of any rights in any Proprietary Mark. You may not communicate with anyone except us and our counsel with respect to any infringement, challenge or claim. We will have sole discretion to take action as we deem appropriate in connection with any infringement, challenge or claim, and the sole right to exclusively control any litigation or other proceeding arising out of any infringement, challenge or claim relating to any Proprietary Mark. You must sign any and all instruments and documents, give assistance, and do any acts and things as may in the opinion of our counsel be necessary or advisable in order to protect and maintain our interests in any litigation or proceeding or otherwise to protect and maintain our interests in the Proprietary Marks. We will reimburse you for the reasonable out-of-pocket expenses you incur and pay in complying with these requirements; except if any action we take with respect to any claim or proceeding results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs up to the amount of the monetary recovery.

The Franchise Agreement does not require us to take affirmative action when notified of any infringements of or challenges to the Proprietary Marks. We have the right to control any litigation or administrative proceedings involving the Proprietary Marks. We will indemnify you against and reimburse you for all damages for which you are held liable in any proceeding arising out of your use of any Proprietary Mark according to and in compliance with the applicable agreement, and for all costs you reasonably incur in the defense of any claim in which you are named as a party, if you have timely notified us of the claim, have given us sole control of the defense and settlement of any claim and have otherwise complied with the applicable agreement. If any action taken by us with respect to any claim or proceeding results in any monetary recovery for you which exceeds your costs, then you must pay your own costs and share pro-rata in our costs up to the amount of the monetary recovery.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue the use of any Proprietary Mark and/or for the Franchised Business to use one or more additional or substitute trade or service marks, you must immediately comply with our directions to modify or otherwise discontinue the use of the Proprietary Marks and/or to use one or more additional or substitute trademarks, service marks, logos or commercial symbols or substitute trade dress after our notice to you. Neither we nor our affiliates have any obligation to reimburse you for any expenditure you make in connection with any discontinuance or modification.

We do not have a federal registration for our principal trademark. Therefore, our trademark does not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

As of the date of this disclosure document, we are not aware of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks in any state.

In addition to the domestically registered marks above, we also maintain other registrations internationally. Those registrations are as follows:

Proprietary Mark	Country	Application/Registration Number	Status
MJ MANIA JEANS	Europe	016889263	Registered
MJ MANIA JEANS	Canada	1,921,118	Pending
MJ MANIA JEANS	Mexico	2111786	Pending

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not claim rights in any patents that are material to our business. However, we claim common law copyrights in the Operations Manual, the training materials, the Corporate Website, and similar items used in operating the Franchised Business. We have not registered these copyrights with the United States Registrar of Copyrights.

There currently are no effective determinations of the USPTO, United States Copyright Office or any court regarding any of the copyrighted works. No agreement limits our right to use or license the copyrighted works except to the extent they include trademarks licensed to us by our Parent. We do not know of any infringing uses which could materially affect your use of the copyrighted works in any state. No agreement requires us to protect or defend the copyrighted works or Confidential Information (defined below), although we intend to do so when the action is in the best interests of our System. No agreement requires us to indemnify you for your expenses or damages if you are a party to an administrative or judicial proceeding involving the copyrighted materials.

According to the Franchise Agreement, you acknowledge and agree (1) that we may authorize you to use certain copyrighted or copyrightable works in our discretion, (2) that the copyrighted works are our valuable property and of which we are the owner, and (3) that the rights granted to you are solely on the condition that you comply with the terms of the Franchise Agreement. You must acknowledge and agree that we own or are the licensee of the owner of the copyrighted works and will further create, acquire or obtain licenses for certain copyrights in various works of authorship used in connection with the operation of Franchised Businesses. The copyrighted works include the Operations Manual and may include all or part of the Proprietary Marks, trade dress and other portions of the Process. We intend that all works of authorship related to the Process and created in the future will be owned by us and copyrighted.

Your right to use the copyrighted works is derived solely from the Franchise Agreement and is limited to the use of the copyrighted works according to and in compliance with the agreement and all applicable standards, specifications, and operating procedures we prescribe. You must ensure that all copyrighted works used bear an appropriate copyright notice under applicable copyright laws as we may prescribe in the Operations Manual specifying that we are the owner of the copyright. The Franchise Agreement confers no interest in the copyrighted works upon you, other than the right to operate the Franchised Business in compliance with the agreement.

You must immediately notify us of any actual or apparent infringement of or challenge to any of the copyrighted works or claim by any person of any rights in the copyrighted works, and may not communicate with any person other than us and our counsel in connection with any infringement, challenge or claim. We shall have the sole discretion to take any action as we deem appropriate without compensating you in any way and the right to control exclusively any settlement, litigation, arbitration or administrative proceeding arising out of any alleged infringement, challenge or claim or otherwise relating to the copyrighted works.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue use of any of the copyrighted works and/or for you to use one or more additional or substitute copyrighted or copyrightable items, you agree to immediately comply with our directions to modify or otherwise discontinue the use of the copyrighted materials and/or to use one or more substitute materials.

Confidential Information

We possess and will further develop and acquire certain confidential and proprietary information and trade secrets including, but not limited to, the following categories of information, methods, techniques, procedure, technologies, and knowledge that we, our affiliates, or our franchisees have developed or will develop (the "**Confidential Information**") including: (1) unique designs for clothing, shoes and accessories; (2) methods, techniques, specifications, standards, policies, procedures, information, concepts and processes relating to knowledge of and experience in the development, operation, and franchising of the Franchised Business; (3) marketing and promotional programs for the Franchised Business and customer information; (4) methods of operation; (5) knowledge of specifications for and knowledge of suppliers of certain materials, equipment and supplies for the Franchised Business; (6) operating results and financial performance of the Franchised Business; (7) the Operations Manual; and (8) the terms of the Franchise Agreement.

Under the Franchise Agreement, we will disclose to you parts of the Confidential Information as are required for the development and operation of the Franchised Business during training and in the course of any guidance or assistance furnished to you. You may learn or otherwise obtain from us additional Confidential Information during the term of the Franchise Agreement. You must agree to disclose the Confidential Information to your Stakeholders and employees only to the extent permitted by the Franchise Agreement.

You must acknowledge and agree that the Confidential Information is confidential to and a valuable asset of us and our affiliates, is proprietary, includes trade secrets of us and our affiliates and is disclosed to you on the condition that you agree that during and after the term of the applicable agreement you: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information; (3) will not make unauthorized copies of any portion of the Confidential Information disclosed in written or other tangible form; (4) will adopt and implement all reasonable procedures we prescribe to prevent unauthorized use or disclosure of the Confidential Information; and (5) will require all Stakeholders, spouses of Stakeholders, and all employees who have access to the Confidential Information to sign Confidentiality, Non-Competition, and Non-Solicitation Agreements in the form we approve and provide us, at our request, with signed copies of each agreement. Nothing contained in the Franchise Agreement will be construed to prohibit you from using the Confidential Information in connection with the operation of other Franchised Businesses according to a Franchise Agreement or other Agreements with us.

If you have obtained our prior written consent, the restrictions on the disclosure and use of the Confidential Information shall not apply to the following: (a) information, methods, procedures, techniques, technology, and knowledge which are or become generally known, other than through deliberate or inadvertent disclosure by you; and (b) the disclosure of the Confidential Information in judicial or administrative proceedings to the extent that you are legally compelled to disclose information, provided you have notified us prior to disclosure and used your best efforts to obtain, and afforded us the opportunity to obtain, an appropriate protective order or other assurance satisfactory to us of confidential treatment for the information required to be so disclosed.

If you develop any new concepts, processes, improvements, technology, or innovations ("**Innovations**") solely relating to the Confidential Information, whether or not pursuant to a test we authorize, you must promptly notify us and provide us with all information regarding the Innovations, all of which shall become our property or the property of our affiliates and which may be incorporated into the Franchised Business without any payment to you. You, at your expense, must promptly take all actions we deem necessary or desirable to vest our ownership of such Innovations. We shall have no obligation to make any payment with respect to any such Innovations. You will not use, nor will you allow any other person or entity to use, any such Innovations without obtaining our prior written approval. We may refuse, defer or permit you to use such Innovations in your operation of the Franchised Business, based on the peculiarities of a particular Approved Location, density of population, business potential, or any other condition or circumstance. We shall have the right, in our sole discretion, to deny any such request we believe would not be in our best interests.

ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You must at all times exert your full time best efforts and directly supervise the operation of the Franchised Business. If you are an individual, you must be directly involved in the daily operations of the Franchised Business. If you are an Entity, you must appoint an Operating Principal who must have authority over all business decisions related to your Franchised Business, must have the power to bind you in all dealings with us, and must be directly involved in the daily operations of the Franchised Business. The Operating Principal must be disclosed and approved by us when you sign the Franchise Agreement. If your Operating Principal changes during the term of the Franchise Agreement you must notify us in writing and we will have the right to approve the new Operating Principal.

The Franchise Agreement requires you or your Operating Principal exert your full time best efforts to develop and expand the market for Products offered by the Franchised Business and to cooperate with us to accomplish the purposes of the Franchise Agreement. In that regard, you must not engage in any other business or activity that conflicts with your obligations under your Franchise Agreement. You must operate your Franchised Business in accordance with our System standards of service, advertising, promotion and management. You must comply with all our business policies, practices and procedures, including the operating times of your Franchised Business, as we prescribe in the Operating Manual, or otherwise in writing from time to time.

You must hire and maintain an adequate number and level of personnel required for the conduct of the Franchised Business. You are responsible for ensuring that your managers, employees, and other personnel are properly trained to perform their duties. As described in Item 14, we may require you to obtain confidentiality and non-competition agreements from your manager and certain of your employees. **The Franchise Agreement requires that you acknowledge that we are not the employer for any employees you hire. You will be required to inform any employees that you are their employer and not us.**

Furthermore, if you are a business entity, each Owner must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement according to the Owner's Guaranty attached to the Franchise Agreement.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only sell the Products specified or approved by us in writing. Selling or offering to sell products and/or services that have not been specified or approved by us is a material breach of the Franchise Agreement and, if not cured, is grounds for penalties provided in the Franchise Agreement, including but not necessarily limited to termination of the Franchise Agreement. You must sell the products and services required by us. We can change the products and services that you must offer at your Franchised Business. There is no limitation on our right to change the products and services offered by the Franchised Business. You are not limited to whom you may sell your products and services, but you may not sell any of the products and services offered in connection with your Franchised Business on a wholesale basis, at any location other than your Franchised Business, including through the Internet, catalogue, mail order, telemarketing, or any other method of sales or distribution.

We do not impose any restrictions or conditions that limit your access to customers.

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.

Provision	**Section in the Franchise Agreement**	**Summary**
a. Length of the franchise term	IV	Three (3) years, unless the term of the lease is greater than three (3) years, then the initial term shall be equal to and run parallel with the lease term, except that in no circumstances shall the initial term exceed seven (7) years.
b. Renewal or extension	IV	One (1) additional term which shall run parallel with the lease renewal term, except in no circumstances shall the combined initial term and renewal term exceed a total of ten (10) years.
c. Requirement for franchisee to renew or extend	IV	You have been in substantial compliance with agreement. You may have to remodel your location, at your expense. You may be asked to sign a contract with materially different terms and conditions than your original contract, comply with any new training requirements and serve notice of intention to renewal not less than six months nor more than ninety days prior to the expiration of the agreement. You may be required to sign a general release in favor of us.
d. Termination by franchisee	None	The Franchise Agreement does not provide for this. But you may seek to terminate on any grounds available to you at law.

Provision	Section in the Franchise Agreement	Summary
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	XVIII	We can terminate only if you commit any one of several listed violations.
g. "Cause" defined—curable defaults	XVIII	No less than seven (7) days for operations or monetary defaults.
h. "Cause" defined—non-curable defaults	XVIII	Conviction of a felony, abandonment, unapproved transfers, bankruptcy, assignment for benefit of creditors, repeated violations; termination for cause of another contract between us and you.
i. Franchisee's obligations on termination/non-renewal	XIX	Pay outstanding amounts, de-identification, return of confidential information and telephone numbers; pay liquidated damages.
j. Assignment of contract by franchisor	XXI	No restriction on our right to assign.
k. "Transfer" by franchisee—defined	XXI	Includes transfer of contract, of assets or any ownership change.
l. Franchisor approval of transfer by franchisee	XXI	We have the right to approval all transfers.
m. Conditions for franchisor approval of transfer	XXI	Transferee qualifies, all amounts due are paid in full, you sign a general release in our favor, transferee completes training, transfer fee paid, then-current contract signed.
n. Franchisor's right of first refusal to acquire franchisee's business	XXI	We can match any offer.
o. Franchisor's option to purchase franchisee's business	XIX	We can buy the business on termination or non-renewal for the price offered to you.
p. Death or disability of franchisee	XXI and XXII	Franchise must be assigned to approved buyer within 12 months or transferred to an heir or representative.

Provision	Section in the Franchise Agreement	Summary
q. Non-competition covenants during the term of the franchise.	XV	Can't divert business or operate a competing business anywhere.
r. Non-competition covenants after the franchise is terminated or expires	XV	No competing business for two years, within 5 miles of Franchised Business or any other franchisee of us.
s. Modification of agreement	XXXII	No modifications generally except by signed writing but Operations Manual is subject to change. Revisions to the Operations Manual will not substantially increase your economic burden.
t. Integration/merger clause	XXXII	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Not Applicable	Not Applicable
v. Choice of forum	XXX	The state of Florida or such other venue as the parties may agree (subject to state law described in any applicable State Specific Addendum in **Exhibit A**).
w. Choice of law	XXX	Florida law applies (subject to state law described in any applicable State Specific Addendum in **Exhibit A**).

See any state specific riders or addenda attached as Exhibit A.

ITEM 18: PUBLIC FIGURES

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

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Gil Ronen~~us~~ at 305-766-0484, 5553 Anglers Avenue Bldg 4, Suite 115, Fort Lauderdale, FL 33312, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

We do not have any franchises operating as of the date of this disclosure document, nor do we have any franchisees who have had a franchise agreement terminated, cancelled, or not renewed or who have otherwise voluntarily or involuntarily ceased to do business under a franchise agreement with us or who have not communicated with us within 10 weeks of the date of this disclosure document.

At the end of 2018, our Parent had 53 franchised Mania Jeans stores and 1 Parent-owned Mania Jeans store located in the State of Israel.

TABLE NO. 1~~[1]~~
System wide Outlet Summary
For years 2016 to 2018

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2016	0~~39~~	0~~43~~	0~~+4~~
	2017	0~~43~~	0~~48~~	0~~+5~~
	2018	0~~48~~	0~~53~~	0~~+5~~
Company- Owned	2016	0	0	0
	2017	0	0~~1~~	0~~+1~~
	2018	0~~1~~	0~~1~~	0
Total Outlets	2016	0~~39~~	0~~43~~	0~~+4~~
	2017	0~~43~~	0~~49~~	0~~+6~~
	2018	0~~49~~	0~~54~~	0~~+5~~

TABLE NO. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2016 to 2018

State	Year	Number of Transfers
Israel	2016	0~~5~~
	2017	0~~3~~
	2018	0
All States	2016	0~~5~~
	2017	0~~3~~
	2018	0
Totals	2016	0~~5~~
	2017	0~~3~~
	2018	0

~~[1] All Mania Jeans stores disclosed in Table No. 1 are located in the country of Israel. As of the date of disclosure, no Mania Jeans stores are located in the United States.~~

TABLE NO. 3
Status of Franchised Outlets
For years 2016 to 2018

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
~~Israel~~	2016	~~39~~0	40	0	0	0	0	0~~43~~
	2017	0~~43~~	0~~5~~	0	0	0	0	0~~48~~
	2018	0~~48~~	0~~5~~	0	0	0	0	0~~53~~
Totals	2016	0~~39~~	04	0	0	0	0	0~~43~~
	2017	0~~43~~	0~~5~~	0	0	0	0	0~~48~~
	2018	0~~48~~	0~~5~~	0	0	0	0	0~~53~~

TABLE NO. 4
Status of Company-Owned Outlets
For years 2016 to 2018

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Licensee	Outlets Closed	Outlets Sold to Licensee	Outlets at End of the Year
~~Israel~~	2016	0	0	0	0	0	0
	2017	0	0~~1~~	0	0	0	0~~1~~
	2018	0~~1~~	0	0	0	0	0~~1~~
Totals	2016	0	0	0	0	0	0
	2017	0	0~~1~~	0	0	0	0~~1~~
	2018	0~~1~~	0	0	0	0	0~~1~~

TABLE NO. 5
Projected Openings
as of December 31, 2019

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company-Owned Outlets in Next Fiscal Year
New York	0	1	0
Florida	0	1	0
Totals	0	2	0

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. Since we did not have any franchisees as of the date of this disclosure document, during our last 3 fiscal years, none of our franchisees has signed confidentiality clauses restricting their ability to speak openly about their experience with the our system. There are currently no trademark-specific franchisee organizations associated with our system.

ITEM 21: FINANCIAL STATEMENTS

Exhibit F contains our audited balance sheet as of ~~February 8~~ January 7, 2019. Our fiscal year end is December 31.

ITEM 22: CONTRACTS

The Franchise Agreement is Exhibit C to this disclosure document. The following contract forms are Exhibits to the Franchise Agreement:

Guaranty, Indemnification and Acknowledgment
Conditional Lease Assignment Provisions
Site Location Addendum
Confidentiality and Non-Competition Agreement
Transfer of Franchise to a Corporation or Limited Liability Company
Telephone Number Assignment and Power of Attorney
Franchisee Disclosure Acknowledgment Statement
Training Completion Agreement and Release

ITEM 23: RECEIPTS

Our and your copies of the disclosure document receipt are on Exhibit G of this disclosure document.

EXHIBIT A

TO THE FRANCHISE DISCLOSURE DOCUMENT

MULTI-STATE ADDENDUM

The following are additional disclosures for the Franchise Disclosure Document of Or Mania USA, Inc. required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently, without reference to these additional disclosures.

ADDENDUM REQUIRED BY THE STATE OF CALIFORNIA

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

2. OUR WEBSITE, www.maniajeans.co.il/en/, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www.dbo.ca.gov.

3. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF BUSINESS OVERSIGHT BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

4. The following paragraph is added at the end of Item 3 of the Disclosure Document:

> Except as disclosed above, neither we nor any person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. Section 78a et seq., suspending or expelling such person from membership in such association or exchange.

5. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

> California Law Regarding Termination and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer or nonrenewal of the franchise. If the Franchise Agreement contains any provision that is inconsistent with the law, and the law applies, then the law will control.
>
> Termination Upon Bankruptcy. The Franchise Agreement provides for termination upon bankruptcy. These provisions might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.)
>
> Covenant not to Compete. The Franchise Agreement contains a covenant not to compete which extend beyond the termination of the franchise. This provision may not be enforceable under California law.
>
> Liquidated Damages Clause. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Cartwright Act. The Antitrust Law Section of the Office of the California Attorney General views certain resale price maintenance agreements as per se violations of the Cartwright Act.

Applicable Law. The Franchise Agreement requires application of the laws of the State of Florida. This provision might not be enforceable under California law.

Litigation. The Franchise Agreement requires litigation in Florida. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281) to any provision of the Franchise Agreement restricting venue to a forum outside the State of California.

Releases. The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

1. The "Summary" sections of Item 17(v) of the Franchise Agreement table of the Disclosure Document is amended to read as follows:

All actions must be brought in the State of Illinois.

2. The "Summary" section of Item 17(w) of the Disclosure Document is amended to read as follows:

Illinois law governs.

3. The following language is added at the end of Item 17 of the Disclosure Document:

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

1. The "Summary" sections of Items 17(c), entitled **Requirements for franchisee to renew or extend**, and 17(m), entitled **Conditions for franchisor approval of transfer**, of the Franchise Agreement table of the Disclosure Document are amended by adding the following:

Any general releases you sign as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3. The "Summary" section of Item 17(v), entitled **Choice of Forum**, of the Franchise Agreement table of the Disclosure Document is deleted and replaced with the following:

All actions must be brought in a court of competent jurisdiction in the state in which our principal office is located, although you may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The "Summary" section of Item 17(w), entitled **Choice of law**, of the Franchise Agreement table of the Disclosure Document is deleted and replaced with the following:

Florida law governs, except otherwise required by applicable law for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. The following language is added at the end of Item 17 of the Disclosure Document:

Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

1. The following language is added at the end of Item 13 of the Disclosure Document:

To the extent required by Minnesota Stat. Sec. 80C.12, Subd. 1(g), we will protect your right to use the Marks and indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the Marks.

2. The following is added at the end of the chart in Item 17 of the Disclosure Document:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. Those provisions also provide that no condition, stipulations or provision in the Franchise Agreement shall in any way abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum or remedies that the laws of the jurisdiction provide.

Any release required as a condition of renewal or transfer/assignment will not apply to the extent prohibited by the Minnesota Franchises Law.

Minn. Rule Part 2860.4400J might prohibit a franchisee from waiving rights to a jury trial; waiving rights to any procedure, forum or remedies provided by the laws of the jurisdiction; or consenting to liquidated damages, termination penalties or judgment notes. However, we and you will enforce these provisions in our Franchise Agreement to the extent the law allows.

ADDENDUM REQUIRED BY THE STATE OF NEW YORK

1. The following information is added to the State Cover Page of the Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT B OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTMENT PROTECTION BUREAU, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

2. The following paragraphs are added at the beginning of Item 3, LITIGATION, of the Disclosure Document:

Neither the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

(A) 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, or any any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

(B) Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period 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; or

(C) 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 paragraph is added at the beginning of Item 4, BANKRUPTCY, of the Disclosure Document:

Neither the franchisor, its parent, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular:

(a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;

(b) obtained a discharge of its debts under the bankruptcy code; or

(c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

4. The "Summary" section of Item 17, section (d) of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

The franchisee also may terminate the agreement on any grounds available by law.

5. The "Summary" section of Item 17, section (j), *Assignment*, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.

6. The "Summary" sections of Items 17, sections (v) and (w) of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

The foregoing choice of law and forum 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.

ADDENDUM REQUIRED BY THE STATE OF NORTH DAKOTA

1. The "Summary" sections of Items 17(c), entitled **Requirements for franchisee to renew or extend**, and 17(m), entitled **Conditions for franchisor approval of transfer**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

> However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

2. The "Summary" sections of Item 17(i), entitled **Franchisee's obligations on termination/non-renewal**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

> The Commissioner has determined termination or liquidated damages to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. However, we and you agree to enforce these provisions to the extent the law allows.

3. The "Summary" sections of Item 17(r), entitled **Non-competition covenants during the term of the franchise**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

> Covenants not to compete such as those mentioned above generally are considered unenforceable in North Dakota. However, we will seek to enforce them to the extent enforceable.

4. The "Summary" sections of Item 17(v), entitled **Choice of Forum**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

> To the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

5. The "Summary" section of Item 17(w), entitled **Choice of law**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

> Except for federal law, North Dakota law governs.

6. The following is added to the end of Item 17:

> The North Dakota Securities Commissioner has determined that requiring a franchisee to consent to a waiver of exemplary and punitive damages or a waiver of trial by jury is unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law and such requirements may not be enforceable. To the extent that any provision of the Franchise Agreement is inconsistent with the Commissioner's determinations and the North Dakota Franchise Investment Law, such provision will be modified to the extent necessary to ensure that the provision is consistent with the Commissioner's determinations and the North Dakota Franchise Investment Law.

ADDENDUM REQUIRED BY THE STATE OF RHODE ISLAND

1. The "Summary" sections of Item 17(v), entitled **Choice of Forum**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

All actions must be brought in a court of competent jurisdiction in the state in which our principal office is located, except that, to the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

2. The "Summary" section of Item 17(w), entitled **Choice of law**, of the Franchise Agreement chart in the Disclosure Document is amended by adding the following:

Florida law governs except as otherwise required by the Rhode Island Franchise Investment Act.

ADDENDUM REQUIRED BY THE STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the "Summary" section of Item 17(h), entitled **"Cause" defined – non-curable defaults**, is amended by adding the following:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

ADDENDUM REQUIRED BY THE STATE OF WASHINGTON

1. The following paragraph is added at the end of Item 17 of the Disclosure Document:

The State of Washington has a statute, RCW 19.100.180, which might supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise. There may also be court decisions which might supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise.

In any litigation involving a franchise purchased in Washington, to the extent required by the Washington Franchise Investment Protection Act, the litigation site shall be in the State of Washington.

In the event of a conflict of laws, to the extent required by the Washington Franchise Investment Protection Act, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

To the extent required by the Washington Franchise Investment Protection Act, a release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the Agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, might not be enforceable; however, we and you agree to enforce those provisions as written to the maximum extent the law allows.

To the extent required by the Washington Franchise Investment Protection Act, transfer fees are collectable to the extent that they reflect our reasonable estimate or actual costs in effecting a transfer.

EXHIBIT B
TO THE FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, Or Mania USA, Inc. has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which Or Mania USA, Inc. has appointed an agent for service of process.

There may also be additional agents appointed in some of the states listed.

CALIFORNIA California Commissioner of ~~Corporations~~Business Oversight Department of ~~Corporations~~Business Oversight: 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677	**CONNECTICUT** State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 Agent: Banking Commissioner
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**ILLINOIS** Illinois Office of the Attorney General Franchise Division 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA Indiana Secretary of State Securities Division, E-111 302 Washington Street Indianapolis, Indiana 46204 (317) 232-6681	**MARYLAND** Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN Department of Attorney General – Consumer Protection Division G. Mennen Williams Building 525 W. Ottawa St. P.O. Box 30212 Lansing, MI 48933 Lansing, MI 48909 (517) 373-7117	**MINNESOTA** Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328

NEW YORK New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway, 23rd Floor New York, New York 10271 (212) 416-8211	**NORTH DAKOTA** North Dakota Securities Department State Capitol, Fifth Floor, Dept. 414 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712
OREGON Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	**RHODE ISLAND** Securities Division Department of Business Regulation Bldg 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9582
SOUTH DAKOTA Division of Securities Department of Revenue & Regulation 445 East Capitol Avenue Pierre, South Dakota 57501 (605) 773-4823	**VIRGINIA** State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
WASHINGTON Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road S.W. Tumwater, Washington 98501	**WISCONSIN** Office of the Commissioner of Securities 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703 (608) 261-9555

AGENTS FOR SERVICE OF PROCESS

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

CALIFORNIA California Commissioner of ~~Corporations~~Business Oversight Department of ~~Corporations~~Business Oversight: 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677	**CONNECTICUT** Banking Commissioner Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230
HAWAII Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722	**ILLINOIS** Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465
INDIANA Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531	**MARYLAND** Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360
MICHIGAN Dept. of Energy, Labor, & Economic Growth Corporations Division P.O. Box 30054 Lansing, Michigan 48909 7150 Harris Drive Lansing, Michigan 48909 (517) 373-7117	**MINNESOTA** Minnesota Commissioner of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328
NEW YORK New York Department of State Division of Corporations 41 State Street Albany, New York 12231 (518) 474-4750	**NORTH DAKOTA** North Dakota Securities Department State Capitol, Fifth Floor 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712

OREGON Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	**RHODE ISLAND** Director of Department of Business Regulation Department of Business Regulation, Bldg 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9582
SOUTH DAKOTA Director of Division of Securities 445 East Capitol Avenue Pierre, South Dakota 57501 (605) 773-4823	**VIRGINIA** Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733
WASHINGTON Director, Department of Financial Institutions Securities Division 150 Israel Road S.W. Tumwater, Washington 98501 (360) 902-8760	**WISCONSIN** Commissioner of Securities 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703 (608) 261-9555

EXHIBIT C
TO THE FRANCHISE DISCLOSURE DOCUMENT

OR MANIA USA, INC.
FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

FRANCHISEE:

____

____

LOCATION:

____

DATE OF AGREEMENT:

____

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OR MANIA USA, INC.

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT, made this ___ day of _________ 20__, by and between Or Mania USA, Inc. a Delaware corporation with a mailing address of 5553 Anglers Avenue Bldg 4, Suite 115, Dania Beach, FL 33312 (hereinafter referred to as the "**Franchisor**") and ____________________ residing at ______________________________ (hereinafter referred to as "**Franchisee**").

W I T N E S S E T H:

WHEREAS, the Franchisor and its Affiliates conduct and franchise others to conduct businesses that operate retail clothing stores identified by the "Mania Jeans" mark and other Marks (defined below) and which offer men's jeans, clothing, shoes and accessories ("**Products**"); and

WHEREAS, such retail stores are operated under certain trademarks, service marks, logos and other commercial symbols, including without limitation "Mania Jeans" ("**Marks**") which are owned by an affiliate of Franchisor, and licensed to Franchisor for sub-license to its franchisees, and pursuant to certain confidential information and trade secrets; and

WHEREAS, such retail stores are operated with uniform formats, designs, systems, methods, specifications, standards and procedures, all of which may be improved, further developed or otherwise modified from time to time by the Franchisor ("**Mania Jeans System**"); and

WHEREAS, the Franchisor grants to persons who meet the Franchisor's qualifications and who are willing to undertake the investment and effort to establish and develop a "Mania Jeans" retail store, a franchise to own and operate such retail store, offering the Products and services approved by the Franchisor and utilizing the Franchisor's formats, designs, methods, specifications, standards, operating procedures and the Marks; and

WHEREAS, Franchisee acknowledges that he/she has read this Agreement and the Franchisor's Disclosure Document and that he/she understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain the Franchisor's high standards of quality and service and the uniformity of those standards at all "Mania Jeans" retail stores in order to protect and preserve the goodwill of the Marks; and

WHEREAS, Franchisee acknowledges that he/she has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted by "Mania Jeans" retail stores may evolve and change over time, that an investment in a "Mania Jeans" retail store involves business risks and that the success of the venture is largely dependent upon the business abilities and efforts of Franchisee; and

WHEREAS, the Franchisor expressly disclaims the making of, and Franchisee acknowledges that he/she has not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, profits or success of the business venture contemplated by this Agreement, and Franchisee further acknowledges that he/she has not received or relied on any representations about the franchise by the Franchisor, or its officers, directors, employees or agents, that are contrary to the statements made in the Franchisor's Disclosure Document or to the terms and conditions contained herein, and further represents to the Franchisor, as an inducement to his/her entry into this Agreement, that Franchisee has made no misrepresentations in obtaining the franchise; and

WHEREAS, Franchisee has applied for a franchise to own and operate a single "Mania Jeans" retail store at the premises identified in or to be identified pursuant to Article I hereof, and such application has been approved by the Franchisor in reliance upon all of the representations made therein;

NOW, THEREFORE, for and in consideration of the premises and the mutual promises and covenants hereinafter made, Franchisor and Franchisee do hereby agree as follows:

ARTICLE I
GRANT OF FRANCHISE

1.1 Grant

A. Subject to the terms and conditions contained herein, the Franchisor hereby grants to Franchisee the right to own and operate a "Mania Jeans" retail store at the premises approved by the Franchisor or at a premises to be approved by the Franchisor in accordance with the provisions of this Agreement (the "**Franchised Business**"), and to use the Marks in the operation thereof.

B. Franchisee acknowledges that this franchise is non-exclusive and the Franchisee is not being granted any specific protected territory.

1.2 Site Selection Timeframe

Unless an approved location has been selected by Franchisee at the time this Agreement is executed, Franchisee shall select the location of the Franchised Business, subject to the Franchisor's approval, within ninety (90) days after the date of this Agreement.

1.3 No Change of Franchise Location

The franchise location described in Exhibit "A" or later approved in writing by Franchisor pursuant to the terms of this Agreement may not be altered or changed by the Franchisee without Franchisor's prior written approval, which must be requested in writing. In order to change the franchise location, the Franchisee must be current in all obligations to Franchisor, whether under this Agreement or any other Agreement, and must not be in default under this or any other agreement with Franchisor or any of Franchisor's affiliates. In the event that Franchisee's request to change location is approved, the Franchisee will be required to sign Franchisor's then-current form of Franchise Agreement for a term equal to the remaining term of this Agreement. Franchisee will be required to pay Franchisor a Relocation Fee of Ten Thousand Dollars ($10,000) upon execution of the new Franchise Agreement.

1.4 Rights Reserved to Franchisor

Except as expressly limited by Section 1.1, Franchisor and its affiliates retain all rights with respect to Franchised Businesses, the Marks and the sale of Products and any other products and services outside of Franchisee's location, including, without limitation, the right:

(a) to produce, offer and sell, and to grant others the right to produce, offer and sell the Products and any other goods and services through similar or dissimilar channels of distribution under trade and service marks other than the Marks and under any terms and conditions Franchisor deems appropriate;

(b) to produce, offer and sell, and to grant others the right to produce, offer and sell the Products and any other goods and services through dissimilar channels of distribution under the Marks and under any terms and conditions the Franchisor deems appropriate;

(c) to operate and to grant others the right to operate retail stores at traditional or "Non-Traditional Sites" under any terms and conditions the Franchisor deems appropriate, regardless of proximity to the Franchised Business. As used in this Agreement, Non-Traditional Sites shall include, without limitation, military bases, hotels, college campuses, airports, train stations, travel plazas, government buildings and establishments, and casinos;

(d) to acquire and operate a business operating one or more clothing retailer or other clothing boutique businesses located or operating anywhere.

ARTICLE II
DEVELOPMENT AND OPENING OF THE FRANCHISED BUSINESS

2.1 Lease of Franchised Business Premises

Franchisee shall operate the Franchised Business from the approved location. Franchisee shall lease within ninety (90) days from the date of execution of this Agreement, the premises for the Franchised Business. The Franchisor shall have the right in its sole discretion, to require:

(a) Franchisee to execute a Site Addendum Agreement in the form attached hereto;

(b) Franchisee to conditionally assign such lease to the Franchisor (with the consent of the lessor, if required) by conditional lease assignment provisions in form annexed to Franchise Agreement as Exhibit "C" in order to secure performance of any and all of Franchisee's liabilities and obligations to the Franchisor; or

(c) That such lease contain substantially the following provisions:

1. "Anything contained in this lease to the contrary notwithstanding, Lessor agrees that without its consent, this lease and the right, title and interest of the Lessee hereunder may be assigned by the Lessee to Or Mania USA, Inc., a Delaware corporation or its designee."

2. "Lessee hereby agrees that Lessor may, upon the written request of Or Mania USA, Inc., disclose to Or Mania USA, Inc. all reports, information or data in Lessor's possession respecting sales made in, upon or from the leased premises."

3. "Lessor shall give written notice to Or Mania USA, Inc. (concurrently with the giving of such notice to Lessee) of any default by Lessee under the lease and Or Mania USA shall have the right, in its sole discretion, to cure any such default. Such notice shall be sent to Or Mania USA at its headquarters, or such other address as Or Mania USA may from time to time specify in writing to Lessor."

2.2 Approval of Lease Terms

The Franchisor shall have the right to approve the terms of any lease for the premises of the Franchised Business. In the event the Franchisor cures any default by Franchisee under such lease, the total amount of all costs and payments incurred by the Franchisor in effecting such cure shall be immediately due and owing by Franchisee to the Franchisor, including, but not limited to, any attorney's fees.

2.3 Execution of Lease and Acceptance by Franchisee

Franchisee's execution of a lease for the location for his/her Franchised Business shall constitute acceptance by Franchisee of such location and site and the terms of such lease and shall constitute a waiver of any claim or rights against the Franchisor relating to Franchisee's choice of such site and location and of the terms of such lease.

2.4 Prototype Plans and Specifications

The Franchisor will provide Franchisee prototype or protostyle plans and specifications for Franchisee's Franchised Business reflecting the Franchisor's requirements for dimensions, exterior design, interior design and layout, image, building materials, fixtures, equipment, furniture, signs and decor. Franchisee agrees to use one of Franchisor's approved architecture and engineering firms to prepare a full construction/design plan set for the Franchised Business.

2.5 Development of Franchised Business

Within forty five (45) days after obtaining possession of the premises of the Franchised Business and having been furnished with the above-described plans and specifications, Franchisee will do or cause to be done the following:

(a) Secure all financing required to fully develop the Franchised Business;

(b) Prepare, at Franchisee's expense, and submit to the Franchisor for approval (which approval may be granted or withheld at the Franchisor's sole discretion) any proposed modifications to the Franchisor's prototype or protostyle plans and specifications, which may be modified only to the extent necessary to comply with applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions, all such modifications being subject to prior notification to, and approval by, the Franchisor;

(c) Obtain all required building, utility, sign, health, sanitation and business permits and licenses, and any other required permits and licenses;

(d) Construct all required improvements to the premises, purchase and install all required fixtures and equipment and decorate the premises with required branded décor in compliance with plans and specifications approved by the Franchisor; and

(e) Purchase, in accordance with the Franchisor's specifications and requirements, an opening inventory of Products and other equipment, products and supplies required for the opening of the Franchised Business.

2.6 Franchisee's Duties in Developing the Franchised Business

Franchisee agrees that Franchisee will do or cause to be done the following with respect to the development of the Franchised Business:

(a) obtain all required construction and sign permits and licenses;

(b) complete the construction of all required improvements to the premises and decorate the premises in accordance with Franchisor's specifications;

(c) purchase or lease and install all fixtures, furnishings, equipment, signs and the opening inventory and operating supplies and required branded merchandising materials and other materials in accordance with Franchisor's specifications.

Franchisee shall use his/her best efforts to complete development and have the Franchised Business ready to open within no more than ten (10) months after Franchisee executes this Agreement. Franchisee may, at his/her option, purchase or lease equipment for the Franchised Business.

2.7 Fixtures, Equipment, Furniture and Signs

Franchisee agrees to use in the construction and operation of the Franchised Business only those brands, types or models of construction and decorating materials, fixtures, equipment, furniture and signs that the Franchisor has approved for the Franchised Business as meeting its specifications and standards for quality, design, appearance, function and performance. Franchisee further agrees to place or display at the premises of the Franchised Business only such signs, emblems, lettering, logos and display materials that are from time to time approved in writing by the Franchisor. Franchisee may purchase approved types or models of construction and decorating materials, fixtures, equipment, furniture and signs from any supplier approved or designated by the Franchisor (which may include the Franchisor and/or its affiliates). If Franchisee proposes to purchase any type or model of construction or decorating material, fixture, equipment, furniture or sign not then approved by the Franchisor, and/or any such item from any supplier which is not then approved by the Franchisor, Franchisee shall first notify the Franchisor in writing and shall submit to the Franchisor sufficient specifications, photographs, drawings and/or other information or samples for a determination by the Franchisor of whether such brand or type of construction or decorating material, fixture, equipment, furniture or sign complies with its specifications and standards. The Franchisor may, in its sole discretion, refuse to approve any such item(s) and/or supplier(s) that does not meet the Franchisor's standards or specifications.

2.8 Franchised Business Opening

Franchisee agrees not to open the Franchised Business until:

(a) The Franchisor determines that the Franchised Business has been constructed and equipped in accordance with approved plans and specifications;

(b) Training of Franchisee and his/her/its manager(s) has been completed to the Franchisor's reasonable satisfaction;

(c) All amounts due to the Franchisor under this Agreement and any other related agreements to which Franchisee is a party have been paid;

(d) The Franchisor has been furnished with copies of all insurance policies required by Article XII hereof, or such other evidence of insurance coverage as the Franchisor requests; and

(e) Franchisor's personnel are available to assist and be present at the opening of the Franchised Business if the Franchisor, in its sole discretion, deems it necessary.

The Franchisee agrees to have the Franchised Business ready to open for business within ten (10) months after Franchisee executes this Agreement. Final approval by the Franchisor of the opening of the Franchised Business shall only be valid if given in writing and shall be granted in the Franchisor's sole discretion. Franchisee agrees to open the Franchised Business for business within five (5) days after receipt of such written notice from Franchisor.

2.9 Relocation of Franchised Business

If Franchisee's lease for the premises of the Franchised Business terminates without fault of Franchisee, or if the premises are damaged, condemned or otherwise unusable, or if in the reasonable judgment of the Franchisor and Franchisee there is a change in the character of the location of the Franchised Business sufficiently detrimental to its business potential to warrant its relocation, the Franchisor shall grant permission to Franchisee for relocation of the Franchised Business to a location approved by the Franchisor. Any such relocation shall be at Franchisee's sole expense, including payment of Franchisor's then-current relocation fee.

2.10 De-identification of Original Approved Location

Franchisee agrees that in the event of a relocation of the Franchised Business, Franchisee shall promptly remove from the first Franchised Business premises, and discontinue using for any purposes, any and all signs, fixtures, furniture, posters, furnishings, equipment, advertising materials, stationery supplies, forms and other articles which display any of the Marks or any distinctive features or designs associated with Mania Jeans retail stores. Furthermore, Franchisee shall, at his/her/its expense, immediately make such modifications or alterations as may be necessary to distinguish the first Franchised Business so clearly from its former appearance and from other Mania Jeans retail stores and to prevent any possibility of confusion therewith by the public (including, without limitation, removal of all distinctive physical and structural features identifying Mania Jeans retail stores and removal of all distinctive signs and emblems). Franchisee shall, at his/her expense, make such specific additional changes as the Franchisor may reasonably request for this purpose. If Franchisee fails to initiate immediately or complete such alterations within such period of time as the Franchisor deems appropriate, Franchisee agrees that the Franchisor or its designated agents may enter the premises of the first Franchised Business and adjacent areas at any time to make such alterations, at Franchisee's sole risk and expense, without responsibility for any actual or consequential damages to the property of Franchisee or others, and without liability for trespass or other tort or criminal act. Franchisee expressly acknowledges that his/her failure to make such alterations will cause irreparable injury to the Franchisor and consents to entry, at Franchisee's expense, of an ex-parte order by a court of competent jurisdiction authorizing the Franchisor or its agents to take such action, if the Franchisor seeks such an order. Compliance with the foregoing shall be a condition subsequent to the Franchisor's approval of any relocation request by Franchisee, and in the event complete de-identification of the first Franchised Business premises is not promptly and completely undertaken, the Franchisor may then revoke its permission for relocation and declare a default under this Agreement pursuant to Article XVII hereof.

ARTICLE III
PROPRIETARY MARKS AND GOODWILL

3.1 Definition of "Marks"

When used in this Agreement, "Marks" mean the trademarks and service marks which are used to identify Mania Jeans franchised businesses and to distinguish them from that of any other business, and the trademarks, service marks, trade names, logos and commercial symbols as may be designated by the Franchisor from time to time for use in connection with the Mania Jeans System.

3.2 Authorized Use of Marks

Franchisee is authorized to use the Marks, goodwill and trade secrets in the operation of the Franchised Business only at the location specified in Article I. Nothing in this Agreement shall be construed as authorizing or permitting their use at any other location or for any other purpose except as may be authorized in writing by Franchisor. Franchisee understands and agrees that the limited license to use the Marks granted hereby applies only to such proprietary marks as are designated by Franchisor, and which are not subsequently designated by Franchisor as being withdrawn from use, together with those which may hereafter be designated by Franchisor in writing. Franchisee expressly understands and agrees that he/she is bound not to represent in any manner that he/she has acquired any ownership or equitable rights in any of the Marks by virtue of the limited license granted hereunder, or by virtue of Franchisee's use of any of the Marks.

3.3 Ownership of Marks

Franchisee acknowledges that the ownership of all of the Marks, goodwill and trade secrets remains solely with the licensor of Franchisor and that Franchisee shall not register or attempt to register the Marks or to assert any rights in them other than as specifically granted in this Agreement.

3.4 Additional Rights

At Franchisor's request, Franchisee shall assign, transfer or convey to Franchisor, in writing, all additional rights, if any, that may be acquired by Franchisee as a result of its use of Marks.

3.5 Rights to Use Marks

Franchisee shall only use the Marks, logos, trade styles, color combinations, designs, signs, symbols and slogans of Franchisor, and only in the manner and to the extent specifically permitted by this Agreement or in any manuals, directives or memos (hereinafter collectively referred to as "**Confidential Operations Manuals**") prepared by Franchisor. Franchisee shall not use any confusingly similar Marks in connection with its franchise or any other business in which it has an interest.

3.6 Approval of Items Using the Marks

Franchisor reserves the right to approve all signs, memos, stationery, business cards, advertising material forms and all other objects and supplies using the Marks. All advertising, publicity, point of sale materials, signs, decorations, furnishings, equipment, or other materials employing the words "Mania Jeans" shall be in accordance with this Agreement and the Confidential Operations Manuals, and Franchisee shall obtain Franchisor's approval prior to such use.

3.7 Modification of Marks

If it becomes advisable at any time, in the discretion of Franchisor, to modify or discontinue use of any Mark and/or to adopt or use one or more additional or substitute proprietary marks, then Franchisee shall be obligated to comply with any such instruction by Franchisor. In such event and at Franchisor's direction, Franchisee shall adopt, use and display only such new or modified Marks and shall promptly discontinue the use and display of outmoded or superseded marks, at Franchisee's expense. Franchisee waives any other claim arising from or relating to any proprietary mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any proprietary mark addition, modification, substitution or discontinuation related to changing the Franchised Business' signage. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

3.8 Expiration or Termination of this Agreement

Upon the expiration, termination or non-renewal of this Agreement, Franchisee shall immediately cease using the Marks, color combinations, designs, symbols or slogans; and Franchisor may cause Franchisee to execute such documents and take such action as may be necessary to evidence this fact. After the effective date of expiration, termination or non-renewal, Franchisee shall not represent or imply that he/she is associated with Franchisor. To this end, Franchisee irrevocably appoints Franchisor or its nominee to be Franchisee's attorney-in-fact to execute, on Franchisee's behalf, any document or perform any legal act necessary to protect the Marks from unauthorized use. Franchisee acknowledges and agrees that the unauthorized use of the Marks will result in irreparable harm to Franchisor for which Franchisor may obtain injunctive relief, monetary damages, reasonable attorneys' fees and costs.

3.9 Notification of Infringement

Franchisee shall immediately notify Franchisor of any apparent infringement of or challenge to Franchisee's use of the Marks, or any claim, demand, or suit based upon or arising from the unauthorized use of, or any attempt by any other person, firm, or corporation to use, without authorization, or any infringement of or challenge to, any of the Marks. Franchisee also agrees to immediately notify Franchisor of any other litigation instituted by any person, firm, corporation or governmental entity against Franchisor or Franchisee.

3.10 Franchisor to Defend

Franchisor and/or the licensor shall undertake the defense or prosecution of any litigation concerning Franchisee that relates to any of the Marks or that, in Franchisor's or the licensor's judgment, may affect the goodwill of the Mania Jeans System; and Franchisor may, in such circumstances, undertake any other action which it deems appropriate. Franchisor shall have sole and complete discretion in the conduct of any defense, prosecution or other action it chooses to undertake. In that event, Franchisee shall execute those documents and perform those acts which, in the opinion of Franchisor, are necessary for the defense or prosecution of the litigation or for such other action as may be undertaken by Franchisor.

3.11 Limited License

In order to develop and maintain high uniform standards of quality and service and to protect the reputation and goodwill of Franchisor, Franchisee agrees to do business and advertising using only the Marks designated by the Franchisor. Franchisee shall not do business or advertise using any other name. Franchisee is not authorized to and shall not use the words "Mania Jeans" by itself, as a part of the legal name of any corporation, partnership, proprietorship or other business entity to which Franchisee is associated, or with a bank account, trade account or in any legal or financial connection.

3.12 Franchisor's Right to Inspect

In order to preserve the validity and integrity of the Marks, and to assure that Franchisee is properly employing them in the operation of Franchisee's business, Franchisor and its agents shall have the right at all reasonable times to inspect Franchisee's business, financial books and records, and operations. Franchisee shall cooperate with and assist Franchisor's representative in such inspection.

3.13 Trademark Notices

Franchisee shall be required to affix the ^{SM}, ™ or ® symbol (as applicable) upon all advertising, publicity, signs, decorations, furnishings, equipment or other printed or graphic material employing the words "Mania Jeans" or any other of the Marks, whether presently existing or developed in the future.

3.14 No Right to Deny Use

Franchisee acknowledges that it does not have any right to deny the use of the Marks to any other franchisees. In consideration therefor, Franchisee shall execute all documents and take such action as may be requested to allow Franchisor or other franchisees to have full use of the Marks.

3.15 Claim of Prior Use

If, during the term of this Agreement, there is a claim of prior use of the "Mania Jeans" name or any other of the Marks in the area in which Franchisee is doing business or in another area or areas, Franchisee shall so use any of Franchisor's other Marks in such a way and at Franchisor's discretion in order to avoid a continuing conflict.

3.16 Indemnification by Franchisor

The Franchisor agrees to indemnify Franchisee against, and to reimburse Franchisee for, all damages for which he is held liable in any proceeding in which Franchisee's use of any Mark pursuant to and in compliance with this Agreement or the Operations Mnaual is held to constitute trademark infringement, unfair competition or dilution, and for all costs reasonably incurred by Franchisee in the defense of any such claim brought against him or in any such proceedings in which he is named as a party, provided that Franchisee has timely notified the Franchisor of such claim or proceedings, has otherwise complied with this Agreement and has tendered complete control of the defense of such to the Franchisor. If the Franchisor defends such claim, the Franchisor shall have no obligation to indemnify or reimburse Franchisee with respect to any fees or disbursements of any attorney retained by Franchisee. For the avoidance of doubt, Franchisor shall not be obligated to indemnify Franchisee if Franchisee's use of the marks is not in compliance with the Franchisor's written standards.

3.17 Identification of Franchisee

During the term of this Agreement and any renewal or extension hereof, Franchisee shall identify itself as the owner of the Franchised Business in conjunction with any use of the Marks, including, but not limited to, on invoices, order forms, receipts, business stationery, contracts with all third parties or entities, as well as the display of such notices in such content and form at such conspicuous locations as the Franchisor may designate in writing. **In addition, Franchisee shall ensure that all employees understand that they are employees of Franchisee and have no relationship, employment or otherwise, with the Franchisor.**

ARTICLE IV
TERM AND RENEWAL

4.1 Initial Term and Renewal Term

Except as otherwise provided in this Agreement, the initial term of this franchise shall be for a period commencing upon the execution of this Agreement and shall conclude on the three (3) year anniversary of the date of execution of this Agreement (the "**Initial Term**"). Subject to the conditions specified in Section 4.2 hereof, Franchisee shall have the right to extend the Initial Term for one (1) additional term of three (3) years (the "**Renewal Term**", and together with the Initial Term the "**Term**"). If the initial lease term for the store is greater than three (3) years, then the Initial Term shall be equal to and run parallel with the lease term, the Renewal Term shall be equal to and run parallel with the lease renewal term, if any, except that the Term shall expire upon the tenth (10th) anniversary of the date of execution of this Agreement.

4.2 Conditions to Renewal

The Franchisee's right of renewal pursuant to Section 4.1 above shall be subject to the following conditions precedent:

(a) Neither this Agreement nor the lease agreement shall have been terminated for any reason, and that the lease is renewable;

(b) The Franchisee shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, any other agreement between Franchisor or any subsidiary and/or affiliated corporation and Franchisee has substantially complied with all of the terms and conditions of such agreements during their terms;

(c) The Franchisee shall have served notice of its intention to exercise its right of renewal not less than ninety (90) days nor more than one hundred twenty (120) days prior to the expiration of the Initial Term;

(d) The Franchisee shall have affected the improvements to his/her Franchised Business and its operations required by the Franchisor pursuant to Section 4.4 below, such improvements may include, but not be limited to, renovating the Franchised Business to comply with Franchisor's then-current standards and specifications;

(e) The Franchisee shall have satisfied all monetary obligations due and owing to Franchisor, any subsidiary of Franchisor and/or any affiliated corporations of Franchisor, and Franchisee shall have timely met these obligations throughout the term of this Agreement and any other agreement in effect and any renewals thereof;

(f) Franchisee shall execute, upon renewal, Franchisor's then-current form of Franchise Agreement, which agreement shall supersede this Agreement in all respects and terms, and which may differ from the terms of this Agreement, including, without limitation, a higher royalty fee and advertising contribution;

(g) Franchisee shall execute a general release, in a form prescribed by Franchisor on any and all claims against Franchisor, any subsidiary of Franchisor and/or affiliated corporation of Franchisor, and their respective officers, directors, agents and employees;

(h) Franchisee shall comply with Franchisor's then-current reasonable qualification and training requirements; and

(i) Franchisee shall not, in the sole discretion of Franchisor, be underperforming.

4.4 Renewal Report

Upon receipt of a notice to renew from the Franchisee pursuant to Section 4.2 hereof, the Franchisor shall prepare a renewal report which report shall be completed within forty-five (45) days of the receipt of said notice and shall specify the modifications and improvements and repairs, if any, required by the Franchisor and which Franchisee must make to his/her Franchised Business which must be in conformity with the then existing standards, and specifications pertaining to his/her Franchised Business.

4.5 Franchisor's Right to Deny Renewal

The Franchisor expressly reserves the right to deny Franchisee's renewal in the event that Franchisee abandons his/her Franchised Business or in the event the Franchisee ceases to operate and maintain his/her Franchised Business in accordance with the terms of this Agreement.

4.6 Extension of this Agreement

In the event Franchisee shall continue to operate his/her Franchised Business following the expiration, termination or non-renewal of this Agreement for any reason, with the express or implied consent of Franchisor, such continuation shall be construed to be an extension of the term hereof only from month-to-month, terminable by either party on no more than thirty (30) days' notice to the other party and otherwise in accordance with all of the provisions of this Agreement.

4.7 Notice of Expiration

If applicable law requires Franchisor to give Franchisee notice of expiration of this Agreement at a specified time prior to such expiration, and Franchisor has not done so, then the term of this Agreement will be extended to the date following which Franchisor's notice has been given and the legally required notice period has expired.

ARTICLE V
INITIAL AND CONTINUING FEES PAYABLE TO FRANCHISOR

5.1 Initial Franchise Fee

The Franchisor has elected not to require Franchisee to pay any Initial Franchise Fee.

5.2 Definition of "Gross Sales"

For the purposes of determining the royalties to be paid hereunder, "Gross Sales" shall mean the total selling price of all services and products and all income of every other kind and nature related to the Franchised Business, whether for cash or credit and regardless of collection in the case of credit. In the event of a cash shortage, the amount of Gross Sales shall be determined based on the records of the electronic cash register system and any cash shortage shall not be considered in the determination. Gross Sales shall expressly exclude sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by Franchisee in the operation of the Franchised Business, and any other tax, excise or duty which is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Franchised Business, provided that such taxes are actually transmitted to the appropriate taxing authority;

5.2.1 Franchisor may, from time to time, authorize certain other items to be excluded from Gross Sales. Any such permission may be revoked or withdrawn at any time in writing by Franchisor in its discretion. In addition to the foregoing, the following are included within the definition of "Gross Sales" described except as noted below:

(1) The full value of Products furnished to Franchisee's employees as an incident to their employment except that the value of any discounts extended to such employees may be credited against Gross Sales during the reporting month in which the Products were furnished for the purpose of determining the amount of Gross Sales upon which the Marketing Fund contribution is due; and

(2) All proceeds from the sale of coupons, gift certificates or vouchers; provided that at the time such coupons, gifts certificates or vouchers are redeemed the retail price thereof may be credited against Gross Sales during the reporting month in which such coupon, gift certificate or voucher is redeemed for the purpose of determining the amount of Gross Sales upon which the Marketing Fund contribution is due.

5.3 Payment Date

All Marketing Fund contributions (as discussed in Article IX) are due and payable on the tenth (10^{th}) day of the month each month ("**Payment Date**"). Franchisee shall remit Marketing Fund contributions and any other monies owed to Franchisor hereunder via electronic funds transfer or other comparable means. Franchisee shall comply with the procedures established by the Franchisor and/or to perform such acts and deliver and execute such documents as may be necessary to assist in or accomplish such electronic method of payment.

5.3.1 Franchisee agrees that he/she shall, at all times throughout the term of this Agreement, maintain a minimum balance of Five Thousand Dollars ($5,000.00) in the Franchisee's bank account against which such electronic funds transfer shall be drawn for the Franchised Business operated under this Agreement.

5.3.2 Franchisor may require payment by other than automatic debit, and Franchisee must comply with Franchisor's payment instructions. If Franchisee does not report the Franchised Business' Gross Sales in accordance with Section 10.1(a) hereof, Franchisor may debit Franchisee's account for one hundred twenty percent (120%) of the last Marketing Fund contribution that Franchisor debited. If the Marketing Fund contribution Franchisor debits is less than the Marketing Fund contribution Franchisee actually owes, Franchisor will debit Franchisee's account for the balance on a day it specifies. If the Marketing Fund contribution Franchisor debits is greater than the Marketing Fund contribution Franchisee actually owes, Franchisor will credit the excess against the amount it otherwise would debit from Franchisee's account during the following month.

5.4 Interest on Overdue Amounts

Marketing Fund contributions or any and all other payments provided for in this Agreement not received by Franchisor within fifteen (15) days of the Payment Date shall be subject to interest on a daily basis at the lesser of five percent (5%) per annum or the maximum commercial contract interest rate permitted by law.

5.5 Acceptance by Franchisor

Acceptance by Franchisor of the payment of any Marketing Fund contribution or any and all other payments provided for in this Agreement shall not be conclusive or binding on Franchisor with respect to the accuracy of such payment until two (2) years after the effective date of termination or non-renewal of this Agreement. Acceptance of any payment on account of Marketing Fund contributions or any and all other payments provided for in this Agreement does not constitute any waiver of Franchisor's rights under Article XVII or XVIII hereof.

5.6 Application of Payments

Franchisor will have sole discretion to apply any payments from Franchisee to any of Franchisee's past due indebtedness for Marketing Fund contributions, product purchases, interest or any other indebtedness. This provision does not constitute consent to late payments or an agreement to extend credit.

5.7 Franchisee May Not Withhold or Off-set Payments

Franchisee's obligations for the full and timely payment of the Marketing Fund contribution and all other amounts provided for in this Agreement shall be absolute, unconditional and fully earned by Franchisor, except in those instances where Franchisor is in breach hereunder and has failed to cure such breach although obligated to do so. Franchisee shall not delay or withhold the payment of all or any part of the fees for any reason, put the same in escrow or set-off same against any and all claims or alleged claims Franchisee may allege against Franchisor.

5.8 Set Off Option

Franchisor may set off against any money owed by Franchisor or Franchisor's Affiliate(s) to Franchisee or Franchisee's Affiliate(s) pursuant to this Agreement or otherwise. This right to set off will continue until Franchisee has paid, satisfied or discharged all monies, debts or liabilities due or owing to Franchisor and Franchisor's Affiliates. Franchisee hereby irrevocably authorizes Franchisor or Franchisor's Affiliate to deduct from any monies payable by Franchisor or Franchisor's Affiliate to Franchisee or Franchisee's Affiliate(s) pursuant to this Agreement or otherwise any monies due or owing to Franchisor or Franchisor's Affiliates by Franchisee or Franchisee's Affiliate from time to time. If in Franchisee's jurisdiction set-off is not possible due to the local laws Franchisor or Franchisor's Affiliate(s) will hold monies due to Franchisee or Franchisee's Affiliate as a lien, free from interest, until such time as Franchisee or Franchisee's Affiliate(s) have paid all monies owed by Franchisee or Franchisee's Affiliate to Franchisor or Franchisor's Affiliate(s).

5.9 Preliminary Store Design Fee

Franchisee shall, within five (5) days of execution of this Agreement, pay to the Franchisor a fee of one thousand five hundred dollars ($1,500) (the "**Design Fee**") for the generation of the prototype plans and specifications discussed below in Section 7.1.

ARTICLE VI
TRAINING AND COMMENCEMENT OF BUSINESS

6.1 Initial Training Program

Prior to opening the Franchised Business, at least one and up to four (4) managers, at least one of whom shall be a partner from the ownership group, shall attend Franchisor's initial training program, which shall be conducted at the Franchised Business location, or at another location designated by Franchisor, and shall complete said training course to Franchisor's satisfaction. All training must be completed to Franchisor's satisfaction. If this Agreement is for Franchisee's second or subsequent Franchised Business, Franchisor may reduce at Franchisor's sole discretion the number of managers required to complete training to three and/or not require a member of the ownership group to attend training, but in any event a trained and approved manager must be on duty at all times that Franchisee's Franchised Business is open.

The initial pre-opening manager training is included without fee to the Franchisee.

Franchisee shall be responsible for all travel and living expenses which Franchisee and his/her managers incur in connection with the initial training program and any refresher classes, as well as wages and expenses for the managers. In the event Franchisee fails to complete the aforesaid training program, the Franchisor shall have the right to terminate this Agreement.

During the training program, Franchisee shall receive instruction, training and education in the operation of the Franchised Business and indoctrination into the Mania Jeans System. At the completion of the training program, Franchisee must execute the Training Completion Agreement and Release (Exhibit J to this Agreement).

Franchisee may requests that Franchisor provide up to two (2) additional trainings per calendar year without incurring any cost for the training. In the event the Franchisee requests three (3) or more trainings they must pay all costs and expenses, including but not limited to, travel, lodging and food, incurred by the Franchisor to provide additional training. Franchisee shall make payment of these expenses within five (5) days of being submitted an invoice by Franchisor.

6.2 Refresher Training

Franchisee shall attend such periodic refresher and supplemental training programs or meetings at such locations as Franchisor may from time to time direct. Franchisor may designate that attendance at such program is mandatory for Franchisee (or one of its owners) and Franchisee's manager. All expenses that Franchisee incurs in connection with attendance at any such refresher or supplemental training programs or meetings shall be borne solely by Franchisee.

6.3 Franchised Business Staff

Franchisee shall maintain at all times during the term of this Agreement, or any renewal thereof, a staff of trained employees sufficient to operate the Franchised Business in accordance with this Agreement, the Mania Jeans System, and the Franchisor's standards. **Franchisee agrees that Franchisor is not the employer for any employees Franchisee hires. All management, personnel and training requirements are at Franchisee's discretion and are Franchisee's sole responsibility. Franchisor shall have the right to hold Franchisee solely liable and responsible for any breach of this agreement or failure to follow the Mania Jeans System by any employee of Franchisee.**

6.4 General Manager

If a partner in the Franchisee ownership group has acceptable prior experience, that partner may be the general manager of the first location. If no partner has the acceptable prior experience, or if that partner is not available to manage the store operations on a full time basis, Franchisee shall be required to hire a general manager who possesses acceptable experience consistent with industry standards. Such general manager shall be required to complete Franchisor's training program to Franchisor's satisfaction. Franchisee shall pay the Franchisor's then-current training fee for any new general manager training.

ARTICLE VII
OBLIGATIONS OF FRANCHISOR

7.1 Prototype Plans and Specifications

After receipt of the Design Fee, in order to assist Franchisee in constructing his/her Franchised Business, Franchisor shall furnish to Franchisee a set of prototype or protostyle plans and specifications for the Franchised Business, including requirements for exterior and interior design, layout, equipment and sign placement and decor scheme, all as included in the Mania Jeans System.

7.2 Construction Assistance

Franchisee agrees that he/she shall use the architects and/or engineers designated by Franchisor, at Franchisee's expense, to prepare all construction and build-out plans required for construction of all leasehold improvements at the Franchised Business. Franchisee shall engage a contractor, of which Franchisor reserves the right to approve, to construct the leasehold improvements at the Franchised Business according to the plans prepared for Franchisee and approved by Franchisor.

7.3 Pre-opening Assistance; Additional Assistance

Franchisor shall make available to Franchisee any further assistance that Franchisor may deem is required, based on the experience and judgment of Franchisor, in pre-opening, opening and initial business operation of the Franchised Business, which assistance shall conform to that furnished to other existing franchisees.

If, during the term of this Agreement, Franchisee requests that Franchisor provide additional assistance on-site at the Franchised Business, Franchisor shall provide up to two (2) additional trainings per calendar year without cost to the Franchisee. However, after the second (2nd) additional training Franchisee shall be responsible for all expenses incurred including, but not limited to, travel, food and lodging.

7.4 Continuing Advice

Franchisor shall maintain an advisory relationship with Franchisee including ongoing telephone consultation to aid in the proper and effective operation of the Mania Jeans System, the frequency and duration of which shall be in the sole discretion of Franchisor. Such operating assistance may consist of advice and guidance with respect to:

(a) Methods and operating procedures of a Franchised Business;

(b) Additional products and services authorized for sale by the Franchised Business;

(c) The establishment and operation of administrative, bookkeeping, accounting, inventory control, sales and general operating procedures for proper operation of the Franchised Business; and

(e) Advertising and promotion for the Franchised Business.

7.5 Inspection

Franchisor or its designees or agents shall visit and inspect, from time to time, the Franchised Business and evaluate the proper execution of the Mania Jeans System, and confer with Franchisee and his/her managers in connection therewith in order to assist in the proper business operation of the Franchised Business. Franchisor or its designees or agents shall have the absolute right to make inspections at such times and frequencies, during normal business hours, as Franchisor may determine. Franchisee and his/her managers and employees will cooperate with Franchisor's representatives in such inspections, render such assistance to them as they may reasonably request and immediately correct any failure to comply with the Mania Jeans System and this Agreement as brought to Franchisee's attention by such representative.

7.6 Maintenance of Standards

Franchisor shall use its reasonable efforts to require maintenance of high and uniform standards in the execution of the Mania Jeans System at all Franchised Businesses utilizing the Mania Jeans System, thus protecting and enhancing the reputation of Franchisor and the Marks. However, because complete and detailed uniformity under many varying conditions might not be possible or practical, Franchisee acknowledges that Franchisor specifically reserves the right and privilege, as Franchisor deems best, to vary the Mania Jeans System for, and to provide different levels of service to, any franchisee or affiliate owned location, based upon the peculiarities of any condition or factors that Franchisor considers important to that franchisee's successful operation. Franchisee shall have no right to require Franchisor to grant Franchisee a similar variation or accommodation or to provide the same level of service.

7.7 Proprietary Items

In order to insure that the distinguishing characteristics of the Mania Jeans System are uniformly maintained, Franchisor may establish from time to time standards for certain proprietary products, equipment, commodities and supplies for the use of same by Franchisee in the execution of the Mania Jeans System and may, in conjunction therewith, develop new proprietary products, programs and develop new equipment and new techniques which Franchisee shall be required to use and/or purchase in the operation of his/her Franchised Business. The purchase of any new equipment will not materially increase the economic burden of Franchisee.

7.8 No Representation of Success

Neither Franchisor's approval of a specific location for the Franchised Business, nor any other service provided by Franchisor pursuant to this Article shall be deemed a representation, warranty or judgment by Franchisor as to the likely success of the Franchised Business at such location with the specified personnel or as to the relative desirability of such location in comparison to others that might have been available to Franchisee.

7.9 Sale of Proprietary Items

Franchisor or its designees may sell to franchisees all of Franchisor's requirements of certain proprietary products, as is stated in Article VIII hereof, unless prevented from so doing by Force Majeure (as described in Article XXVI below), governmental restrictions, labor disputes, inability to obtain or manufacture supplies or products, or other contingency or situation. Under these circumstances, the Franchisor will not be responsible or liable for any business losses or interruption, and Franchisee, during these situations, may seek alternate, but approved, sources of supply, provided such products meet Franchisor's specifications as to quality and availability.

7.10 Suggested Resale Pricing

In order to preserve the Franchisor's reputation for providing customers with high quality products; to ensure that customers receive good service and see our products in attractive displays, and to ensure a fair price for consumers and a reasonable return for our franchisees, Franchisee agrees to adhere to Franchisor's suggested resale prices (SRP) for our products. Franchisor will provide Franchisee from time-to-time with price lists reflecting the SRP for some or all of our products, as Franchisor in its sole discretion deems necessary, and Franchisee agrees that it will charge the SRP for products reflected in Franchisor's most recent price list.

On occasion, Franchisor may permit retailers to lower prices for one or more products below the SRP, e.g., for off-season, discontinued, end of lifecycle, or other select products ("Promotional Prices"). Franchisee will be advised of all Promotional Prices by Franchisor in a written communication that sets forth the applicable time frame, and clearly identifies the affected product(s) by stock-keeping unit (SKU) numbers. Franchisee may not offer any Promotional Prices on a product before the end of its lifecycle (i.e., 90 - 120 days) without express written permission from Franchisor. Any discounting outside of that which is pre-approved as a Promotional Price by Franchisor is a violation of this Section.

If Franchisee charges prices for the products that are different from the SRP reflected in Franchisor's most recent price list, the parties agree that this will constitute a material breach of this agreement. In the event of a breach of this provision of the agreement, Franchisee agrees that Franchisor may, in its sole discretion, terminate Franchisee's franchise immediately; refuse to pay Franchisee promotional funds, if any, for which Franchisee might otherwise qualify during the quarter in which Franchisee charged such different prices; or refuse to accept orders from Franchisee for some or all of the products for a term of 30-90 days.

ARTICLE VIII
OBLIGATIONS AND DUTIES OF FRANCHISEE

8.1 Management and Operation of the Franchised Business

(a) Franchisee or a designated and approved manager ("**Operating Manager**") shall, during the term of this Agreement and any renewal thereof, devote full time, energy and best efforts to the management and operation of the Franchised Business hereunder, except as otherwise approved in writing by Franchisor, including, but not limited to, keeping the Franchised Business operating and open for business at the times specified in the Confidential Operations Manuals or as required by Franchisee's lease.

(b) Franchisee shall, at Franchisee's sole expense, retain at all times during the term of this Agreement a certified public accountant to actively oversee management the books of the Franchised Business. Upon request from Franchisee, Franchisor will assist in locating a suitable certified public accountant. Franchisor shall have the right to contact Franchisee's certified public accountant to request reports and information that Franchisor has the right under this agreement to request from Franchisee.

8.2 Maintenance of the Franchised Business

Franchisee shall maintain, at his/her own expense, at all times, the interior and exterior of his/her Franchised Business and all fixtures, furnishings, signs and equipment in the highest degree of cleanliness, orderliness, sanitation and repair, as determined by Franchisor, and to make no material alteration, addition, replacement or improvement in or to the interior or exterior of the Franchised Business without the prior written consent of Franchisor, except that Franchisee shall be required to periodically renovate, refurbish and update his/her Franchised Business so that it is in substantial conformity with the Franchisor's then-current design. In the event either Franchisee's Initial Term or Renewal Term is greater than three (3) years, Franchisor shall not require Franchisee to renovate, refurbish and/or update the Franchised Business more frequently than every five (5) years during the Term of this Agreement, and shall not require Franchisee to expend greater than fifty thousand dollars ($50,000) on such periodic renovation, refurbishment and/or updates. The right to require renovation, refurbishment and/or updates in this Section 8.2 is separate from the Franchisee's obligations which are a condition to renewal in Section 4.2.

8.3 Standards of Operation

Franchisee agrees to maintain a high moral and ethical standard in the operation and conduct of his/her Franchised Business so as to create and maintain goodwill among the public for the name "Mania Jeans" and supervise and evaluate the performance of its staff to insure that each renders competent, efficient and quality service to the general public.

8.4 Approved Products and Services

Franchisee recognizes that it is essential to the proper marketing of the Products, and to the preservation and promotion of its reputation and acceptance by the public at large, that standards of quality be maintained. Franchisee therefore agrees, as part of the consideration for this Agreement, that Franchisee will at all times sell, to retail customers only, or offer for sale to retail customers, only the Products and render only such services as shall meet the reasonable specifications and standards from time to time approved in writing by Franchisor, as permitted by law, and as permitted under the lease. In furtherance thereof, Franchisee shall be required to purchase from Franchisor or its designee any new Products, which may be introduced from time to time by Franchisor and be required to offer same to the public, as Franchisor shall designate in the Confidential Operations Manual.

8.5 Approved Suppliers

(a) In connection with the operation of the Franchised Business, the Franchisee is required to purchase certain items of equipment, if applicable, and also certain Products from sources designated by the Franchisor. Franchisee's obligations under this Section 8.7 shall be satisfied so long as Franchisee equips his/her Franchised Business and keeps it maintained in accordance with Franchisor's strict specifications and standards for the items.

(b) In connection with the operation of his/her Franchised Business, the Franchisee is required to purchase certain other products offered to the retail purchaser as stated in the Confidential Operations Manual. Franchisee's obligation under this Section 8.7 shall be satisfied so long as Franchisee purchases the stated products from sources of supply designated by Franchisor. Although it shall not be construed as an attempt to unreasonably limit the sources from which Franchisee may procure certain products and items for the operation of the Franchised Business, it is the intention of the Franchisor that such items conform to the Franchisor's strict standards and strict specifications of consistent quality and uniformity. Therefore, Franchisor requires Franchisee to purchase such products and other items from sources designated by the Franchisor. Franchisor shall not be obligated to approve any suppliers.

(d) Franchisor and Franchisor's affiliates have the right to receive payments from suppliers on account of their actual or prospective dealings with Franchisee and other franchisees and to use all amounts received without restriction for any purposes Franchisor deems appropriate. Franchisee also understands that, if Franchisor or Franchisor's affiliates sell items to Franchisee, Franchisor and Franchisor's affiliates may make a profit on the items.

8.6 No Representation or Warranty

Franchisee acknowledges that in purchasing or leasing supplies, equipment and/or materials from suppliers approved by Franchisor, **FRANCHISOR EXPRESSLY DISCLAIMS ANY WARRANTIES OR REPRESENTATIONS AS TO THE CONDITION OF SAME, INCLUDING WITHOUT LIMITATION, EXPRESS OR IMPLIED WARRANTIES AS TO MERCHANTABILITY OR FITNESS FOR ANY INTENDED PURPOSE. FRANCHISEE AGREES TO LOOK SOLELY TO THE MANUFACTURER OR SUPPLIER OF SAME IN THE EVENT OF ANY DEFECTS THEREIN.**

8.7 Independent Professional Judgment

The parties acknowledge and agree that Mania Jeans System Standards, Manuals, and any other training, specifications, standards and operating procedures related to the services provided by the Franchised Business are not intended to limit or replace Franchisee, Franchisee's Operating Principal's or Franchisee's Manager's professional judgment in supervising and operating the Franchised Business. The Manuals, Mania Jeans System Standards and other training, specifications, standards and operating procedures represent only the minimum standards and Franchisee's Operating Principal, Manager and other professionals are solely responsible for ensuring that the Franchised Business performs in accordance with all applicable requirements and standards of care. Nothing in this Agreement shall obligate Franchisee's Operating Principal, Manager or other professionals to perform any act that is contrary to Franchisee's or their professional judgment, applicable standards of care or any laws or regulations; provided, however, that Franchisee must notify Franchisor immediately, in writing, upon determination that any specification, standard or operating procedure is contrary to Franchisee's or their professional judgment and seek the Franchisor's approval to continue such acts.

8.8 Changes in Approved Products or Services

Franchisee shall only sell or offer for sale such products as described by the Franchisor, from time to time; and Franchisee must obtain Franchisor's written approval for all contemplated changes and all additions to and/or deletions of products sold in the Franchised Business.

8.9 Compliance with Terms of Agreement

Franchisee shall comply with all the terms, conditions, requirements, covenants and agreements in this Agreement and any renewals thereof and supply Franchisor with such information (in addition to that otherwise provided for in this Agreement) as may be reasonably requested by Franchisor.

8.10 Signage

Franchisee shall use the signage as required by Franchisor. Franchisee shall only employ Franchisor's designated supplier to reproduce Franchisee's signage using Franchisor's format and specifications. This provision shall not constitute a license of any copyright or trademark to the prospective printer of such signage. Any changes in the Products advertised or used at the Franchised Business shall be approved in writing by Franchisor prior to use. At the Franchisor's discretion the signage format may contain advertising reference to other franchises.

8.11 Taxes

Franchisee shall promptly pay, when due, all taxes levied or assessed, including without limitation federal income taxes, sales taxes, unemployment taxes and all indebtedness to Franchisor incurred by Franchisee in the conduct of the business licensed by this Agreement.

8.12 Compliance with Laws

Franchisee shall comply with all federal, state and local laws, rules and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business licensed by this Agreement, including, without limitation, operation licenses, licenses to do business and fictitious name registrations.

8.13 Notification of Claim

Franchisee shall notify Franchisor, in writing, within five (5) days of the commencement of any action, claim, suit or proceeding, and of the issuance of any order, writ, injunction, suit or proceeding, award or decree of any court, agency or other governmental instrumentality.

8.14 No Right to Bind Franchisor

Franchisee shall not pledge Franchisor's credit or bind Franchisor to any obligation, nor shall it hold itself out as being authorized to do so.

8.15 Uniforms

Franchisee shall be responsible for having all personnel employed by Franchisee wear standard related uniforms and attire during business hours in order to further enhance Franchisor's product and format. Franchisee shall be permitted to purchase such uniforms and attire from manufacturers or distributors approved by Franchisor, which uniforms and attire must be in strict accordance with Franchisor's design and other specifications.

8.16 Market Research

The Franchisor may, from time to time, conduct market research and testing to determine consumer trends and the salability of new products and services. Franchisee agrees to cooperate by participating in the Franchisor's market research programs, test marketing new products and services in the Franchised Business and providing the Franchisor with timely reports and other relevant information regarding such market research. In connection with any such test marketing, Franchisee shall purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell such products.

8.17 Prohibited Product

In the event Franchisee sells any products or performs any services that Franchisor has not prescribed, approved or authorized, it shall be considered a material default under this agreement and the Franchisor may terminate this agreement. The Franchisor's right to terminate the Franchisee shall be in addition to all other remedies available to Franchisor under this Agreement or at law.

8.18 Gift Cards

Franchisee shall sell or otherwise issue gift cards or certificates (together "**Gift Cards**") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Confidential Operations Manual or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisee or another franchise in the Mania Jeans System. Franchisee shall sell, issue, and redeem (without any offset against any fees owed to Franchisor) Gift Cards in accordance with procedures and policies specified by Franchisor in the Confidential Operations Manual or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other franchises and for making timely payment to Franchisor, other operators of franchises, or a third-party service provider for Gift Cards issued from the Franchised Business that are honored by Franchisor or other franchise operators.

8.19 Employee Hire Away Policy

Franchisee understands and acknowledges that it is not permitted to hire-away any currently employed staff, whether hourly or salaried, from another Mania Jeans franchise/franchisee, or a corporately owned Mania Jeans unless mutually agreed upon, in a documentable fashion, by both parties. This policy does not apply to previously employed Mania Jeans staff, whether hourly or salaried.

8.20 Information Security

Franchisee must implement all administrative, physical, and technical safeguards necessary to protect any information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, credit card information, government-issued identification numbers, and credit report information ("**Personal Information**") in accordance with applicable law and industry best practices. It is entirely Franchisee's responsibility (even if Franchisor provides Franchisee any assistance or guidance in that regard) to confirm that the safeguards Franchisee uses to protect Personal Information comply with all applicable laws and industry best practices related to the collection, access, use, storage, disposal, and disclosure of Personal Information. If Franchisee becomes aware of a suspected breach or actual breach of security or unauthorized access involving Personal Information, Franchisee will notify Franchisor immediately and specify the extent to which Personal Information was compromised or disclosed.

8.21 Innovations

All ideas, concepts, techniques, or materials relating to a Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or Franchisee's Owners or employees, must be promptly disclosed to Franchisor and will be deemed to be Franchisor's sole and exclusive property, part of the Mania Jeans System, and works made-for-hire for Franchisor. To the extent any item does not qualify as a "work made-for-hire" for Franchisor, by this Section Franchisee assigns ownership of that item, and all related rights to that item, to Franchisee and agrees to sign, and cause Franchisee's employees and other agents to sign, whatever assignment or other documents Franchisor requests to evidence Franchisor's ownership or to help Franchisor obtain intellectual property rights in the item.

ARTICLE IX
SUPPLY AND SALE OF PRODUCTS

9.1 Inventory

Franchisor shall supply to Franchisee, at Franchisee's sole cost, all inventory which the Franchised Business shall offer for sale. Franchisee agrees that the amount, styles and colors of inventory which the Franchised Business will stock shall be at Franchisor's sole and absolute discretion. Franchisor shall monitor the inventory of the Franchised Business and will notify the Franchisee when additional inventory is needed, which Franchisee shall be obligated to purchase.

9.2 Inventory Deposit

The Franchisee shall pay a deposit of twenty thousand dollars ($20,000) (the "**Inventory Deposit**") within five (5) days of execution of this Agreement. During the Term the Inventory Deposit shall be deemed to be and maintained by Franchisor as an initial payment of working capital for the Franchised Business under this Agreement. In the event that Franchisee does not pay any invoice in full by the date due, Franchisor shall have the right, but not the obligation, to deduct any unpaid amounts from the Inventory Deposit. In the event that the Inventory Deposit is less than $20,000, Franchisee shall immediately upon notice replenish the Inventory Deposit to the full $20,000 amount. Failure to maintain the full Inventory Deposit is a material breach of this agreement which may result in termination.

Following the normal expiration of the Term or following the termination of this Agreement for any reason, Franchisor shall repay to the Franchisee the Inventory Deposit, less any expenses or then-known losses, including Liquidated Damages, incurred by or imposed upon Franchisor for or on account of the Franchisee that should have been but were not paid or were paid but should not have been paid by Franchisee. Franchisor will make such payment to the Franchisee within such period of time following the expiration of the Term, or the termination of this Agreement, as Franchisor reasonably deems necessary or appropriate to determine the amount of all deductions, if any, from the repayment of such Inventory Deposit.

9.3 Invoicing and Purchase of Inventory

Franchisee acknowledges and agrees that the Franchisor is the sole supplier for certain Products. Franchisee agrees that Franchisor shall have the right to receive payments for or on account of sales of such Products. Franchisor shall have the right to monitor the inventory at Franchisee's Franchised Business. When Franchisor notifies Franchisee that additional inventory is required to be purchased, Franchisor shall accompany such notice with an invoice for the additional inventory to be purchased by

Franchisee. Franchisee shall submit payment within five (5) days of receipt of the invoice from Franchisor. Once payment is received Franchisor shall ship the invoiced inventory to Franchisee.

9.3 End of Season

At the end of each season, Franchisee shall return to Franchisor all seasonal inventory which is no longer part of the current seasons product lines ("Returned Inventory"). Franchisor shall credit to the Franchisee the value of the Returned Inventory against the invoices for the new seasons inventory purchases until such credit is exhausted.

ARTICLE X
ADVERTISING AND PROMOTIONAL ACTIVITIES

10.1 Marketing Fund Contributions

Recognizing the value of marketing and the importance of the standardization of promotions and public relations programs to the furtherance of the goodwill and public image of the Mania Jeans System and the Marks, Franchisee agrees to contribute to a system-wide advertising and promotional Marketing Fund (the "**Marketing Fund**") during the term of this Agreement, and on a monthly basis on the Payment Date, one percent (1%) of Franchisee's Gross Sales.

10.2 Local Advertising

If other Mania Jeans are located in Franchisee's area, Franchisee must participate in any local advertising cooperative that Franchisor establishes or causes to be formed, if Franchisor requires Franchisee's participation. Such participation may involve, for example, paying a pro rata share of the cost of yellow pages advertising (or equivalent) placed on behalf of Franchisee and other Mania Jeans franchisees. Franchisee may not solicit business through the use of an 800 (or other toll-free) number, direct mail, internet advertising or other advertising method without Franchisor's prior written consent.

10.3 Franchisor Must Approve Advertising Materials

Franchisee must submit to Franchisor, for its approval, all materials to be used for local advertising, unless they have been approved before or they consist only of materials Franchisor provided. All materials containing the Marks must include the designation trademark ™, registered trademark ®, service mark ℠, copyright ©, as applicable, or any other designation Franchisor specifies. If Franchisee does not receive written or oral approval of any materials submitted within fifteen (15) days from the date Franchisor receives the materials, the materials are disapproved. Any materials submitted to Franchisor for its approval will become Franchisor's property, and there will be no restriction on Franchisor's use of such materials. Franchisor may require Franchisee to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved. Franchisor must make this requirement in writing, and Franchisee has five (5) days after receipt of Franchisor's notice to withdraw and/or discontinue use of the materials or advertising. Franchisee's submission of advertising for approval does not affect his/her right to determine the prices at which Franchisee sells his/her services or products. Franchisee must include in any significant display advertisements, and in marketing materials for the Franchised Business, in conformance with standards in the Confidential Operations Manual, a notice that the Franchised Business is individually owned and operated. Subject to any legal restrictions, Franchisee also must display or make available, in the reception area of the Franchised Business, marketing materials that Franchisor provides to Franchisee about the purchase of Mania Jeans franchises, but Franchisee has no responsibility or authority to act for Franchisor in franchise sales.

10.4 Telephone Listings

Franchisee acknowledges and agrees that Franchisor will own all rights to and interest in each telephone number and telephone directory listing used by Franchisee that is associated in any manner with the Franchised Business and/or with any Mark ("**Telephone Listing**"). Franchisee acknowledges and agrees that all goodwill arising from or in connection with the use of each Telephone Listing will inure to Franchisor's benefit. Promptly after the expiration, termination, repurchase or transfer of the franchise, and at Franchisee's own expense, Franchisee will notify all telephone companies with whom he/she has any Telephone Listing and direct them to transfer the Telephone Listing to Franchisor or to any person(s) Franchisor designates, and Franchisee will execute any and all documents necessary to complete these transfer(s). On the execution of this Agreement, Franchisee will sign a telephone transfer consent and authorization, in a form substantially similar to Exhibit G, granting Franchisor the authority to change, transfer or terminate Franchisee's Telephone Listing(s) on Franchisee's behalf. Franchisor will use this authorization only if Franchisee does not comply fully with this Section 10.4 after the expiration, termination, repurchase or transfer of the franchise.

10.5 Website

The Franchisee shall not maintain a World Wide Website or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with the Franchised Business without Franchisor's prior written approval, which Franchisor may withhold for any reason or no reason. Franchisee agrees to submit to Franchisor for approval before use, true and correct printouts of all Website pages Franchisee proposes to use in his/her Website in connection with the Franchised Business. Franchisee understands and agrees that Franchisor's right of approval of all such Web materials is necessitated by the fact that such Web materials will include and be inextricably linked with Franchisor's Marks. Franchisee may only use materials which Franchisor has approved. Franchisee's Website shall conform to all of Franchisor's Website requirements, whether stated in the Confidential Operations Manuals or otherwise. Franchisee agrees to provide all hyperlinks or other links that Franchisor requires. If Franchisor grants approval for a Website, Franchisee may not use any of the Marks at the site except as Franchisor expressly permits. Franchisee may not post any of Franchisor's proprietary, confidential or copyrighted material or information on his/her Website without Franchisor's prior written consent. If Franchisee wishes to modify the approved site, all proposed modifications must also receive Franchisor's prior written approval. Franchisee explicitly understands that he/she may not post on his/her Website any material which any third party has any direct or indirect ownership interest in (including, without limitation, video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image which any third party may claim intellectual property ownership interests in). Franchisee agrees to list on his/her Website any Website maintained by Franchisor, and any other information Franchisor requires in the manner Franchisor dictates. Franchisee agrees to obtain Franchisor's prior written approval for any internet domain name and/or home page address. The requirement for Franchisor's prior written approval described in this Section will apply to all activities on the Internet or other communications network to be conducted by Franchisee, except that Franchisee may maintain one or more E-mail addresses and may conduct individual E-mail communication without Franchisor's prior approval as provided above if he/she proposes to send advertising to multiple addresses via E-mail.

10.6 Social Media

Franchisee is required and agrees to comply with any Social Media policy that is instituted by the Franchisor, whether incorporated into the Manual as an addendum or otherwise communicated from Franchisor in writing at any time. Franchisor may grant Franchisee the right to maintain, or may require Franchisee to maintain, or may prohibit the franchisee from maintaining an independent social media presence for the Franchised Business through websites such as Facebook, Twitter, Instagram, Foursquare, and the like. Any such account shall be the property of Franchisor. If granted the right to operate such an account, Franchisee must grant Franchisor permanent access to all such social media accounts, including the right to edit, post, delete, and revise content. Franchisee shall provide and update a list of all passwords necessary for such access to Franchisor. Unless otherwise stated in a social media policy, all Franchisee content on such social media websites shall constitute local marketing materials for purposes of Section 10.1 above.

10.7 Participation in Promotions and Loyal Programs

Franchisor may, at its discretion, institute promotional and/or loyalty programs to include franchised locations ("**Promotional Programs**"). Franchisee is required and agrees to participate in any Promotional Programs instituted by the Franchisor, at Franchisor's sole discretion. Such Promotional Programs may be regional, national, or international, and Franchisee is required to participate as directed by Franchisor. Franchisee may be required to purchase materials, provide free or discounted products to customers, or to otherwise incur expenses as part of a Promotional Program(s), and Franchisee shall bear these costs. Franchisor shall have full discretion to initiate, continue, modify, or cancel any Promotional Program(s) at any time.

ARTICLE XI
REPORTS TO FRANCHISOR

11.1 Books and Records

Franchisee shall keep full, complete and accurate books and accounts in accordance with generally accepted accounting principles and in accordance with the Mania Jeans System, and Franchisee shall:

(a) Submit to Franchisor concurrently with the payment of the Marketing Fund contribution, on a form supplied or approved by Franchisor, a signed and verified statement of Gross Sales in cash, credit and/or other charges, and when Franchisee is tied into the computerized cash register system such reports shall be transmitted electronically;

(b) Submit to Franchisor within five (5) days after the end of each month, a monthly profit and loss report for the Franchised Business for such month;

(c) Submit to Franchisor within sixty (60) days after the close of each twelve (12) month period an annual profit and loss statement for the Franchised Business for such year and a balance sheet for the Franchised Business as of the end of such year, reviewed by an independent certified public accountant. Franchisor may randomly select a franchisee or franchisees who will be required to have an audited financial statement prepared by a certified public accountant selected by the franchisee, but who shall be acceptable to Franchisor, which opinion may be qualified only to the extent reasonably acceptable to the Franchisor;

(d) Submit to Franchisor a copy of all of Franchisee's Federal, State and Local tax returns of any kind or nature; and a certificate from said accountant that all Social Security payments, taxes and fees required to be paid by Franchisee have been paid and that there is no reason to believe that Franchisee's corporate status, if Franchisee is a corporation, limited liability company or other entity, has been impaired; and

(e) Submit to Franchisor such other periodic forms and reports as may be reasonably prescribed by Franchisor.

11.2 Maintenance of Accounting Records

Franchisee shall preserve for a period of not less than three (3) years all accounting records and supporting documents relating to the Franchisee's business under this Agreement.

11.3 Sales Records

Franchisee shall record, in a manner approved and designated by Franchisor at the time of receipt, all sales of all products sold by Franchisee from his/her Franchised Business in a computerized cash register of a type designated by Franchisor, or on any other machine or recording device recommended or approved in advance by Franchisor.

Franchisee shall maintain an internet connection of adequate connectivity, speed, and capacity to permit Franchisor to access Franchisee's computerized point of sale system, and shall allow Franchisor access to such computerized point of sale system at all times. Franchisee shall install and maintain a wireless internet system available to customers, approved by Franchisor, if Franchisor so requires in the Confidential Operations Manual.

Franchisee shall install and maintain a security camera system approved by Franchisor which enables Franchisee and Franchisor to observe active camera feeds in the Franchised Business.

11.4 Audit

In order to determine whether Franchisee is complying with this Agreement, the Franchisor or its designated agents shall have the right, at any time during reasonable business hours, to examine at its expense the books, records, cash control devices, income tax returns, bank statements, sales records of the Franchised Business, and the books and records of any corporation, limited liability company or partnership which owns the franchise. Franchisor shall also have the right, at any time, to have an independent audit made of the books of Franchisee. If an inspection or audit should reveal that Gross Sales and/or payments have been understated in any report to Franchisor, by five percent (5%) or more, then Franchisee shall, upon fifteen (15) days' notice, pay to Franchisor the amount understated upon demand, with interest thereon as described in Section 5.5, and in addition reimburse Franchisor for any and all costs and expenses connected with the inspection (including without limitation, reasonable accounting and attorneys' fees, travel expenses, room and board and compensation of employees of the Franchisor). The foregoing remedies shall be in addition to any other remedies Franchisor may have hereunder or under applicable law.

ARTICLE XII
CONFIDENTIALITY

12.1 Loan of Confidential Operations Manual

Franchisor shall lend to Franchisee, a confidential operations manual published by Franchisor (the "**Confidential Operations Manual**") which includes, in part, the business procedures, technical advice and rules and regulations for operating the business, and incorporates by reference any training manuals which Franchisor shall lend to Franchisee at the initial training. The Confidential Operations Manual shall be provided to Franchisee when the lease for the Franchised Business is signed.

12.2 Franchisee's Acknowledgments

Franchisee acknowledges and agrees that:

(a) The Confidential Operations Manual is the property of the Franchisor during the term of this Agreement and any renewal hereof;

(b) The Confidential Operations Manual contains Confidential Information which Franchisee will protect as a trade secret, and that its loss will cause substantial damage to Franchisor and other franchisees, although the amount of such loss would be incalculable with any degree of accuracy;

(c) Franchisee shall not reprint or reproduce any portion of the Confidential Operations Manual for any reason whatsoever;

(d) If Franchisee misplaces, destroys, or otherwise loses possession of the Confidential Operations Manual, Franchisee shall be obligated to pay to Franchisor a Replacement Manual Fee of Five Hundred Dollars ($500.00); and

(e) Upon termination of this Agreement for any reason, the Confidential Operations Manual, including any and all paper and electronic copies, will be immediately returned to Franchisor.

12.3 Modifications to Confidential Operations Manual

Franchisor may reasonably add to or otherwise modify the Confidential Operations Manual, from time to time, whenever it considers such additions or modifications desirable to improve or maintain the standards of the Mania Jeans System and the efficient operation thereof, or to protect or maintain the goodwill associated with the "Mania Jeans" name and Marks or to meet competition, provided such additions or modifications are system-wide in nature and do not substantially increase Franchisee's economic burden.

12.4 Incorporation of Confidential Operations Manual

From the date of the opening of the business by Franchisee, the mandatory specifications, standards and operating procedures prescribed by Franchisor and communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully described herein. All references herein to this Agreement shall include the provisions of the Confidential Operations Manual and all such mandatory specifications standards and operating procedures.

12.5 Receipt of Confidential Information

Franchisee acknowledges that prior to or during the Term, Franchisor may disclose in confidence, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the Mania Jeans System, Franchisor's business, Franchisor's vendor relationships, Franchisor's stores, or the construction, management, operation, or promotion of the Franchised Business (collectively, "**Confidential Information**"), including (i) site selection criteria and methodologies; (ii) methods, formats, systems, Mania Jeans System Standards, clothing designs, fashion industry trends, projected trends and collections, sales and marketing techniques, knowledge and experience used in developing and operating Franchised Businesses, including information in the Confidential Operations Manuals; (iii) marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand related materials and programs for Franchised Businesses; (iv) knowledge of specifications for and suppliers of, and methods of ordering, certain items that Franchised Businesses use and/or sell; (v) knowledge of the operating results and financial performance of other franchises; (vi) customer information, customer communication and customer retention programs, along with data used or generated in connection with those programs; and (vii) any other information Franchisor reasonably designates from time to time as confidential or proprietary. "Confidential Information" does not include (i) information that is part of the public domain or becomes part of the public domain through no fault of

Franchisee, (ii) information disclosed to Franchisee by a third party having legitimate and unrestricted possession of such information, or (iii) information that Franchisee can demonstrate by clear and convincing evidence was within Franchisee's legitimate and unrestricted possession when the parties began discussing the sale of the franchise.

12.6 Non-Disclosure of Confidential Information

Franchisor and Franchisor's affiliates own all right, title, and interest in and to the Confidential Information. Franchisee will not, nor will Franchisee permit any person to, use or disclose any Confidential Information (including without limitation all or any portion of the Confidential Operations Manuals) to any other person, except to the extent necessary for Franchisee's professional advisors and Franchisee's employees to perform their functions in the operation of the Franchised Business. Franchisee acknowledges that Franchisee's use of the Confidential Information in any other business would constitute an unfair method of competition with Franchisor and Franchisor's franchisees. Franchisee will be liable to Franchisor for any unauthorized use or disclosure of Confidential Information by any employee or other person to whom Franchisee discloses Confidential Information. Franchisee will take reasonable precautions to protect the Confidential Information from unauthorized use or disclosure and will implement any systems, procedures, or training programs that Franchisor requires. At Franchisor's request, Franchisee will require anyone who may have access to the Confidential Information to execute non-disclosure agreements in a form satisfactory to Franchisor that identifies Franchisor as a third-party beneficiary of such covenants with the independent right to enforce the agreement.

An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under a Federal or State trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to an attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order.

ARTICLE XIII
INSURANCE

13.1 Insurance Coverages

Franchisee shall obtain and place at its sole cost and expense, with an insurer rated "A+" in A.M. Best and Company, Inc.'s Directory who is authorized to do business in the state in which the Franchisee's Franchised Business is located, and to keep in full force and effect during the terms of this Agreement, insurance coverage on an "occurrence basis" naming Franchisor, its officers, directors and shareholders and any supplier of Products, and any designated primary and secondary lessor as co-insureds (such insurance policies hereinafter referred to collectively as "**Insurance**") as follows:

(a) Comprehensive general liability insurance for bodily injury, death and property damage caused by Franchisee's operation of the Franchised Business, including employment practices liability coverage and contractual liability coverage, (not less than $1,000,000 each occurrence for bodily injury or, death or property damage; and not less than $100,000 not less than $1,000,000 each occurrence for property damage, personal and advertising injury; and $2,000,000 general aggregate; deductible or self-insured retention equal to or less than $5,000;

(b) "All Risks" coverage for the full cost of replacement of the Franchised Business premises and all other property in which the Franchisor may have an interest, with a replacement cost clause attached, agreed amount endorsement equal to one hundred (100%) percent of the value of the property;

(c) Employer's Liability, Workers' Compensation, and such other insurance as may be required by statute or rule of the state or locality in which Franchisee's Mania Jeans is located and operated;

(d) Business interruption insurance in sufficient amounts but not less than $100,000. Franchisor shall be named as an additional insured and loss payee in an amount equal to the inventory purchases that would have been paid by the Franchised Business for the preceding twelve (12) month period, or prorated for such shorter period (if the Franchised Business has not been in operation for twelve (12) months), and shall expressly provide that any interest of same therein shall not be affected by any breach of Franchisee of any policy provisions for which such certificates evidence coverage; and

(e) Cyber Risk coverage (minimum coverage of $1,000,000);

(f) Products liability and completed operation insurance (minimum coverage of $2,000,000);

(g) Any other insurance coverage as required by the State, Federal or local municipality in which the franchised premises is located, as required by Franchisor, or as required by the lease for the Franchised Business premises.

(h) Franchisee may, with the prior written consent of Franchisor, elect to have reasonable deductibles in connection with the coverage required under Sections 13.1(a) and 13.1(b).

13.2 Additional Provisions

The insurance shall cover the acts or omissions of each and every one of the persons who perform services of whatever nature at the Franchised Business, and shall protect against all acts of any persons who patronize the Franchised Business and shall contain a waiver of subrogation against Franchisor.

13.3 Certificates of Insurance

Prior to the opening of the Franchised Business, Franchisee will deliver to Franchisor certificates of the Insurance, together with the copies of the actual policies issued, and will promptly pay all premiums thereon as and when the same become due. All policies shall provide that they are non-cancelable as to Franchisor in the absence of thirty (30) days' written notice to Franchisor. Franchisor shall have the right, but shall not be obligated, to pay premiums due and unpaid by Franchisee or else to obtain substitute coverage in the case of cancellation. Any cost thereof to Franchisor shall be added to payments otherwise payable to Franchisor under this Agreement, provided, however, that same shall be due and payable to Franchisor by the Franchisee within five (5) days of demand therefor.

13.4 Changes in Insurance Coverages

Franchisor reserves the right to demand that Franchisee obtain Insurance from time to time which is different in coverage, risks, amount or otherwise from the foregoing in order to protect fully the parties having insurable interests in the Franchised Business, provided such Insurance is reasonably common in the area for similar operations.

13.5 Notification of Claim

Franchisee shall immediately notify Franchisor, in writing, of any accidents, injury, occurrence or claim that might give rise to a liability or claim against Franchisor or which could materially affect Franchisee's business, and such notice shall be provided no later than the date upon which Franchisee notifies his/her insurance carrier.

13.6 Franchisor May Purchase Insurance

If Franchisee fails to obtain or maintain the required insurance, or fails to provide certificates to Franchisor upon Franchisor's request, then Franchisor may obtain insurance on behalf of the franchisee from any vendor of Franchisor's choosing. Franchisee shall be required to reimburse Franchisor for the cost of the premium(s) plus a two thousand five hundred dollar ($2,500) fee to cover Franchisor's administrative time and costs. Insurance reimbursement (including the $2,500 fee) shall be payable upon demand from Franchisor, and interest shall begin to accrue (pursuant to Section 5.5 of this Agreement) upon the fifth day after demand if the Franchisee has not reimbursed Franchisor.

ARTICLE XIV
RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

14.1 Independent Contractor

The relationship between Franchisor and Franchisee is strictly that of a franchisor and franchisee, and Franchisee shall be deemed to be an independent contractor. This Agreement does not create a fiduciary relationship between Franchisor and Franchisee, joint venture, partnership, or agency and any act or omission of either party shall not bind or obligate the other except as expressly stated in this Agreement.

14.2 Franchisee Has Full Responsibility

Franchisee recognizes that Franchisor has entered into this Agreement in reliance upon and in recognition of the fact that Franchisee will have full responsibility for the management and operation of the business and that the amount of profit or loss resulting from the operation of the business will be directly and solely attributable to the performance of Franchisee.

14.3 No Rights in the Mania Jeans System, Marks, Etc.

Except as expressly granted herein, Franchisee recognizes that nothing contained in this Agreement shall be construed as giving to Franchisee or to any other person or entity any right or interest in the Franchisor's names, Marks, trade secrets, methods, procedures or techniques developed by Franchisor and used in the Mania Jeans System. Further, except as specifically stated in Article I hereof, nothing contained herein shall be construed as limiting Franchisor's right, title or interest in the "Mania Jeans" name, Marks, trade secrets, methods, procedures and techniques which are a part of the Mania Jeans System or Franchisor's sole and exclusive right to register trade secrets, methods, procedures and techniques.

14.4 Identification of Independent Ownership

In all public records and prominently displayed at the Franchised Business and in Franchisee's relationship with third parties, including but not limited to, employees and vendors, as well as on letterheads and business forms, Franchisee shall indicate clearly the independent ownership of the

Franchised Business, and that the operations of same are separate and distinct from the operation of Franchisor's business. Franchisor shall have the absolute right to approve and/or supply any sign displays containing the foregoing.

14.5 Taxes

The Franchisor shall have no liability for any sales, use, excise, gross receipts, property or other taxes, whether levied upon Franchisee, the Franchised Business or its assets, or upon Franchisor in connection with sales made, services performed or business conducted by Franchisee, except for any taxes Franchisor or its Affiliate is required by law to collect from Franchisee with respect to purchases from Franchisor or its Affiliate, or for Franchisor's own income tax liability.

14.6 Indemnification by Franchisee

Franchisee agrees to indemnify and hold the Franchisor and its subsidiaries, affiliates, stockholders, directors, officers, employees, agents and assignees harmless against, and to reimburse them for, any loss, liability, taxes or damages (actual or consequential) and all reasonable costs and expenses of defending any claim brought against any of them or any action in which any of them is named as a party (including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses) which any of them may suffer, sustain or incur by reason of, arising from or in connection with Franchisee's ownership or operation of the Franchised Business, which is due solely to Franchisee's negligence, breach of contract or other civil wrongs, unless such loss, liability or damage is solely due to the negligence of the Franchisor (or any of its affiliates, i.e., any company controlling, controlled by, or under common control with the Franchisor) in the production or manufacturing of any products which the Franchisor sells to Franchisee directly. Franchisee acknowledges and agrees that any action or inaction by any third party (e.g., an independent carrier) which is not an affiliate of the Franchisor in connection with production or manufacture of any products shall not be attributable to or constitute negligence of the Franchisor.

14.7 Indemnification by Franchisor

The Franchisor agrees to indemnify and hold Franchisee harmless against, and to reimburse him/her for, any loss, liability or damage (actual or consequential) and all reasonable costs and expenses of defending any claim brought against him/her or any action in which he/she is named as a party (including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses) which he/she may suffer, sustain or incur solely by reason of, arising from or in connection with the gross negligence of the Franchisor (or any of its affiliates, i.e., any company controlling, controlled by or under common control with the Franchisor) in producing or manufacturing of products which Franchisor sells to Franchisee directly (provided Franchisee shall have established that Franchisee inspected such Products in accordance with the procedures stated in the Confidential Operations Manual and could not have reasonably discovered the adulteration or other defect in such Products which was the cause of such loss, liability or damage). Franchisee acknowledges and agrees that any action or inaction by any third party (e.g., an independent carrier) which is not an affiliate of the Franchisor in connection with production or manufacture of any products shall not be attributable to or constitute negligence of the Franchisor.

ARTICLE XV
COVENANTS NOT TO COMPETE

15.1 In-Term Covenants

During the term of this Agreement, or any extension thereof, neither Franchisee, nor any partner, if the Franchisee is a partnership, nor any shareholder or member, if the Franchisee is a corporation or limited liability company, shall either directly or indirectly for himself or herself or on behalf of, or in conjunction with any other person, persons, partnership, association or corporation own, maintain, engage in, participate or have any interest in the operation of any enterprise specializing, in whole or in part, in the sale of jeans, clothing, shoes and/or accessories in any retail store format (a "**Competitive Business**"), provided, however, that this prohibition shall not apply to the ownership by the Franchisee of additional Mania Jeans franchises.

15.2 Post-Term Covenants

For a period of two (2) years following termination, expiration, or non-renewal of this Agreement, except where the termination occurs due to the fault or action of the Franchisor and not due to default of the Franchisee or any partner, if the Franchisee is a partnership, or any shareholder or member, if the Franchisee is a corporation or limited liability company, the Franchisee shall not, except with respect to the ownership or operation by Franchisee of additional Mania Jeans franchises:

(a) Induce any person who is at that time engaged, operating or employed by or at any other Franchised Business to leave his or her employment thereat;

(b) Either directly or indirectly for himself or on the behalf of, or in conjunction with, any other person, persons, partnership, association or corporation, own, maintain, engage in, participate in, or have any interest in the operation of any Competitive Business, or which distributes, produces or sells clothing within fifty miles (50) of the Franchised Business or any other franchisee of Franchisor. The restrictions of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represents five percent (5%) or less of the number of shares of that class of securities issued and outstanding.

15.3 Failure to Comply

In the event Franchisee fails or refuses to comply with the in-term or post-term covenants of this Article, even if such failure or refusal is based upon a claim that the laws of any particular jurisdiction excuse such non-compliance or make the provision of said paragraph unenforceable in whole or in part, and provided that the jurisdiction in which the Franchised Business is located permits, Franchisee hereby separately covenants and agrees that while this Agreement is in effect and for two (2) years after its termination, except where termination occurs due to the fault or action of Franchisor and not due to default of Franchisee, Franchisor shall have the right to require that all sales made in the operation of any business operated in violation of this Article XV shall be reported to Franchisor and Franchisee agrees to pay Franchisor upon demand, the weekly fee of Five Thousand Dollars ($5,000), at the times and in the manner specified in Article V hereof all without being deemed to revive, modify or expand this Agreement. The covenants of this Article shall survive the termination or expiration of this Agreement.

15.4 Confidential Information

Franchisee shall not, during the term of this Agreement or after its termination or non-renewal, communicate or divulge to any other person, persons, partnership, corporation or other entity any information or knowledge concerning the methods of operation used in a Franchised Business nor shall

Franchisee disclose or divulge, in whole or in part, any trade secrets of Franchisor or its affiliated companies or subsidiaries thereof.

15.5 Unenforceability of Covenants

The parties agree that the covenants contained in Sections 15.2, 15.3 and 15.4 above shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Article is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a party, Franchisee expressly agrees to be bound by any lesser covenant subsumed with the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated and made a part of this Article.

15.6 Injunctive Relief

Franchisee acknowledges that the foregoing restrictions are reasonable, are not vague or indefinite, and are designed to protect the legitimate business interests of Franchisor, and that in the event of a breach of covenants contained in this Article XV, the damage to Franchisor would be difficult to ascertain, and in addition to the liquidated damages payable to Franchisor as hereinafter provided for the breach of any or all of said covenants, Franchisor shall be entitled to seek injunctive and/or other equitable relief against the violation of any said covenants, together with reasonable attorneys' fees and costs.

15.7 Enforceability

Covenants contained in this Article shall be construed as severable and independent and shall be interpreted and applied consistent with the requirements of reasonableness and equity. Any judicial reformation of these covenants consistent with this interpretation shall be enforceable as though contained herein and shall not affect any other provisions or terms of this Agreement.

ARTICLE XVI
MODIFICATION OF THE SYSTEM

Franchisee understands and agrees that the Mania Jeans System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends, other market place variables and the needs of customers, and to best serve the interests of Franchisor, Franchisee and all other franchisees. Accordingly, Franchisee expressly understands and agrees that Franchisor may from time to time change the components of the Mania Jeans System, including, but not limited to, altering the products, designs, fashion trends, product collections, programs, services, methods, standards, forms, policies and procedures of that Mania Jeans System; abandoning the Mania Jeans System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those programs and services which the Franchised Business is authorized to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which Franchisee is required to observe hereunder; and changing, improving or modifying the Marks. Subject to the other provisions of this Agreement, including the restrictions contained in Section 8.3, Franchisee expressly agrees to abide by any such modifications, changes, additions, deletions and alterations, provided, however, that such changes are system-wide in nature do not materially and unreasonably increase Franchisee's economic obligations hereunder.

Franchisee shall accept, use and effectuate any such changes or modifications to, or substitution of, the Mania Jeans System as if they were part of the Mania Jeans System at the time that this Agreement was executed.

Except as provided herein, Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

ARTICLE XVII
FRANCHISEE

The term "Franchisee" shall include all persons who succeed to the interest of the original Franchisee by transfer or operation of law and shall be deemed to include not only the individual or entity defined as "Franchisee" in the introductory paragraph of this Agreement, but shall also include partners of the entity that executes this Agreement, in the event said entity is a partnership, all shareholders, officers and directors owning more than a twenty (20%) percent ownership interest in the entity that executes this Agreement, in the event said entity is a corporation, and all members and managers owning more than a twenty percent (20%) ownership interest in the entity that executes this Agreement, in the event said entity is a limited liability company. By their signatures hereto, all partners, shareholders, officers, directors, members and managers of the entity that signs this Agreement as Franchisee acknowledges and accepts the duties and obligations imposed upon each of them, individually, by the terms of this Agreement. The singular usage includes the plural and the neuter and masculine usages include the other and the feminine.

ARTICLE XVIII
TERMINATION

18.1 Events of Default

Franchisor may terminate this Agreement upon the occurrence of any of the following events of default:

(a) Failure by Franchisee to make complete and timely payment of any and all fees and billings due Franchisor or any of its subsidiary or affiliated corporations;

(b) Failure to comply with the reporting or record keeping requirements of this Agreement, and/or the under-reporting of Gross Sales by five percent (5%) or more;

(c) The misstatement by Franchisee of any material fact, or failure to disclose or the understatement of any material fact in any report furnished to the Franchisor pursuant to this Agreement or the Confidential Operations Manual, whether or not such misstatement or failure to disclose or understatement is intentional;

(d) A breach by Franchisee of any provision of this Agreement, any material provision of the Confidential Operations Manual, or any other agreement between Franchisor and Franchisee or any of its subsidiary or affiliated corporations;

(e) Franchisee's engaging in any conduct or practice that, in the sole discretion of Franchisor, is detrimental or harmful to the good name, goodwill or reputation of Franchisor or its products or other franchisees or the public;

(f) Franchisee's engaging in any conduct or practice that is a fraud upon consumers, or is an unfair, unethical, or deceptive trade, act or practice;

(g) Any pledge or attempted pledge of Franchisor's credit by Franchisee, or an attempt by Franchisee to bind Franchisor to any obligation;

(h) Failure by Franchisee to participate in the advertising, promotional, or marketing activities, services, and programs that are established by Franchisor or the Marketing Fund;

(i) Unauthorized or improper use by Franchisee of the Marks;

(j) Misuse or unauthorized disclosure by Franchisee of the Confidential Operations Manual, information or materials;

(k) Failure to use or sell any of the Products required by the Franchisor;

(l) Sale of any products or performance of any service which is not previously authorized by the Franchisor;

(m) Failure to open the Franchised Business at the location designated by Franchisee within the time specified in the lease or this Agreement;

(n) Except as otherwise provided herein, failure by Franchisee to purchase his/her entire requirement of any of the items from sources of supply designated by Franchisor and to sell the same to the consuming public using his/her best efforts;

(o) Failure to correct any local, state or municipal safety law or code violation within twenty-four (24) hours after being cited for such violation, except if Franchisee cannot effect a cure within said time frame, but has, in good faith, initiated a cure of such violations; or

(p) Sale of Products to anyone other than the retail customer (ultimate consumer), without Franchisor's prior written approval;

(q) Franchisee fails to pay the Inventory Deposit within the time frame specified in Section 9.1; or

(r) The Inventory Deposit drops below $20,000 and Franchisee fails to promptly fully replenish the Inventory Deposit to $20,000.

18.2 Notice of Termination

To terminate Franchisee for default of this Agreement pursuant to Section 18.1 above, Franchisor shall first provide Franchisee with written notice of termination, which notice shall specify the reason for and the Effective Date of Termination. This Agreement shall terminate on the date specified therein, which shall not be less than seven (7) days from the posted day of the notice (or such longer period as provided by State law), unless:

(a) Franchisee cures the default or reason for termination during the notice period;

(b) Franchisee has in good faith, initiated a cure of the default or reason for termination within the notice period, and such default or reason cannot be completely cured during the notice period because of factors reasonably beyond the exclusive control of Franchisee, in which event Franchisor, by notice, shall permit Franchisee a reasonable opportunity, in light of such factors, to effect a complete cure; or

(c) The provisions of Sections 18.2(a) and (b) notwithstanding, this Agreement shall nonetheless terminate if the default or reason for termination has been stated in two (2) prior notices of termination within any prior twelve (12) month period, and/or if Franchisee is terminated as a result of under-reporting Gross Sales by five percent (5%) or more.

18.3 Immediate Termination

Upon written notice to Franchisee, Franchisor may, without right to cure, immediately terminate this Agreement upon the occurrence of any of the following events of default:

(a) Any action by Franchisee, any of his/her partners, if Franchisee is a partnership, or any of its officers, directors or stockholders, if Franchisee is a corporation, or any of its members or managers, if Franchisee is a limited liability company, which results in:

(i) An affirmative act of insolvency;

(ii) An assignment for the benefit of creditors;

(iii) The filing of a petition under any bankruptcy, reorganization, insolvency, or moratorium law, or any law for the relief of, or relating to, debtors, except with respect to any relief permitted under the Federal Bankruptcy Code; or

(iv) Violation of the Anti-Terrorism Laws, as described in Article XXXVIII hereof.

(b) The filing of any involuntary petition under any bankruptcy statute against Franchisee, any of its partners, any of its stockholders owning at least twenty-five (25%) percent of any class of stock, or any of its members owning at least twenty-five percent (25%) of any class of membership interests, or the appointment of any receiver or trustee to take possession of property of Franchisee, any of its partners, or any of its stockholders owning twenty-five (25%) percent of any class of stock of Franchisee, or any of its members owning at least twenty-five percent (25%) of any class of membership interests;

(c) Failure by Franchisee to satisfy fully a civil judgment obtained against Franchisee for a period of more than thirty (30) days after all rights of appeal have been exhausted, or execution of such a judgment, execution of a lien, or foreclosure by a secured party or mortgage against Franchisee's property, which judgment, execution of a lien, or foreclosure by a secured party or mortgage would have an adverse or detrimental effect upon Franchisee's franchised operation;

(d) Conviction of Franchisee, or any partner of Franchisee, or any officer, director, stockholder or member owning at least twenty-five (25%) percent of any class of equity interest of Franchisee, or the manager of Franchisee's franchise, of any crime which in the opinion of Franchisor would adversely affect the goodwill or interest of Franchisee or the Franchised Business;

(e) The uncured default by Franchisee under any lease of the Franchised Business which could possibly result in the loss by Franchisee of the right to possess for any reason whatsoever;

(f) A final judgment or the unappealed decision of a court, regulatory officer, agency, or quasi-regulatory agency that results in the temporary or permanent suspensions or revocation of any permits or licenses, possession of which is a prerequisite to the operation of Franchisee's business or is required under applicable law;

(g) The direct or indirect assignment, transfer, sale or encumbrance by Franchisee of this Agreement or franchise or any of his/her rights or privileges contrary to this Agreement, or any attempt by Franchisee to sell, assign, transfer or encumber the Franchised Business contrary to the terms of this Agreement;

(h) Failure by Franchisee to remain open for business as required by this Agreement or as may be required by the Confidential Operating Manual, as may be limited by local law or the prime landlord, or the abandonment or vacating by Franchisee of his/her Franchised Business or for three (3) or more consecutive days; or

(i) Dissolution, judicial or otherwise, or liquidation of Franchisee, if Franchisee is a corporation, limited liability company or partnership.

18.4. Cross-Defaults, Non-Exclusive Remedies, Etc.

Any default by Franchisee (or any person/company affiliated with Franchisee) under this Agreement may be regarded as a default under any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee). Any default by Franchisee (or any person/company affiliated with Franchisee) under any other agreement, including, but not limited to, any lease and/or sublease, between Franchisor (or any affiliate of Franchisor) and Franchisee (or any person/company affiliated with Franchisee), and any default by Franchisee (or any person/company affiliated with Franchisee) under any obligation to Franchisor (or any affiliate of Franchisor) may be regarded as a default under this Agreement. Any default by Franchisee (or any person/company affiliated with Franchisee) under any lease, sublease, loan agreement, security interest or otherwise, whether with Franchisor, any affiliate of Franchisor and/or any third party may be regarded as a default under this Agreement and/or any other agreement between Franchisor (or any affiliate of Franchisor) and Franchisee (or any affiliate of Franchisee).

In each of the foregoing cases, Franchisor (and any affiliate of Franchisor) will have all remedies allowed at law, including termination of Franchisee's rights (and/or those of any person/company affiliated with Franchisee) and Franchisor's (and/or Franchisor's affiliates') obligations. No right or remedy which Franchisor may have (including termination) is exclusive of any other right or remedy provided under law or equity and Franchisor may pursue any rights and/or remedies available.

18.5 Other Remedies

If any events occur which give Franchisor the right to terminate this Agreement, Franchisor may, at its sole election and upon delivery of written notice to Franchisee, take any or all of the following actions without terminating this Agreement:

(a) temporarily remove information concerning the Franchised Business from the system website and/or stop Franchisee or the Franchised Business' participation in any other programs or benefits offered on or through any of Franchisor's marketing efforts;

(b) suspend Franchisee's right to participate in one or more programs or benefits that the Marketing Fund provides;

(c) suspend any other services that Franchisor or Franchisor's affiliate provides to Franchisee under this Agreement or any other agreement;

(d) suspend or terminate any temporary or permanent fee reductions to which Franchisor and Franchisee might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);

(e) suspend Franchisor's performance of, or compliance with, any of Franchisor's obligations to Franchisee under this Agreement or other agreements;

(f) undertake or perform on Franchisee's behalf any obligation or duty that Franchisee is required to, but fail to, perform under this Agreement, in which case Franchisee will reimburse Franchisor upon demand for all costs and expenses that Franchisor reasonably incurs in performing any such obligation or duty; and/or

(g) enter the Franchised Business' premises and assume the management of the Franchised Business or appoint a third party (who may be Franchisor's affiliate) to manage the Franchised Business. All funds from the operation of the Franchised Business while Franchisor or Franchisor's appointee assumes its management will be kept in a separate account, and all of the expenses of the Franchised Business will be charged to that account. Franchisor or Franchisor's appointee may charge Franchisee (in addition to the amounts due under this Agreement) a management fee equal to five percent (5%) of the Franchised Business' Gross Sales during the period of management, plus any direct out-of-pocket costs and expenses. Franchisor or Franchisor's appointee has a duty to utilize only reasonable efforts and will not be liable to Franchisee for any debts, losses, or obligations the Franchised Business incurs, or to any of Franchisee's creditors for any products or services the Franchised Business purchases, while managing it. Franchisee shall not take any action or fail to take any action that would interfere with Franchisor or Franchisor's appointee's exclusive right to manage the Franchised Business and may, in Franchisor's sole discretion, be prohibited from visiting the Franchised Business so as to not interfere with its operations. Franchisor (or Franchisor's appointee's) management of the Franchised Business will continue for intervals lasting up to 90 days each (and, in any event, for no more than a total of one year), and Franchisor will during each interval periodically evaluate whether Franchisee is capable of resuming the Franchised Business' operation and periodically discuss the Franchised Business' status with Franchisee.

18.6 Description of Default

The description of any default in any notice that Franchisor transmits to Franchisee will in no way preclude Franchisor from specifying additional or supplemental defaults under this Agreement or any related agreements in any action, proceeding, hearing or lawsuit relating to this Agreement or the termination of this Agreement.

18.7 Exercise of Other Remedies

Franchisor's exercise of Franchisor's rights under Section 18.5. (Other Remedies) will not (a) be a defense for Franchisee to Franchisor's enforcement of any other provision of this Agreement or waive or release Franchisee from any of Franchisee's other obligations under this Agreement, (b) constitute an actual or constructive termination of this Agreement, or (c) be Franchisor's sole or exclusive remedy for Franchisee's default. Franchisee must continue to pay all fees and otherwise comply with all of Franchisee's obligations under this Agreement (except as set forth in Section 18.5(h) (Franchisor's assumption of management)) following Franchisor's exercise of any of these rights. If Franchisor exercises any of Franchisor's rights under Section 18.5, Franchisor may thereafter terminate this Agreement without providing Franchisee any additional corrective or cure period, unless the default giving rise to Franchisor's right to terminate this Agreement has been cured to Franchisor's reasonable satisfaction.

18.8 Continuance of Business Relations

Any continuance of business relations between Franchisee and Franchisor after the termination or expiration of this Agreement will not constitute, and may not be construed as, a reinstatement, renewal, extension or continuation of this Agreement unless Franchisee and Franchisor agree in writing to any such renewal, extension or continuation.

18.9 Notice Required by Law

If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits Franchisor's rights to terminate this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be considered modified to conform to the minimum notice, cure periods or restrictions upon termination required by such laws and regulations. Franchisor will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

18.10 Franchisor's Right to Send Notifications of Termination

Before or on the expiration or termination of this Agreement, Franchisor may give notice that the Franchised Business is leaving the Mania Jeans System and take any other action related to customers, suppliers and all other individuals or entities affected by such expiration or termination or which require or desire an identification of Franchisor's Mania Jeans System locations.

ARTICLE XIX
RIGHTS AND DUTIES OF THE PARTIES UPON EXPIRATION OR TERMINATION

19.1 Effective Date of Termination

For the purpose of this Agreement, the "Effective Date of Termination" shall be the date indicated in any notice of termination sent pursuant to Section 18.2 or 18.3 of this Agreement or the day after the Initial Term, as stated in Section 4.1 of this Agreement.

19.2 Payment of Amounts Owed

Upon the Effective Date of Termination, Franchisee shall no longer be an authorized franchisee and Franchisee shall pay all sums of money due Franchisor or any of its subsidiary or affiliated corporations within fifteen (15) days of the Effective Date of Termination, unless Franchisor gives written notice of an extension of this period.

19.3 Discontinue Use of Marks; Change of Corporate Name

Upon the Effective Date of Termination, Franchisee shall discontinue the use of all Marks owned by or associated with Franchisor and all similar names and marks, or any other designation or mark associating Franchisee with the Mania Jeans System. If Franchisee is a corporation, limited liability company or partnership and, notwithstanding the prohibition of utilizing the "Mania Jeans" name in its corporate or partnership name, has used the "Mania Jeans" name or any names, marks or designations that associate Franchisee with Franchisor in its corporate or partnership name, Franchisee shall, within fifteen (15) days of the Effective Date of Termination, take all necessary steps to eliminate "Mania Jeans" from its corporate or partnership name, at his/her own cost and expense.

19.4 Signage

Upon the Effective Date of Termination, Franchisee shall cease displaying and using all signs, stationery, letterheads, forms, manuals, printed matter, advertising, and other material containing the Marks, "Mania Jeans" or any other names, marks, or designations that associate Franchisee with the Mania Jeans System.

19.5 No Further Acts

After the Effective Date of Termination, Franchisee shall refrain from taking any action indicating or implying that he/she is an authorized franchisee.

19.6 Financial Records and Reports

Franchisee shall maintain all financial records and reports required pursuant to this Agreement or the Confidential Operations Manual for a period of not less than three (3) years after the Effective Date of Termination. Franchisee shall permit Franchisor to make final inspection of Franchisee's financial records, books, tax returns, and other accounting records within three (3) years of the Effective Date of Termination.

Within fifteen (15) days of termination, Franchisee shall transfer or make available to Franchisor all Franchised Business data (including but not limited to sales, labor, cost of goods, marketing, and all other business data) from any server or computer used in connection with the Franchised Business.

19.7 Vacate Premises

Upon the Effective Date of Termination, Franchisee shall, pursuant to the lease or conditional lease assignment and upon demand of Franchisor, vacate and surrender the Franchised Business premises in accordance with the terms and conditions under the terms of the lease, and/or conditional lease assignment.

19.8 Telephone Numbers and Listings

Upon the Effective Date of Termination, Franchisee shall cease all use of telephone numbers used by Franchisee while conducting business as a Mania Jeans franchise and shall promptly execute such documents or take such steps necessary to remove Franchisee's listing as a Mania Jeans franchise from the "Yellow Pages", all other telephone directories, and all other trade or other business directories.

19.9 Return of Confidential Operations Manual, Etc.

Within fifteen (15) days from the Effective Date of Termination of this Agreement, Franchisee shall immediately turn over to Franchisor all manuals, including the Confidential Operations Manual, records, files, instructions, correspondence, any and all materials relating to the operation of the Franchised Business in Franchisee's possession, and all copies of such written materials, including electronic copies (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, except only Franchisee's copy of this Agreement and of any correspondence between the parties, and any other documents which the Franchisee reasonably needs for compliance with any provision of law and the records described in Section 19.6 hereof.

19.10 Franchisor's Right to Purchase

Franchisor shall have the right (but not the duty) to be exercised by notice of intent to do so within ten (10) days after the Effective Date of Termination, to purchase any or all of the signs, advertising material, supplies, inventory, equipment and any items bearing the Marks at Franchisee's cost or fair market value, whichever is less. If the parties cannot agree on fair market value within a reasonable time, an independent qualified appraiser shall be designated by each party and their determination shall be binding on both parties. If these appraisers are unable to arrive at a fair market value, they will designate a third, approved appraiser whose determination shall be binding upon both parties. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee under this Agreement, and the cost of the appraisal, if any, against any payment therefor.

19.11 Rights are Cumulative

No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy given hereunder.

19.12 Survival of Obligations

Nothing contained herein shall be deemed to relieve Franchisee of any obligations or responsibilities or liabilities incurred by Franchisee during the term of this Agreement or any renewals hereof, or his/her lease and which obligations, responsibilities or liabilities shall survive the termination, expiration or non-renewal of this Agreement or lease.

19.13 Liquidated Damages

If Franchisor terminates this Agreement with cause, Franchisee must pay Franchisor liquidated damages equal to the average value of the inventory invoices Franchisee paid (per month) to Franchisor during the twelve (12) months before the termination multiplied by six (6).

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from inventory purchases due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the inventory purchases would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the inventory purchases. It does not cover any other damages, including damages to Franchisor's reputation with the public and landlords and damages arising from a violation of any provision of this

Agreement. Franchisee and each of its owners agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Inventory Purchases section.

ARTICLE XX
COMMENCEMENT AND HOURS OF OPERATIONS

Franchisee recognizes that continuous and daily availability of the Products to the public is essential to the adequate promotion of the Franchised Business and that any failure to provide such availability affects Franchisor both locally and nationally. Franchisee shall make himself/herself or his/her trained manager personally available to provide the Products to the public as prescribed in the Confidential Operations Manual, or as required by any lease if different, except where prohibited or otherwise regulated by a governmental authority, including any state or local licensing authority, and shall otherwise conduct the business in accordance with generally accepted business standards. These requirements may be changed by Franchisor from time to time, and upon reasonable notice to Franchisee and may differ from one franchisee to another based upon the specific characteristics of a particular location.

ARTICLE XXI
TRANSFERABILITY OF INTEREST

21.1 No Transfer Without Franchisor's Consent

Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to him/her (or to Franchisee's owners or partners if Franchisee is a corporation, a limited liability company or a partnership), therefore neither this Agreement nor the franchise granted hereby shall be assignable or transferable by Franchisee, nor may the same be mortgaged, pledged or encumbered by him/her without the express prior written consent of Franchisor, and any purported assignment, mortgage, pledge or encumbrance thereof, without the prior written consent of Franchisor, shall be null and void. The issuance or transfer of any stock (including by way of any public stock offering), membership interest(s) or partnership interest(s) in Franchisee, or its merger, a consolidation or dissolution, if the Franchisee is a corporation, limited liability company or a partnership, shall be deemed an assignment of this Agreement and of the franchise granted herein.

21.2 Transfer to a Corporate Entity

If Franchisee is an individual, Franchisor hereby consents, upon thirty (30) days' prior written notice, to the assignment by Franchisee of all of his/her rights and benefits under this Agreement to a corporation or limited liability company of which Franchisee owns at least a majority of the voting and equity stock or membership interests, provided that:

(a) Such entity is newly organized and its activities and corporate purposes are confined exclusively to acting as a Mania Jeans franchised under this Agreement;

(b) Such entity and all stockholders or members thereof execute a Transfer of Franchise to a Corporation or Limited Liability Company form, or such other form as shall be provided or approved by Franchisor, in which they jointly and severally assume all of the past and future obligations of Franchisee under this Agreement, to the same extent as if they had originally executed this Agreement as Franchisee;

(c) Franchisee or his/her designated manager actively manages such entity and continues to devote his/her best efforts and full and exclusive time to the day-to-day operation and development of the franchise and the business of the Franchised Business and Franchisee shall remain personally liable in all respects under this Agreement, including but not limited to payment for the purchase of any of the Products, jointly and severally with such entity and any and all other stockholders or members thereof; and

(d) All certificates of such entity bear the following legend, which shall be printed legibly and conspicuously on the front of each such certificate:

> **"The transfer of this certificate is subject to the terms and conditions of a certain Franchise Agreement entered into with Or Mania USA, Inc., dated ________, 20__".**

21.3 Franchisor's Right of First Refusal

Subject to Franchisor's approval rights in Section 21.1, in the event Franchisee, any stockholder, member or partner of a corporate, limited liability company or partnership Franchisee, or any legal heir or legatee of any deceased Franchisee, or of any deceased stockholder, member or partner of any corporate, limited liability company or partnership Franchisee, desires to effect any sale or assignment of any partnership, stock or other interest in this Agreement, or of Franchisee's rights and benefits under this Agreement, including, without limitation, the franchise granted hereby, and/or the ownership for the Franchised Business franchised hereby, Franchisee or such other authorized person or party shall give Franchisor written notice of all of the terms of any such bona fide offer within fifteen (15) days after receipt of such offer, including providing Franchisor with all other documents and data required prior to the Franchisor approving the sale. Franchisor shall have the right of first refusal, for a period of fifteen (15) days after receipt of such notice, to notify Franchisee or such other person or party of Franchisor's desire to exercise such option under the same terms and conditions as the aforesaid bona fide offer. If Franchisor fails to exercise such option in the time period allotted, then Franchisee shall be free to contract with the person who made such bona fide offer solely on the same terms and conditions thereof, subject, of course, to Franchisee's compliance with all of the other terms and provisions of this Agreement. In the event the terms of such bona fide offer change, then Franchisee shall be obligated to re-offer the franchise to Franchisor for an additional fifteen (15) day period.

21.4 Conditions to Transfer

In addition to all of the other conditions stated in Sections 21.2 and 21.3 hereof which pertain to the right of Franchisee to assign, transfer or sell the license created hereunder, Franchisee hereby agrees that any and all rights of assignment, transfer or sale by Franchisee of this franchise and the rights therein are conditioned upon compliance with each of the following:

(a) Any such assignment, transfer, or sale shall be subject to the approval by Franchisor of such assignee and of the moral and credit background of such assignee and any and all stockholders or partners thereof, which approval shall not be unreasonably withheld;

(b) The assignee, transferee, or purchaser, and all stockholders, members or partners thereof if same is a corporation, limited liability company or partnership, shall at Franchisor's option either personally assume in writing all of the obligations of Franchisee, past disclosed or undisclosed and under this Agreement, or execute the then-current Franchise Agreement, in the form used by Franchisor;

(c) Franchisee, such assignee, transferee or purchaser and any and all stockholders, members or partners thereof shall execute a general release in favor of Franchisor, its officers, directors, and employees of any and all claims and causes of action that they may have against Franchisor or its subsidiary or affiliated corporations in any way relating to this Agreement or the performance or non-performance thereof by Franchisor;

(d) All prior obligations and debts of Franchisee or corporate assignee of Franchisee owed to Franchisor under or in connection with this Agreement shall be paid concurrently with such assignment;

(e) Franchisee must not be in default under this Agreement or any renewals thereof or of any lease agreement to which Franchisee is a party;

(f) Assignee, transferee or purchaser shall not be in the same business as Franchisor either as a franchisor, licensor, independent operator or franchisee of any chain or network which is similar in nature or in competition with Franchisor except that the assignee, transferee or purchaser may be an existing franchisee of Franchisor;

(g) Prior to the effective date of the assignment, transfer or sale, the assignee, transferee, or purchaser must satisfactorily complete the Franchisor's training program required of all new franchisees;

(h) Assignee, transferee, or purchaser shall, prior to any such assignment, pay to Franchisor a non-refundable transfer fee equal to Ten Thousand Dollars ($10,000) to reimburse Franchisor for its legal and accounting fees, credit investigation, training expenses, and other charges and expenses in connection with such assignment, transfer or sale; and

(i) Franchisee shall enter into an agreement with the Franchisor agreeing to subordinate such assignee's, transferee's or purchaser's obligations to the Franchisor, including, without limitation, Marketing Fund contributions, and any obligations of such assignee, transferee or purchaser to make installment payments of the purchase price to Franchisee.

21.5 Franchisor's Right to Transfer

Franchisor shall have the right, without the need for Franchisee's consent, to assign, transfer or sell its rights under this Agreement to any person, partnership, corporation or other legal entity provided that the transferee agrees in writing to assume all obligations undertaken by Franchisor herein and Franchisee receives a statement from both Franchisor and its transferee to that effect. Upon such assignment and assumption, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. Franchisee further agrees and affirms that Franchisor may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; and/or may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or related to the loss of Franchisor's name, Marks (or any variation thereof) and Mania Jeans System and/or the loss of association with or identification of Mania Jeans Franchising as Franchisor under this Agreement. Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing.

Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business, regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as "Mania Jeans" operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities, except that if such businesses are located within the same shopping center or mall as Franchisee, those businesses will not change their names to "Mania Jeans".

If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the clothing retail business or to offer or sell any products or services to Franchisee.

21.6 Notice of Offer

In addition to the requirements of this Article, Franchisee must promptly ("promptly" being herein defined as within fifteen (15) days of receipt of an offer to buy) give Franchisor additional written notice whenever Franchisee has received a bona fide offer from a third party to buy Franchisee's business franchised hereunder. Franchisee must also give Franchisor written notice simultaneously with any offer to sell the Franchised Business made by, for, or on behalf of Franchisee. The purpose of this Subsection is to enable Franchisor to comply with any applicable state or federal franchise disclosure law or rules. Franchisee agrees to indemnify and hold Franchisor harmless for Franchisee's failure to comply with this Subsection.

21.7 No Waiver of Claims

The Franchisor's consent to an assignment of any interest subject to the restrictions hereof shall not constitute a waiver of any claims it may have against the assignor, nor shall it be deemed a waiver of the Franchisor's right to demand exact compliance with any of the terms or conditions of this Agreement by the assignee, transferee or purchaser.

21.8 Public Offering

In the event Franchisee shall, subject to the restrictions and conditions of transfer contained in this Article, attempt to raise or secure funds by the sale of securities (including, without limitation, common or preferred stock, bonds, debentures or general or limited partnership interests) in Franchisee or any affiliates of Franchisee, Franchisee, recognizing that the written information used with respect thereto may reflect upon the Franchisor, agrees to submit any such written information to the Franchisor prior to its inclusion in any registration statement, prospectus or similar Disclosure Document or memorandum and to obtain the written consent of the Franchisor to the method of financing prior to any offering or sale of such securities. For each proposed offering, Franchisee shall pay Franchisor a non-refundable fee in an amount not less than Five Thousand Dollars ($5,000) and not more than Fifty Thousand Dollars ($50,000) to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. The written consent of the Franchisor pursuant to this Section 21.8 shall not imply or constitute the approval of the Franchisor with respect to the method of financing, the offering literature submitted to the Franchisor or any other aspect of the offering. No information respecting the Franchisor or any of its affiliates shall be included in any securities disclosure document, unless such information has been furnished by the Franchisor, in writing, pursuant to the written request of the Franchisee, in which the Franchisee states the specific purpose for which the information is to be used. Should the Franchisor, in its sole discretion, object to any reference to the Franchisor or any of its affiliates or any of their businesses in such offering literature or prospectus, such literature or prospectus shall not be used unless and until the objections of the Franchisor are withdrawn. The Franchisor assumes no responsibility for the offering whatsoever.

The prospectus or other literature utilized in any such offering shall contain the following language in bold-face type on the first textual page thereof:

> **"NEITHER OR MANIA USA, INC. NOR ANY OF ITS AFFILIATES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION PRESENTED HEREIN, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER OR MANIA USA, INC. NOR ANY OF ITS AFFILIATES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING."**

Franchisee and each of its owners agrees to indemnify, defend and hold harmless the Franchisor and its affiliates, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including, without limitation, reasonable attorneys' fees) incurred in the defense of such claims, demands or liabilities, arising from the offer or sale of such securities, whether asserted by a purchaser of any such security or by a governmental agency. The Franchisor shall have the right (but not the obligation) to defend any such claims, demands or liabilities and/or to participate in the defense of any action to which the Franchisor or any of its affiliates or any of their respective officers, directors, employees or agents is named as a party.

ARTICLE XXII
DEATH OR INCAPACITY OF FRANCHISEE

In the event of the death or permanent incapacity or disability of Franchisee, i.e., he/she is unable to operate the Franchised Business as an individual franchisee, or any partner of a Franchisee which is a partnership, or any shareholder or member owning fifty percent (50%) or more of the equity interest of a Franchisee which is a corporation or limited liability company, the Franchisor shall consent to a transfer of said Franchisee's interest to his/her heirs, beneficiaries or family designees, (hereinafter referred to in this Article as "**Transferee**") without payment of a transfer fee, subject to the following conditions:

(a) The Transferee must complete, and be approved through, Franchisor's standard franchise selection process including satisfactorily demonstrating to Franchisor that he meets the financial character and managerial criteria as Franchisor shall then be applying in considering applications for new franchisees;

(b) The Transferee shall agree, in writing, to personally assume liability for and to perform all the terms and conditions of this Agreement to the same extent as the original Franchisee; and

(c) If the Transferee is not approved, the Franchisee or his/her legal representative shall use his/her best efforts to sell the Franchised Business to a party acceptable to Franchisor within twelve (12) months from the date of the Franchisee's death or permanent incapacity or disability and Franchisor shall have the option, but not the obligation, to operate and/or manage the Franchised Business for the account of Franchisee's estate until the deceased or incapacitated Franchisee's interest is transferred to another party acceptable to Franchisor. Should Franchisor elect to operate and/or manage the Franchised Business, Franchisor shall make a complete accounting and shall forward fifty percent (50%) of the net income for the operation of the Franchised Business to Franchisee's estate. If the conveyance of the Franchised Business to a party acceptable to Franchisor has not taken place within the twelve (12) month period, Franchisor shall have the option but not the duty to purchase the Franchised Business and its equipment therein at the fair market value thereof as determined by independent qualified appraisers selected by the Franchisor and the estate. In the event that these appraisers cannot agree on a fair market value, a third appraiser shall be selected by the other two appraisers and his/her determination shall be binding on both parties. However, if the Franchisor chooses not to repurchase the Franchised Business, then it may elect to terminate this Agreement, in which event the franchised business hereunder will automatically revert back to the Franchisor, with the Franchisor being obligated to purchase the equipment and trade fixtures at their book value, as stated in the last certified financial statement of Franchisee.

ARTICLE XXIII
OPERATION IN THE EVENT OF ABSENCE OR DISABILITY

In order to prevent any interruption of the Franchised Business' operations which would cause harm to the Franchised Business, thereby depreciating the value thereof, Franchisee authorizes Franchisor, who may, at its option, in the event that Franchisee is absent for any reason or is incapacitated by reason of illness and is unable, in the sole and reasonable judgment of Franchisor, to operate the Franchised Business, for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement. All monies from the operation of the Franchised Business during such period of operation by Franchisor shall be kept in a separate account and the expenses of the Franchised Business, including reasonable compensation and expenses for Franchisor's representative, shall be charged to said account. If, as herein provided, Franchisor temporarily operates the Franchised Business franchised herein for Franchisee, Franchisee agrees to indemnify and hold harmless Franchisor and any representative of Franchisor who may act hereunder, from any and all acts which Franchisor may perform, as regards the interests of Franchisee or third parties.

ARTICLE XXIV
INJUNCTIVE RELIEF

24.1 In the event that Franchisee is in default under any provisions of this Agreement, Franchisor shall be entitled to seek a permanent injunction and any preliminary or temporary equitable relief in connection therewith in order to restrain the violation of this Agreement by Franchisee or any person acting for him/her or in his/her behalf. Franchisee agrees that Franchisor will not be required to prove actual damages or post a bond or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance with respect to this Agreement. In addition, Franchisor shall be entitled to its reasonable attorneys' fees and courts costs in connection therewith or in connection with any other remedy sought by Franchisor, provided Franchisor is the prevailing party. This remedy shall be cumulative to any other remedy available to Franchisor.

24.2 Franchisee agrees that it is impossible to measure in money the damages which Franchisor will sustain in the event of Franchisee's breach of this Agreement and, therefore, in the event Franchisor institutes injunctive proceedings under Section 8.10, Articles III, XII, XV, XIX, XXI and this Article, Franchisee hereby waives the defense that Franchisor has an adequate remedy at law.

ARTICLE XXV
RISK OF OPERATIONS

FRANCHISEE RECOGNIZES THAT THERE ARE MANY UNCERTAINTIES AND RISKS OF THIS BUSINESS AND, THEREFORE, FRANCHISEE AGREES AND ACKNOWLEDGES THAT, EXCEPT AS SPECIFICALLY STATED IN THIS AGREEMENT, NO REPRESENTATIONS, WARRANTIES, GUARANTEES OR AGREEMENTS HAVE BEEN MADE TO FRANCHISEE, EITHER BY FRANCHISOR OR BY ANYONE ACTING ON ITS BEHALF OR PURPORTING TO REPRESENT IT, INCLUDING, BUT NOT LIMITED TO, THE PROSPECTS FOR SUCCESSFUL OPERATIONS, THE LEVEL OF BUSINESS OR PROFITS THAT FRANCHISEE MIGHT REASONABLY EXPECT, OR THE DESIRABILITY, PROFITABILITY OR EXPECTED CUSTOMER VOLUME OF THE FRANCHISED BUSINESS. FRANCHISEE HEREBY ACKNOWLEDGES THAT ALL SUCH FACTORS ARE NECESSARILY DEPENDENT UPON VARIABLES WHICH ARE BEYOND FRANCHISOR'S CONTROL, INCLUDING, WITHOUT LIMITATION, THE ABILITY, MOTIVATION, AMOUNT AND QUALITY OF EFFORT EXPENDED BY FRANCHISEE. FRANCHISEE THEREFORE RELEASES FRANCHISOR, ITS SUBSIDIARY OR AFFILIATED CORPORATIONS, OFFICERS, DIRECTORS, AFFILIATES AND EMPLOYEES FROM ANY CLAIMS, SUITS AND LIABILITY RELATING TO THE OPERATION OF THE FRANCHISED BUSINESS INCLUDING, BUT NOT LIMITED TO, THE RESULTS OF ITS OPERATIONS, EXCEPT TO THE EXTENT THAT THE SAME IS PREDICATED UPON THE BREACH OF A SPECIFIC WRITTEN OBLIGATION OF FRANCHISOR CONTAINED IN THIS AGREEMENT.

ARTICLE XXVI
OTHER OBLIGATIONS

Nothing contained in this Agreement shall inhibit or limit the unrestricted right of Franchisor to enter into or engage in any business or in the sale itself, or the licensing to others for the sale, of the proprietary Products other than any limitations imposed upon Franchisor by Article I hereof; Franchisee shall have no rights, benefits or entitlement with respect thereto.

ARTICLE XXVII
FORCE MAJEURE

Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limitation, the generality of the foregoing acts or omission of other party, acts of civil or military authority, strikes, lockouts, embargoes, insurrections or acts of God, inability of Franchisor to purchase, deliver and/or manufacture of any of the proprietary clothing products, provided that inability of a party to obtain funds shall be deemed to be a cause within the control of such party. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay.

ARTICLE XXVIII
WAIVER OF VIOLATION OR DEFAULT

Waiver by Franchisor or Franchisee of any violation or default hereunder shall not alter or impair either party's right with respect to any subsequent violation or default, nor shall any delay or omission on the part of either party to exercise any right arising from such violation or default alter or impair such party's rights as to the same or any future violation or default. An acceptance by Franchisor of any payment from Franchisee after the date on which such payment is due shall not operate as a waiver of Franchisee's default or violation hereunder, nor alter or impair Franchisor's rights with respect to such violation or default.

ARTICLE XXIX
NOTICE AND TIME

29.1 All communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when delivered personally, by electronic mail or by fax transmission if received before 5pm EST, if it is received after 5pm EST it shall be deemed duly given on the next business day; or one (1) business day after being sent by overnight commercial courier service for next business day delivery, or five (5) days after being deposited in the United States mail, for certified or registered delivery, return receipt requested, postage prepaid. Notice to Franchisor shall be addressed to:

Or Mania USA, Inc.
5553 Anglers Ave., Bldg 4
Suite 115
Dania Beach, FL 33312
FAX: [NUMBER]
Email: [EMAIL]

Notice to Franchisee shall be addressed to:

____
____
____
FAX:__________________________
Email:_________________________

Either party may designate another address at any time by written notice to the other. Additionally, all payments and reports required to be made by Franchisee under this Agreement shall be given to Franchisor at the above address, except that regular reports may be sent by regular mail or electronic mail.

29.2 Time is of the essence in this Agreement with respect to each and every provision in which time is a factor. Whenever this Agreement refers to a period of days, the first day to be counted shall be the first day following the designated action or event. For any period of five (5) or fewer days, only business days (excluding Saturdays, Sundays and national holidays) shall be counted. Unless expressly stated otherwise, any period longer than five (5) days shall be measured by calendar days, except that if the last day of any such period is not a business day, the period shall automatically be extended to the next business day.

ARTICLE XXX
APPLICABLE LAW AND VENUE

30.1 Acceptance by Franchisor; Applicable Law

This Agreement takes effect upon its acceptance and execution by the Franchisor, and shall be governed, interpreted and construed under the laws of the State of Florida, which laws shall prevail in the event of any conflict of law.

30.2 Rights are Cumulative

No right or remedy conferred upon or reserved to the Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

30.3 Injunctive Relief

Nothing herein contained shall bar the Franchisor's right to seek injunctive relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

30.4 Venue

Franchisee and Franchisee's owners must file any suit against Franchisor or Franchisor's affiliates, and Franchisor or Franchisor's affiliates may file any suit against Franchisee, in federal courts in the United States District Court for the Southern District of Florida or state courts in Broward County, Florida or in federal or state courts with jurisdiction over the county in which Franchisor's principal place of business is located at the time any litigation commences. The parties waive all questions of personal jurisdiction and venue for the purpose of carrying out this provision.

30.5 RICO Statute

The parties hereto agree to waive, now and forever, any and all rights either may have under the federal statute known as RICO.

30.6 Punitive Damages

The parties hereby waive to the fullest extent permitted by law, any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between them each shall be limited to the recovery of any actual damages sustained by it.

30.7 Jury Waiver

The parties irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of them.

30.8 Attorneys' Fees

In the event Franchisor is required to employ legal counsel or to incur other expense to enforce any obligation of Franchisee hereunder, or to defend against any claim, demand, action or proceeding by reason of Franchisee's failure to perform any obligation imposed upon Franchisee by this Agreement, Franchisor shall be entitled to recover from Franchisee the amount of all reasonable attorneys' fees of such counsel and all other expenses incurred in enforcing such obligation or in defending against such claim, demand, action, or proceeding, whether incurred prior to or in preparation for or contemplation of the filing of such action or thereafter.

30.9 Franchisee May Not Withhold Payments

Franchisee agrees that he will not, on grounds of the alleged non-performance by Franchisor of any of its obligations hereunder, withhold payment of any inventory purchase, Marketing Fund contribution or any other amounts due to Franchisor.

ARTICLE XXXI
ACKNOWLEDGMENTS

31.1 FRANCHISEE ACKNOWLEDGES THAT HE/SHE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE FRANCHISED BUSINESS, AND RECOGNIZES THAT THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS AND THAT ITS SUCCESS WILL BE LARGELY DEPENDENT UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS PERSON. THE FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT HE/SHE HAS NOT RECEIVED, ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT.

31.2 FRANCHISEE ACKNOWLEDGES THAT HE/SHE HAS RECEIVED, READ, AND UNDERSTOOD THIS AGREEMENT, INCLUDING THE EXHIBITS HERETO; THAT THE FRANCHISOR HAS FULLY AND ADEQUATELY EXPLAINED THE PROVISIONS OF EACH TO FRANCHISEE'S SATISFACTION; AND THAT THE FRANCHISOR HAS ACCORDED FRANCHISEE AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF HIS/HER OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT.

31.3 FRANCHISEE ACKNOWLEDGES THAT HE/SHE HAS RECEIVED THE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION, ENTITLED "DISCLOSURE REQUIREMENT AND PROHIBITIONS CONCERNING FRANCHISING AND BUSINESS OPPORTUNITY VENTURES," AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED.

31.4 FRANCHISEE ACKNOWLEDGES AND IS AWARE OF THE FACT THAT SOME FRANCHISEES OF FRANCHISOR MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND, CONSEQUENTLY, THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS IN RESPECT TO ITS VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES.

ARTICLE XXXII
ENTIRE AGREEMENT

This Agreement, together with all exhibits and addenda attached hereto, constitutes the entire agreement between Franchisor and Franchisee with respect to the subject matter hereof, and this Agreement supersedes all prior and contemporaneous agreements between Franchisor and Franchisee in connection with the subject matter of this Agreement. Nothing in this or any related agreement, however, is intended to disclaim the representations made by Franchisor in the Franchise Disclosure Document that was furnished to Franchisee by Franchisor. No officer, employee or other servant or agent of Franchisor or Franchisee is authorized to make any representation, warranty or other promise not contained in this Agreement. No change, termination or attempted waiver of any of the provisions of this Agreement shall be binding upon Franchisor or Franchisee unless in writing and signed by Franchisor and Franchisee.

ARTICLE XXXIII
JOINT AND SEVERAL OBLIGATION

If the Franchisee consists of more than one (1) person, their liability under this Agreement shall be deemed to be joint and several.

ARTICLE XXXIV
SECURITY INTEREST

Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interest in all leasehold improvements, furniture, furnishings, fixtures, equipment, inventory and supplies located at or used in connection with the Franchised Business, now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions and replacements therefore, and all cash and non-cash proceeds derived from insurance or the disposition of such collateral, to secure payment and performance of all debts, liabilities and obligations of any kind, whenever and however incurred, of Franchisee to Franchisor. Franchisee authorizes Franchisor to file all Uniform Commercial Code financing statements and other documents necessary or desirable to evidence, perfect and continue the priority of such security interests under the Uniform Commercial Code. For such purposes, the address of Franchisee and Franchisor are stated in Article XXVIII of this Agreement.

ARTICLE XXXV
COUNTERPART; PARAGRAPH HEADINGS; PRONOUNS

This Agreement may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument. The paragraph headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision thereof. Each pronoun used herein shall be deemed to include the other number of genders.

ARTICLE XXXVI
SEVERABILITY AND CONSTRUCTION

36.1 Each section, part, term and provision of this Agreement shall be considered severable, and if, for any reason, any section, part, term or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation, such shall not impair the operation of, or affect the remaining portions, parts, terms or provisions of this Agreement, and the latter will continue to be given full force and effect and bind the parties hereto, and said invalid sections, parts, terms or provisions shall be deemed not to be a part of this Agreement, provided, however, that if Franchisor determines that said finding of illegality adversely affects the basic consideration of this Agreement Franchisor and Franchisee may terminate this Agreement.

36.2 Anything to the contrary herein notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity, other than Franchisor or Franchisee and such of their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under or by reason hereof.

36.3 Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law, which is subsumed within the terms of any provision hereof as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

36.4 All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

36.5 Unless otherwise indicated or prohibited by applicable law, any act that requires Franchisor's approval, such approval shall be in Franchisor's sole and absolute discretion.

36.6 This Agreement shall be executed in duplicate and each copy so executed shall be deemed an original.

ARTICLE XXXVII
MISCELLANEOUS

37.1 Compliance With Anti-Terrorism Laws

Franchisee and its owners agree to comply, and to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and its owners certify, represent, and warrant that none of its property or interests is subject to being blocked under, and that Franchisee and its owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee's or its owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Subsection 18.3(a)(iv) above.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal on the date first written above.

OR MANIA USA, INC.

______________________________	By:__________________________
WITNESS	Name:________________________
	Title:_________________________

FRANCHISEE

WITNESS

OR MANIA USA, INC.

FRANCHISE AGREEMENT

EXHIBIT "A"

The Franchisee's Location shall be as follows:

OR MANIA USA, INC.

By:______________________________
Name:____________________________
Title:_____________________________

FRANCHISEE:

By:______________________________

OR MANIA USA, INC.

FRANCHISE AGREEMENT

EXHIBIT "B"

GUARANTY, INDEMNIFICATION AND ACKNOWLEDGMENT

(TO BE EXECUTED ONLY IF FRANCHISEE IS A CORPORATE ENTITY)

As an inducement to Or Mania USA, Inc. ("**Franchisor**") to enter the Mania Jeans Franchise Agreement between Franchisor and ______________________________ ("**Franchisee**"), dated __________, 20___ (the "**Agreement**"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor's successors and assigns that all of Franchisee's monetary obligations under the Agreement will be punctually paid and performed and that all monetary obligations will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney's fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Articles XII, XV, XIX and XXI of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the "Mania Jeans" marks or system licensed to Franchisee under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Guarantor represents and warrants to Franchisor that neither Guarantor (including, without limitation, any and all of its employees, directors, officers and other representatives), nor any of its affiliates or the funding sources for either is a person or entity designated with whom Franchisor, or any of its affiliates, are prohibited by law from transacting business.

Any and all notices required or permitted under this guarantee provision shall be in writing and shall be personally delivered, in the manner provided under Article XXIX of this Agreement.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Article XXX of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Florida. In the event of any conflict of law, the laws of the state of Florida shall prevail (without regard to, and without giving effect to, the application of Florida conflict of law rules).

IN WITNESS WHEREOF, the undersigned has signed this guarantee provision as of the date of this Agreement.

GUARANTOR(S)

____
Signature

Printed Name:______________________________

Address:______________________________
____

____
Signature

Printed Name:______________________________

Address:______________________________
____

____
Signature

Printed Name:______________________________

Address:______________________________
____

OR MANIA USA, INC.

FRANCHISE AGREEMENT

EXHIBIT "C"

Conditional Lease Assignment Provisions

The clauses referred to in Article 2.1 of the attached Franchise Agreement are as follows:

(i) The premises being leased hereunder shall be used solely for the operation of an "Mania Jeans" retail store, during the time that the Franchise Agreement is still in effect.

(ii) Lessor has examined Franchisor's standard design concepts and specifications and consents to Lessee's use of same and of the Marks and such signage as the Franchisor may prescribe for the Franchised Business.

(iii) Lessee may not assign all or any part of its occupancy rights, or extend the term or renew the lease, without Franchisor's prior written consent.

(iv) Lessor shall furnish Franchisor a copy of the executed lease, including all attachments thereto and related agreements, if any, within five (5) days after its execution, and no change or amendment to such lease affecting the above terms and conditions shall be effective without Franchisor's prior written approval.

(v) Notwithstanding anything to the contrary contained in this Lease, it is expressly understood and agreed that if the Franchise Agreement dated the ______ day of ______________, 20__ between the Lessee and the Franchisor expires or is terminated for any reason whatsoever, the Lessee's rights hereunder shall, at the option of the Franchisor, be transferred and assigned to it. Said option may be exercised by the Franchisor giving the Lessor notice in writing within thirty (30) days following the expiration or termination of the said Franchise Agreement, such notice to specify, inter alia, the date of such expiration or termination. The Lessee acknowledges and agrees that the Lessor may rely upon such notice and shall not be required to inquire into the due execution thereof or the accuracy of the statements set forth therein. It is further agreed that such notice shall, without further act or formality, operate as an effective assignment of the Lessee's right hereunder to the Franchisor and the assumption by the Franchisor of the covenants herein required to be observed or performed by the Lessee. The Franchisor shall thereafter have the right to assign or sublet the Premises to such person as it may designate, provided that in such event that this clause be contained therein. Notwithstanding the foregoing, the Franchisor shall, forthwith upon exercise of such option, execute such documents evidencing its agreement to thereafter keep and perform or cause to be kept or performed all of the obligations of the Lessee arising under this Lease from and after the time of the exercise of such option.

(vi) In the event Franchisor elects not to exercise the above option, Lessor shall permit Franchisor to enter the premises in order to make any modification necessary to protect the Marks.

(vii) The Lessor shall give written notice to the Franchisor (concurrently with the giving of such notice to the Lessee) of any default by the Lessee under the Lease and the Franchisor shall have, after the expiration of the period during which the Lessee may cure such default, an additional fifteen (15) days to cure, at its sole option, any such default, providing that if such default arises by reason of the bankruptcy or insolvency of the Lessee or the appointment of a receiver over the Lessee's assets or part thereof, the Franchisor shall have the right to assume this Lease upon payment of any arrears of rental to such date. In the event of any such assumption, the Lessee shall cease to have any further rights hereunder.

(viii) The Lessor acknowledges that the said Franchise Agreement contains a right on the part of the Franchisor, in the event of expiration or termination of the said Franchise Agreement for any reason whatsoever, to enter the premises hereby demised and to operate the Franchised Business for the account of the Lessee for a period as set forth in the said Franchise Agreement. The Lessor further acknowledges that such entry by the Franchisor shall not constitute an assignment of this Lease, nor a subletting of the premises hereby demised.

(ix) The Lessor acknowledges that the Franchisor is executing this Lease solely for the purpose of acknowledging the provisions contained in the foregoing clauses (i) to (iv) and agrees that such execution by the Franchisor shall in no way be construed so as to obligate the Franchisor for the performance of any of the terms, conditions, obligations and covenants contained herein, except as specifically set forth in clause (i).

The foregoing provisions shall be incorporated into Franchisee's lease agreement.

OR MANIA USA, INC.

FRANCHISE AGREEMENT

EXHIBIT "D"

SITE LOCATION ADDENDUM

Site Location

Or Mania USA, Inc. (hereinafter "**Franchisor**") and ____________________ (hereinafter "**Franchisee**") have this date, ________________, 20___, entered into a certain Franchise Agreement, (hereinafter "**Franchise Agreement**") and desire to supplement its terms as set out below. The parties hereto therefore agree as follows:

A. Site Selection

Within ninety (90) days after execution of this Addendum, Franchisee shall acquire, by lease or purchase, at Franchisee's expense and subject to Franchisor's approval as hereinafter provided, a location for the franchised business. Such location shall be within the following geographic area (which is described solely for the purpose of selecting a site for the franchised business):

____

____

____

B. Guidelines and Evaluation

In connection with Franchisee's selection of a site for the franchised business, Franchisor shall furnish to Franchisee the following:

1. Site selection counseling and assistance as Franchisor may deem advisable for a site.

2. Such on-site evaluation as Franchisor may deem advisable in response to Franchisee's request for site approval; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to the receipt of a market feasibility study for such site prepared by Franchisee pursuant to Paragraph C. hereof. If on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Franchisee's request), Franchisee shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals, following Franchisee's approval in advance of same.

C. Site Approval

Prior to the acquisition by lease or purchase of any proposed location for the franchised business, Franchisee shall submit to Franchisor, in the form specified by Franchisor, a description of the proposed location, a market feasibility study for the proposed location, and such other information or materials as Franchisor may reasonably require, together with a letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the proposed location. Recognizing that time is of the essence, Franchisee agrees that it must submit such information and material for the proposed location to Franchisor for its approval no later than ninety (90) days after the execution of the Franchise Agreement. Franchisor shall have fifteen (15) days after receipt of such information and materials from Franchisee to approve or disapprove, at its sole discretion, the proposed location as the location for the franchised business. The proposed location shall not be deemed approved unless written notice of approval is given to Franchisee by Franchisor.

D. Lease Provisions

The lease for the premises of the franchised business shall be submitted to Franchisor for its written approval prior to execution by Franchisee and the Lessor, and shall contain the following terms and conditions:

1. That the premises shall be used only for the operation of the franchised business.

2. That the landlord has examined Franchisor's standard design concepts and consents to Franchisee's use of such Proprietary Marks and signage as Franchisor may prescribe for the franchised business.

3. That the landlord agrees to furnish Franchisor with copies of any and all letters and notices sent to Franchisee pertaining to the lease and premises, at the same time that such letters and notices are sent to Franchisee.

4. That Franchisee may not assign all or any part of its occupancy rights, or extend the term or renew the lease, without Franchisor's prior written consent.

5. That Franchisor shall have the right to enter the premises to make any modification necessary to protect Franchisor's Proprietary Marks or to cure any default under the lease or under this Agreement.

6. That Franchisor shall have the option to assume Franchisee's occupancy rights, and the right to assign for all or any part of the remaining term, upon Franchisee's default or termination under such lease or under this Agreement.

7. That Franchisor shall be furnished a copy of the executed lease five (5) days after its execution, and no change or amendment to such lease affecting the above terms and conditions shall be effective without Franchisor's prior written approval.

E. Relocation

Upon Franchisor's approval of a location for the franchised business, or upon execution of this Agreement, whichever occurs earlier, the street address of the approved location of the franchised business shall be recorded and shall be attached as Exhibit "A" to this Agreement. Franchisee shall not relocate the franchised business without the express prior written consent of Franchisor.

F. Construction

Franchisee shall commence construction or leasehold improvements (hereinafter "**Construction**") of the franchise business within fifteen (15)' days after Franchisee executes this addendum, executes a lease, or obtains the right to possession of the premises, whichever occurs latest. Franchisee shall provide written notice to Franchisor of the date Construction of the franchised business commences within ________________ five (5) days after commencement. Franchisee shall maintain continuous Construction of the franchised business premises and shall complete Construction, including all exterior and interior carpentry, electrical, painting and finishing work, and installation of all furnishings, fixtures, equipment, and signs, in accordance with the approved plans and specifications at Franchisee's expense, within ten (10) months after execution of the Franchise Agreement (exclusive of the time lost by reason of strikes, lockouts, fire and other casualties and acts of God). Each week during the Construction period, Franchisee and Franchisee's architect or general contractor shall certify in writing to Franchisor that all work is proceeding substantially on schedule, and in accordance with the approved plans and specifications and all applicable laws, regulations ordinances and restrictive covenants. Franchisee further agrees that Franchisor and its agents shall have the right to inspect the Construction at all reasonable times.

G. Permits and Approvals

Before or upon completion of Construction, Franchisee shall obtain, and shall furnish to Franchisor copies of, all necessary permits, approvals, and certificates required for occupancy of the premises and operation of the franchised business. Franchisee shall obtain Franchisor's approval for opening and shall open the franchised business within ten (10) months after the date of execution of the Franchise Agreement.

H. Time of Essence

Franchisee and Franchisor agree that time is of the essence in Franchisee's performance of its obligations hereunder. Any failure by Franchisee to meet the time limits imposed under this Addendum shall constitute a default under Article XVII of the Franchise Agreement, for which Franchisor may terminate this Agreement upon notice to Franchisee.

I. Effect of Franchise Agreement

This Addendum shall be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum in triplicate on the day and year first above written.

OR MANIA USA, INC.

______________________________	By:______________________________
WITNESS	Name:____________________________
	Title:_____________________________

FRANCHISEE

______________________________	By:______________________________
WITNESS	

OR MANIA USA, INC.

FRANCHISE AGREEMENT

EXHIBIT "E"

NON-DISCLOSURE AND NON-COMPETITION AGREEMENT

THIS AGREEMENT is made by and between Or Mania USA, Inc., a Florida limited liability company with its corporate headquarters office at 5553 Anglers Avenue Bldg 4, Suite 115, Dania Beach, FL 33312 (the "**Franchisor**"), and ____________________ (the "**Franchisee**"), and ____________________ (the "**Manager**"), both of whom shall be collectively referred to as "Franchisee".

WHEREAS, the Franchisor has developed an established business and is engaged in the development, marketing and sale to franchisees of an efficient and distinctive system of training employees, merchandising, and selling products typically sold in a "Mania Jeans" retail store, served by a distinctively uniformed staff, and well trained, in distinctively designed, furnished, decorated and equipped businesses under the name "Mania Jeans"; and

WHEREAS, the Franchisor has developed and uses the name "Mania Jeans" and associated service marks, designs, and symbols in the design and appearance of its retail stores (collectively referred to as the "**Marks**"), identifying the goodwill which the Franchisor has developed in connection with the operation of "Mania Jeans" businesses by the Franchisor and its franchisees (all of which is hereinafter referred to as the "**Mania Jeans System**"); and

WHEREAS, the Franchisor desires to preserve the Marks and the Mania Jeans System, and has plans, where profitable, to increase the number of "Mania Jeans" businesses within five (5) miles of the franchised business; and

WHEREAS, the Franchisee desires to obtain and maintain the right to own and operate a "Mania Jeans" retail store and the Franchisor desires to grant such right to Franchisee subject to the terms below; and

WHEREAS, the Franchisee's Manager has been hired by Franchisee to run the day-to-day activities of Franchisee's business and such Manager must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, and the conditions stated herein, the parties agree as follows:

1. Purpose of Agreement. The Franchisor is placing the Franchisee in a position of trust and confidence in order to aid the Franchisor in its development, marketing, sale and expansion of the Mania Jeans System. As a precondition of the grant of the right to own and operate a "Mania Jeans" retail store, the Franchisor desires to receive from the Franchisee (i) an agreement not to disclose certain information relating to the Franchisor's business, (ii) an agreement not to compete against the Franchisor for a certain period of time, and (iii) an agreement concerning the ownership of certain information. This Agreement sets forth the terms of their agreements and understandings.

2. Franchisor Ownership of Materials. All information, ideas, research, methods, techniques, specifications, guidelines, manuals, procedures, systems, improvements, notes, data, tapes,

reference items, financial information, literature, files, supplier lists, notebooks, calendars, sketches, drawings, memoranda, records and copyrighted and other materials, including the Franchisor's Confidential Operations Manual, and the goodwill associated with them, which in any way relate to the Franchisor's past, present or potential business or which were prepared or received by the Franchisee as a franchisee of the Franchisor and a participant in the Mania Jeans System (hereinafter collectively referred to as "**Confidential Information**") are the exclusive property of the Franchisor. Franchisee agrees to deliver to the Franchisor all copies of such materials including the Franchisee's own personal work papers, which are in the Franchisee's possession or under the Franchisee's potential control at the request of the Franchisor or, in the absence of such a request, upon the termination of that certain Franchise Agreement dated even date herewith between Franchisor and Franchisee (the "**Franchise Agreement**").

3. Confidential Information. The Franchisee acknowledges that the Franchisor's Confidential Information is a valuable and unique asset which the Franchisee holds in trust for the Franchisor's sole benefit. The Franchisee agrees that the Franchisee shall not, at any time during or after the Franchisee ceases to be a franchisee of the Franchisor or a participant in the Mania Jeans System, use for itself or for others, or disclose to any person, corporation or other entity for any reason, any of the Franchisor's Confidential Information, without the prior written consent of the Franchisor.

An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under a Federal or State trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to an attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal; and does not disclose the trade secret, except pursuant to court order.

4. Trade Secrets. The Franchise acknowledges that the Franchisor's Confidential Information and its methods and techniques of operation, merchandising, specifications, its financial condition, customer service, marketing and pricing strategies, as well as the information compiled and developed regarding improvements or enhancements to the Mania Jeans System, including the Confidential Operating Manual, are uniquely valuable to the Franchisor and have been developed through considerable expense and effort, and thus are not usually ascertainable by a competitor without considerable investment of effort and expense ("**Trade Secrets**").

In light of the need to protect and preserve the confidentiality of these Trade Secrets and in consideration of Franchisee's continued right to own and operate a "Mania Jeans", the Franchisee agrees, at all times while a franchisee of the Franchisor and for as long as Franchisor remains in business anywhere in the world, to respect the confidentiality of the Franchisor's Trade Secrets, to use them solely for the benefit of the Franchisor's business, and to refrain from disclosing or making available the Trade Secrets to any third party without the prior written consent of the Franchisor. The Franchisee further agrees to take all reasonable security measures to ensure that the Franchisee's employees comply with this Agreement and such other security measures as are reasonably requested by the Franchisor to prevent accidental disclosure.

5. Assignment of Innovations. All ideas, improvements, processes, names, and enhancements to the Mania Jeans System or which relate to or are useful to the Franchisor's business which the Franchisee, alone or with others, may invent, discover, make or conceive ("**Innovations**") are the exclusive property of the Franchisor, and the Franchisee shall promptly and fully disclose them to the

Franchisor. At any time, at the Franchisor's request and expense, the Franchisee shall, without further compensation: (i) promptly record such Innovations with the Franchisor; (ii) execute any assignments and other documents the Franchisor deems desirable to protect its rights in the Innovations; and (iii) assist the Franchisor in enforcing its rights with respect to these Innovations.

6. Restrictions on Unfair Competition. It is recognized by the Franchisee that as the natural result of the Franchisee's participation in the Mania Jeans System as a franchisee of the Franchisor, Franchisee will gain access to the Franchisor's Trade Secrets and Confidential Information, and will gain the trust, confidence and respect of the Franchisor's landlords, customers and suppliers. The Franchisee acknowledges that the Franchisor has a legitimate need to protect itself against unfair competition by its franchisees and their employees. Therefore, in consideration for the Franchisee's participation in the Mania Jeans System as a franchisee of the Franchisor, the Franchisee agrees that while it is a franchisee of the Franchisor and for two (2) years after termination of the Franchise Agreement, regardless of the circumstances giving rise to the termination, or after the Franchisee ceases to be a participant in the Mania Jeans System, and within five (5) miles of the franchised business or within five (5) miles of another franchise in the Mania Jeans System, Franchisee shall not:

(a) Have or acquire an interest in a similar business to that offered or developed by the Franchisor which provides the same or substantially similar products as those sold, distributed, manufactured or furnished by the Franchisor during the term of the Franchise Agreement. For purposes of this Agreement, "similar business" means a business other than a Franchised Business that receives the majority of its gross revenue from the sale of jeans, clothing, shoes and/or accessories ("**Products**") in any retail format;

(b) Engage, directly or indirectly, on the Franchisee's own behalf, or on behalf of any other person, firm, partnership or corporation, in providing, assisting, instructing or supervising the marketing, distribution or sale of the Products of any similar business to those offered and provided or manufactured by the Franchisor as of the termination of this Agreement;

(c) Compete, directly or indirectly, with the Franchisor in the offering, distribution or sale of products similar to the Products offered or provided or manufactured by Franchisor as of the termination of this Agreement. Prohibited competition under this subsection (c) may include, but is not limited to, the solicitation of, attempted solicitation, or other contacts with franchisees, landlords, suppliers and customers of the Franchisor for the purpose of offering, providing or delivering Products or services similar to those offered and provided by the Franchisor to the public; or the request, suggestion or advice to Franchisees, landlords, suppliers or customers, either directly or indirectly, to withdraw, curtail, limit or cancel their business with the Franchisor; or to disclose, directly or indirectly, to any other person the names and addresses of franchisees, landlords, suppliers and customers of the Franchisor; or the terms and conditions of the Franchisor's contracts with suppliers of these Products;

(d) Induce any person who is at that time engaged, operating or employed by or at any other Franchised Business to leave his or her employment thereat; or

(e) Otherwise take direct actions to disrupt the operations of the Franchisor or interfere with the Franchisor's performance of its contracts with third parties.

7. Enforcement.

(a) Injunction. The Franchisee understands and agrees that the Franchisor will suffer irreparable harm if Franchisee breaches any of Franchisee's obligations under this Agreement, and that monetary damages shall be inadequate to compensate the Franchisor for any such violation. Accordingly, the Franchisee agrees that in the event Franchisee violates or threatens to violate any of the provisions of this Agreement, the Franchisor, in addition to all other remedies or damages which it may have, shall be entitled to seek an injunction to prevent or to restrain any such violation by the Franchisee or by any or all of the Franchisee's directors, stockholders, officers, partners, employees, agents or any other person directly or indirectly acting for, on behalf of or with the Franchisee. Franchisee agrees that Franchisor will not be required to prove actual damages or post a bond or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance with respect to this Agreement. The Franchisee consents to the seeking of the injunction as being a reasonable measure to protect the Franchisor's rights.

(b) Jurisdiction. The Franchisee agrees that any lawsuit brought by the Franchisor to enforce its rights under this Agreement shall be brought in the appropriate court located in the state of Florida, County of Broward, and the Franchisee agrees and consents to the jurisdiction of such court to resolve all disputes which arise out of this Agreement or any alleged breach thereof in a state court, regardless of Franchisee's residency at the time such suit is filed. Any lawsuit brought against the Franchisor or its officers, directors or agents arising out of this Agreement, or any alleged breach thereof, must be brought within one (1) year of the event giving rise to the cause of action. The failure to commence such action by or on behalf of the Franchisee within this time period shall serve to bar any rights the Franchisee may have against the Franchisor or its officers, directors and agents.

(c) Costs. The Franchisee further agrees that if he/she acts in any manner which causes the Franchisor to seek any form of judicial relief or remedy against Franchisee, and the court determines the Franchisee has or is violating any of the provisions of this Agreement, the Franchisor, in addition to its other remedies, shall be entitled to recover from the Franchisee all costs incurred, including its attorneys' fees.

8. Reasonableness of Restrictions; Severability. The Franchisee has read and considered carefully the provisions of Sections 1 through 7 of this Agreement, and agrees that the restrictions are fair and reasonably required for the protection of the interests of the Franchisor, its business and its officers, directors and employees, even though no geographic limitation is included because of the national nature of the franchise business. The Franchisee further agrees that the restrictions stated in this Agreement shall not impair Franchisee's ability to secure employment or acquire an interest in a business in another field of choice, other than the restricted field described in Section 6.

9. Miscellaneous.

(a) All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Franchisee agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect the Franchisor's legitimate business needs as permitted by applicable law and public policy. In so doing, the Franchisee agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid. Further, the Franchisee agrees that a breach or alleged breach by the Franchisor of any obligation owed by the Franchisor shall not affect the validity or enforceability of the provisions of this Agreement.

(b) This Agreement was entered into and shall be governed by the laws of the state of Florida.

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

(d) In the event that any provision of this Agreement, or a portion thereof, shall be held to be invalid or unenforceable, this ruling shall not affect in any manner the validity of the remaining provisions.

(e) The rights and obligations of the Franchisor under this Agreement shall inure to the benefit of and shall be binding upon the parties hereto, as well as the affiliates of the Franchisor and any future successors and assigns of the Franchisor.

(f) No modification of this Agreement shall be valid unless it is in writing and signed by both the Franchisee and an authorized representative of the Franchisor. This Agreement contains the entire agreement between the parties and is expressly intended by the Franchisee and the Franchisor to supersede and replace any prior agreements on these issues between the parties.

(g) The Manager, if any, hereby executes this Agreement to evidence his/her or their consent to be bound by each and every provision.

IN WITNESS WHEREOF, the Franchisor and the Franchisee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this ____ day of __________, 20__.

FRANCHISOR:

OR MANIA USA, INC.

By:____________________________
Name:__________________________
Title:___________________________

FRANCHISEE:

By:____________________________

MANAGER:

____

By:____________________________

OR MANIA USA, INC.

FRANCHISE AGREEMENT

EXHIBIT "F"

TRANSFER OF FRANCHISE TO
A CORPORATION OR LIMITED LIABILITY COMPANY

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the Corporation set forth below, or Members of the issued and outstanding Interests of the Limited Liability Company set forth below, and the Franchisee of the Franchised Business under a Franchise Agreement executed on the date set forth below, between himself or herself and Or Mania USA, Inc., as Franchisor, granting him/her a franchise to operate at the location set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Franchisee constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation or Limited Liability Company in accordance with the provisions of Article XXI of the Franchise Agreement, agree as follows:

1. The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Article XV thereof, to the same extent as if each of them were the Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of the Franchisee's obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

> "The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated ____________, 20__ between ______________________ and Or Mania USA, Inc."
>
> or
>
> "The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated ____________, 20__ between ______________________ and Or Mania USA, Inc."

3. ___________________ or his designee shall devote his best efforts to the day-to-day operation and development of the Franchised Business.

4. ____________________ hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and Or Mania USA, Inc., to the same extent as if it were named as the Franchisee therein.

Date of Franchise Agreement: ____________________________________

Location of Business: ____

WITNESS: As to Paragraph 3:

__________________________________ __________________________________
[Name]

As to Paragraph 4:

__________________________________ __________________________________
[Name]

ATTEST:

____
Name of Corp. or Limited Liability Company

__________________________________ By:______________________ (SEAL)
Title:___________________________

In consideration of the execution of the above Agreement, Or Mania USA, Inc. hereby consents to the above referred to assignment on this _____ day of _________________, 20__.

OR MANIA USA, INC.

By:______________________________ (SEAL)
Name:____________________________
Title:_____________________________

OR MANIA USA, INC.

FRANCHISE AGREEMENT

EXHIBIT "G"

Telephone Number Assignment Agreement
and Power of Attorney

FOR VALUE RECEIVED, the undersigned ("**Franchisee**") irrevocably assigns the telephone listing and numbers stated below and any successor, changed or replacement number or numbers effective upon the date of termination of the Franchise Agreement described below to Or Mania USA, Inc. upon the following terms:

1. This assignment is made under the terms of the Or Mania USA, Inc. Franchise Agreement dated ____________, 20___ authorizing Franchisee to do business as "Mania Jeans" (the "**Franchise Agreement**") between Franchisor and Franchisee, which in part pertains to the telephone listing and numbers the Franchisee uses in the operation of the Franchised Business covered by the Franchise Agreement.

2. Franchisee retains the limited right to use the telephone listing and numbers only for transactions and advertising under the Franchise Agreement while the Franchise Agreement between Franchisor and Franchisee remains in full force, but upon termination or expiration of the Franchise Agreement, the Franchisee's limited right of use of the telephone listing and numbers also terminates. In this event, Franchisee agrees to immediately discontinue use of all listings and numbers. At Franchisor's request, Franchisee will immediately sign all documents, pay all monies, and take all other actions necessary to transfer the listing and numbers to Franchisor.

3. The telephone numbers and affiliated listings subject to this assignment are: ______________________ and all numbers on the rotary series and all numbers the Franchisee uses in the Franchised Business in the future.

4. Franchisee shall pay all amounts owed for the use of the telephone numbers and affiliated listing it incurs. On termination or expiration of the Franchise Agreement, Franchisee shall immediately pay all amounts owed for the listing and telephone numbers, whether or not due, including all sums owed under existing contracts for telephone directory advertising.

5. Franchisee appoints Franchisor as his/her attorney-in-fact to act in Franchisee's place for the purpose of assigning any telephone numbers covered by Paragraph 3 above to Franchisor or Franchisor's designees or transferees. Franchisee grants Franchisor full authority to act in any manner proper or necessary to exercise these powers, including full power of substitution and signing or completion of all documents required or requested by any telephone company to transfer the numbers, and ratifies every act that Franchisor lawfully performs in exercising those powers.

This power of attorney is effective for ten (10) years from the date of expiration, cancellation or termination of Franchisee's rights under the Franchise Agreement for any reason.

Franchisee intends that this power of attorney be coupled with an interest. Franchisee declares this power of attorney to be irrevocable and renounces all right to revoke it or to appoint another person to perform the acts referred to in this instrument. This power of attorney is not affected by the Franchisee's later incapacity. This power is created to secure performance of a duty to Franchisor and is for consideration.

THE PARTIES have caused this Agreement to be duly signed as evidenced by their signatures appearing below. Persons signing this Agreement must check the appropriate space and sign in the appropriate place provided.

FRANCHISEE: EACH OF THE BELOW PERSONS AGREES TO BE BOUND BY THE PROVISIONS OF THIS AGREEMENT, IN BOTH INDIVIDUAL AND REPRESENTATIVE CAPACITIES.

Signed the _____ day of ____________, 20____

(NAME OF FRANCHISEE)

By:____________________________

FRANCHISOR:

Signed and accepted as of the ____ day of ___________, 20_____

OR MANIA USA, INC.

By:____________________________
Name:__________________________
Title:___________________________

OR MANIA USA, INC.

FRANCHISE AGREEMENT

EXHIBIT "H"

STATE SPECIFIC ADDENDA

EXHIBIT H

ADDENDUM TO THE OR MANIA USA, INC.
OFFERING CIRCULAR REQUIRED BY THE STATE OF CALIFORNIA

CALIFORNIA APPENDIX

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.

2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).

3. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.

4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

5. Neither the franchisor, any person or franchise broker in Item 2 of the UFOC is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

6. The Franchise Agreement require application of the laws of Florida. This provision may not be enforceable under California law.

7. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

8. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

9. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

10. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements are per se violations of the Cartwright Act.

1~~2~~1. OUR WEBSITE, www.maniajeans.co.il/en/, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF ~~CORPORATIONS~~BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF ~~CORPORATIONS~~ BUSINESS OVERSIGHT at www.corp.ca.gov.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ______ day of ______________, 20___.

ATTEST

OR MANIA USA, INC.

____
Witness

By:_____________________________________
Name:___________________________________
Title:____________________________________

FRANCHISEE:

____
Witness

____

EXHIBIT H

**ADDENDUM TO THE OR MANIA USA, INC.
FRANCHISE AGREEMENT**

REQUIRED BY THE STATE OF ILLINOIS

1. The following item is required to be included within the Disclosure Document and shall be deemed to supersede the language that is in the Disclosure Document itself:

> Section 4 of the Illinois Franchise Disclosure Act ("Act") dictates that "any provision in the franchise agreement which designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State." Therefore, the Act supersedes any contrary provisions contained in the Franchise Agreement.

2. Illinois law governs the Franchise Agreement and Area Development Agreement.

3. Any releases and/or waivers that the Franchisor requests the Franchisee to sign must conform with Section 41 of the Illinois Franchise Disclosure Act which dictates that "any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code."

4. Article XXXI of the Franchise Agreement are hereby amended in accordance with Section "1" above.

6. Article XXI of the Franchise Agreement is amended to comply with Section 27 of the Act to allow any and all claims and actions arising out of or relating to these Agreements, the relationship of Franchisor and Franchisee or Franchisee's operation of the Franchise brought by Franchisee against Franchisor shall be commenced within three (3) years from the occurrence of the facts giving rise to such claim or action, within one (1) year after the Franchisee becomes aware of the facts or circumstances indicating Franchisee may have a claim for relief, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, or such claim or action will be barred.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ______ day of _____________, 20___.

ATTEST

____
Witness

OR MANIA USA, INC.

By:______________________________
Name:____________________________
Title:_____________________________

FRANCHISEE:

____
Witness

____

EXHIBIT H TO THE FRANCHISE AGREEMENT

**STATE ADDENDUM TO THE OR MANIA USA, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA**

1. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Articles XXX of the Franchise Agreement.

2. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ______ day of ______________, 20___.

ATTEST	OR MANIA USA, INC.
______________________	By:______________________
Witness	Name:______________________
	Title:______________________
	FRANCHISEE:
______________________	______________________
Witness	

EXHIBIT H

ADDENDUM TO THE OR MANIA USA, INC.
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF MARYLAND

This will serve as the State Addendum for the State of Maryland for Or Mania USA, Inc.'s Franchise Agreements. The amendments to the Franchise Agreements included in this addendum have been agreed to by the parties.

1. The provision contained in the termination sections of the Franchise Agreements may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

3. Pursuant to COMAR 02.02.08.16L, the Franchise Agreement shall be amended at the sections dealing with the issuance of general releases to the effect that the general release required as a condition of renewal and/or assignment/transfer are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

4. Section 14-226 of the Maryland Franchise Registration and Disclosure Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. Any disclaimer regarding the occurrence and/or acknowledgment of the non-occurrence of acts that would constitute a violation of the Franchise Law in order to purchase the franchise 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.

5. The appropriate sections of the Franchise Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

6. Pursuant to Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law, a franchisee is permitted to enter into litigation with the Franchisor in the State of Maryland, regardless of the language in the Franchise Agreement.

7. The Franchise Agreement is hereby amended to state that any representations which require a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise 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.

8. The registered agent authorized to receive process in Maryland is the Maryland Securities Commissioner, 200 St. Paul Place, Baltimore, Maryland 21202-2020.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ______ day of _____________, 20___.

ATTEST	OR MANIA USA, INC.
___________________________	By:___________________________________
Witness	Name:_________________________________
	Title:__________________________________
	FRANCHISEE:
___________________________	____
Witness	

EXHIBIT H
DISCLOSURE REQUIRED BY THE STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU:

(a) A prohibition on the right of a franchisee to join an association of franchises.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) Failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE ATTORNEY GENERAL.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Marilyn McEwen
525 W. Ottawa Street, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ______ day of ______________, 20___.

ATTEST	OR MANIA USA, INC.
______________________	By:______________________
Witness	Name:______________________
	Title:______________________
	FRANCHISEE:
______________________	______________________
Witness	

EXHIBIT H TO THE FRANCHISE AGREEMENT

**ADDENDUM TO OR MANIA USA, INC.
FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA**

This addendum to the Franchise Agreement is agreed to this ___ day of __________, 20__, and effectively amends and revises said Franchise Agreement as follows:

1. Article III of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchise from any loss, costs or expenses arising out of any claim, suit or demand regarding such use."

2. Article XVIII of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes Sec. 80C.14, Subds.3, 4 and 5, which require (except in certain specified cases) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and that consent to the transfer of the franchise will not be unreasonably withheld."

3. Articles XXX and XXXI of the Franchise Agreement are amended by the addition of the following language to amend the Governing Law, Jurisdiction and Venue, and Choice of Forum sections:

> "Minn. Stat. Sec. 80C.21 and Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction."

4. Sections 4.2 and 21.4 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

> "Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release."

5. Any reference to liquidated damages in the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits requiring you to consent to liquidated damages.

6. Section 30.7 of the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

7. Article XXX of the Franchise Agreement regarding Limitations of Claims is hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

8. Under Minn. Rule 2860.4400J, franchisees cannot be required to waive their rights under RICO. Therefore, Section 30.5 of the Franchise Agreement is hereby deleted.

9. Under Minn. Rule 2860.440J, the franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required. Section 15.6 of the Franchise Agreement is hereby amended accordingly.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this ______ day of ______________, 20___.

ATTEST	OR MANIA USA, INC.
______________________	By:______________________
Witness	Name:____________________
	Title:_____________________
	FRANCHISEE:
______________________	______________________
Witness	

OR MANIA USA, INC.

FRANCHISE AGREEMENT

EXHIBIT "I"

FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

As you know, Or Mania USA, Inc. (the "**Franchisor**") and you are preparing to enter into a Franchise Agreement for the establishment and operation of a Mania Jeans retail store. The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of Franchisor that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Mania Jeans retail store from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Mania Jeans retail store from an existing Franchisee?

   Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _______________, 20___.

3. Have you received and personally reviewed the Franchise Agreement and each Addendum and related agreement attached to it?

   Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each Addendum and related agreement provided to you?

   Yes _____ No _____

   If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

   ____

   ____

5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

   Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

____

____

8. Have you discussed the benefits and risks of establishing and operating a Mania Jeans retail store with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Mania Jeans retail store will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the revenues, project cost, (project cost), profits or operating costs of a Mania Jeans retail store operated by the Franchisor or its Franchisees, that is contrary to the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Franchised Business that is contrary to the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Mania Jeans retail store will generate, that is contrary to the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Mania Jeans retail store that is contrary to or different from, the information contained in the Disclosure Document?

Yes _____ No _____

14. Has any employee or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Mania Jeans?

Yes _____ No _____

15. Has any employee or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this Franchise? If so, who? ____

____

If you have answered "Yes" to any one of questions 10-17, please provide a full explanation of each Yes answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered No to each of questions 10-17, please leave the following lines blank.

____

____

I signed the Franchise Agreement and Addendum (if any) on _______________, 20___, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

____

____

____

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "**Executive Order**") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "**Anti-Terrorism Measures**"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

(i) a person or entity listed in the Annex to the Executive Order;

(ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

(iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this _____ day of _______________, 20____.

Sign here if you are taking the franchise as an

INDIVIDUAL

____
Signature

Print Name_________________________

____
Signature

Print Name_________________________

____
Signature

Print Name_________________________

____
Signature

Print Name_________________________

Sign here if you are taking the franchise as a CORPORATION, LIMITED LIABILITY COMPANY OR PARTNERSHIP

____
Print Name of Legal Entity

By:______________________________
Signature

Print Name_________________________

Title______________________________

EXHIBIT J TO THE FRANCHISE AGREEMENT

TRAINING COMPLETION AGREEMENT AND RELEASE

TRAINING COMPLETION AGREEMENT AND RELEASE

WHEREAS, the Franchisor franchises certain specialty retail stores, known as "Mania Jeans", which offer high end jeans, clothing, shoes and accessories ("**Products**"). Such businesses are operated under certain trademarks, service marks, logos and other commercial symbols, including without limitation "Mania Jeans" ("**Marks**") which are owned by an affiliate of Franchisor, and licensed to Franchisor for sub-license to its franchisees, and pursuant to certain confidential information and trade secrets. Such businesses are operated with uniform formats, designs, systems, methods, specifications, standards and procedures, all of which may be improved, further developed or otherwise modified from time to time by the Franchisor ("**Mania Jeans System**").

I ____________________________, (individual's name) a duly authorized representative of _____________________ __________________________ (Franchisee company name), doing business as Mania Jeans at the following location:

____

____

____

____

confirms and acknowledges that they have satisfactorily and materially completed both the training as outlined in the Franchise Agreement and related documents and, having been fully trained on all operating systems to their own satisfaction, that Franchisee requires no more training or related assistance, other than that which Franchisor, Or Mania USA, Inc. ("**Mania**"), is obliged to and that Franchisor has materially fulfilled all of its obligations under the Franchise Agreement, and that Franchisee is solely responsible for the performance of his/her Franchised Business. Franchisee hereby also requests approval from Franchisor to open his/her Franchised Business.

Franchisee hereby fully and forever releases and discharges Mania employees, officers, directors, stockholders, board members, affiliates, etc., of and from all actions, causes of action, suits, sums of money, accounts reckonings, judgments, injuries, damages, claims, counterclaims, and demands of any nature whatsoever that Franchisee ever had relating to said Mania Jeans System and Pre-Opening Assistance, now or which Franchisee shall, or may have, against Mania, or any of its successors, assigns or affiliates, by reasons of any matter, cause or thing whatsoever relating to said Mania Jeans System and Pre-Opening Assistance or any other matter on or before the date of this document.

In Witness Whereof, Franchisee hereby executes his Agreement and Release under seal as of the date set forth below and represents and warrants that they are authorized by the Franchisee to sign this release.

Witness:	On behalf of the Franchisee:
__________________________ Name	__________________________ Name
	__________________________ Company Name
__________________________ Date	__________________________ Date

EXHIBIT D
TO THE FRANCHISE DISCLOSURE DOCUMENT

OPERATION MANUAL
TABLE OF CONTENTS

I. Procedures Book Structure of the Chain

A. General Introduction

1. Notice of Proprietary and Confidential Information
2. Company Profile
3. Distribution list - stores
4. Franchise Department Contacts (Names and Contact Information)

B. Procedures

1. Organization and management - organizational structure, job definitions, resources allocated by management for the implementation of policy
2. Opening a new store
    a. Location/Facility Requirements
    b. Site identification and approval
    c. Signage
    d. Licenses, permits, utilities, insurance and bonding\
    e. Store setup
    f. Trial run
3. Equipment and Computer System
    a. Specifications
    b. Automation
        (i) POS
        (ii) Back office automation
4. Supply and delivery procedures
    a. Consolidation of sales, preparation and shipment/delivery audit
    b. Delivery and unloading
    c. Inventory audit
5. Purchasing procedures
    a. Supplier approval procedure
    b. Approval of merchandise by an approved supplier
    c. Exceptional approvals
    d. Periodic audit - suppliers
    e. Approved vendors and suppliers

6. Training Procedures
    a. Training and accreditation of new shift managers
    b. Periodic refresher training for staff
7. Employees
    a. Hiring employees by position
    b. Training and accreditation
    c. Personal employment contracts (by position)
    d. Quality control
    e. Customer Service
8. Protection of Trademarks and Trade Secrets
9. Store Audit Procedures
    a. Audit subjects and audit frequency
    b. Auditors and their reports
    c. Communication of audit to audit subjects and follow-up of rectification
    d. Disciplinary measures for violations of procedures
    e. Customer satisfaction audit and customer complaints
10. Financials
    a. Collection from franchisees, royalties and contributions
    b. Production of reports for franchisees
11. Marketing and advertising
    a. National and local advertising procedures
    b. Special campaigns
    c. Sale of accompanying products and gifts
12. Miscellaneous
    a. Transfer of ownership of a store
    b. Store liquidation
    c. Insurance Requirements

II. Procedures for the Operation of a Store

A. General Information (See Part I)

B. Procedures

1. Management's responsibilities
2. Organization

3. Structure of the workday
4. Employees (the procedure corresponds to the chain's procedures)

C. Store opening and preparatory works

D. Receiving the public and regular everyday service

E. Regular Cleaning

F. Irregular Events

G. Closing the workday
1. Hiring
2. Training
3. Employment contract
4. Reporting attendance hours and payment
5. Personal hygiene and dress code
6. Conduct
7. Employee suspension

H. Customers
1. Cleanliness, tidiness and organization
2. Handling complaints
3. Special events
4. Regular customers

I. Mystery Shopper Audit
1. Self-audit according to subjects and periodic reports
2. External audit
3. External audit - response and rectification

J. Financials
1. Openings and closing the cash register
2. Shift handover
3. Payment methods and validation
4. Monthly, quarterly and yearly reports

EXHIBIT E
TO THE FRANCHISE DISCLOSURE DOCUMENT

FRANCHISEE ROSTER

None.

EXHIBIT F
TO THE FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

Or Mania USA Inc.

Financial Report
January 7, 2019

Contents

Independent Auditor's Report

To the Board of Directors
Or Mania USA Inc.

We have audited the accompanying financial statement of Or Mania USA Inc. (the "Corporation"), which comprises the balance sheet as of January 7, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Or Mania USA Inc. as of January 7, 2019 in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

January 25, 2019

Or Mania USA Inc.

Balance Sheet

		January 7, 2019
Assets - Cash	**$**	**107,502**
Liabilities and Stockholder's Equity		
Liabilities - Accounts payable	$	79,230
Stockholder's Equity		
Common stock, $0.01 par value, 5,000 shares authorized, 1,000 shares issued and outstanding		10
Additional paid-in capital		107,492
Retained earnings		(79,230)
Total stockholder's equity		28,272
Total liabilities and stockholder's equity	**$**	**107,502**

See notes to financial statements.

Note 1 - Nature of Business

Or Mania USA Inc. (the "Corporation") is organized in the state of Delaware. The Corporation was established to engage in the franchising of retail stores focusing on high-end jeans, clothing, shoes, and accessory products. As of January 25, 2019, the Corporation had not signed any franchise agreements.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statement of the Corporation has been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

Cash

The total amount of bank deposits (checking account) that was insured by the FDIC at year end was $107,502.

Upcoming Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Corporation's year ending December 31, 2020 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Corporation is still evaluating which method it will apply. The new lease standard is expected to have a significant effect on the Corporation's financial statement as a result of the Corporation's operating lease, as disclosed in Note 3, that will be reported on the balance sheet at adoption. Upon adoption, the Corporation will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Subsequent Events

The financial statement and related disclosures include evaluation of events up through and including January 25, 2019, which is the date the financial statement was available to be issued.

Note 3 - Operating Lease

The Corporation is obligated under an operating lease for office space, expiring in December 2021. The lease requires the Corporation to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under this lease was insignificant for the period ended January 7, 2019.

Note 3 - Operating Lease (Continued)

Future minimum annual commitments under this operating lease are as follows:

Years Ending December 31	Amount
2019	$ 66,198
2020	68,184
2021	70,230
Total	$ 204,612

EXHIBIT G
TO THE FRANCHISE DISCLOSURE DOCUMENT

RECEIPT
(RETURN ONE COPY TO US)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Or Mania USA, Inc. 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 and Rhode Island require that we give you this 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. Michigan, Oregon, Washington and Wisconsin require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Or Mania USA, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is Or Mania USA, Inc., located at 5553 Anglers Ave., Building 4, Dania Beach, FL 33312 . Its telephone number is 305-766-0484.

The issuance date of this disclosure document is: March 4, 2019

The name, principal business address and telephone number of each franchise seller offering the franchise is as follows: 5553 Anglers Ave., Building 4, Dania Beach, FL 33312, 1-305-766-0484

________ Gil Ronen ______

Or Mania USA, Inc. authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated ________________, 2019 that included the following Exhibits:

Exhibit A - State Administrators/Agents for Service of Process	Exhibit E - Franchisee Roster
Exhibit B - State Specific Addendum	Exhibit F - Financial Statements
Exhibit C - Franchise Agreement	Exhibit G - Receipt
Exhibit D - Table of Contents of Confidential Operating Manual	

Date:____________________
(Do not leave blank)

____
Signature of Prospective Franchisee

____
Print Name

You may return the signed receipt by signing, dating and mailing it to Or Mania USA, Inc. at 5553 Anglers Ave., Building 4, Dania Beach, FL 33312.

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(Do not leave blank)

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