

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by litigation only in Maryland. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost more to litigate with us in Maryland than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Licensed Trademark.** Celebree Enterprises, LLC does not hold the primary trademark you will use in your business. Our affiliate, HWG IP, LLC has granted us a license to use and permit our franchisees to use the primary trademark under an Intellectual Property License Agreement. HWG IP, LLC has the right to terminate the Intellectual Property License Agreement if we commit a breach of the License Agreement. In that event, HWG IP, LLC will assume our obligations under your Franchise Agreement. HWG IP, LLC is not a party to the Franchise Agreement and is not bound by any agreements you sign with us except as outlined above.
4. **Financial Condition.** The franchisor's financial condition as reflected in its financial statements (see Item 21) call into question the franchisor's financial ability to provide support and services to you.
5. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
6. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

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

Type of Fee <sup>1</sup>	Amount	Date Due	Remarks
Local Advertising	A minimum of \$1,250 / week until your Gross Revenues in any week exceed \$28,000; thereafter, 2% of Gross Revenues	Weekly	Paid to third party vendors. You must spend this amount on approved local community awareness, advertising, public relations, community involvement activities, sponsorships, business partnerships and promotion in accordance with approved marketing plans. You must report your local advertising expenditures to us on a quarterly basis. If you fail to spend the required amount annually, you must, at our option, spend the deficit for local advertising in the first quarter of the following year or contribute the deficit to the Brand Fund. Please see Item 11 for further details.
Cooperative Contributions	0.5% of Gross Revenues unless members of the Cooperative agree to a higher amount.	Monthly	If we establish a regional marketing cooperative ("Cooperative") in your market, you must join and make contributions to the Cooperative. We will reduce your Local Advertising expenditure requirement by the amount of any contribution you are required to make to a Cooperative. We intend to form Cooperatives in any market with five or more open Celebree Schools. Our Company-Operated Schools will join any applicable Cooperative and will have the same voting rights as any franchised School in the Cooperative. See Item 11 for further details.
Centralized System Fee	Currently, \$1,450 per month	Monthly, due on the 1 <sup>st</sup> Wednesday of the month	You will start paying this fee when you open the School. <a href="#">This fee includes fees that we collect from franchisees and pass through to suppliers.</a> We may modify the Centralized System Fee from time to time <a href="#">to cover the actual fee increases charged by our suppliers.</a>