

FRANCHISE DISCLOSURE DOCUMENT

DECORATING DEN SYSTEMS, INC.

8659 Commerce Drive

Easton, MD 21601

(410) 822-9001

www.decoratingden.com



As a franchisee, you will operate a business using the “DECORATING DEN INTERIORS[®] System.” If we approve, you may elect to operate a full-product line interior decorating franchise (the “Full Product Line Franchise” or the “FPL Franchise”), or you may elect to operate a limited product franchise specializing in window treatments and window fashions only (the “Window Treatment Specialist Franchise” or the “WTS Franchise”).

The total investment necessary to begin operation of a FPL Franchise is \$54,960 to \$63,290. This includes \$39,900 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of a WTS Franchise is \$23,330 to \$26,290. This includes \$14,900 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive 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.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Administration Department at 8659 Commerce Drive, Easton, MD 21601; telephone (410) 822-9001.

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

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

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

FTC - DDSI Unit Offering

Issuance Date: March 30, 2012 (amended July 15, 2012)

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 franchise administrator listed in Exhibit H 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 MEDIATION AND BY ARBITRATION ONLY IN MARYLAND. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH DECORATING DEN SYSTEMS, INC. IN MARYLAND THAN IN YOUR OWN STATE.

2) THE FRANCHISE AGREEMENT STATES THAT MARYLAND LAW 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) THE FRANCHISE AGREEMENT PROVIDES THAT FAILURE TO MEET CERTAIN MINIMUM SALES LEVELS MAY LEAD TO TERMINATION OF THE FRANCHISE AGREEMENT OR OTHER ACTION BY THE FRANCHISOR.

4) FRANCHISEES DO NOT RECEIVE AN EXCLUSIVE TERRITORY. WE AND OUR AFFILIATES MAY ESTABLISH OTHER FRANCHISES AND COMPANY OWNED LOCATIONS ANYWHERE, AND MAY ESTABLISH OTHER CHANNELS OF DISTRIBUTION AND SELL OR DISTRIBUTE ANY PRODUCT OR SERVICE TO THE GENERAL PUBLIC, FROM ANY LOCATION, UNDER THE SAME AND/OR DIFFERENT TRADEMARK, IN COMPETITION WITH YOUR FRANCHISE.

5) IT IS IMPORTANT TO NOTE THE COMPANY HAS SUSTAINED OPERATING LOSSES OVER THE PAST 3 YEARS AND HAS USED SIGNIFICANT AMOUNTS OF WORKING CAPITAL OVER THIS PERIOD. YOU MAY WANT TO TAKE THIS INTO CONSIDERATION WHEN MAKING A DECISION TO PURCHASE THIS FRANCHISE. YOU ARE ENCOURAGED TO CONSIDER THIS POINT IN THE FULL CONTEXT OF THE FINANCIAL INFORMATION APPEARING AT EXHIBIT D.

6) THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

California (DDSI Unit Offering)

California Registration Effective Date: April 30, 2012 (amended July 19, 2012)

THE INFORMATION AND NOTICES APPEARING ON THE FOLLOWING THREE PAGES APPLY ONLY TO FRANCHISES TO BE LOCATED IN THE STATE OF MICHIGAN AND ARE REQUIRED BY MICHIGAN LAW.

IF YOU ARE NOT LOCATED IN MICHIGAN, THE FOLLOWING THREE PAGES OF INFORMATION DO NOT APPLY TO YOU.

*** * * ***

NOTICE FOR PROSPECTIVE FRANCHISEES WHO LIVE IN MICHIGAN OR WHOSE FRANCHISES WILL OPERATE IN 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 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 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 PROVISIONS 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 FRANCHISED 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 OR 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 FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATION 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.

*** * * ***

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATION AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P.O. BOX 30222, LANSING, MICHIGAN 48910.

*** * * ***

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:

**DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE
CONSUMER PROTECTION DIVISION
ATTENTION: FRANCHISE
670 LAW BUILDING
LANSING, MICHIGAN 48913**

NOTE: NOTWITHSTANDING PARAGRAPH (F) ABOVE, WE INTEND TO, AND YOU AGREE THAT WE AND YOU WILL, ENFORCE FULLY THE PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (F) IS UNCONSTITUTIONAL AND/OT VIOLATES FEDERAL LAW, AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS.

TABLE OF CONTENTS

ITEM 1	THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES	1
ITEM 2	BUSINESS EXPERIENCE	5
ITEM 3	LITIGATION.....	6
ITEM 4	BANKRUPTCY	7
ITEM 5	INITIAL FEES	8
ITEM 6	OTHER FEES	8
ITEM 7	ESTIMATED INITIAL INVESTMENT	11
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	16
ITEM 9	FRANCHISEE’S OBLIGATIONS	19
ITEM 10	FINANCING	20
ITEM 11	FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	22
ITEM 12	TERRITORY.....	29
ITEM 13	TRADEMARKS.....	30
ITEM 14	PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION.....	31
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	31
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL	32
ITEM 17	RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION.....	33
ITEM 18	PUBLIC FIGURES	38
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS	38
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION	39
ITEM 21	FINANCIAL STATEMENTS.....	48
ITEM 22	CONTRACTS	48
ITEM 23	RECEIPTS.....	48
EXHIBIT A	FIELD MANAGERS	
EXHIBIT B	LIST OF CURRENT FRANCHISE OWNERS	
EXHIBIT C	LIST OF FORMER FRANCHISE OWNERS	
EXHIBIT D	FINANCIAL STATEMENTS OF DDSI	
EXHIBIT E	DDSI FRANCHISE AGREEMENT, PROMISSORY NOTE, RELEASE	
EXHIBIT F	STATE AMENDMENTS	
EXHIBIT G	TABLE OF CONTENTS OF THE PDSS TRAINING MANUAL AND THE FRANCHISEE POLICY AND PROCEDURE MANUAL	
EXHIBIT H	LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS	
EXHIBIT I	RECEIPTS	

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

To simplify the language in this Franchise Disclosure Document (sometimes referred to as the "Disclosure Document" or the "FDD"), "we", "us" and "our" refers to Decorating Den Systems, Inc., the franchisor. "You" means the person, corporation, partnership, limited liability company or other entity that buys the Franchise. If you are a corporation, limited liability company, partnership or other entity, "you" includes the owners of the entity.

THE COMPANY

The franchisor of the "DECORATING DEN INTERIORS[®]" franchise program described in this Disclosure Document is Decorating Den Systems, Inc. Our headquarters are located at 8659 Commerce Drive, Easton MD 21601; our telephone number is (410) 822-9001.

OUR HISTORY

DDSI, organized under Missouri law on May 23, 1969, operated under the name "International Drapery Fashions, Inc." until December 22, 1971, when its name was changed to "American Drapery Consultants, Inc." On March 15, 1978, the company changed its name to Decorating Den Systems, Inc. DDSI does not have any parent, predecessor, or affiliate.

In March 1970, DDSI began franchising a custom drapery business offered under the name of "Aero Drapery". DDSI began offering Full Product Line Decorating Den franchises in the spring of 1974, primarily to those persons who were already experienced as Aero Drapery franchise owners.

We awarded Regional Director franchises from 1984 to 1997; we awarded Regional Manager franchises from 1997 to 1998; we awarded District Developer franchises from 2001 to 2008; and we have awarded Master License franchises since 2009. These are described in more detail in Item 2.

We began franchising the WTS business on July 15, 2011.

Since December 2011, we have test marketed, in parts of Michigan and Ohio only, a franchise program under the name LIVV INTERIOR DESIGNS By Decorating Den. Franchisees that operate under this brand offer similar products and services to the FPL franchise, and pay similar fees to those paid by FPL franchisees.

We have also been in the business of selling home accessories through a direct sales program (primarily home shows) call LIVV! Home Accessories since July 2011.

We do not do business under any other name.

With only one exception, DDSI does not operate, and has never operated, company-owned retail outlets. The sole company owned outlet was operated as a full product line DECORATING DEN INTERIORS franchise unit from the company's headquarters in Easton, Maryland from November 2009 to July 2010, DDSI provided interior decorating services in the counties of Accomack and Northampton, Virginia; Kent, New Castle and Sussex, Delaware; and Caroline,

Dorchester, Kent Queen Anne, Somerset, and Wicomico, Maryland; and the portion of Talbot County, Maryland within zip codes 21612, 21662 and 21663. We currently have no plans to establish additional company-owned outlets or other channels of distribution selling or leasing similar products or services under the Marks or under a different name or trademark, but reserve the right to do so and are considering re-activating this company-owned outlet.

DDSI has not granted franchises in any other line of business and is not the successor to any previously existing franchise sales operation. DDSI has not conducted business in any other line of business or offered franchises in any other line of business, except as described in this Item 1.

A DESCRIPTION OF OUR SYSTEM AND THE FRANCHISES OFFERED

This Disclosure Document describes our unit franchise offering. The unit franchise includes the exclusive right to market your business from a single location (the “Designated Location”) identified in your Franchise Agreement. The Designated Location is usually your home. We also offer through separate Franchise Disclosure Documents in select states, franchises for Master Licensee franchises, as described below.

We are in the business of franchising 2 related businesses: one offers full product line interior decorating services (the “Full Product Line business” or the “FPL business”), and the other offers window treatments and window fashions only (the “Window Treatment Specialist business” or the “WTS business”). Both businesses use the uniform DECORATING DEN INTERIORS System (the “System”), which is a business format we have created and developed.

FPL Franchises. If you become a FPL franchisee, the System is a comprehensive program for the retail marketing and sale of: custom draperies, drapery hardware, decorative shades and other window treatments; fabric; furniture; accessories; wall coverings; floor coverings; other furnishing merchandise; interior decorating services; installation services; and labor. You will operate your business under the DECORATING DEN INTERIORS® trademark.

Most FPL franchise owners operate from their homes. However, some FPL franchisees have elected to operate from fixed retail locations.

If you become a FPL franchise, the System features a ColorVan® vehicle -- a specified vehicle to be used in your business equipped with fabric, carpeting, wall coverings and other samples for presentation at the customer's home, office or commercial establishment. The ColorVan® vehicle displays the Marks and serves as a highly visible advertisement of your services. You assist the customer in the selection of fabrics, colors, window treatment design, furniture, accessories and carpet, and place product orders with suppliers. You also arrange for qualified installers to perform the installation of custom-made draperies, carpeting or other interior decorating products that require skilled installation.

WTS Franchises. If you become a WTS franchisee, the System is a comprehensive program for the retail marketing and sale only of custom draperies, drapery hardware, decorative shades and other window treatments, and related labor. You may not sell any other interior decorating products or services. If you become a WTS franchisee, we do not require that you purchase a ColorVan® vehicle; however, you must have a late model, white vehicle with a decal that we specify. See Item 7 for further details. You will operate your business under the name DECORATING DEN INTERIORS® Window Treatment Specialist.

FPL and WTS Franchises. Retail sales are made by Franchisees, their trained employees or third party contractors, who serve the customer in the customer's home, office, or commercial establishment on an appointment basis. These franchised businesses do not require an investment in inventory or a sewing workroom, because virtually all sales are made upon presentation of samples. The finished product is generally manufactured or warehoused by its supplier. You provide customer service in the customer's home, office, or commercial establishment using an appropriate vehicle to transport the selection of samples and catalogs. Therefore, we do not require that you have a retail location, and most franchisees offer their services from their homes.

APPLICABLE REGULATIONS

The Federal Trade Commission (FTC) and some states have consumer protection laws and regulations that apply to the sale of products and services at a consumer's residence. The laws and regulations would apply to the operation of your DECORATING DEN INTERIORS business. These laws and regulations generally provide that the consumer has the right to cancel the contract for products and services within a specified number of days following the date the contract was signed and that a notice of the consumer's cancellation rights must be included in the contract.

Some states have licensing requirements (i) to use the term "interior designer", "registered interior designer" or "certified interior designer" or to perform certain interior decorating activities; and/or (ii) to install or contract for the installation of carpet, tile and window coverings. In addition, state or local governments may introduce new legislation, approve pending bills or enact new laws or regulations that may impact your ability to operate your DECORATING DEN INTERIORS business without a specific license. The federal government has instituted laws pertaining to anti-terrorism and the USA Patriot Act that require strict compliance by all businesses. Regardless of any information that you may receive from us, you are responsible for investigating and confirming whether any laws, regulations or licensing requirements apply to the operation of your DECORATING DEN INTERIORS business, including existing, pending or future laws and regulations. Your business must operate in full compliance with these laws.

THE MARKET FOR OUR SERVICES

The market for the services of a DECORATING DEN INTERIORS franchised business is both well developed and competitive. You must compete with a variety of interior decorating professionals and a variety of vendors of competitive home or business/commercial furnishings services. The System offers the unique competitive advantage to you of bringing samples and catalogs directly to the customer's home, office, or commercial establishment.

AGENTS FOR SERVICE OF PROCESS

Exhibit H lists the names and addresses of our agents for service of process.

ITEM 2
BUSINESS EXPERIENCE

The address of each of the following is 8659 Commerce Drive, unless otherwise indicated.

Chairman of the Board: JAMES S. BUGG

Mr. Bugg has served as a member of the DDSI Board of Directors since 1985 and has served as Chairman of the DDSI Board of Directors since September 1994. He currently also serves as Chairman of the Yellow Ribbon Fund, Inc., located in Kensington, Maryland.

Vice President, Director of Design and Director: CAROL DONAYRE BUGG, A.S.I.D.

Mrs. Bugg has served as Director of Design since February 1988, and as a member of the DDSI Board of Directors since 1988.

President and Chief Executive Officer: JAMES S. BUGG, JR.

From September 1994 until October 2007 and from July 2008 to the present, Mr. Bugg has served as President and Chief Executive Officer of Decorating Den Systems, Inc.; and also served as Vice Chairman of the Board of Directors and CEO from October 2007 to July 2008.

Chief Financial Officer: LAWSON SHARP

Mr. Sharp has provided certain accounting services to DDSI and has acted as its Chief Financial Officer of DDSI under a consulting agreement since April 1, 2010. Mr. Sharp served as Corporate Controller of DDSI from November 16, 2009 to April 1, 2010 and also served as its Treasurer from December 29, 2009 to April 1, 2010. From 2003 until November 1, 2009, he was Chief Operating Officer of J. Marion Bryan & Sons, located in Easton, Maryland.

Senior Vice President, Retail Operations: JOANNE NORTH

Mrs. North became DDSI's Vice President of Franchise Services and Support in September 2000, and since May 1, 2004 she has served as DDSI's Senior Vice President, Retail Operations.

Vice President, Merchandising: DAVID R. HASELEY

Mr. Haseley has been Vice President, Merchandising since May 15, 2011. In July 2011 Mr. Haseley also became our brand manager in charge of our WTS franchise program. In November 2011 he also became our brand manager in charge of our LIVV franchise program, and in January 2012 he also became responsible for franchise development. From March 1, 2011 to May 15, 2011, he was a consultant to us in connection with our preferred supplier program. From October 1, 2004 until November 18, 2010, he was Vice President – National Sales Manager of Hunter Douglas Hospitality.

General Counsel: EVERETT F. CASEY

Mr. Casey has served as General Counsel of DDSI since March 2010. From July 2006 until March 2010, Mr. Casey was a self-employed attorney in the private practice of law in Silver Spring, Maryland.

Director of Training and Education: MELANIE JAKAB

Mrs. Jakab has been our Director of Training and Education since May 2006. Mrs. Jakab was a Decorating Den Interiors franchise owner in Dayton, Ohio from April 1994 until June 2006.

Field Managers

We have organized the country into a number of separate geographic regions and districts. We have appointed Master Licensees in some of these regions, Regional Directors in some other regions, Regional Managers in some other regions, and District Developers in the districts. We refer to all four of these personnel classifications collectively as “Field Managers.”

The services provided by Regional Directors and Master Licensees include assistance with start-up, education and training, advice, and support and other business assistance. If you will be located in a region for which we have licensed a Regional Director to offer franchises, you will sign a “three-party” Franchise Agreement. A three-party Franchise Agreement will be signed by you, the Regional Director, and DDSI. Where we have not appointed a Regional Director, you and we will execute the Franchise Agreement.

In some regions we have licensed Regional Managers or District Developers to provide start-up, education and training, advice, support and other business assistance to the franchisees in the region or district. Regional Managers and District Developers are not licensed to offer or sell franchises. Regional Managers and District Developers are not a party to other franchisees’ Franchise Agreements in their regions or districts.

The functions of the four offices are shown in the following table.

Function	Regional Director	Master Licensee	Regional Manager	District Developer
Promote the Sale of DDSI Franchises in the Region or District	Yes	Yes	No	No
Collect Service Fees and other payments from DDSI Franchisees in the Region or District	Yes	No	No	No
Provide continuing education, training, business planning and support to DDSI Franchisees in the Region or District	Yes	Yes	Yes	Yes

A principal distinction between the Master Licensee and the Regional Director is that the Region of the Master Licensee will ordinarily be smaller than the Region of the Regional Director. In addition, Regional Directors sign a 3-party franchise agreement with unit franchisees in their Regions; Master Licensees will not be signatories on the franchise agreement.

In this Franchise Disclosure Document, where we refer to the “Field Manager” performing services, the reference encompasses Regional Directors, Master Licensees, Regional Managers and District Developers, whereas a reference to “Regional Director” or “Master Licensee” refers specifically to that office.

You will find additional disclosure information about our Field Managers at Exhibit A.

Franchisee Referrals

If an existing franchisee in the System refers to us a person who subsequently purchases a franchise we may offer a modest courtesy compensation, in accordance with our current system-wide policies, as a way of showing our appreciation.

ITEM 3 LITIGATION

Pending Actions – There are no pending actions required to be disclosed in this Item.

Prior Actions -

Prior Litigation:

Kathryn Salyer v. Decorating Den Systems, Inc., Circuit Court for the City of Williamsburg and County of James City, VA, Chancery No. 04014770. On February 10, 2004, Ms. Salyer, a franchisee, sued DDSI alleging breach of contract for failure to protect her rights in her territory, conspiracy to promote another franchise in her territory, tortious interference with prospective business, and negligent misrepresentation and fraud by assuring Plaintiff it would not allow another franchise to market in Plaintiff's territory. Ms. Salyer sought rescission of her franchise agreement and unspecified compensatory and punitive damages and fees. The parties settled the case on March 30, 2004; Ms. Salyer transferred her ColorVan® vehicle to DDSI, and DDSI made a payment to Ms. Salyer of \$31,900.

Prior Arbitration Actions:

Shirley Gober, Debra Nolen Walters, Ouida Alderman, Linda Cash and Carol Shirley v. Decorating Den Systems, Inc. and Dot and Brent Bushong. (Case #94-1073-CA-01. Circuit Court, Division B, Escambia County, Florida). On November 28, 1994, the Plaintiffs, former DECORATING DEN INTERIORS Franchise Owners, filed suit against DDSI and the Bushongs alleging fraud in the inducement, fraud, inflated earnings claims, and breach of the agreements regarding misrepresentations DDSI allegedly made concerning the potential success of the Franchise Owners. DDSI moved to stay the court proceedings on January 5, 1995, and to order the claims to arbitration with the American Arbitration Association under the Federal Arbitration Act. The court stayed the matter pending a decision of the arbitrator. On April 8, 2000 the Arbitrator awarded a total sum of \$67,896 for the plaintiffs. On May 10, 2000 Plaintiffs' attorney filed a Motion in court to Confirm the Award and Award Attorneys Fees and Pre-Judgment Interest. Final Judgment Confirming the Arbitration Awards, granting pre-judgment interest from the date of the arbitration award, but denying attorneys fees, was entered July 10, 2001. Plaintiffs appealed to the Florida Court of Appeal. The Court of Appeal denied this appeal on October 2, 2002.

Litigation Against Franchisees in the Last Fiscal Year

We did not initiate any lawsuits or arbitrations against franchisees in the last fiscal year.

Other than the 2 resolved cases described above, no litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5
INITIAL FEES**

The Initial Franchise Fee for a FPL franchise is \$39,900. The Initial Franchise Fee for a WTS franchise is \$14,900.

DDSI is a member of the International Franchise Association (“IFA”) and participates in the IFA’s VetFran program. We offer a reduced Initial Franchise Fee of \$35,900 for veterans of the United States armed forces who meet the requirements of the VetFran program if you become a FPL Franchisee. Details about applicant qualifications for this program are available on request. We do not offer the VetFran program if you become a WTS franchisee.

You must pay the Initial Franchise Fee in full at the time you sign the Franchise Agreement. If the Finance Option is offered in your region and you qualify, you may finance a portion of the Initial Franchise Fee (as described fully in Item 10).

We do not currently offer financing if you become a WTS franchisee.

The Initial Franchise Fee is fully earned when we sign the Franchise Agreement, and is not refundable.

The Initial Franchise Fee is uniform as to all new franchises now being offered by DDSI. However, the amount of the Initial Franchise Fee has changed over time, and, therefore, not all Franchisees currently in the system have paid the same Initial Franchise Fee.

**ITEM 6
OTHER FEES***

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Service Fees (Note 1)	7% - 9% of Gross Sales	15 th and last day of the month	Service Fees may decrease based upon the cumulative level of Gross Sales achieved.
National Marketing Fund Contribution (Note 2)	4% of Gross Sales or \$100/month minimum	15 th and last day of the month	
Late Fees and Auditing (Note 3)	Varies (cost of audit ranges from \$1,000 to \$3,000)	As Arranged	See Note 3
Transfer Fee	\$10,000 (\$5,000 if you become a WTS franchisee)	At the time of a transfer	Applies only when you sell or transfer your business.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Resale Assistance Fee (Note 4)	\$10,000 (\$5,000 if you become a WTS franchisee)	At the time of a transfer	Applies only when we generate leads for prospective transferees through our marketing.
Training (Note 5)	Approximately \$500 to \$2000	As arranged	Covers travel and living expenses.
Cooperative Advertising	As determined by cooperative	Established by franchisees and paid locally	May be formed when 2 or more franchisees are in a local market.
Samples	\$1,200 to \$2,500 per year	C.O.D. or vendor terms. Payable to vendor	Most samples are ordered from, shopped by and payable to the vendor. Initial sample package provided by DDSI.
Indemnification	Claims and costs incurred by DDSI or Regional Director	When claim is brought against DDSI or Regional Director	You must reimburse DDSI/Regional Director for any liability and costs incurred by same as a result of your operation of business
Participation in Central Telephone Service (Note 6)	Your proportionate share	Upon reasonable notice from DDSI or Field Manager	Payable only if you must participate in a central telephone service that covers your territory.
Conversion Fee (Note 7)	Difference between the initial franchise fee that you paid to become a WTS franchisee and the then-current FPL franchise at the time you elect to convert to the FPL franchise (currently \$18,000)	When you sign the amendment to become a FPL franchise	Payable only if you elect to convert to the FPL franchise
Additional PDSS Training Fee (Note 7)	\$500 per additional person attending the additional PDSS training if you convert your WTS franchise to a FPL franchise (no charge for first person from your franchise)	When the additional person attends PDSS	Payable only if you elect to convert to the FPL

* This table discloses recurring or isolated fees, payments, or costs you must pay DDSI or Regional Director, or others, during your business relationship with us. The fees described in this item are uniformly imposed on all persons currently acquiring a franchise and are not refundable.

NOTES:

1/ We invoice Service Fees on the 15th and last day of each calendar month and you will pay either DDSI or Regional Director as stated in Section 3.4 of the Franchise Agreement. If you do not timely pay Service Fees or any other amount due us, you must pay us the total amount that is due plus the greater of (i) \$50 or (ii) interest on the delinquent amount at a rate that is the lesser of 18% per annum or the maximum rate allowed by law. In addition, you must pay DDSI's and Regional Director's reasonable attorney's fees and court costs incurred in the collection of any payment or fee that is overdue. Service Fees must be paid to DDSI by automatic electronic payment from your bank. Service Fees are non-refundable. You must pay a fee of \$25.00 for each payment you submit to us that is not honored and/or returned for insufficient funds. The term "Gross Sales" is defined in the Franchise Agreement, and in general means the total amount billed in your retail sales orders, either oral or written, including any installation fees, freight, or other items billed to the customer, less any sales tax, discounts, cancellations or returns allowed.

2/ At the end of each month, we reconcile your National Marketing Fund (NMF) payments with your monthly Gross Sales. If your NMF payments during a calendar month are less than the monthly NMF minimum, the balance will be charged in the month end invoice. You must pay us NMF payments by automatic electronic payment from your bank. NMF Contributions are non-refundable.

3/ DDSI reserves the right to inspect and audit your books and records at all reasonable times, as more fully described in Section 7.3 of the Franchise Agreement. If we discover that you have underpaid fees, you must pay all underpayments owed together with 18% interest per annum (or the maximum amount permitted by law, if less) from the date the payment was due until the date payment is actually made. You must also pay a late fee of \$50 for each report that you fail to submit timely. In addition, if an audit shows that you have underpaid us due us by 2% or more, you must reimburse us or the Regional Director for all inspection and audit costs incurred, including all travel, lodging, and wage costs incurred as well as reasonable accounting and legal costs from the inspection.

4/ The Resale Assistance Fee compensates us when we generate the prospective purchaser of your business through our marketing. One-half of this fee will be contributed to the Franchise Advertising Fund, and the balance will be paid in the form of sales commission to the DDSI franchise sales person who assists you in the sale. If you generate the lead for a prospective purchaser without our assistance and do not utilize a DDSI franchise sales person we will waive the Resale Assistance Fee. We require that you register the lead with us in writing prior to that prospect contacting either DDSI or a Regional Director in order for the lead to be considered your own, and for the Resale Assistance Fee to be waived. This and other policies relating to the Resale Assistance Program and transfers in general are detailed in our Policy and Procedure Manual.

5/ DDSI and the Field Manager provide an introductory training program, including Ready Set Go and Professional Design and Sales School ("PDSS"), to all new Franchisees. You must participate in, and successfully complete, the introductory training program. You must also participate in future training as we and/or the Field Manager may require to maintain the high standards of the

System. All training expenses are non-refundable and will not be the same for all Franchisees because of variable travel and lodging expenses. Training costs, except as specified in Item 11, are not imposed or collected by the Field Manager or us or for any third party. For more Training information and a PDSS agenda, see Item 11.

6/ If your Designated Location is located in a region where DDSI's or the Field Manager's policy is to require the participation of all or designated groups of Decorating Den Interiors franchisees in a central telephone service, or in which we or your Field Manager adopts a policy at any time, you must participate in and share the proportionate costs of the central telephone service, including telephone charges, answering services, yellow pages advertising and listings, general advertising, and the costs associated with the collection and distribution of all telephone messages. You must use the central telephone number, or if no central number is designated, the national 800 number, for all yellow pages advertising and display on the ColorVan[®] vehicle. The decision of whether, and when, to install a central telephone service in your region will be made by us and your Field Manager. Where a central telephone service is required, you may use a business telephone number in the operation of the Franchise as long as the number is not publicly listed so that it would be available to prospective customers in the remaining protected Territories of other franchisees. These unlisted numbers may be used on your business cards and other stationery, and on information flyers and other advertising and marketing materials. A telephone number may be published in a directory or other listing service only with the prior written consent of either us or your Field Manager.

7/ If you become a WTS franchisee, you may, at any time, convert to the full product line DDI franchise. To do so, the following conditions apply: you must be in good standing under your franchise agreement; you must give us prior written notice of your intent to convert to the full product line DDI franchise; you must sign a release (see Release included in Exhibit E) and sign an amendment cancelling the WTS Rider (see amendment included within Exhibit E); you must pay the difference between the initial franchise fee that you paid us to become a WTS franchisee and the then-current franchise fee that we charge to full product line DDI franchisee; you must purchase a ColorVan[®] vehicle that meets our graphics standards; and you must attend the portion of PDSS that applies to products and services other than window treatments and pay a fee of \$500 for any additional persons attending the additional PDSS training (no charge for the first person attending the additional PDSS training). The general release required to convert to a full product line franchise does not apply to any liability under any applicable franchise law.

The current minimum annual gross sales requirement is \$40,000.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT
(if you become a Full Product Line franchisee)**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee (Note 1)	\$39,900	Lump Sum, or Down Payment plus Promissory Note (See Item 10)	Upon execution of the Franchise Agreement	DDSI or Regional Director
Furniture, Fixtures and Equipment (Note 2)	ColorVan® vehicle leased or financed: \$320 to \$400/mo. with no down payment (initial range for 3 months is \$960 to \$1,200) Computer Equipment and Internet Access: approximately \$2,100	As Arranged, Lump Sum As Arranged	Installments, At Purchase As Arranged	Lessor, Vendor
Opening Inventory of Business Materials (Note 3)	\$500 to \$750	As Arranged	As Arranged	Vendor
Advertising and Grand Opening Event (Note 4)	\$4,500 to \$6,000	As Arranged	Before Grand Opening and during the early months of operation	Vendor
Comprehensive General Liability and Vehicle Insurance (Note 5)	\$600 to \$1,340 for 3 months (includes a \$125 service fee)	Down payment plus Installments	As Arranged	Insurance Company
Additional Funds --3 Months (Note 6)	\$6,400 to \$12,000	As Arranged	As Needed	Vendors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
TOTAL ESTIMATED INITIAL INVESTMENT (Note 7)	\$54,960 to \$63,290			

All payments made to DDSI or one of our Regional Directors are non-refundable. Whether any of the vendors to whom you make payments will refund those payments will depend on their terms of purchase.

NOTES:

1/ As described in Item 5, we participate in the VetFran program of the International Franchise Association, and offer a reduced Initial Franchise Fee of \$35,900 for veterans of the United States armed forces who qualify under the VetFran program. The veteran must be the interior decorator and principal operator of the DECORATING DEN INTERIORS business.

2/ All FPL Franchisees must acquire a ColorVan[®] vehicle suitable for carrying samples to the customer's home, office, or commercial establishment. Most Franchise Owners lease or finance the purchase of the ColorVan[®] vehicle from an automobile dealer. The ColorVan[®] vehicle must be of an approved make and model (currently, full size van, minivan or approved SUV); and it must meet the color (currently white) and permanent decal decoration standards we establish. If you do not own an appropriate vehicle, we will agree to an extension of 90 days from the date of execution of your Franchise Agreement for you to obtain a ColorVan[®] vehicle suitably displaying the required Marks. If you live in an area that restricts overnight parking of vehicles with commercial markings, you must be prepared to store your ColorVan[®] vehicle in a garage or some other storage facility. You must provide us with a photograph and pertinent specifications of your ColorVan[®] vehicle prior to attendance at PDSS training. DDSI estimates that the cost of a suitable new ColorVan[®] vehicle, if purchased, including interior fixtures and application of exterior signs and decoration, is approximately \$24,000 - \$33,000. We have not included this figure among our estimates in the chart because most Franchise Owners lease a ColorVan[®] vehicle or finance its purchase. If you lease the ColorVan[®] vehicle we have not included any down payment, and, if you finance the purchase, you may be required to pay a down payment as well as licensing fees and taxes. The estimate made in this portion of the chart includes monthly installments of between \$320 and \$400 each, depending on the cost of the vehicle, which monthly costs are typical, based on the sale/lease by our Preferred Suppliers. We have not included taxes or other charges the dealer may impose. DDSI has a Preferred Supplier for the ordering and delivery of ColorVan[®] vehicles. If you so desire, it may also be possible for you to acquire a previously owned ColorVan[®] vehicle; however, that vehicle must meet our standards.

All FPL franchise owners must purchase or lease for use in your office a computer system including hardware, modem, software, a color printer, and other miscellaneous equipment as described in the Franchisee Policy and Procedure Manual. We have included three months of broadband (cable/DSL) internet connection charges at an estimated \$35 per month.

3/ The Opening Inventory of Business Materials includes business cards, letterhead stationery, envelopes, and necessary business forms and accounting software. We recommend QuickBooks Pro.

4/ This includes direct mailed and hand delivered promotional materials, Grand Opening Event expenses and initial newspaper advertising. In addition to these Grand Opening expenses, we strongly recommend that you plan to spend at least \$1,500 per month in local marketing during the first 6 months of your operation.

5/ This does not include Employer Liability insurance, which we require if you have employees. See Item 8. The 10-month installment information in the chart reflects annual insurance costs of \$1,800 to \$4,020. The amount you pay for insurance will depend on the state in which you are conducting business and other factors. For purposes of this chart, we have included the down payment range cited plus 3 monthly payments.

6/ Additional Funds include (i) miscellaneous working capital, (ii) central-telephone number participation, (iii) travel, lodging, meals, and living expenses necessary to attend training beyond PDSS, and (iv) other operating expenses you may expect to encounter in your first three months of business based on our experience with newly opened franchises. Some states may also require you to obtain a license before start-up of business. These figures are only estimates, and you may have additional expenses starting your business. Your costs will depend on your management skill, experience and business acumen; local economic conditions; whether zoning laws in your area require you to establish an office/warehouse; the local market for interior decorating services; competition; the sales level you reach during the first few months of your business; and other factors.

7/ We have relied on our more than 40 years of experience in the interior decorating business to compile these estimates. However, we strongly encourage you to review these estimates carefully with a business advisor before making any decision to purchase this franchise.

**YOUR ESTIMATED INITIAL INVESTMENT
(if you become a WTS Franchisee)**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	\$14,900	Lump Sum, or Down Payment	Upon execution of the Franchise Agreement	DDSI or Regional Director
Furniture, Fixtures and Equipment (Note 1)	\$130 to \$200 –auto decals. If you must paint your vehicle, we estimate that this can be done for \$600 to \$1,000. Computer Equipment and Internet Access: approximately \$2,100.	As Arranged, Lump Sum As Arranged	Installments, At Purchase As Arranged	Lessor, Vendor

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Opening Inventory of Business Materials (Note 2)	\$500 to \$750	As Arranged	As Arranged	Vendor
Advertising and Grand Opening Event (Note 3)	\$1,500 to \$2,000	As Arranged	Before Grand Opening and during the early months of operation	Vendor
Comprehensive General Liability and Vehicle Insurance (Note 4)	\$600 to \$1,340 for 3 months (includes a \$125 service fee)	Down payment plus Installments	As Arranged	Insurance Company
Additional Funds --3 Months (Note 5)	\$3,000 to \$4,000	As Arranged	As Needed	Vendors
TOTAL ESTIMATED INITIAL INVESTMENT (Note 6)	\$23,330 to \$26,290			

All payments made to DDSI or one of our Regional Directors are non-refundable. Whether any of the vendors to whom you make payments will refund those payments will depend on their terms of purchase.

NOTES:

1/ We do not require WTS franchise owners to purchase a ColorVan® vehicle. However, you must have a late model, white car or van that is compact-size or larger. We anticipate that most WTS franchisees will have a suitable vehicle. You must purchase decals from FleetGraphics at a cost of \$130 to \$200 and apply them to your vehicle. You must provide us with a photograph and pertinent specifications of your vehicle with the decals prior to your attendance at PDSS training.

All WTS franchise owners must purchase or lease for use in your office a computer system including hardware, modem, software, a color printer, and other miscellaneous equipment as described in the Franchisee Policy and Procedure Manual. We have included three months of broadband (cable/DSL) internet connection charges at an estimated \$35 per month.

2/ The Opening Inventory of Business Materials includes business cards, letterhead stationery, envelopes, and necessary business forms and accounting software. We recommend QuickBooks Pro.

3/ This includes direct mailed and hand delivered promotional materials, Grand Opening Event expenses and initial newspaper advertising. In addition to these Grand Opening expenses, we strongly recommend that you plan to spend at least \$1,500 per month in local marketing during the first 6 months of your operation.

4/ This does not include Employer Liability insurance, which we require if you have employees. See Item 8. The 10-month installment information in the chart reflects annual insurance costs of \$1,800 to \$4,020. The amount you pay for insurance will depend on the state in which you are conducting business and other factors. For purposes of this chart, we have included the down payment range cited plus 3 monthly payments.

5/ Additional Funds include (i) miscellaneous working capital, (ii) central-telephone number participation, (iii) travel, lodging, meals, and living expenses necessary to attend training beyond PDSS, and (iv) other operating expenses you may expect to encounter in your first three months of business based on our experience with newly opened franchises. Some states may also require you to obtain a license before start-up of business. These figures are only estimates, and you may have additional expenses starting your business. Your costs will depend on your management skill, experience and business acumen; local economic conditions; whether zoning laws in your area require you to establish an office/warehouse; the local market for interior decorating services; competition; the sales level you reach during the first few months of your business; and other factors.

6/ We have relied on our more than 40 years of experience in the interior decorating business to compile these estimates. However, we strongly encourage you to review these estimates carefully with a business advisor before making any decision to purchase this franchise.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You have no obligation under the terms of the Franchise Agreement or as a result of any requirement, policy or practice of ours to purchase or lease from us, the Field Manager or any other specific manufacturer or supplier any goods, services, supplies, fixtures, equipment, inventory or real estate in connection with the establishment or operation of your franchised business. There is no requirement that FPL franchise owners purchase your products and services or your vehicle from us, the Field Manager or any particular manufacturer or supplier. WTS franchise owners must purchase window treatment and window fashion products for resale only from approved suppliers that we approve. We do not derive any income as a result of your purchases from approved suppliers. To the extent that franchisees purchase or lease goods or services from DDSI, we will derive income from those purchases or leases. During our latest fiscal year (which ended December 31, 2011), we derived approximately \$19,188 in revenues from franchisees' purchases or leases from us. This represented about 0.61% of our total revenues.

We have a preferred supplier program ("Preferred Supplier Program") as described below. We encourage FPL franchise owners to participate in the Preferred Supplier Program through the offer of product discounts and guarantees; contests and incentive awards; and assistance in the return of products. If you purchase products or services from suppliers and manufacturers that do not participate in our Preferred Supplier Program, we may not be able to offer you the same level

of support and services that are available to you if you purchase goods and services from companies that participate in the Preferred Supplier Program.

The products and services offered by FPL franchise owners to their customers from non-participating suppliers and manufacturers must be of good quality and appropriate for the purpose to be used. DDSI may restrict FPL franchise owners from selling products that in DDSI's reasonable opinion are not of good quality. DDSI may specify the design, appearance and quality of the ColorVan® vehicle and placement of decals, business cards, letterhead, stationery, envelopes, promotional brochures and necessary business forms you will use in your business. These same items will comprise a portion of the total cost of operating your business; however the marketing and other operating expenses of our franchisees vary widely and are not reported to us. As a result, we cannot estimate a percentage of total expenses they may represent in your business. During your operation of the business, you need not purchase any other products subject to our specifications. Orders for products such as furnishings, draperies, and fabrics may be placed on behalf of your customers, and payment to suppliers made after you collect the purchase price from your customers.

Neither DDSI nor its affiliates derive revenue from purchases of products meeting our specifications from suppliers and manufacturers not participating in the Preferred Supplier Program, except as we describe below relating to the Preferred Supplier program. Our Vice President, Program Development, Kevin Atkinson, receives compensation under contract from HRH, a recommended supplier of business and vehicle insurance to the DECORATING DEN INTERIORS System. With this exception, no DDSI officer owns an interest in any of our suppliers.

Neither DDSI nor any of its affiliates is currently a Preferred Supplier to the System. However, DDSI, its stockholders, Field Managers and/or officers reserve the right to, in the future, acquire an interest, in either equity or debt, in companies that participate in the Preferred Suppliers Program.

Under the Preferred Supplier Program, we have negotiated and entered into agreements with various manufacturers, suppliers and service providers ("Preferred Suppliers") which provide for rebates to be paid to us based upon the volume of sales from the System. Generally, these Preferred Suppliers have agreed to pay the Merchandising Incentive Fund Trust (the "MIF Trust") a rebate ranging from 5% to 8% of sales of their products made to Franchise Owners and Field Managers. The MIF Trust was established under Maryland law, and is administered by a single Trustee, Lawson Sharp, who is appointed by DDSI and who also provides certain accounting services to DDSI and acts as our Chief Financial Officer under a consulting agreement. DDSI created the MIF Trust to collect, manage, and spend the funds generated by the merchandising programs for the benefit of the System, the Field Managers, and franchisees.

The funds of the MIF Trust are used (i) to develop technology, online applications and software for the System, (ii) to sponsor seminars, conventions, trips, meetings, and conferences for the education and training of franchisees, (iii) to cure defaults by Preferred Suppliers to assure that our franchisees receive refunds for deposits made for products ordered by customers, (iv) to fund merchandising services and promotions, and (v) to promote in general the System. The rules applicable to incentive programs or reward promotions are set out in the Policy and Procedures Manual or in applicable contest flyers or brochures. All expenditures from the Trust are subject to the approval of the Trustee.

The MIF Trust funds are also used for payment of administrative and management services for the Trust, including payment to DDSI for these services, and/or hiring employees of the MIF Trust to provide administrative and management services. The MIF Trust pays the salaries and benefits of the DDSI personnel in the Merchandising Department, who are responsible for negotiating and managing the Preferred Supplier Program, and in the IT Department, who provide computer and information technology services for the benefit of the System.

The current list of Preferred Suppliers is contained in the Supplier Handbook, a copy of which we provide to each franchisee. We stay in close communication with Preferred Suppliers to negotiate product discounts and guarantees; contests and incentive awards; and assistance in the return of products, which will enable franchisees to offer special promotions to their customers. We may revoke the "Preferred" status of any supplier at any time in our sole discretion, if that supplier fails to meet our standards for service, financial status, and quality of products or operations.

DDSI operates and makes available to franchisees, Field Managers and others an Internet-based "intranet" - called "DecoNet" - which provides e-mail communications among DDSI, the Field Managers and Franchise Owners, discussion forums, an "on-line" library of various manuals, announcements, web links to Preferred Suppliers, a customer and leads management function, web site builder, and other materials and information resources. In order to utilize DecoNet, you must have an appropriate computer and access to the Internet. You must have a computer system meeting DDSI's minimum specifications and Internet access. There is no charge for using DecoNet; however, in the future as technology changes over time we may assess a fee related to our basic online services such as DecoNet. We may require you to purchase computer software from us in the future, and we reserve the right to designate approved suppliers for this software. We also reserve the right to require you to purchase computer hardware that meets our specifications. See Item 11 for a detailed description of your computer requirements.

We require FPL franchise owners to acquire a ColorVan[®] vehicle that meets our specifications, is painted a specified color, and decorated by permanent decals with certain of the Marks and other information. The specifications for the ColorVan[®] vehicle and the use and placement of our Marks are contained in the Franchisee Policy and Procedure Manual, which we may modify as required for the conduct of your business, or as the federal registrations for our Marks may change. You must provide us with a photograph and pertinent specifications of your ColorVan[®] vehicle prior to attendance at PDSS training. If you live in an area that restricts overnight parking of vehicles with commercial markings, you must be prepared to store your ColorVan[®] vehicle in a garage or some other storage facility.

We require WTS franchise owners to use a late model, white, car or van, that is compact-size or larger that meets our specifications (the "Business Vehicle"). The specifications for the Business Vehicle and the use and placement of our Marks are contained in the Franchisee Policy and Procedure Manual, which we may modify as required for the conduct of your business, or as the federal registrations for our Marks may change. You must provide us with a photograph and pertinent specifications of your Business Vehicle prior to attendance at PDSS training. If you live in an area that restricts overnight parking of vehicles with commercial markings, you must be prepared to store your Business Vehicle in a garage or some other storage facility.

You must purchase, within 10 days after signing the Franchise Agreement, and maintain the following types of insurance: (1) Comprehensive General Liability Insurance, including premises, products, completed operations, personal injury, and contractual liability coverage in amounts not less than \$1,000,000 for each occurrence with a general annual aggregate of not less than \$2,000,000, and a products and completed operations annual aggregate of not less than \$2,000,000; (2) if you have employees, then you must have Employer's liability insurance providing for coverage in amounts not less than \$250,000 for each accident, for each employee, and in the aggregate, and Worker's Compensation insurance in amounts provided by applicable law in your state; (3) automobile liability coverage, for vehicles used in the course of conducting your business and the ColorVan® vehicle or the Business Vehicle, including coverage of owned, non-owned, and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit; and (4) any insurance which may be required by statute or rule of the state or locality in which the franchised business will be operated. You must name DDSI and the Regional Director, if applicable, as additional insureds to these insurance policies.

We estimate that your purchases or leases from us, from Preferred Suppliers or approved suppliers, or otherwise in accordance with our specifications will represent, collectively, 5% to 50% of your total purchases in establishing the franchised business (depending primarily on whether you lease or purchase a ColorVan® vehicle), and approximately 10% to 15% in the continuing operation of your franchised business.

As described above, we negotiate purchase arrangements with suppliers for your benefit and for the benefit of other franchisees.

We do not provide material benefits to you based on your use of Preferred Suppliers or of other approved suppliers.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Section 5	Item 7, Item 11, and Item 12
b. Pre-opening purchases/leases	Section 5	Item 7 and Item 11
c. Site development and other pre-opening requirements	Section 5	Item 6, Item 7, Item 11, and Item 12
d. Initial and ongoing training	Section 5	Item 1, Item 6, Item 7, and Item 11
e. Opening	Section 5	Item 7, and Item 11

Obligation	Section in Agreement	Disclosure Document Item
f. Fees	Section 3	Item 5, Item 6, and Item 7, Item 12
g. Compliance with standards and policies/Operating Manual	Section 5 and Section 6	Item 11
h. Trademarks and proprietary information	Section 5 and Section 6	Item 8, Item 13, and Item 14
i. Restrictions on products/services offered	Section 5	Item 8 and Item 16
j. Warranty and customer service requirements	Section 5.2 and 5.8	Item 8
k. Territorial development and sales quotas	Section 1 and Section 5	Item 12
l. Ongoing product/service purchases	Section 5	Item 8
m. Maintenance, appearance and remodeling requirements	Section 2.2 and Section 5.6	Item 8
n. Insurance	Section 5.13	Item 6, Item 7 and Item 8
o. Advertising	Section 5	Item 11
p. Indemnification	Section 11	Item 6
q. Owner's participation, management, and staffing	Section 5	Item 15
r. Records and reports	Section 7	Item 6
s. Inspections and audits	Section 7	Item 6
t. Transfer	Section 8	Item 6 and Item 17
u. Renewal	Section 2	Item 17
v. Post-termination obligations	Section 9 and Section 10	Item 17
w. Non-competition covenants	Section 6	Item 17
x. Dispute resolution	Section 12 and Section 13	Item 17

**ITEM 10
FINANCING**

We do not offer direct or indirect financing Except as noted below in this Item 10. Neither DDSI, the Field Manager, nor any affiliate currently receives payment from any person or persons for the placement of financing with you. However, we and the Field Manager reserve the right to offer arrangements for financing and to receive payment from a third party for the placement of this financing in the future. We do not have any past or present practice or intent to transfer, assign, discount, or sell to a third party, all or part of, any note, contract, or other instrument executed by you, but we reserve the right to do so in the future.

We do not guarantee your note, lease or obligation.

WTS Franchisees. We do not offer any financing when you become a WTS franchisee. If you become a WTS franchisee and choose to convert to the full product line DDI franchise within 2 years, you must pay, in the form of a cashier's check or certified check, the difference between the initial franchise fee then payable by FPL franchisees and the amount of initial franchise that you paid to become a WTS franchisee. After paying a minimum of \$10,000 in the form of a cashier's check or certified check, if we approve, you may finance the balance by signing the promissory note on the terms and conditions that we then offer to FPL franchisees. For example, the maximum financing that we currently offer to you is \$15,000, which would be payable with interest at 9% per annum at the rate of \$373.28/month until paid.

FPL Franchisees. We offer partial financing of the Initial Franchise Fee only to financially qualified FPL franchisees. The amount of financing we offer will depend on your financial qualifications and the level of financing we make available in your state. We reserve the right to suspend this financing program in your state at any time. We will finance up to \$15,000 of the Initial Franchise Fee. At the highest level of financing, you pay \$24,900 of the Initial Franchise Fee at the time you sign the Franchise Agreement and sign a Promissory Note for the balance of \$15,000. The terms of this financing are summarized in the following chart.

**SUMMARY OF FINANCING OFFERED
TO FPL FRANCHISEES**

Item Financed: Portion of Initial Franchise Fee	
Amount Financed (Note 1)	\$15,000 (maximum)
Down Payment (Note 1)	\$24,900
Term (Note 2)	48 months
Interest Rate (Note 2)	9%
Monthly Payment (Notes 1, 2)	\$373.28
Prepayment Penalty	None
Late Installment Fee (10 days after due date)	\$50 plus any collection costs
Security Required	Personal Guarantee
Liability on Default	Full amount of remaining principal and interest, late installment fees, plus our collection costs including attorney fees
Loss of Legal Right on Default	Waive objection to Maryland court venue; waive right to counterclaim;

Item Financed: Portion of Initial Franchise Fee	
	waive right to jury trial
Other Default Consequences (Note 3)	Termination of Franchise Agreement

Note 1: The maximum amount of financing we make available to FPL franchisees is \$15,000. It may be lower in some areas, depending on your financial qualifications and the level of financing that is offered in your state. A lower amount of financing will mean a higher down payment portion of the Initial Franchise Fee. We will calculate note payments for lower amounts of financing on the basis of a 48 month fully amortized loan, with interest at 9%, with a minimum monthly payment of \$300.00.

Note 2: The term of the note commences when you sign it and the Franchise Agreement and, unless paid earlier, the Note is payable in 48 equal amortized monthly installments of principal and interest with the first payment due on the first day of the second full calendar month after the date you complete PDSS. If you finance the maximum amount of \$15,000, the monthly payment will be \$373.28, with the repayment of principal and interest over 48 months totaling \$17,917.20. The monthly payment will be proportionately lower if you borrow less than \$15,000, but will not be less than \$300.00. The Promissory Note accrues interest beginning the first day of the first full calendar month following the date you complete PDSS. The rate of interest will not change over the life of the Promissory Note.

Installment payments on the Promissory Note must be made by a direct debit of your bank account for each installment due on its due date, using the Automated Clearing House (ACH) or another automatic bank payment function. You must pay for all bank charges for this electronic direct debit. At the time you execute the Franchise Agreement, and at later dates on our request, you must execute an appropriate authorization agreement for automatic payment to permit our bank to draw funds from the bank account you designate.

Note 3: We may terminate the Franchise Agreement with no opportunity to cure the default if you fail to make any payment due under the Promissory Note within 10 days of its due date. The holder of the Promissory Note may also declare the entire remaining balance of the principal and interest immediately due and payable.

If you elect the Financing Option, you will be required to execute a Promissory Note, the form of which you will find as Exhibit 1 to the Franchise Agreement (the Franchise Agreement is at Exhibit E of this Franchise Disclosure Document).

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

Except as listed below, DDSI and/or the Field Manager are not required to provide you with any assistance.

Pre-Opening Obligations

During the time before opening of your franchised business, we and, where applicable, the Field Manager, are obligated under the Franchise Agreement to perform the following services, which are set forth in Section 4.3 of the Franchise Agreement:

A. Policy and Procedure Manuals. We will provide you a Franchisee Policy and Procedure Manual, which we may revise from time to time during the term of the Franchise Agreement in our sole discretion, and which you must return to us upon termination or expiration of the Franchise Agreement. (Franchise Agreement -- Section 4.3.a (i)).

A copy of the Table of Contents of the Franchisee Policy and Procedure Manual is provided at Exhibit G to this Disclosure Document. This Manual (including the Appendix) contains more than 75 pages of text, with the number of pages devoted to each subject as noted in the Table of Contents at Exhibit G.

B. Professional Design and Sales School ("PDSS"). You will receive a start-up manual, called "Ready Set Go". This manual will prepare you for your introductory training at DDSI and you must complete it before attending PDSS. PDSS is a comprehensive introductory training program for new franchisees held at our corporate headquarters, 8659 Commerce Drive, Easton, Maryland 21601. The Professional Design and Sales School ("PDSS") features intensive classroom seminars, covering four basic areas - Product Knowledge, Lifestyle Design, Sales and Marketing, and Business Management. PDSS is Level I of the DECORATING DEN INTERIORS Lifestyle University and is conducted periodically, lasting approximately 10 business days with 82 hours of instruction if you become a FPL franchisee, or approximately 5 business days with 42.5 hours of instruction if you become a WTS franchisee. The cost of PDSS for one person is included in the Initial Franchise Fee. The additional charge for each additional person to attend is \$1,000 if you become a FPL franchisee and is \$500 if you become a WTS franchisee. Eligible participants are spouse, another owner of a corporate or LLC franchisee, and partner. All new franchisees and any partners active in selling to customers must attend and successfully complete to our satisfaction Ready, Set, Go and PDSS. You must pay your travel, lodging, and living expenses incurred while you are attending training, including PDSS. Reservations for attendance at PDSS are usually placed approximately 4 to 6 weeks in advance of the scheduled session date. (Franchise Agreement -- Section 4.3.a (ii)).

Mrs. Melanie Jakab, whose background is described in Item 2, supervises all training and educational programs and certifies all instructors. Members of our corporate staff and Field Managers also provide instruction.

PDSS Schedule for Full Product Line Franchisees:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On The Job Training	Location

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Marketing	9 hours	0	Easton, Maryland
Sales	12 hours	0	Easton, Maryland
Product Knowledge	37 hours	0	Easton, Maryland
Design	14 hours	0	Easton, Maryland
Business Management	10 hours	0	Easton, Maryland

A copy of the Table of Contents from the PDSS Training Manual is provided at Exhibit G to this Disclosure Document. This Manual contains more than 600 pages of text, with the number of pages devoted to each subject as noted in the Table of Contents at Exhibit G.

PDSS Schedule for WTS Franchisees:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On The Job Training	Location
Marketing	8 hours	0	Easton, Maryland
Sales	5 hours	0	Easton, Maryland
Product Knowledge	20.5 hours	0	Easton, Maryland
Design	3.5 hours	0	Easton, Maryland
Business Management	5.5 hours	0	Easton, Maryland

Exhibit G to this Disclosure Document includes a copy of the Table of Contents from the PDSS Training Manual applicable to WTS Franchisees. This Manual contains more than 440

pages of text, with the number of pages devoted to each subject as noted in the Table of Contents at Exhibit G.

C. Advertising and Marketing Programs. We provide advertising planning and programs, including seasonal and special promotions and layout for newspapers, and recommendations for their use. (Franchise Agreement -- Section 4.3.a (vi)).

We may distribute advertising through the internet and through television, radio and newspapers on local, regional and national levels. Advertising originates from franchisees and Field Managers as well as DDSI and agencies. You may use your own advertising material, but only with our prior, express, written approval. There are 2 councils to serve you in an advisory capacity on advertising policies: the U.S. Leadership Council ("U.S. TLC") and the Canadian Leadership Council ("Canadian TLC"). The U.S. TLC consists of 9 members, 6 US franchisees elected by their peers, 2 US franchisees appointed by DDSI, and one DDSI staff member. The Canadian TLC consists of 1 member, a Canadian franchisee elected by his or her peers. The U.S. franchisees appointed by DDSI are typically the TLC candidates who receive the next highest number of votes after those elected. These Advisory Boards may be formed, changed or dissolved only by the appropriate TLC amending the By-Laws of the U.S. or Canadian Franchise Owners Association.

Franchise Owners may also participate in local advertising cooperatives ("Ad Co-ops"). Except for Central Telephone and Yellow Page Ad Co-ops that are mandatory, these Ad Co-ops are voluntary, and areas or memberships are defined by local Ad Co-op councils. Franchisee Owners determine their own contributions and administer their own funds to the Ad Co-op. Any written documents to govern these voluntary Ad Co-op funds are developed by franchisees, voted on by franchisees, and administered by franchisees in accordance with the Policy and Procedure Manual. We request copies of local Ad Co-op guidelines be kept on file in the DDSI Advertising Department. Any financial statements are prepared by franchisees and are distributed among those participating in Ad Co-ops. We are not involved in these local voluntary Ad Co-ops.

We require all franchisees to participate in a Central Telephone and Yellow Page Co-op Program, if the Region in which your Designated Location is located maintains a Co-op Program. Under this Co-op Program, you must share with the other franchisees in the Region the costs of maintaining and operating the Central Telephone and Yellow Page Co-op Program, including local business service, "call forwarding" charges, answering service, Yellow Page advertisement, and lead distribution costs (mail, receptionist salary and office supplies). More specific requirements of the program, as well as customer lead distribution policies, are contained in the Policy and Procedure Manual.

D. National Marketing Fund. In conjunction with our Field Managers and franchisees, we conduct a national marketing program. (Franchise Agreement -- Section 3.4). As a part of this program you must participate in, and contribute to, the National Marketing Fund ("NMF"). Each year, except as noted below, every franchisee must contribute an amount equal to 4% of Gross Sales calculated on the 15th day and the last day of each month, or a minimum of \$100.00 per month, whichever is greater. We invoice you for the NMF amount based on sales on the 15th day of the month, we invoice you for the NMF amount based on sales or the minimum on the last day of the month. Each is due within 7 days after invoicing. You must pay your NMF contributions by electronic fund transfer through payment arrangements with your bank. See the discussion of fee payment requirements in Item 6, at Note 2.

Continuing NMF contributions are uniform as to all persons presently acquiring a franchise, and are not refundable. Not all franchisees currently in the system are on the same NMF payment schedule, as the amount of the minimum fee and the percentage of Gross Sales have increased over time. Regional Directors and other Field Managers, who also operate an individual franchise, contribute to the NMF on the same basis as unit franchise owners. If we ever acquire a company owned unit, we would expect to make a contribution to the NMF on the same basis.

The National Marketing Fund is organized as a trust, named the “Decorating Den National Marketing Fund Trust,” and is administered by a trustee designated by DDSI, currently Joanne North, who also serves as our Senior Vice President, Retail Operations. The stated function of the NMF Trust is to receive funds contributed by Franchise Owners and to expend those funds exclusively for the promotion of the System and for the benefit of Franchise Owners.

The Trustee has absolute and exclusive power and authority to receive and disburse NMF funds, and the authority to administer the NMF Trust. All NMF funds are to be used for advertising, marketing, and public relations purposes and the Trustee will spend the NMF funds on national, regional, or local media and marketing techniques or programs designed to communicate the services and products of the System to the public. In addition, NMF funds may be spent for development, test, or target marketing, conducting surveys, creative and production costs; and reimbursements to the Trustee, DDSI, Field Managers, or the Leadership Council ("TLC") of the DECORATING DEN INTERIORS Franchise Owners Association for reasonable accounting, administrative, legal expenses, and other activities deemed appropriate to promote the DECORATING DEN INTERIORS program and Marks.

The National Marketing Fund is generally intended to maximize recognition of the DECORATING DEN INTERIORS brand and patronage of DECORATING DEN INTERIORS businesses. The Trust will endeavor to use the Trust Fund to develop advertising and marketing materials and programs, and to place advertising, that will benefit all DECORATING DEN INTERIORS businesses. However, neither we nor the Trust have any obligation to ensure that expenditures by the National Marketing Fund affecting any geographic area are or will be proportionate or equivalent to the contributions to the National Marketing Fund by DECORATING DEN INTERIORS businesses operating in that geographic area. We also have no obligation to ensure that any DECORATING DEN INTERIORS business will benefit directly or in proportion to its contribution to the National Marketing Fund or from the development of advertising and marketing materials and/or programs, the placement of advertising or otherwise. The salaries and other expenses of operating the Advertising and Public Relations Departments of DDSI are paid by NMF.

The NMF Trust is audited annually and these financial statements are available for review by franchisees. For the year ending December 31, 2011, 44.9% of the fund was spent on national advertising, 36.1% on retail advertising programs, 12.8% on public relations programs, and 6.2 % on general and administrative expenses. We distribute at the annual meeting of the franchise owners association a periodic accounting of how the NMF funds are spent.

We receive payment for providing goods and services to the fund, along with other suppliers of administrative services. No portion of NMF funds are used for advertising that is principally a solicitation for the sale of franchises. The specific uses of NMF funds are determined

and budgeted under a business plan approved by the DDSI Board of Directors with the advice of the U.S. TLC and the Canadian TLC

E. Opening of Preferred Supplier Accounts. Either we or the Field Manager will assist you in opening accounts with selected Preferred Suppliers. (Franchise Agreement – Section 4.3.a(vii)).

Other Services Available to You Before Opening

In addition to those obligations of DDSI and the Field Manager specified in the Franchise Agreement, we and the Field Manager may perform the following functions before your opening, when we or the Field Manager consider it advisable:

A. Advertising Evaluation. Analyze your advertising and marketing plans from information you supply in order to provide a proposed budget for advertising and marketing based upon mutually determined sales objectives for the first year of operation.

B. Sample Selection Assistance. Provide assistance in selecting and ordering samples from window, wall covering, furniture and floor covering suppliers, together with assistance in opening accounts with suppliers.

C. Grand Opening Assistance. Assist in planning your Grand Opening. The Grand Opening is a promotional announcement that you are prepared to conduct business. The Grand Opening promotion is designed to generate sales appointments in the homes, offices, or commercial establishments of customers located in the vicinity of your Designated Location. Appointments will be obtained through advertising and your own efforts through local contacts. A Grand Opening promotion will typically last approximately three (3) weeks.

Continuing Obligations

We and/or, where applicable, the Field Manager must provide the following assistance to you during the operation of your franchised business:

A. Policy and Procedure Manual. We issue updated information and revisions to the Policy and Procedure Manual as new and improved methods, systems, and procedures are adopted. We and the Field Manager also make available sales and training aids to you, as we deem advisable. (Franchise Agreement -- Section 4.3.a (i)).

B. Periodic Training and Communications. We provide to you periodic training and communications to update your skills, including training at the annual conventions and special seminars at locations we will determine. Our Continuing Education Program includes one, two, and three day courses in the areas of Sales Marketing, Product Knowledge, Lifestyle Design and Business Management. Courses are offered in Regional Centers, through online delivery, and at our Annual Meeting. Attendance is voluntary. We or the Field Manager impose a reasonable charge (typically, \$50 to \$150 per day) for this periodic training. You must pay travel, lodging and daily living expenses that you incur while attending all training and seminars. (Franchise Agreement -- Section 4.3.a (iii)).

“Directions” is a 12-week (6-weeks if you become a WTS franchisee), self-paced program with each module focusing on knowledge, skills, and attitudes necessary to get a franchised business started in the right direction. Each module usually requires 2 to 6 hours to complete. The modules cover in greater detail than PDSS the subject matter in Sales and Marketing, Product Knowledge, Lifestyle Design and Business Management. You receive a Directions manual at the successful completion of PDSS, and we urge you to complete the self-study course in the 90 days following your completion of PDSS. Completion of Directions is not mandatory, but is strongly encouraged. We offer Directions classes on a no-charge basis, exclusive of your own travel, lodging, and living expenses while attending.

The location and frequency of the training services and communications described are at the discretion of DDSI or the Field Manager. Schools, online offerings, and class training may require incidental fees.

C. Advertising Planning. We provide to you current advertising planning, programs, and promotional pieces, including seasonal and special promotions, layouts for newspapers and recommendations for their use.

Other Services Available To You on a Continuing Basis

In addition to those obligations of DDSI and the Field Manager specified in the Franchise Agreement, we and the Field Manager make the following services available when deemed advisable at the discretion of DDSI or, where applicable, the Field Manager:

A. Continuing Communications. Management analysis and sales reports provide information on sales made by all Franchise Owners. We also make available sales ideas, market information reports, advertising ideas and other trade information not readily available from any other source.

B. Corporate Communications. We offer assistance in establishing public relations programs to increase consumer awareness and credibility, both on a local and national level. Communications include print and broadcast media and internal publications for you.

C. Marketing Counseling. While there is no contractual requirement that you advertise in the local media, we make available assistance in establishing an advertising program, budget preparation, and scheduling.

D. Buying Service. An ongoing survey of trade markets and various product suppliers is available to identify and introduce additional products and suppliers that may benefit the System.

E. Merchandising Service. Communication is maintained with Preferred Suppliers to negotiate special promotions and reduced costs, and to enable you to offer special promotions to your customers, while protecting your profit margins.

Site Selection and Start-Up of Business

Although not required, you may want to establish an Office/Warehouse location due to volume of business and zoning and tax laws of your city, county or state. You may, by written notice to us but without our further approval, use an office and/or warehouse location provided that it is not designed for use as, or actually used as, a retail location. Any Office/Warehouse location may not display any signs that are visible to any public thoroughfare, may not be open to the general public, and must be located within 10 miles of your Designated Location (unless we consent in writing to the Office/Warehouse being located more than 10 miles from your Designated Location; and we have the right to terminate this consent with 90 days notice). You must obtain our prior written approval of any signs appearing on the exterior of the Office/Warehouse location.

The typical length of time between the signing of the Franchise Agreement, or the first payment of any consideration for the franchise, and the opening of your business is 45 to 90 days. Factors affecting this length of time include receipt of samples from suppliers, procurement of a ColorVan® vehicle (if you become a FPL franchisee) or a Business Vehicle (if you become a WTS franchisee), and successful completion of introductory training.

Computer Use and Purchase; DecoNet

Section 5.16 of the Franchise Agreement specifies that you must have available for use a computer system to perform general administrative functions in your business and to access DecoNet, the DDSI sponsored intranet. DecoNet provides (i) online communications among DDSI, Field Managers and franchisees in the form of email and discussion forums, (ii) an electronic library of various manuals and other materials and resources, (iii) a calendaring function, (iv) a customer management function through which retail leads are distributed, (v) a system to create and submit sales reports, (vi) a function to provide for electronic payment of Service Fees and NMF contributions, and (vii) an application to allow creation, editing and management of an individual web site for your franchise. In order to utilize DecoNet, you must have an appropriate computer and access to the Internet. DecoNet is the principal means of communication within our system, and you must subscribe to and to logon to and use DecoNet on a regular and continuing basis, including use for creating and submitting Sales Reports. As stated above, you must have an Internet connection in order to access DecoNet. We may require you to purchase computer software from us in the future, and we reserve the right to designate approved suppliers for this software.

You will need a well equipped PC or Apple computer to assist with the basic functions of your business. It should have a current operating system, a CD drive, a broadband Internet connection, and it must run either Microsoft Office (Small Business Edition) or Corel Office Suite, Microsoft Internet Explorer (6.0 or later), the current version of Adobe Acrobat Reader, and QuickBooks Pro or other small business accounting software. Your computer hardware and software must meet the specifications we describe in the Policy and Procedure Manual. We estimate in Item 7 that your initial expense for this Computer Equipment and Internet Access will be approximately \$2,100. See Item 7, Note 2.

You may also be required to contract with a designated third party service organization to provide maintenance, repairs, and/or upgrades when necessary. Neither your Field Manager nor we will have independent access to the data in your computer system.

ITEM 12 TERRITORY

We do not grant exclusive territorial rights. Prior to March 2010, we did grant exclusive territorial rights to full product line franchisees; you may market your services under your franchise agreement from the Designated Location so long as you observe these existing exclusive territorial rights.

You will not receive an exclusive territory. You may face competition from other franchisee, from outlets that we own, or from other outlets that we franchise or own, or from other channels of distribution or competitive brands we control. At this time, there are no other outlets or other channels of distribution or other competitive brands that we control except for the LIVV! direct sales program and the LIVV Interior Designs by Decorating Den franchise program described in Item 1. We operate both of these programs from our offices in Easton, Maryland, using the same personnel and training facilities that are available to you. We also use some of the same suppliers for these programs as are available to you.

We and our affiliates reserve the right to sell Products and Services under the Marks within or outside your territory through any method of distribution, including 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 except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any alternative distribution channel, and we receive requests relating to Products or Services offered by a FPL or WTS business for a client in your territory, then the request will be forwarded to you. If you choose not to respond to the request or are unable to do so within the time frame required by us, then we, one of our affiliates or a third party we designate (including another franchisee) may respond to this request, and you will not be entitled to any compensation in connection with the sale of Products or Services resulting from this request. All inquiries or requests placed through our Website will be our property.

We reserve the right to establish other franchised or company owned business that sell Products and Services under a different trade name or trademark without first obtaining your consent. We also reserve the right to market on the Internet, including all use of web sites, domain names, URL's, linking, meta-tags, advertising, auction sites, e-commerce, and co-branding arrangements. You will provide us content for our Internet marketing, and follow our Intranet and Internet usage requirements. We also reserve the sole right to use our Marks on the Internet, including on web sites, as domain names, directory addresses, meta-tags, and in connection with linking, advertisement, co-branding, and other arrangements. We reserve the right to approve any linking or other use of our web site, including in connection with social media postings such as Facebook. You may not establish a presence or market using the Internet except as we may specify, and only with our prior written consent. We intend that any franchisee web site be accessed only through our home page. Subject to the terms of use on our web site, we may gather, develop, and use in any lawful manner information about any visitor to our web site, including your customers, franchisees or prospective franchisees regardless of whether they were referred to you via the web site or were other in contact with you.

It is our long-standing policy that a franchisee may own or have any interest in no more than 1 DECORATING DEN INTERIORS franchise. Accordingly, you do not receive any options, rights of first refusal or similar rights to acquire additional franchises.

You will be given non-exclusive promotional and developmental rights to sell our Products and Services from your Designated Location. Promotional rights encompass all forms of advertising and promotion for new customers. Developmental rights are the rights to develop the franchised business by allowing independently contracted or employed decorators to operate on your behalf.

DDSI imposes no limitations with respect to the customers to whom you may sell. You may sell to anyone who contacts you.

ITEM 13 TRADEMARKS

We grant you right to use a family of trademarks (the “Marks”), as authorized by the Franchise Agreement and otherwise by us, solely in connection with the operation of your franchised business. Our principal trademarks, which are currently registered with the United States Patent and Trademark Office (“USPTO”) on its Principal Register, are as follows:

MARK	SERIAL OR REGISTRATION NUMBER	DATE OF REGISTRATION/FILING
DECORATING DEN	Reg. # 1,619,715	Registered October 30, 1990
DECORATING DEN INTERIORS	Reg. # 3,904,327	Registered January 11, 2011

In addition to the United States federal registrations, DDSI has trademark registrations pending or completed in various foreign jurisdictions. There is no pending interference, opposition, cancellation proceedings or material litigation involving the use of the Marks. There is no agreement limiting us or Regional Directors in the use of these Marks. There are no potentially infringing uses known to us that would materially affect your use of the Marks in accordance with the provisions of the Franchise Agreement.

DDSI is the owner of the Marks and will take whatever action it deems necessary in its sole discretion to protect the Marks against claims of infringement or unfair competition with respect to the use of these Marks. There is no presently effective determination by the USPTO, the Trademark Administrator of this state or any court, no pending interference, opposition or cancellation proceeding, and no pending material litigation involving the Marks that is relevant to their use in this state or in the state in which the franchised business is to be located.

You must notify us immediately when you learn about an infringement of or challenge to your use of the Marks. We will take any action we deem appropriate in our sole discretion. You agree to cooperate fully with us in the prosecution or defense of any of these suits or claims. We have the right to control any litigation or administrative proceedings relating to the Marks. Your cooperation will include providing to us, for no payment, the pertinent evidence and assistance you have within your control. We will use our best efforts to protect and preserve the integrity and validity of the Marks, including taking appropriate actions in the event of any apparent

infringement of any of the Marks. We alone will make all decisions regarding the protection and defense of the Marks.

We reserve the right to add or substitute different Marks for use in identifying the System, if in our judgment it would benefit the System. In that event, you may be required, at your own expense, to discontinue or modify your use of any of the Marks or to use substitute Marks.

There are no infringing uses actually known to DDSI that would materially affect your use of the Marks in the state in which you will be located.

We do not permit individual franchise owners to own, operate or display in a web site that uses any of the Marks or the name "DECORATING DEN INTERIORS" or "Decorating Den", except for the individual franchisee web sites that we provide through DecoNet.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

We own a variety of copyrighted materials used in training you and in promotion of the System. We maintain control over the use of these materials and intend to claim copyrights as appropriate. You may use these copyrighted training and promotional materials for the purpose of improving your own skills and training of persons associated with you and for advertising your franchised business. These materials are confidential and you must not communicate them to others, who are or may become competitors to DDSI or its franchisees.

There are no agreements currently in effect that significantly limit the right of DDSI or Regional Directors to use or license the use of the copyrighted documents in any manner material to the franchise. If any infringement of or challenge to your use of any copyrighted materials occurs, you must immediately notify us, and we will have sole discretion to take whatever action we deem appropriate.

There are no infringing uses actually known to DDSI or the Regional Directors that could materially affect your use of the copyrighted materials. Neither DDSI nor the Regional Directors own any rights in, or licenses to patents, or owns any pending patent applications, regarding patents that are material to the franchise.

The Franchise Agreement at Section 6.1 restricts you from divulging or copying certain confidential information, knowledge, or know-how, concerning the methods of operation of the franchise program. This restriction applies to you during our relationship with you and continues to apply after your Franchise Agreement terminates or expires. Confidential information includes all information, knowledge, know-how, techniques, and any materials related to the franchise program which is not generally distributed outside the System. You must treat as confidential all System manuals, training materials, sales and presentation techniques, forms, checklists, and operational documents. Violation of this requirement is a material event of default and grounds for termination of the Franchise Agreement, and you agree in the Franchise Agreement to pay for all costs and attorney's fees we incur in obtaining legal remedy for a confidentiality violation. You must maintain this trade secret business information as confidential, and you must require at our request your directors, assistants, and other personnel, and any person with access to our confidential information to execute appropriate confidentiality agreements.

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

FPL Franchisees. We do not require FPL franchisees to be directly and personally involved in or provide direct supervision of the full product line business, unless you qualify under our VetFran program for a reduced initial franchise fee, in which case you must be directly and personally involved in the actual operation of the franchised business (see Item 5).

WTS Franchisees. We do not require WTS Franchisees to be directly and personally involved in or provide direct supervision of the franchised business.

Whether you become a FPL franchisee or a WTS franchisee, when we enter into the Franchise Agreement with you, we rely on your personal qualifications, financial ability, and representations, and on your active and substantial participation in the ownership and operation of your franchised business.

If you cannot be directly active in the business, you must advise us as to the person primarily responsible for the operation of the franchised business. We will then expect to conduct all business, training, and supervision with that person as if he or she were, in fact, you. The person designated primarily responsible for the success of the franchised business is required to participate in and successfully complete the initial training, including Ready, Set, Go and PDSS. We also recommend but do not require that the responsible person complete the Directions course as well. If the franchisee is a legal entity, such as a corporation or limited liability company, we do not require the responsible person to own any interest in the entity. There are no other limitations regarding the person you hire as the person responsible for the operation of your franchise.

If you organize your business so that a corporation, limited liability company, or partnership will hold the franchise rights under the Franchise Agreement then all of the owners of that entity must personally guarantee the entity's performance under the terms of the Franchise Agreement and must promise to perform all of the covenants, representations and agreements of the franchisee under the Franchise Agreement. All of the stockholders, limited liability company members or partners of the franchisee entity must sign the Certification and Guaranty attached to the Franchise Agreement as Exhibit 2.

**ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

FPL Franchisees. Under the Franchise Agreement, you must offer for sale in your business only those products and services that we consider consistent with and beneficial to the proper operation of a DECORATING DEN INTERIORS franchised business, and you may not sell or offer for sale interior decorating services or products for which you lack sufficient skill and knowledge to provide the high level of service associated with the Marks. We encourage you to participate in our Preferred Supplier Program through the offer of product discounts and guarantees; contests and incentive awards; and assistance in the return of products. Any products or services you order from other suppliers must comply with standards in the Policy and Procedures Manual and bulletins published by the DDSI Merchandising Department. We do not require you to sell or provide the entire line of goods and services offered in the System. We reserve the right to change the types of authorized goods and services in our sole discretion. See the discussion regarding product restriction in Item 8 of this Disclosure Document.

WTS Franchisees. You may not offer or sell any products or services other than window treatments and window fashions.

FPL and WTS Franchisees. As described in Item 12, you will not receive the right to develop, market, and advertise your services in a specified geographic area. Your rights will be subject to rights granted to FPL franchisees under existing territorial rights. Except for these existing territorial restrictions, 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

The following table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements in Exhibit E in this Disclosure Document.

Provision	Section in Franchise Agreement	Summary
(a) Length of the franchise term	Section 2.1	10 years.
(b) Renewal or extension of the term	Section 2.2	Agreement will renew for additional 10-year terms unless notice not to renew is delivered at least 7 months before. You must be in good standing for renewal.

Provision	Section in Franchise Agreement	Summary
(c) Requirements for franchisee to renew or extend	Section 2.2	<p>Requirements: Bring vehicle into conformance, not be in default of Franchise Agreement, and all other agreements, have satisfied all monetary obligations, execute then-current franchise agreement with no renewal fee charged, execute a general release, and comply with current training requirements.</p> <p>If you seek to renew your franchise at the expiration of the initial term or any renewal term, we may ask you to sign a new franchise agreement that contains terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements.</p>
(d) Termination by franchisee	Section 9.2 Section 9.3 Section 9.4	You may voluntarily terminate at any time on 30 days' prior written notice. You must pay all sums due and owing to DDSI or Regional Director at the time of termination, and DDSI has the option to require an audit. With our approval and of the Regional Director/Master Licensee, you may also elect "non-operating status." (Note 1)
(e) Termination by franchisor without cause	Not Applicable	DDSI will not terminate a franchise without cause.
(f) Termination by franchisor with cause.	Section 1.3 Section 5.12 Section 9.1	Exercised if: you are insolvent or adjudicated bankrupt, file for bankruptcy, abandon or cease to operate your business, are convicted of a crime, make material misrepresentation, fail on 3 or more occasions to comply with the Franchise Agreement, transfer to a third party without consent, engage in activity prejudicial to DDSI, fail to achieve \$40,000 in Gross Sales any calendar year.
(g) "Cause" defined – curable defaults	Section 2.2 Section 9.1 Section 7.1	Exercised if: you fail to pay any amounts due to DDSI or RD, to submit gross sales reports and all other reports, to comply with the Franchise Agreement, to maintain standards and procedures in all manuals or otherwise in writing, or fail to obtain prior written approval or consent from Regional Director or DDSI.

Provision	Section in Franchise Agreement	Summary
(h) "Cause" defined – non-curable defaults	Section 1.3 Section 5.12 Section 9.1	Exercised if: you are insolvent or adjudicated bankrupt, file for bankruptcy, abandon or cease to operate your business, are convicted of a crime, make material misrepresentation, fail on 3 or more occasions to comply with the Franchise Agreement, transfer to 3rd party without consent, engage in activity prejudicial to DDSI, fail to pay a Promissory Note installment within 10 days of its due date, or fail to achieve \$40,000 in Gross Sales in any calendar year.
(i) Franchisee’s obligations on termination/non-renewal	Section 3.3 Section 5.3 Section 6.1 Section 6.2 Section 10	You will: cease using all DDSI trademarks, ship all materials bearing DDSI trademarks to an address designated by DDSI, pay all Service Fees, Initial Franchise Fee, NMF contributions and all amounts and fees owed to DDSI or Regional Director and any interest due, assign all telephone numbers associated with the business and yellow page ads and comply with all confidentiality restrictions and covenants not to compete.
(j) Assignment of contract by franchisor	Section 8.1	The Franchise Agreement is fully assignable by DDSI and/or Regional Director and, if so, will be binding upon and inure to the benefit of any assignee of DDSI or Regional Director. Upon termination of a Regional Director, the Franchise Agreement remains in full force and effect with DDSI assuming all of the Regional Director's duties. In a two party Franchise Agreement, DDSI reserves the right to assign certain duties to a 3rd party to serve as Field Manager.
(k) “Transfer” by franchisee – defined	Section 8.2 Section 8.3 Section 8.4 Section 8.5 Section 8.6 Section 8.7	To voluntarily transfer, assign, or sell a controlling interest of the Franchise Agreement. The merger or consolidation, or issuance of additional securities representing an ownership interest in the Franchise is considered a transfer.
(l) Franchisor approval of transfer by franchisee	Section 8.1 Section 8.2 Section 8.3	You may not transfer any interest in the Franchise Agreement without prior written approval of DDSI and/or Regional Director or the Franchise Agreement will become void.

Provision	Section in Franchise Agreement	Summary
(m) Conditions for franchisor approval of transfer	Section 8.3 Section 8.7	You must be in full compliance with the Franchise Agreement, transferee must meet DDSI and Regional Director standards for franchisees, have sufficient business aptitude and financial resources, pass DDSI's aptitude test, pay all fees and execute payment agreement including the Resale Assistance Fee, complete basic training, acquire a ColorVan [®] vehicle (if you are a FPL franchisee) or Business Vehicle (if you are a WTS franchisee), execute current Franchise Agreement. Franchise Owners must execute a general release and non-compete clause and give all customer lists, appointment registers, etc. to DDSI or Regional Director.
(n) Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable.
(o) Franchisor's option to purchase franchisee's business	Not Applicable	DDSI has never reacquired a franchise through repurchase or otherwise.
(p) Death or disability of franchisee	Section 8.5	Upon death: interests in the franchise will transfer to a third party approved by DDSI or Regional Director within 12 months from the date of death, or the Franchise Agreement will be terminated. Upon permanent disability: DDSI may require interest in business be transferred to a 3rd party approved by DDSI or Regional Director within 6 months after notice to you, or DDSI and Regional Director may terminate the Franchise Agreement.
(q) Non-competition covenants during the term of the franchise	Section 6.2	Neither Franchise Owner nor Franchise Owner's principals may own, maintain, operate, engage in, or have any interest in any business that is the same as or similar to the franchised business, including any home furnishing, office furnishing, or interior decorating business.

Provision	Section in Franchise Agreement	Summary
(r) Non-competition covenants after the franchise is terminated or expires	Section 6.2 (b)(ii) Section 8.3(b)(ix)	Following expiration or termination for any reason, neither you nor your principals, nor any partner if you are a partnership, nor any officer or shareholder if you are a corporation, may, either directly or indirectly, or for, or with, any other person, persons, partnership, association or corporation, (i) own, maintain, engage in, participate or have any interest in the home furnishing, office furnishing, or interior decorating business for 2 years from the date of termination, within 50 miles of your Designated Location, or (ii) contact for business purposes or solicit home furnishing, office furnishing, or interior decorating business from any person or firm that was a customer of Franchisee prior to the date of termination if the person or firm is located within fifty (50) miles of the Designated Location.
(s) Modification of the agreement	Section 13.7	No amendment to the Franchise Agreement will be binding unless put in writing and fully executed. DDSI will provide updated information and revisions to its Policy and Procedure Manual periodically.
(t) Integration/merger clause	Section 13.7 Section 14(a)	The Franchise Agreement represents the entire agreement of the parties. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim representations made in this Franchise Disclosure Document.

Provision	Section in Franchise Agreement	Summary
(u) Dispute resolution by arbitration or mediation	Section 12.1 Section 12.2 Section 12.3	Any dispute or claim arising out of or under the Franchise Agreement including claims that the Franchise Agreement is invalid, illegal, void, or voidable shall be first submitted to DDSI management for attempted settlement and within 30 days you will go to DDSI's Corporate offices in Easton, Maryland in attempts to resolve all disputes. All parties must submit any dispute arising under the Franchise Agreement to a non-binding Mediation process, which will take place in Easton, Maryland. A confidentiality agreement will also be required. If the dispute is not settled through mediation, the parties agree to submit the dispute to binding arbitration, which will take place in Talbot County, Maryland under the Commercial Arbitration Rules of the American Arbitration Association. Maryland Law will apply. Notwithstanding these provisions, DDSI reserves the right to commence civil action to collect fees and other amounts due, to protect the Trademarks, to collect on any Promissory Note that is outstanding, and to enforce reporting and audit provisions of the Agreement.
(v) Choice of forum	Section 13.6 Section 12	Mediation will be conducted in Easton, Maryland, and Arbitration will be conducted in AAA offices in Talbot County, Maryland. Litigation may be conducted in applicable state or federal courts located in Maryland.
(w) Choice of law	Section 13.6	The substantive law of the State of Maryland applies.

Note 1:

Non-Operating Status: If you are in good standing and in compliance with your Franchise Agreement, upon approval by DDSI and the Regional Director/Master Licensee, you may elect to place your franchise on a "non-operating" status. The non-operating status allows you to take a leave of absence from operating the franchise business for up to 3 years. While in this status, your Franchise Agreement remains intact. You cannot sell your business while you are in this status. At any time during the 3-year period, you may work as a decorator for another franchisee. While on non-operating status, we do not require you to make NMF contributions. You may return to your business at any time within the 3-year period. If you do return to your business and if a franchise in the area or the Designated Location is still available, it may be re-assigned to you by DDSI or the Regional Director/Master Licensee. If it is not available, you need to provide another Designated Location, which we must approve. If you do not return to your business by the end of

the 3-year period, your Franchise Agreement automatically terminates. We reserve the right to discontinue this non-operating status program at any time; provided that we will allow those persons in the program to continue in the program until their status changes or their 3-year period expires.

**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 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 our management by contacting our President, Mr. James Bugg, Jr., 8659 Commerce Drive, Easton, MD 21601; telephone (410) 822-9001; the Federal Trade Commission and any appropriate state regulatory agencies.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

FULL PRODUCT LINE FRANCHISES

FPL Table No. 1

System-wide Outlet Summary
For Years 2009 to 2011

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised Outlets	2009	403	358	-45
	2010	358	313	-45
	2011	313	294	-19

Company- Owned	2009	0	1	+1
	2010	1	0	-1
	2011	0	0	0
Total Outlets	2009	403	359	-44
	2010	359	313	-46
	2011	313	294	-19

FPL Table No. 2

Transfers of Outlets From Franchisees to New Owners
(Other than DDSI) for Years 2009 to 2011

State	Year	Number of Transfers
Florida	2009	1
	2010	1
	2011	1
Montana	2009	0
	2010	1
	2011	0
Texas	2009	0
	2010	0
	2011	2
Totals	2009	1
	2010	2
	2011	3

FPL Table No. 3

Status of Full Product Line Franchised Outlets
For Years 2009 to 2011

State	Year	Outlets at Start of Year	Outlets Opened (1)	Termi- nations	Non- Renewals	Reacquired By DDSI	Ceased Operations Other Reasons (2)	Outlets at End of the Year
Alabama	2009	5	0	0	0	0	2*	3
	2010	3	0	0	0	0	2	1
	2011	1	1***	0	0	0	1	1
Arizona	2009	16	1	3	0	0	3	11
	2010	11	1	2	0	0	2	8
	2011	8	0	0	0	0	1	7
Arkansas	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	0	2
	2011	2	0	1	0	0	1	0

State	Year	Outlets at Start of Year	Outlets Opened (1)	Terminations	Non-Renewals	Reacquired By DDSI	Ceased Operations Other Reasons (2)	Outlets at End of the Year
California	2009	49	2	7	0	0	4	40
	2010	40	1	9	0	0	3	29
	2011	29	2***	2	0	0	3	26
Colorado	2009	2	0	0	0	0	1	1
	2010	1	0	0	0	0	1	1
	2011	1	2	0	0	0	0	3
Connecticut	2009	9	1*	2	0	0	2	6
	2010	6	0	0	-3	0	0	3
	2011	3	1	1	0	0	0	3
District of Columbia	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Delaware	2009	3	1*	0	0	0	0	4
	2010	4	0	0	0	0	1	3
	2011	3	0	0	0	0	0	3
Florida	2009	42	2	4	0	0	2*	38
	2010	38	0	1	0	0	6**	31
	2011	31	1***	4	0	0	2	26
Georgia	2009	12	1	0	0	0	1*	12
	2010	12	2	1	0	0	2	11
	2011	11	0	2	0	0	2***	7
Hawaii	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Idaho	2009	2	0	0	0	0	0	2
	2010	2	0	0	0	0	1	1
	2011	1	0	1	0	0	0	0
Illinois	2009	10	1*	1	0	0	1	9
	2010	9	1**	1	0	0	1**	8
	2011	8	1***	1	0	0	1	7
Indiana	2009	7	2*	0	0	0	0	9
	2010	9	0	1	0	0	2	6
	2011	6	0	0	0	0	0	6
Iowa	2009	7	0	0	0	0	0	7
	2010	7	0	0	0	0	0	7
	2011	7	0	0	0	0	2	5
Kansas	2009	0	1*	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Kentucky	2009	7	0	0	0	0	0	7
	2010	7	0	0	0	0	0	7
	2011	7	0	0	0	0	1	6
Louisiana	2009	5	2	0	0	0	0	7
	2010	7	1	0	0	0	0	8
	2011	8	0	0	0	0	0	8

State	Year	Outlets at Start of Year	Outlets Opened (1)	Terminations	Non-Renewals	Reacquired By DDSI	Ceased Operations Other Reasons (2)	Outlets at End of the Year
Maine	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Maryland	2009	23	0	2	0	0	2*	19
	2010	19	2	3	0	0	1	17
	2011	17	2	0	0	0	0	19
Massachusetts	2009	9	0	1	0	0	2*	6
	2010	6	0	0	0	0	0	6
	2011	6	0	1	0	0	0	5
Michigan	2009	8	1	0	0	0	0	9
	2010	9	2	0	0	0	1	10
	2011	10	1	1	0	0	1	9
Minnesota	2009	6	0	1	0	0	1	4
	2010	4	0	0	0	0	0	4
	2011	4	0	0	0	0	1	3
Mississippi	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Missouri	2009	9	0	0	0	0	1	8
	2010	8	0	1	0	0	0	7
	2011	7	1	0	0	0	1	7
Montana	2009	2	0	0	0	0	1	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
Nebraska	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Nevada	2009	6	2	0	0	0	2	6
	2010	6	0	0	0	0	1	5
	2011	5	0	1	0	0	0	4
New Hampshire	2009	1	0	0	0	0	0	1
	2010	1	0	1	0	0	0	0
	2011	0	0	0	0	0	0	0
New Jersey	2009	21	1	2	0	0	1	19
	2010	19	1	0	0	0	1	19
	2011	19	2***	1	0	0	1	19
New Mexico	2009	2	2	0	0	0	0	4
	2010	4	0	1	0	0	0	3
	2011	3	0	0	0	0	0	3
New York	2009	14	0	3	0	0	1	10
	2010	10	1	0	0	0	0	11
	2011	11	1	0	0	0	2***	10

State	Year	Outlets at Start of Year	Outlets Opened (1)	Terminations	Non-Renewals	Reacquired By DDSI	Ceased Operations Other Reasons (2)	Outlets at End of the Year
North Carolina	2009	16	0	2	0	0	3	11
	2010	11	0	2	0	0	0	9
	2011	9	1	0	0	0	2	8
North Dakota	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Ohio	2009	11	0	1	0	0	0	10
	2010	10	0	1	0	0	1	8
	2011	8	1	0	0	0	0	9
Oklahoma	2009	2	0	0	0	0	0	2
	2010	2	0	1	0	0	0	1
	2011	1	0	0	0	0	0	1
Oregon	2009	6	0	1	0	0	0	5
	2010	5	0	1	0	0	0	4
	2011	4	0	0	0	0	1	3
Pennsylvania	2009	15	3	1	0	0	1	16
	2010	16	1	0	0	0	1	16
	2011	16	4	1	0	0	0	19
Rhode Island	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
South Carolina	2009	6	1	2	0	0	1	4
	2010	4	1**	1	0	0	0	4
	2011	4	0	0	0	0	0	4
South Dakota	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Tennessee	2009	5	0	0	0	0	2	3
	2010	3	1	0	0	0	0	4
	2011	4	2***	0	0	0	0	6
Texas	2009	36	3	0	0	0	3*	36
	2010	36	2**	1	0	0	4	33
	2011	33	3***	6	0	0	1	29
Utah	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Vermont	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Virginia	2009	17	1*	0	0	0	1	17
	2010	17	1	1	0	0	1	16
	2011	16	4	0	0	0	2	18
Washington	2009	4	0	0	0	0	0	4
	2010	4	0	0	0	0	0	4
	2011	4	0	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened (1)	Terminations	Non-Renewals	Reacquired By DDSI	Ceased Operations Other Reasons (2)	Outlets at End of the Year
West Virginia	2009	1	0	1	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Wisconsin	2009	4	0	0	0	0	0	4
	2010	4	0	0	0	0	0	4
	2011	4	0	0	0	0	0	4
Wyoming	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
Totals	2009	403	27*	34	0	0	38*	358
	2010	358	15**	32	0	0	29**	313
	2011	313	30***	23			26***	294

(1) Includes new franchisees and franchisees who relocated from one state to another.

(2) Includes Franchises who voluntarily elected to place their franchises in non-operating status, and franchisees who relocated from one state to another. See Item 17 for more information on the non-operating status program.

*Includes: Franchise Owner Osika relocated from Alabama to Florida; Franchise Owner Schulkind relocated from Massachusetts to Connecticut; Franchise Owner Snyder-Wolf relocated from Maryland to Delaware; Franchise Owner Valore relocated from Florida to Virginia; Franchise Owner Palmer relocated from Georgia to Indiana; Franchise Owner DuBay relocated from Texas to Kansas.

**Includes: Franchise Owner Means relocated from Florida to South Carolina; Franchise Owner Niekamp relocated from Florida to Illinois.

***Includes: Franchise owner Rodgers in Alabama reactivated her franchise from non-operating status; Franchise owner Kinsbursky in California from a non-operating status; and Franchise Owner Thompson in New Jersey reactivated their franchises from non-operating status. Also includes resale of an existing franchise in Florida and resale of two existing franchises in Texas. Also includes: Franchise owner Martin relocated from Georgia to Illinois; Franchise Owner McClellan relocated from New York to Tennessee; Franchise Owner Hibbard relocated from New York to Tennessee.

Full Product Line Table No. 4

Status of Full Product Line Company-Owned Outlets
For Years 2009 to 2011

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Maryland (Note 1)	2009	0	1	0	0	0	1
	2010	1	0	0	0	0	0
	2011	1	0	0	1	0	0
All Other States	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
Totals	2009	0	1	0	0	0	1
	2010	1	0	0	1	0	0
	2011	0	0	0	0	0	0

Note 1: The sole company-owned outlet was operated from November 2009 until July 2010 from the company's headquarters in Maryland. Its trained decorators operated only in areas that have not been granted to any franchisee, and its activities will not affect the rights of any future franchise grant. See Item 1 for further details.

Full Product Line Table No. 5

Projected Openings of Full Product Line Franchises as of December 31, 2011

Column 1 State	Column 2 Franchise Agreements Signed But Not Opened	Column 3 Projected New Franchise Outlets In the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	0	1	0
Arizona	0	2	0
California	0	4	0
Colorado	0	1	0
Connecticut	0	2	0
Delaware	0	2	0
Florida	0	5	0
Georgia	0	4	0
Illinois	0	2	0
Indiana	0	2	0
Kansas	0	2	0
Kentucky	0	2	0
Louisiana	0	3	0
Maryland	0	4	0
Massachusetts	0	1	0
Michigan	0	1	0
Minnesota	0	1	0
Missouri	0	4	0
Montana	0	1	0
New Jersey	0	2	0

Column 1 State	Column 2 Franchise Agreements Signed But Not Opened	Column 3 Projected New Franchise Outlets In the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
New York	0	4	0
North Carolina	0	2	0
North Dakota	0	0	0
Ohio	0	5	0
Pennsylvania	0	4	0
Rhode Island	0	0	0
South Carolina	0	1	0
South Dakota	0	0	0
Tennessee	0	1	0
Texas	0	6	0
Utah	0	0	0
Vermont	0	0	0
Virginia	0	5	0
Washington	0	0	0
Wisconsin	0	1	0
Totals	0	75	0

WTS FRANCHISES

WTS franchise Table No. 1

System-wide Outlet Summary
For Years 2009 to 2011

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised Outlets	2009	0	0	0
	2010	0	0	0
	2011	0	0	0
Company- Owned	2009	0	0	0
	2010	0	0	0
	2011	0	0	0
Total Outlets	2009	0	0	0
	2010	0	0	0
	2011	0	0	0

WTS franchise Table No. 2

Transfers of Outlets From Franchisees to New Owners
(Other than DDSI) for Years 2009 to 2011

	Year	Number of Transfers
Totals	2009	0
	2010	0
	2011	0

Table No. 3
Status of WTS Franchised Outlets
For Years 2009 to 2011

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By DDSI	Ceased Operations Other Reasons	Outlets at End of the Year
Totals	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0

WTS Franchise Table No. 4

Status of Company-Owned Outlets
For Years 2009 to 2011

State	Year	Outlets at Start of Year	Outlets Opened	Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Maryland	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
All Other States	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
Totals	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0

WTS Franchise Table No. 5

Projected Openings As of December 31, 2011

Column 1 State	Column 2 Franchise Agreements Signed But Not Opened	Column 3 Projected New Franchise Outlets In the Next Fiscal Year	Column 4 Projected New Company-Owned Outlets in the Next Fiscal Year
Alabama	0	1	0
California	0	1	0
Colorado	0	0	0
Delaware	0	0	0
Florida	0	1	0
Georgia	0	1	0
Illinois	0	1	0
Indiana	0	1	0
Louisiana	0	1	0
Maryland	0	1	0
Massachusetts	0	1	0
Michigan	0	1	0
Minnesota	0	1	0
Missouri	0	1	0
New Jersey	0	1	0
New York	0	1	0
North Carolina	0	1	0
Ohio	0	1	0
Pennsylvania	0	1	0
Rhode Island	0	0	0
South Carolina	0	1	0
South Dakota	0	0	0
Tennessee	0	0	0
Texas	0	1	0
Virginia	0	1	0
Wisconsin	0	0	0
Totals	0	20	0

Exhibit A lists the names of all of our Field Managers and operating unit franchisees, and the addresses and telephone numbers of their businesses as of December 31, 2011.

Exhibit B lists the names of all of our operating franchisees and the addresses and telephone numbers of their businesses as of December 31, 2011.

Exhibit C1 lists the name, city and state, and business telephone number of every franchisee who had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. Exhibit C2 lists the name, city and state, and business telephone

number of every franchisee who took a voluntary leave of absence during the most recently completed fiscal year.

If you buy this franchise, we may disclose your contact information to other buyers when you leave the franchise system.

In the past three fiscal years, in two dispute settlement agreements, we signed confidentiality clauses with former franchisees. In these instances, former franchisees signed provisions restricting their ability to speak openly about their experience with the Decorating Den Interiors System. You may wish to speak with former franchisees, but be aware that not all such franchisees will be able to communicate with you. We have not signed any confidentiality clauses with current franchisees.

We have sponsored the creation of the DECORATING DEN INTERIORS Franchise Owners Association, comprised of franchisees who are elected by all franchisees in the system. There are no separate offices for this association; its corporate contact is Mrs. Sue Pelley, Secretary, 8659 Commerce Drive, Easton, MD 21601; telephone (410) 822-9001. The Association holds its annual meetings during the annual meeting of franchise owners, and elects officers for the coming year. We consult with the Association on issues that directly affect all franchise owners.

If we have appointed a Field Manager for a region that includes your Designated Location, you will find additional disclosure information about that Field Manager at Exhibit A.

ITEM 21 FINANCIAL STATEMENTS

In Exhibit D you will find our audited financial statement for the periods ending December 31, 2011, December 31, 2010, and December 31, 2009, and you will find our unaudited financial statements for the period January 1, 2012 to April 30, 2012. We have entered into an unconditional guarantee of the obligations of the Regional Directors under the 3-party unit franchise agreements they enter into with us. If applicable to you, you will find a copy of the guarantee executed for your Regional Director in Exhibit A.

ITEM 22 CONTRACTS

The DECORATING DEN INTERIORS Franchise Agreement and related agreements are attached at Exhibit E. A form of General Release is included as an exhibit to the Franchise Agreement, attached at Exhibit E.

ITEM 23 RECEIPTS

You will find two Receipt pages at the end of this Disclosure Document. Please sign and date both copies of the Receipt; keep one copy for your records (titled "Your Copy") and return the other copy (titled "Our Copy") to us, as directed by your DECORATING DEN INTERIORS representative.



DECORATING DEN SYSTEMS, INC.

**EXHIBIT A
FIELD MANAGERS**

Exhibit A

The following table provides certain information regarding our Field Managers as of December 31, 2011.

State	Name of Entity (if applicable)	Principal(s)	Type of Field Manager	# of Franchises in Region at 12/31/2011
Alabama	Jolin of Leesburg, Inc. (1)	H. D. Pugh	RD	0
Alabama	TMC Designs, Inc. (2)	Allen Hugo	RD	1
California		Antoinette Vander Hulst (3)	RM	10
California		Antoinette and Peter Vander Hulst (3)	ML	5
California		Theresa Pineda & Thora Tam (4)	ML	3
Florida	Jolin of Leesburg, Inc. (1)	H. D. Pugh	RD	7
Florida	MDD, Inc. (5)	Debbie Demboski	RD	10
Florida	DAI Bonita, Inc. (6)	Cliff Welles	RD	9
Georgia	Jolin of Leesburg, Inc. (1)	H. D. Pugh	RD	0
Georgia	TMC Designs, Inc. (2)	Allen Hugo	RD	7
Kansas	Nola & Pat Shivers, LLC (7)	Nola Shivers and Pat Shivers	ML	1
Louisiana	Turkwrks Management, Inc. (8)	Jeannete Turk and Ryan Turk	ML	5
Maine	Decorating Systems of New England, Inc. (9)	Anne Fawcett and Donald Fawcett	RD	0
Maryland	Amelia Brown Design LLC (10)	Betsy Burr	ML	1
Maryland		Lynne Lawson (11)	DD	7
Maryland		Terry Varner (12)	DD	10
Massachusetts	Decorating Systems of New England, Inc. (9)	Anne Fawcett and Donald Fawcett	RD	5

Michigan	Lawson Enterprises, LLC (13)	Steve and Kira Kline	ML	
Michigan	Michigan Design Development Group, LLC (14)	Veronica and Dorian Simmons	ML	
Missouri	Nola & Pat Shivers, LLC (7)	Nola & Pat Shivers	ML	4
Missouri	Decorating Missouri LLC (15)	Heidi Sowatsky	ML	0
Nevada		Christine Ringenbach (16)	DD	2
New Hampshire	Decorating Systems of New England, Inc. (9)	Anne Fawcett and Donald Fawcett	RD	0
New Jersey	Northern New Jersey Decorators Company, Inc. (17)	Lisa DeLorenzo	RD	10
New Jersey		Patricia Kelly (18)	DD	9
New York	Beautiful Interiors of Long Island, Inc. (19)	Max McClellan	RM	
North Carolina	Hawkins Design Systems, LLC (20)	Patrice Hawkins	ML	3
Ohio	Lawson Enterprises, LLC (13)	Steve and Kira Kline	ML	4
Oregon		Jane Jincks (21)	RM	3
Pennsylvania	Graybill Associates, Ltd. (21)	Susan Graybill	RD	7
Pennsylvania	Decorating Careers of Pennsylvania, LLC (23)	Mary Borkovitz	ML	7
Pennsylvania	Interior Decorating Systems of Western Pennsylvania, Inc. (24)	Marie Feltz	RM	5
South Carolina	TMC Designs, Inc. (2)	Allen Hugo	RD	0
South Carolina	Hawkins Design Systems, LLC (20)	Patrice Hawkins	ML	1
South Carolina	Hawkins Design Systems, LLC (20)	Patrice Hawkins	RM	3
Tennessee	Beautiful Interiors of Tennessee, Inc. (25)	Max McClellan	ML	3
Texas		Bonnie Snow-Hudson (26)	RD	5

Texas	PTS Design Group, LLC (27)	Peggy & Tom Spitaletto	ML	5
Texas	PTS Design Group, LLC (27)	Peggy Spitaletto	RM	5
Texas		Cathy & Gerard Salyers (28)	ML	6
Texas	T + L On the Water, Inc. (29)	Lisa & Tony Landry	ML	6
Virginia		Peter Lowry (30)	RM	6
Virginia	Nova Decorating Systems, Inc. (31)	Frank Sapienza	RD	9
Virginia		Lauren & Chris Clement (32)	ML	2
Virginia		Linda Riddiough (33)	ML	0
Washington		Christina Johnson (34)	DD	3

In the above table, ML means Master Licensee, RD means Regional Directors, DD means District Developer, and RM means Regional Manager. See Item 1 of the Disclosure Document for a description of these terms.

Notes:

1. Jolin of Leesburg, Inc., (“Jolin”) has served as Regional Director since 1982 in the following areas (the “Jolin Region”):

Alabama: Counties of Baldwin, Clarke, Conecuh, Escambia, Mobile, Monroe, Washington.

Georgia: Counties of Brantly, Brooks, Camden, Charlton, Clinch, Decatur, Echols, Glynn, Grady, Lowndes, Seminole, Thomas and Ware.

Florida: Counties of Alachua, Baker, Bay, Bradford, Calhoun, Hamilton, Citrus, Clay, Columbia, Dixie, Duval, Escambia, Flagler, Franklin, Gadsden, Gilchrist, Gulf, Holmes, Jackson, Jefferson, LaFayette, Lake, Leon, Levy, Liberty, Madison, Marion, Nassau, Okaloosa, Putnam, Saint Johns, Santa Rosa, Sumter, Suwannee, Taylor, Union, Wakulla, Walton and Washington.

Jolin is a Florida corporation and was formed on April 17, 1984. Its principal business address is 1031 West Main Street, Leesburg, Florida 34748, and its telephone number is (352) 787-4413.

H. D. Pugh has served as President/Treasurer of Jolin since its formation. He has also operated a Decorating Den Interiors unit franchise in Leesburg, Florida since January 1972.

2. TMC Designs, Inc. (“TMC”) has served as Regional Director since August 8, 1985 in the following areas (the “TMC Region”):

Alabama: Counties of Lee and Russell.

Georgia: all counties except the following: Brantly, Brooks, Camden, Charlton, Clinch, Decatur, Echols, Glynn, Grady, Lowndes, Seminole, Thomas, and Ware.

South Carolina: Counties of Aiken, Barnwell, Edgefield and McCormick.

TMC is a Georgia corporation and was formed on August 8, 1985. Its principal business address is 1928 Hood Road, Dacula, Georgia 3020019, and its telephone number is (770) 995-0877.

Allen Hugo has been President of TMC since its formation.

3. Antoinette (“Tonie”) and Peter Vander Hulst have served as Master Licensee since December 11, 2009 for the following areas (the “Vander Hulst ML Region”):

Riverside County, California and the portion of San Bernardino County, California within the following zip codes: 92346, 92373, 92374, and 92399.

Their address is 100 West Stuart Avenue, Redlands, CA 92373. The telephone number is (909) 793-0943.

In addition, Tonie Vander Hulst has served as Regional Manager since December 31, 1997 in the following areas (the “Vander Hulst RM Region”):

Orange County, California and all of San Bernardino County, California except that portion within zip codes 92346, 92373, 92374, and 92399

Tonie Vander Hulst has also operated a Decorating Den Interiors unit franchise since February 1, 1990.

4. Theresa Pineda and Thora Tam have served as Master Licensee on November 16, 2009 in the following areas within California (the “Pineda/Tam Region”):

County of Santa Clara, and Zip Codes 94025, 94063, 94065, 94070, and 94303

Their address is 5655 Silver Creek Valley Rd., San Jose, CA 95138, and their telephone number is (408) 223-7300.

Ms. Pineda has operated a Decorating Den Interiors unit franchise since December 26, 2006. From December 1995 to February 2007, Ms. Pineda was a Principal Software Engineer for Oracle Corporation, San Jose, California.

Ms. Tam has operated a Decorating Den Interiors unit franchise since August 3, 2005.

5. MDD, Inc. has served as Regional Director since December 27, 1994 in the following Florida counties: Brevard, Hernando, Hillsborough, Pasco, Pinellas, Polk, Orange, Osceola, Seminole, and Volusia (the "MDD Region").

MDD is a Florida corporation, organized on December 27, 1994. Its principal business address is 26700 Shoregrass Drive, Wesley Chapel, Florida 33544, and its telephone number is (352) 588-5366.

Deborah Demboski has been president of MDD since its formation in December 1994. Ms. Demboski also operated a Decorating Den Interiors unit franchise from April 9, 1990 until February 23, 2006.

6. DAI Bonita, Inc ("DAI") has served as Regional Director since July 2000 in the following Florida counties: Broward, Charlotte, Collier, De Soto, Glades, Hardee, Hendry, Highlands, Lee, Manatee, Miami-Dade, Monroe and Sarasota (the "DAI Region"). DAI is also the Field Manager for the following Florida counties: Palm Beach, St. Lucie, Martin and Indian River. DAI is authorized to sell franchises in these counties in the capacity of a broker for DDSI.

DAI is a Florida corporation, organized on June 23, 1999. It is successor to Design Advantage, Inc. ("DA"), the original Regional Director, which entered into a Regional Franchise Agreement with DDSI on December 30, 1995. DA is a Florida corporation formed on May 25, 1993. DAI and DA are affiliates of each other. DAI has no affiliates other than DA.

Their principal business address is 9976 Puopolo Lane, Bonita Springs, FL 34135, and their telephone number is (239) 948-9775.

Cliff Welles and his wife, Patricia Welles, are the principals of DAI and of DA, which has operated a Decorating Den Interiors unit franchise in Coral Gables, Florida since June 29, 1993.

Judy Underwood has been Vice President of DAI since its formation. She also serves DA as Director of Design and is an Allied Member of ASID. She is the principal trainer for the DAI Region, and is a frequent trainer at system-wide meetings and conferences.

7. Nola & Pat Shivers, LLC ("NPS") has served as Master Licensee since September 21, 2009 for the following area (the "NPS Region"):

Kansas: counties of Johnson and Wyandotte.

Missouri: counties of Andrew, Atchison, Audrain, Barry, Barton, Bates, Benton, Boone, Buchanan, Caldwell, Callaway, Camden, Carroll, Cass, Cedar, Chariton, Christian, Clay, Clinton, Cole, Cooper, Dade, Dallas, Daviess, DeKalb, Dent, Douglas, Gentry, Greene, Grundy, Harrison, Henry, Hickory, Holt, Howard, Howell, Jackson, Jasper, Johnson, Laclede, Lawrence, Lafayette, Linn, Livingston, Maries, McDonald, Mercer, Miller, Moniteau, Monroe, Morgan, Newton, Nodaway, Oregon, Osage, Ozark, Pettis, Phelps, Platte, Polk, Pulaski, Putnam, Randolph, Ray, Saline, Shannon, St. Clair, Stone, Sullivan, Taney, Texas, Vernon, Webster, Worth, and Wright.

NPS is a Missouri limited liability company, and was formed on September 18, 2009. Its principal business address is 1310 N. Kelly Avenue, Nixa, Missouri 65714, and its telephone number is (417) 724-9400. The principals of NPS are Nola Shivers and Pat Shivers.

Mrs. Shivers has been president of NPS since its formation. She has also operated a Decorating Den Interiors unit franchise since January 1998.

Mr. Shivers has been Manager of NPS since its formation. From April 1985 to July 2006, he was the Senior Vice President of Administration and Control of John Q. Hammons Hotels, Inc.

8. Turkwrks Management, Inc. (“TMI”) has been a Master Licensee since January 31, 2010 in the following Louisiana parishes (the “TMI Region”): Ascension, East Baton Rouge, East Feliciana, Iberville, Livingston, Pointe Coupee, St. Helena, St. Tammany, Tangipahoa, Washington, West Baton Rouge, and West Feliciana.

TMI is a Louisiana corporation formed on January 20, 2010. Its address is 13642 Buckley Avenue, Baton Rouge, LA 70816, and its telephone number is (225) 755-7970. The owners of TMI are Ryan Turk and Jeannette Turk.

Jeannette Turk has served as Owner/Decorator in the Decorating Den Interiors unit franchise that she owns, located in Baton Rouge, Louisiana, since December 26, 2008. Prior to purchasing her franchise, she was a customer decorator for JC Penney’s for seven years in Baton Rouge, Louisiana.

Ryan Turk has served as Director of Marketing for Mrs. Turk’s Decorating Den unit franchise since August 2009. From December 2007 through August 2009, he worked for Hancock Bank as a Learning Development Specialist from December 2007 through August 2009. From March 2006 through December 2007, he worked for Sales Team Builder as a sales trainer and consultant.

9. Decorating Systems of New England, Inc. (“DSNE”) has served as Regional Director since March 1, 1985 in the following areas (the “DSNE Region”): the entire state of Maine, the entire state of New Hampshire and the following Massachusetts counties - Barnstable, Bristol, Dukes, Essex, Middlesex, Nantucket, Norfolk, Plymouth, Suffolk and Worcester.

DSNE is a Massachusetts corporation, and was formed on March 1, 1985. Its principal business address is 551 Adams Street, Milton, Massachusetts 02186, and its telephone number is (617) 696-7414.

Donald Fawcett has been president of DSNE since March 1985. Anne Fawcett ASID, has been treasurer of DSNE since March 1985. Mr. and Mrs. Fawcett have also operated a Decorating Den Interiors unit franchise since May 16, 1973.

10. Amelia Brown Design LLC (“ABD”) has served as Master Licensee since November 17, 2010 in Annapolis County, Maryland (the “ABD Region”).

ABD is a Delaware limited liability company formed on November 10, 2010. Its principal business address is 822 Chester Ave., Annapolis, Maryland 21403 and its telephone number is (443) 454-4035.

Betsy Burr is the sole member of ABD. From April 2005 to June 2007, she was owner of Amelia Brown Designs, which designed and sold handbags in Pittsburgh, PA. From July 2007 to November 2010, she was a self-employed consultant based in Pittsburgh, PA.

11. Lynne Lawson has served as District Developer since October 22, 2002 in the following areas within the state of Maryland (the “Lawson District”):

Zip codes 20701, 20705, 20707, 20708, 20710, 20712, 20722, 20723, 20737, 20740, 20742, 20759, 20770, 20771, 20777, 20781, 20782, 20783, 20794, 20886, 21029, 21036, 21042, 21043, 21044, 21045, 21046, 21075, 21077, 21104, 21163, 21227, 21228, 21250, 21723, 21737, 21738, 21784, and 21794

Her address is 6971 Silent Dell Lane, Columbia, MD 21044, and her telephone number is (410) 531-7581. Ms. Lawson has also operated a Decorating Den Interiors unit franchise since March 27, 1997.

12. Terry Varner has been District Developer since December 1, 2002 in the following zip codes within the state of Maryland (the “Varner District”):

21001, 21005, 21009, 21010, 21014, 21015, 21017, 21018, 21028, 21034, 21040, 21047, 21050, 21078, 21084, 21085, 21103, 21022, 21027, 21030, 21031, 21051, 21053, 21057, 21082, 21087, 21092, 21093, 21111, 21120, 21128, 21130, 21131, 21132, 21139, 21152, 21153, 21154, 21156, 21160, 21161, 21162, 21204, 21219, 21220, 21221, 21222, 21234, 21236, 21237, 21286, 21901, 21902, 21903, 21904,

21911, 21912, 21913, 21914, 21915, 21916, 21917, 21918, 21919, 21920, 21921, 21922, and 21930.

Her address is 118 Harford View Drive, Port Deposit, MD 21904, and her telephone number is (410) 378-3124. Ms. Varner has also operated a Decorating Den Interiors unit franchise since June 2, 1994.

13. Lawson Enterprises, LLC “(Lawson)” has served as Master Licensee since March 25, 2011 for the following areas in the states of Michigan and Ohio (the “Lawson Region”):

Dayton Region: Ohio Counties of Allen County, Auglaize County, Champaign County, Clark County, Darke County, Greene County, Hardin County, Logan County, Mercer County, Miami County, Montgomery County, Preble County, Shelby County, Van Wert County.

Toledo Region: Michigan Counties of Lenawee County, Monroe County, Washtenaw County, and Ohio Counties of Defiance County, Erie County, Fulton County, Hancock County, Henry County, Huron County, Lucas County, Ottawa County, Paulding County, Putnam County, Sandusky County, Seneca County, Williams County, Wood County.

Columbus Region: Ohio Counties of Crawford County, Delaware County, Fairfield County, Franklin County, Knox County, Licking County, Madison County, Marion County, Morrow County, Richland County, Union County, Wyandot County.

Lawson is a Michigan limited liability company organized on July 29, 2008. Its principal business address is 11170 Pine View Lane, Temperance, Michigan, and its telephone number is (419) 304-2678.

Steven P. Kline has been President of Lawson Enterprises LLC since its formation on July 29, 2008. Mr. Kline previously served as President of Thomas & Kline, Inc. from February 1977 to March 2008.

Kira Kline has been Director of Residential Design for Lawson since its formation. She previously served as a designer for Ethan Allen International from 2006 to 2008, and as a designer for T&C International from 2000 to 2006.

14. Veronica and Dorian Simmons entered into a Master License Agreement with DDSI on December 30, 2011 for Oakland County, Michigan (the “Simmons Region”). On February ___, 2012, they assigned their interest in the Master License Agreement to Michigan Design Development Group, LLC, a Michigan limited liability company formed on February 1, 2012.

Their principal business address is 28704 Wall St., Wixom, MI 48393, and their telephone number is (248) 596-0300.

Mrs. Simmons was employed by Sears Roebuck as an electronics salesperson from June 2005 to July 2006 and she graduated from the University of Michigan in July 2007. She was not employed from July 2007 to November 26, 2007, when she became a Decorating Den Interiors franchisee. Mrs. Simmons has also been Managing Member of Michigan Design Development Group, LLC since February 1, 2012.

Mr. Simmons has been Product Engineer for TRW Automotive, Inc. since October 2010. From June 2006 to July 2007, Mr. Simmons was Process/Maintenance Engineer for PPG Automotive Glass. From July 2007 to November 2008, and from December 2008 to June 2009, Mr. Simmons was not employed. From January 2008 to November 2008 Mr. Simmons was Product Engineer for Dura Automotive Systems. From June 2009 to December 2009, Mr. Simmons was a financial advisor for MetLife. From January 2010 to October 2010, Mr. Simmons was a personal banker for Chase Bank.

15. Decorating Missouri LLC (“DML”) has served as Master Licensee since September 8, 2010 for the following areas in the state of Missouri (the “DML Region”):

City of St. Louis (but not the County of St. Louis); and

Counties of Marion, Ralls, Shelby, Lewis, Macon, Adair, Knox, Lincoln, Montgomery, Warren, Gasconade, Franklin, and Pike.

In addition, DML has served as Master Licensee since June 30, 2011 for the following areas in the state of Missouri:

County of St. Louis; and

Counties of St. Charles, Jefferson, Marion, Ralls, Shelby, Lewis, Macon, Adair, Knox, Lincoln, Montgomery, Warren, Gasconade, Franklin, and Pike.

DML is a Missouri limited liability company organized on September 14, 2010. Its principal business address is 565 Lexington Landing, St. Charles, MO 63303, and its telephone number is (636) 244-1623.

Heidi Sowatsky has been managing member of DML since its formation. She has also operated a Decorating Den Interiors unit franchise since March 29, 2004.

16. Christine Ringenbach has served as District Developer since December 21, 2001 for Clark County, Nevada (the “Ringenbach Region”).

Her address is 20 Lantern Glow Circle, Henderson NV 89074, and her telephone number is (702) 914-3741. She has also operated a Decorating Den Interiors unit franchise since April 29, 1998.

17. Northern New Jersey Decorator Company, Inc., (“NNJDC”) has served as Regional Director since May 12, 1986 for the following counties in New Jersey (the “NNJDC Region”): Bergen, Essex, Hudson, Hunterdon, Middlesex, Morris, Passaic, Somerset, Sussex, Union and Warren.

NNJDC is a New Jersey corporation. Its principal business address of NNJDC is 376 Ridge Road, Fredon, New Jersey 07860, and its telephone number is (973) 300-3044. NNJDC has no predecessors or affiliates. Lisa DeLorenzo is a principal of NNJDC and serves as Regional Director.

Lisa DeLorenzo has been president of NNJDC since October 1, 1994, when she purchased the stock of NNJDC from her parents.

She has also operated a Decorating Den Interiors unit franchise since April 16, 1997.

18. Patricia Kelly has served as District Developer since August 17, 2007 in the following area within the state of New Jersey (the “Kelly Region”):

Counties of Mercer, Monmouth and Ocean, and

Zip codes 08505, 08515, 08022, 08620 and 08691.

Her address is 116 Briarcliff Drive, Morganville, NJ 07751, and her telephone number is (732) 834-0090. Ms. Kelly has also operated a Decorating Den Interiors unit franchise since August 22, 2003.

19. Beautiful Interiors of Long Island, (“BILI”) has served Regional Manager since July 19, 2011 for the following zip codes, all within Nassau County, New York (the “BILI Region”):

11001, 11020, 11021, 11023, 11024, 11030, 11040, 11050, 11501, 11542, 11545, 11547, 11548, 11560, 11566, 11568, 11576, 11577, 11596, 11709, 11710, 11714, 11732, 11735, 11753, 11758, 11762, 11765, 11771, 11783,

BILI is a New York corporation, organized on October 20, 2009. Its principal business address of BILI is 500 Washington Drive, Centerport, NY 11721, and its telephone number is (631) 367-9071.

Max McClellan has been president of BILI since its formation. From March 2004 until January 2010, he worked with L.B. Decorating, Inc., which at the time was Regional Director for the BILI Region, in selling Decorating Den Interiors franchises in the BILI Region and assisting in operating the regional franchise.

From March 22, 2010 to July 19, 2011, BILI served as Master Licensee for the BILI Region. On July 19, 2011, Max McClellan moved to Tennessee and a related corporation became Master Licensee for a portion of Tennessee.

20. Hawkins Design Systems, LLC (“HDS”) has served as Master Licensee since October 17, 2011 for York County South Carolina and the following portions of North Carolina:

Counties of Cabarrus, Catawba, Gaston, Iredell, Lincoln, Rowan, Mecklenburg, and Union.

Patrice Hawkins has been managing member of HDS since its formation. She had also operated a Decorating Den Interiors unit franchise since September 15, 2004.

21. Jane Jincks has been District Developer since January 1, 2007 in the following Oregon counties (the “Jincks Region”):

Benton, Clatsop, Coos, Curry, Deschutes, Douglas, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Polk, Tillamook, and Yamhill.

Her address is 84 SE Norman, Newport, Oregon 97365, and her telephone number is (541) 265-3315. She has also operated a Decorating Den Interiors unit franchise since March 1, 1996.

22. Graybill Associates, Ltd. (“GAL”) has been Regional Director since December 29, 1992 in the following Pennsylvania counties: Adams, Berks, Bradford, Bucks, Carbon, Clinton, Columbia, Cumberland, Dauphin, Franklin, Fulton, Juniata, Lackawanna, Lancaster, Lebanon, Lehigh, Luzerne, Lycoming, Mifflin, Monroe, Montgomery, Montour, Northumberland, Perry, Pike, Schuylkill, Snyder, Sullivan, Susquehanna, Tioga, Union, Wayne, Wyoming and York (the “GAL Region”).

GAL is a Pennsylvania corporation, organized on December 29, 1992. Its principal business address is 324 Maple Avenue, Doylestown, Pennsylvania 18901, and its telephone number is (215) 348-3686.

Susan Graybill has been president of GAL since its formation. She has also operated a Decorating Den Interiors unit franchise since December 29, 1992.

23. Decorating Careers of Pennsylvania, LLC. (“DCP”) has been Master Licensee since November 13, 2009 in the following area:

Pennsylvania counties of Chester and Delaware, and the portion of Montgomery County, Pennsylvania within the following zip codes: 19003, 19004, 19010, 19028, 19035, 19041, 19066, 19072, 19083, 19085, 19087, 19096, 19405, 19406, 19428, 19453, and 19460

Its address is 302 Julip Run, St. Davids, Pennsylvania 19087, and its telephone number is (610) 341-9222.

DCP is a Pennsylvania limited liability company formed on November 5, 2009. Mary Borkovitz has been managing member of DCP since its formation. She has also operated a Decorating Den Interiors unit franchise since December 19, 2006. From September 2002 to September 2008, she was a stay at home mother.

24. Interior Decorating Systems of Western Pennsylvania, Inc. (“IDS”) has served as Regional Manager since October 1, 1997 in the following Pennsylvania counties: Crawford, Greene, Lawrence, Mercer, Venango, Washington, Allegheny, Beaver, Butler, Fayette, Somerset and Westmoreland (the “IDS Region”).

IDS is a Pennsylvania corporation was formed on October 1, 1997. Its principal business address is 709 North Morgan Street, Meadville, Pennsylvania 16335, and its telephone number is (814) 336-3000.

Marie Feltz has been president of IDS since its formation. She also has operated a Decorating Den Interiors unit franchise since October 17, 1986.

25. Max McClellan entered into a Master License Agreement with DDSI on July 19, 2011 for the following counties in Tennessee (the “BIT Region”): Anderson, Blount, Bradley, Hamilton, Knox, Loudon, Marion, McMinn, Meigs, Monroe, Polk, Roane, Sequatchie, and Sevier. On August 30, 2011, he assigned his interest in the Master License Agreement to Beautiful Interiors of Tennessee, Inc. (“BIT”), a Tennessee corporation formed the same day.

Mr. McClellan has been president of BIT since its formation. He had been president of Beautiful Interiors of Long Island, (“BILI”) from October 20, 2009 until July 19, 2011. From March 22, 2010 until July 19, 2011 BILI was Master Licensee for portions of Nassau County, New York (the “BILI Region”). From March 2004 until January 2010, he worked with L.B. Decorating, Inc., which at the time was Regional Director for the BILI Region, in selling Decorating Den Interiors franchises in the BILI Region and assisting in operating the regional franchise.

BIT’s principal business address is 1697 Highway 64E, Benton, TN 37307 and his telephone number is (423) 299-2957.

26. Bonnie Snow-Hudson has been Regional Director since December 31, 2000 in the following Texas counties (the “Snow-Hudson Region”): Aransas, Atascosa, Austin, Bandera, Bastrop, Bee, Bexar, Blanco, Brooks, Burnet, Caldwell, Cameron, Colorado, Comal, Dimmit, Duval, Edwards, Fayette, Frio, Gillespie, Gonzales, Guadalupe, Hays, Hidalgo, Jim Hogg, Jim Wells, Karnes, Kendall, Kenedy, Kerr, Kinney, Kleberg, La Salle, Lee, Live Oak, Llano, Maverick, McMullen, Medina, Milam, Nueces, Real, Refugio, San Patricio, Starr, Terrell, Travis, Uvalde, Val Verde, Webb, Willacy, Williamson, Wilson, Zapata and Zavala.

Her principal business address is 10650 Signal Hill View, Austin, Texas 78737, and her telephone number is (512) 327-4000.

She has also operated a Decorating Den Interiors unit franchise since June 2003.

27. PTS Design Group, LLC, (“PTS”) has been Master Licensee for certain areas in the state of Texas, specifically for zip code 76248 and for the counties of Collin and Denton (the “PTS Region”).

Peggy Spitaletto has also served as a district franchisee for Decorating Den Interiors since December 1997 for the following counties in Texas:

Bowie, Camp, Cass, Dallas, Delta, Ellis, Fannin, Franklin, Grayson, Gregg, Harrison, Henderson, Hopkins, Hunt, Kaufman, Lamar, Limestone, Marion, Morris, Navarro, Panola, Rains, Red River, Rockwall, Rusk, Smith, Titus, Upshur, Van Zandt, and Wood.

Peggy and her husband, Thomas Spitaletto entered into a Master License Agreement for the PTS Region on December 11, 2009, and assigned their interest to PTS on February 8, 2010. PTS is a Texas limited liability corporation organized on February 8, 2010 and entered into a Master License Agreement with Decorating Den Systems, Inc. Its principal business address is 624 Haggard Street, #709, Plano, TX 75074, and its telephone number is (972) 424-1707.

Peggy Spitaletto has been president of PTS since its formation. Mr. and Mrs. Spitaletto have also owned and operated a Decorating Den Interiors unit franchise business since February 17, 1982.

Thomas Spitaletto has been Vice President of PTS since its formation. He has owned and operated a Decorating Den Interiors unit franchise business with his wife since February 17, 1982.

28. Cathy Salyers and Gerard Salyers have been Master Licensee since March 18, 2010 in the state of Texas, specifically in the following zip codes: 77008, 77009, 77014, 77018, 77038, 77040, 77041, 77043, 77055, 77064, 77065, 77066, 77067, 77070, 77080, 77084, 77086, 77088, 77090, 77091, 77092, 77095, 77301, 77302, 77303, 77304, 77306, 77316, 77318, 77354, 77355, 77356, 77362, 77375, 77377, 77379, 77380, 77381, 77382, 77384, 77385, 77386, 77388, 77389, 77429, 77433, 77447, 77450, 77493, 77830, 77873 (the "Salyers Region").

Their principal business address is 2202 Friars Legend Drive, Spring, TX 77386, and their telephone number is (281) 353-0133.

Cathy and Gerald Salyers have also operated a Decorating Den Interiors unit franchise since December 1995.

29. Angie and Peter Lowry (the “Lowrys”) have served as Regional Manager since November 23, 1998 in the following area (the “Lowry Region”):

Virginia: counties of Gloucester, Isle of Wight, James City, Mathews, Middlesex, Southampton, Surry, Sussex, York, Poquoson, Suffolk,

Virginia: cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Virginia Beach and Williamsburg.

The Lowrys have also operated a Decorating Den Interiors unit franchise since August 14, 1989.

Their address is 1607 South Church St., Smithfield, VA 23430. Their telephone number is (757) 356-0082.

30. T+L On The Water, Inc. (“T+L”) has served as Master Licensee since August 13, 2010 for Tarrant County, Texas but not including the area in zip codes 76244 and 76248 (the “T+L Region”).

T+L is a Texas corporation organized on July 26, 2004 and entered into a Master License Agreement with Decorating Den Systems, Inc. on August 13, 2010. Its address is 1205 Sturgeon Court, Suite 105, Arlington, TX 76001, and its telephone number is (817) 472-0067.

Lisa Landry has been President of T+L since its formation. Stanley “Tony” Landry has been Vice President of T+L since its formation. Mr. and Mrs. Landry have also operated a Decorating Den Interiors unit franchise since December 3, 1997.

31. Nova Decorating Den System, Inc. (“NOVA”) has served as Regional Director since March 1, 1989 in the following cities and counties in the Commonwealth of Virginia (the “NOVA Region”): Alexandria City, Arlington, Fairfax, Fairfax City, and Falls Church City.

NOVA is a Virginia corporation, organized on March 1, 1989. Its principal business address is 6056 Burnside Landing Drive, Burke, VA 22015, and its telephone number is (703) 239-8112.

Frank Sapienza has been president of NOVA since March 1989. He has also operated a Decorating Den Interiors unit franchise since July 2, 1987.

32. Lauren & Chris Clement have served as Master Licensee since March 12, 2010 in the following Virginia counties (the “Clement Region”): Clarke, Fauquier, Frederick, Loudon, Prince William, Rappahannock, Shenandoah, Warren, and Winchester, and in the independent cities of Manassas and Manassas Park.

Their address is 21923 Blackheath Way, Ashburn, VA 20148, and their telephone number is (877) 583-0355.

Lauren Riddiough Clement has also operated a Decorating Den Interiors unit franchise since March 15, 2006.

Christopher Clement has been a franchise marketing executive for the Master Licensee since January 2010. He has also been an Area Account Executive with Marriott International in Leesburg, VA from May 1998 to January 2011, a Senior Account Executive with Marriott International from January 2011 to July 2011, and a Sales Executive with Cvent Inc. since August 2011.

33. Linda Riddiough has served as Master Licensee since February 14, 2011 for the following Virginia counties and independent cities (the "Riddiough Region"):

Counties of Albemarle, Augusta, Culpeper, Greene, Louisa, Madison, Orange, Page, Rockingham, Spotsylvania, and Stafford.

Independent cities of Charlottesville, Fredericksburg, Harrisonburg, Staunton, and Waynesboro.

Ms. Riddiough has been with Decorating Den since December 1984 and has served in various capacities, including franchise owner, Regional owner, Regional Coordinator, Franchise Marketing Executive, and Master Licensee. She has also been in charge in the LIVV! Home Accessories program since May 2011.

Her address is 25600 Summerall Drive, Aldie, VA 20105, and her telephone number is (336) 575-9584. She has also operated a Decorating Den interiors unit franchise since February 14, 2011.

34. Christina Johnson has served as District Developer since November 6, 2002 in the following area within the state of Washington (the "Johnson District"):

Zip codes 98004, 98005, 98006, 98007, 98008, 98011, 98014, 98019, 98024, 98027, 98028, 98029, 98033, 98034, 98038, 98039, 98040, 98045, 98052, 98053, 98056, 98059, 98065, and 98072.

Her address is 16523 SE 147th Street, Renton, WA 98059, and her telephone number is (425) 430-1240. Ms. Johnson has also operated a Decorating Den Interiors unit franchise since March 1, 1996.

Except as indicated above or in Item 3 of the Disclosure Document:

1. No litigation is required to be disclosed in this Disclosure Document about any person or entity named in this Exhibit A.

2. No person or entity named in this Exhibit A has been involved as a debtor in proceedings under the U.S. Bankruptcy Code so as to require disclosure in this Disclosure Document.

3. The Field Manager has no predecessors or affiliates.
4. Exhibit H shows the agent for service of process of Regional Directors named in this Exhibit A.
5. The Regional Director or Master Licensee has not offered franchises in any other line of business and is involved in no other business activities outside of their involvement with Decorating Den Interiors.
6. The Regional Director or Master Licensee does not anticipate opening any new unit franchises owned or operated by them during the following year.
7. DDSI unconditionally guarantees to the unit franchisees the obligations of Regional Directors only under the unit franchises. DDSI's financial statements are found at Exhibit D of this Disclosure Document.



DECORATING DEN SYSTEMS, INC.

EXHIBIT B

LIST OF FRANCHISE OWNERS

EXHIBIT B
LIST OF LOCAL FRANCHISEES
ACTIVE OWNERS AS OF 12/31/2011

The following table lists franchisees operating under the trade name Decorating Den Interiors as of the end of our most recent fiscal year, December 31, 2011.

<u>Owner Name</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>	<u>Phone</u>
<u>ALABAMA = 1</u>					
Janet Rodgers	126 Sarah Jane Drive	Madison	AL	35757	(256)325-7252
<u>ARIZONA = 7</u>					
Christine & Tracy Hippensteel	1561 E. Carla Vista Drive	Chandler	AZ	85225	(480)821-1080
Susan Kramer	1250 E. 9th Street	Douglas	AZ	85607	(520)364-6238
Peg Conway	3713 E. Kimball Road	Gilbert	AZ	85297	(480)284-6225
Connie Rice	6818 W. Lone Cactus Drive	Glenadale	AZ	85308	(623)734-4005
Jennifer Fearer	7365 E. Red Hawk Street	Mesa	AZ	85207	(480)325-6791
Debbie Sorensen	8037 E. Remuda Drive	Scottsdale	AZ	85255	(480)580-0500
Eva Jaramillo	1225 South 28th Drive	Yuma	AZ	85364	(928)329-1414
<u>CALIFORNIA = 26</u>					
Janet Cunningham	1411A Versailles Avenue	Alameda	CA	94501	(510)517-8585
Donald Tatera	23825 Waalew Road	Apple Valley	CA	92307	(760)247-5393
Sally Kinsbursky Sparks	5674 Alexandria Avenue	Corona	CA	92880	(909)930-0396
Jane & Michael Reed	131 Biscayne Way	Folsom	CA	95630	(916)294-9777
Janet Metchkoff	15105 La Subida Drive	Hacienda Hgts.	CA	91745	(562)693-0381
Nancy Griffin	41556 Via Arbolitos	Indio	CA	93302	(760)324-4041
Candace Alberts	8697C La Mesa Blvd #102	La Mesa	CA	91941	(619)713-0172
Pamela Ryalls – Boyd	632 Spring Avenue	Morgan Hill	CA	95037	(408)776-1412
Julia Roy	334 Uranus Court	Nipomo	CA	93444	(805)619-7288
Charissa Tiu	1247 W Bloomwood Road	Rancho Palos Verdes	CA	90275	(310)803-0152
Tonie Vander Hulst	100 West Stuart Avenue	Redlands	CA	92373	(909)793-0943
Theresa & Gustavo Pineda	398 Genoa Drive	Redwood City	CA	94065	(650)867-4782
Toye Gossett	300 W. Felspar Avenue	Ridgecrest	CA	93555	(760)382-2321
Carol Allain	7134 Westport Street	Riverside	CA	92506	(951)780-8872
Susan & Robert Sutherlin	7538 Windsong Road	San Diego	CA	92126	(619)985-4561
Cindy Young	138-B Beulah Street	San Francisco	CA	94117	(415)239-7400
Thora Tam	5655 Silver Ck Valley Rd S# 421	San Jose	CA	95138	(408)223-7300
Rose Burcheri	2224 Armada Way	San Mateo	CA	94404	(650)571-5610
Diane Schmetzer	1551 Kensing Lane	Santa Ana	CA	92705	(714)669-3963
Marie Stewart	28348 Nicholas Circle	Santa Clarita	CA	91350	(661)310-3774
Jacqueline Brown	14304 Lake Vista Drive	Sonora	CA	95370	(209)532-0030
Sherry Birchall	31225 Felecita Road	Temecula	CA	92591	(951)308-9221
Nina Alvarez	225 Spanish Oak Lane	Templeton	CA	93465	(805)237-0085
Roynita Daniels	124 Ron Court	Vallejo	CA	94591	(707)373-0760
Susan Rose	14234 Coeur D' Alene Court	Valley Center	CA	92082	(760)297-2143
Jane Aldrich	6433 Topanga Cyn Blvd #141	Woodland Hills	CA	91303	(818)347-8888

COLORADO = 3

Junalee Reny	6145 Wilson Road	Colorado Springs	CO	80919	(719)528-6585
Shelly Holt	36671 Forest Trail	Elizabeth	CO	80107	(720)219-6085
Victoria Schreiber	30893 County Road 77	Lake George	CO	80827	(719)748-5008

CONNECTICUT = 3

Karen Iverson	27 Gail Drive	Ellington	CT	06029	(860)871-6848
Diana Picarazzi	114 Jasmine Circle	Milford	CT	06461	(203)258-1526
Elizabeth Schulkind	620 Beaver Dam Road	Stratford	CT	06614	(203)873-0170

DELAWARE = 3

Steven & Barbara Pettinella	105 Cardinal Circle	Hockessin	DE	19707	(302)239-7315
Shelley Rodner	37181 Lord Baltimore La.	Ocean View	DE	19970	(302)541-0844
Janice & Dean Hinzman	1028 Quail Run	Wyoming	DE	19934	(302)697-9354

FLORIDA = 26

Bonnie Silbert	1642 S.W. 20th Avenue	Boca Raton	FL	33486	(561)393-6001
Judy Underwood & Cliff Welles	9976 Puopolo Lane	Bonita Springs	FL	34135	(239)948-9779
Suzanne Christie	3701 103rd Avenue North	Clearwater	FL	33762	(727)572-9574
Jeanne Anderson	2908 Eagle Estates Cir. N.	Clearwater	FL	33761	(727)599-7784
Lani & Robert Uhl	614 Quail Lake Drive	DeBary	FL	32713	(386)668-1110
Sharon Binkerd	3415 NE 12 Terrace	Ft. Lauderdale	FL	33334	(954)564-7870
Carol & Allan Stearns	2 Ipswich Circle	Ft. Walton Bch	FL	32547	(850)244-2255
Dixie Campen	1727 Kingswood Road	Jacksonville	FL	32207	(904)306-0444
Kimberly Perron	2513 Nw Crystal Lake Dr.	Jensen Beach	FL	34957	(772)692-8589
H. D. Pugh	1031 West Main Street	Leesburg	FL	34748	(352)787-4413
Rita Holland	7789 Mud Lake Road	Macclenny	FL	32063	(904)259-5330
Sandee Williams	6000 Collins Ave Apt 307	Miami Beach	FL	33140	(305)864-8282
Claudia Leah	2126 Imperial Circle	Naples	FL	34110	(239)431-5936
Sally Giar	1525 Riverdale Drive	Oldsmar	FL	34677	(727)789-4886
Susan Dye	3558 Lawrence Road	Orange Park	FL	32065	(904)278-0930
Kathie Golson	14529 Braddock Oak Dr.	Orlando	FL	32837	(407)902-3011
Karin Finch	5 Shadowcreek Way	Ormond Beach	FL	32174	(386)615-0995
Marilyn Brazill	3840 St Girons Drive	Punta Gorda	FL	33950	(941)505-2207
Dee Staver	148 La Mesa Drive	St. Augustine	FL	32095	(904)826-3255
Susan McEwen	1701 47th Avenue N.	St. Petersburg	FL	33714	(727)527-1855
Tracy & Bruce Williams	1005 Mohican Trail	Tallahassee	FL	32317	(850)942-9909
Leonie Linscheid	6012 Yeats Manor Dr. #101	Tampa	FL	33616	(813)374-1056
Joyce Rosemary	1993 Sun Valley Street	Titusville	FL	32780	(321)264-0420
Marsha & Jerry Scott	1945 S Tamiami Trl. Unit B	Venice	FL	34293	(941)484-3596
Deborah Demboski	26700 Shoregrass Drive	Wesley Chapel	FL	33544	(813)412-3332
Myriam Payne	844 Sunflower Circle	Weston	FL	33327	(954)659-2017

GEORGIA = 7

Kimberly Ormsby	5180 Barrington Trace Dr.	Atlanta	GA	30331	(404)775-0867
Terri Ervin	1928 Hood Road	Dacula	GA	30019	(770)995-0165
Vivian Davila	915 Bridgegate Drive	Marietta	GA	30068	(770)509-8773
Kathy Sliz	P O Box 2565	Savannah	GA	31402	(912)236-2194
Barbara Elliott & Jennifer Ward	917 Main Street	Stone Mountain	GA	30083	(770)498-7780
Corinne Stephenson	815 Sable Crossing	Suwanee	GA	30024	(678)455-2824
Jan Parrish & Keely Woodford	8744 Main Street Suite 101	Woodstock	GA	30188	(770)928-0383

ILLINOIS = 7

Mary Leben	41335 N. Point Drive	Antioch	IL	60002	(847)838-2485
Jean Roberts	288 Lorraine Circle	Bloomington	IL	60101	(630)924-0766
Diane McGarry	20378 Fallingwater Circle	Frankfort	IL	60423	(815)464-8142
Angela Rowe	4 Stuart Place	Harrisburg	IL	62946	(618)253-4711
Joan Suzio	1001 Juniper Parkway	Libertyville	IL	60048	(847)362-7520
Catherine & Joseph Martin	133 N. Willowood Dr., N.	Oswego	IL	60543	(630)636-6514
Janice Bromberek	12906 S. Conifer Street	Plainfield	IL	60585	(630)369-2476

INDIANA = 6

Barbara Aitken	5146 Woodfield Drive	Carmel	IN	46033	(317)709-0525
Susan Hoaglund	1611 Holliston Trail	Fort Wayne	IN	46825	(260)489-2700
Janice Stagg	4487 Kingussie Court	Indianapolis	IN	46254	(317)293-6070
Rebekah Perry Clark	433 Hemlock Court	Noblesville	IN	46062	(317)471-4999
Catherine Lloyd	9841 Rosewood Drive	St. John	IN	46373	(219)365-0198
Joanne North	725 East Main Street	Westfield	IN	46074	(317)471-4999

IOWA = 5

Kay Sisler	8336 Hidden Valley Road	Dubuque	IA	52003	(563)582-0808
Mary Walton	1885 28th Avenue	Marion	IA	52302	(319)377-5413
Lois Grier	410 Idaho Drive	Pella	IA	50219	(641)628-8151
Barbara Watson	3060 104th Street	Urbandale	IA	50322	(515)252-7143
Julie Meyers	221 East Bremer Avenue	Waverly	IA	50677	(319)352-1379

KANSAS = 1

Linda DuBay	12618 Wenonga Lane	Leawood	KS	66209	(913)766-9980
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KENTUCKY = 6

La Donna Pare	1496 Fountain Run Road	Gamaliel	KY	42140	(270)457-4457
Jeanne Sallee	1381 Tanforan Drive	Lexington	KY	40517	(859)948-1240
Nathalie & Craig Weisman	1003 Woodland Ridge Ct.	Louisville	KY	40245	(502)802-4261
Kristen Pawlak	1511 Sable Wing Circle	Louisville	KY	40223	(502)245-0052
Melodye James	2130 Olivet Church Road	Paducah	KY	42001	(270)534-9438
Linda Corzine	3622 Locust Circle East	Prospect	KY	40059	(502)228-9796

LOUISIANA = 8

Anne Fisher	2824 Brentwood Drive	Baton Rouge	LA	70809	(225)926-4005
Jeanette Turk	13642 Buckley Avenue	Baton Rouge	LA	70816	(225)755-7970
Maria Kyriakides	15137 Dendinger Drive	Covington	LA	70433	(504)324-6499
Denise Smith	7565 Lillie Valley Drive	Gonzales	LA	70737	(225)450-2512
Cheryl Scurlock & Jeannette Babineaux	202 Abaco Lane	Lafayette	LA	70508	(337)216-9910
Karlin O'Neal	18705 Fabacher Drive	Prairieville	LA	70769	(225)677-8856
Enid Harvey	2001 E. 70th Street S# 203	Shreveport	LA	71105	(318)798-2214
Renee Walker	130 Eagle Lake Drive	West Monroe	LA	71291	(318)789-4911

MARYLAND = 19

Candace Brooks	12827 Sand Dollar Way	Baltimore	MD	21220	(410)302-9731
Renee White	15420 Doveheart Lane	Bowie	MD	20721	(301)390-3170
Roz Redmond	12505 Plantation Drive	Brandywine	MD	20613	(301)888-2133
Joy & Jason Burr	731 Marianne Lane	Catonsville	MD	21228	(443)858-8137

Lynne Lawson	6971 Silent Dell Lane	Columbia	MD	21044	(410)531-7581
Paula Tranfaglia	24008 Desert Wine Court	Damascus	MD	20872	(301)253-2606
Julie Carroll	911 Shore Drive	Edgewater	MD	21037	(410)956-9530
Adrian Halperin	21742 Mobley Farm Drive	Gaithersburg	MD	20882	(301)977-3377
Ellen Bryant	24075 Newbury Road	Gaithersburg	MD	20882	(301)740-9121
Linda Tucker	3451 Jett Court	Huntingtown	MD	20639	(410)286-0267
Toni Broadnax	9215 Livery Lane Apt F	Laurel	MD	20723	301-604-4847
Gloria Hill	10208 Indian Summer Ct.	Mitchellville	MD	20721	(301)808-6044
Teresa Varner	118 Harford View Drive	Port Deposit	MD	21904	(410)378-3124
Ellen Fernandez	11432 Cedar Ridge Drive	Potomac	MD	20854	(301)983-0089
Michelle Belsito		Rockville	MD	20850	410-231-0130

300 Prettyman Drive #12304

Mary & Tom Cunningham	14500 Carona Drive	Silver Spring	MD	20905	(301)384-4479
Angela Scollar	2802 Elnora Street	Silver Spring	MD	20902	(301)942-5015
Julie McCahill	24814 Swan Road	St Michaels	MD	21663	(410)745-0474
Melissa Smith	845 Snowfall Way	Westminster	MD	21157	(443)821-3071

MASSACHUSETTS = 5

Donna J. Smith	8 East Street #101	East Walpole	MA	02032	(508)660-8670
Shawn Strok	25 Oxford Drive	Franklin	MA	02038	(508)954-0447
Karen Booraem	133 Kendrick Road	Harwich	MA	02645	(508)432-1228
Anne Fawcett	551 Adams Street	Milton	MA	02186	(617)698-8303
Robin Cotter	260 Main Street	Plymton	MA	02367	(781)585-2033

MICHIGAN = 9

Michele Carriere	1675 Hanley Court	Birmingham	MI	48009	(248)645-8610
Jenny & Chris Mitschelen	3870 Stelter Farm Drive	Bridgman	MI	49106	(269)266-7094
Mary Busscher	7973 Dillon Hwy	Hudson	MI	49247	(517)448-8528
Bonnie Lawitzke	3822 Kirkwood	Jackson	MI	49203	(517)750-3669
Shirley Burg	38750 Sumpter	Sterling Heights	MI	48310	(586)979-0020
	43270 Gainsley	Sterling Heights	MI	48313	(586)731-7013
Victoria Johnson & Sandra Taylor					
Kira Kline	11170 Pine View Lane	Temperance	MI	48182	(419)304-2678
Veronica Simmons	28704 Wall Street	Wixom	MI	48393	(248)470-7440
Nicole Wilson	4808 Textile Road	Ypsilanti	MI	48197	(734)489-5741

MINNESOTA = 3

Laurie Lindquist		Bemidji	MN	56601	(218)209-6246
	8469 Chamberlain Lane NW				
Georgia & Allen Cox	1842 26th Avenue N.W.	New Brighton	MN	55112	(651)633-7854
Stacy Rosckes	7483 Lake Avenue	New Prague	MN	56071	(507)744-5548

MISSOURI = 7

Diane Barber	710 Wallen Bluff	Branson	MO	65616	(417)332-0664
Nancy Barrett	15630 Sugarridge Court	Chesterfield	MO	63017	(636)519-4090
Debbie Bokamper	1704 Lance End Lane	Fenton	MO	63026	(636)225-6865
Jane Moyer	27 Se 11th Rd	Lamar	MO	64759	(417)682-1744
Nola Shivers	1310 N. Kelly Avenue	Nixa	MO	65714	(417)724-9400
	8116 Clearwater Drive	Parkville	MO	64152	(816)741-8065
Sandra Burroughs & Allison Fikejs					
Heidi Whitfield Sowatsky	565 Lexington Landing	St. Charles	MO	63303	(636)244-1623

MONTANA = 1

Robin Saxon	80085 Gallatin Rd #H	Bozeman	MT	59718	(406)586-8990
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NEVADA = 4

Christine Ringenbach	20 Lantern Glow Circle	Henderson	NV	89074	(702)914-3741
Kristen Fencil	651 Saddlehorn Drive	Incline Village	NV	89451	(775)832-8012
Robby Williams	2960 Sage Ridge Drive	Reno	NV	89509	(775)825-8428
Linda McCall	119 Manor Drive	Stateline	NV	89449	(775)901-8116

NEW JERSEY = 19

Donna Hill Krupa	507 Prince Street	Bordentown	NJ	08505	(609)291-8066
Cheryl Smith	641 Shunpike Road #295	Chatham	NJ	07928	(908)580-9644
Karen Sanders	42 Wendell Place	Clark	NJ	07066	(732)388-1731
Pearl & Victor Gomes	240 Lee Avenue	Deptford	NJ	08096	(856)981-1683
Katrina Coxe	133 N. Martine Avenue	Fanwood	NJ	07023	(908)232-5352
Tammy Vallar	865 Olentangy Road	Franklin Lakes	NJ	07417	(201)485-7951
Lisa DeLorenzo	376 Ridge Road	Fredon	NJ	07860	(973)300-3044
Kathryn McIlhinney	1 Frontier Lane	Jackson	NJ	08527	(732)833-9100
Natalia Haney	13 Ridgeway Lane	Little Egg Harbor	NJ	08087	(609)276-7215
Nancy Hollingsworth	17 Prince Henry Court	Marlton	NJ	08053	(856)596-9207
Patricia Kelly	116 Briarcliff Drive	Morganville	NJ	07751	(732)834-0090
Nawon Park	406 Westminster Drive	Morganville	NJ	07751	(732)332-0700
Amy Lebowitz	60 Maiden Head Road	Princeton	NJ	08540	(609)688-0040
Lauren Woods & Lucia Palmeri	857 Alexandria Court	Ramsey	NJ	07446	(201)661-8606
Susan Tenny Keefe	84 Brooksyde Avenue	Ringwood	NJ	07456	(201)378-0050
Nancy Lucas	P O Box 282	Sea Girt	NJ	08750	(908)907-8620
Caridad Caspers	227 Blake Avenue	Somerset	NJ	08873	(732)545-7599
Valerie & Thomas Ruddy	26 Martin Road	Verona	NJ	07044	(973)239-3004
Connie Thompson	222 W. Washington Avenue	Washington	NJ	07882	(908)689-0003

NEW MEXICO = 3

Marcia Naughton	700 Wagon Train Drive SE	Albuquerque	NM	87123	520-303-5635
Robin O'Hara	7004 Santa Marisa NE	Albuquerque	NM	87113	(505)341-3911
Sherry Franzoy	4821 Broken Stone	Las Cruces	NM	88011	(575)521-8326

NEW YORK = 10

Kim Lynch ; Kim Lynch	11 Green Avenue	Babylon	NY	11702	516-967-7454
Patricia Hughes	10452 Main Street	Clarence	NY	14031	(716)759-1926
Kathleen Monteleone	46 Kinsella Street	Dix Hills	NY	11746	(631)595-1003
Leanna Ganci & Anthony Shepherd	161-03 Station Road	Flushing	NY	11358	(718)766-8570
Tracy Cain	6817 Amanda Lane	Lockport	NY	14094	(716)438-3818
Rosemary Pozzini	38 Manor Road	Lynbrook	NY	11563	(516)568-7400
Ashu Singh	105 West Farm Drive	Melville	NY	11747	(631)406-7701
Theresa Gionesi	2181 Helene Avenue	Merrick	NY	11566	(516)208-6663
Yelena Gerts	198 Chelsea Street	Staten Island	NY	10307	(718)966-3600
Marina & Charles Colella	66 Smith Avenue	White Plains	NY	10605	(914)761-6150

NORTH CAROLINA = 8

Malorie & Michael Cook	197 Browder Lane	Advance	NC	27006	(336)771-3030
Anna Hastings	325 Landers Way	Belmont	NC	28012	(704)825-1993
Donna Roach & Robin LeNeave	3701 Water Oak Lane	Greenville	NC	27858	(252)565-5777

Carolyn Jordan	1801 West Lexington Ave.	High Point	NC	27262	(336)992-7275
Catherine Workman	4008 Fountainbrook Drive	Indian Trail	NC	28079	(704)846-9252
Mary Elliott	3805 Alden Street	Indian Trail	NC	28079	(704)882-3990
Patrice, Elizabeth & Edward Hawkins	724 Barington Place	Matthews	NC	28105	(704)845-2834
Carolyn H. Galloway	10532 Old Brassle Drive	Mint Hill	NC	28227	(704)545-8288

OHIO = 9

Erika Lee	3436 Dale Lane	Amelia	OH	45102	(513)304-9105
Beverly Barrett	2749 Terrace View Cr.	Beavercreek	OH	45431	(937)430-1086
Julia Cochran	100 East Franklin Street	Centerville	OH	45459	(937)438-0901
Kathleen Bliss Goldfarb	17552 Fairlawn Drive	Chagrin Falls	OH	44023	(440)543-3950
Emily Conrad	7903 Cooper Road	Cincinnati	OH	45242	(513)891-2325
Susan Moore	11070 Dellbrook Court	Cincinnati	OH	45241	(513)733-0195
Diana Apgar	7817 Meyers Road	Middletown	OH	45042	(513)425-7137
Rebecca Shearn	8066 Kingfisher Lane	West Chester	OH	45069	(513)759-8333
Lois Reese	6885 Ravine Circle	Worthington	OH	43085	(614)844-5494

OKLAHOMA = 1

Maria Gore	10212 Stoneham Avenue	Oklahoma City	OK	73120	(405)755-3567
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OREGON = 3

Judith Case	4643 NW Union Hills Terr.	Beaverton	OR	97006	(503)690-1764
Ragan Corliss	4230 S.E. King Rd	Milwaukie	OR	97222	(503)710-6091
Jane Jincks	84 SE Norman	Newport	OR	97365	(541)265-3315

PENNSYLVANIA = 19

Maryann Fisher	155 Harvest Lane	Chambersburg	PA	17201	(717)263-4808
Sandra Lee	210 Hunting Ridge Trail	Cranberry Township	PA	16066	(724)772-0073
Mary Jo & Robert Long	1310 Valleywood Drive	Downingtown	PA	19335	(610)873-4735
Susan Graybill	324 Maple Avenue	Doylestown	PA	18901	(215)348-3686
Susan Thomson	1007 Pimlico Drive	E. Norriton	PA	19403	(610)539-2854
Denise Diederich	113 Timberlee Drive	Evana City	PA	16033	(724)865-3028
Barbara Tabak	3201 Linden Parkway	Harrisburg	PA	17110	(717)541-1659
Joyce Doeblor	2076 Hawthorne Lane	Hatfield	PA	19440	(215)368-2259
Kathy McGroarty	107 Oakland Avenue	Lansdale	PA	19446	215-412-9942
Marie Feltz	709 N. Morgan Street	Meadville	PA	16335	(814)336-3000
Sarah Hermans	22 Airdrie Court	Paoli	PA	19301	(610)640-5656
Sheri Kosh	2320 Mill Grove Road	Pittsburgh	PA	15241	(412)687-3326
Stephanie Scanlon	5044 Lougean Avenue	Pittsburgh	PA	15207	(412)613-4150
Barbara McInnis Hayman	109 N Savanna Drive	Pottstown	PA	19465	484-624-4787
Mary & William Borkovitz	302 Julip Run	Saint Davids	PA	19087	(610)341-9222
Karen Volpert	506 Glenmary Lane	Saint Davids	PA	19087	(610)688-5107
Dolores Baker & Kira Wright	4518 Deerbrook Court	Walnutport	PA	18088	(610)767-6923
Deborah Bettcher	129 Morningside Circle	Wayne	PA	19087	(610)964-8403
Laura & Ralph Riedel	720 Brooke Road	Wayne	PA	19087	(484)919-0836

SOUTH CAROLINA = 4

Gigi Willetts	1755 Springdale Drive	Camden	SC	29020	(803)432-3000
DeLynn Parnell	985 Wessington Manor La.	Ft. Mill	SC	29715	(803)396-7992

Joyce Means	3914 Egret Pond Court	Johns Island	SC	29455	(843)793-1175
Annette Pencille & Elizabeth Ann Heller	2801 S. Key Largo Circle	Myrtle Beach	SC	29577	(866)448-1817

TENNESSEE = 6

Max McClellan	1697 Hwy 64 E	Benton	TN	37307	(631)367-9071
Debra Rose	9870 South Houston Way	Germantown	TN	38139	(901)854-4648
Dorothy Bushong	11905 Appleton Way	Knoxville	TN	37922	(865)966-7556
Sandra & James Kozar	135 Chelsea Lane	Maryville	TN	37803	(865)982-6368
Bohne & Larry Jones	4533 Heath Road	Nashville	TN	37221	(615)469-7334
Sharon Hibbard	5672 Caney Ridge Circle	Ooltewah	TN	37363	(914)318-8653

TEXAS = 29

Dessie Davis & Kathie Sarchet	21 Cypress Point	Amarillo	TX	79124	(806)463-7878
Lisa Landry	1205 Sturgeon Ct., S# 105	Arlington	TX	76001	(817)472-0067
Kris Miller	4006 Hyridge Drive	Austin	TX	78759	(512)467-9030
Bonnie Hudson	10650 Signal Hill View	Austin	TX	78737	(512)327-4000
Charlette Ray	116 Big Sky Cove	Austin	TX	78737	(512)745-9512
Celeste Bronson	414 Thistlewood Drive	Austin	TX	78745	(512)383-9424
Vonna & Larry Pool	2816 S. I35 W	Burleson	TX	76028	(817)447-1185
Letha Siddons	512 Bridlewood N	Colleyville	TX	76034	(817)773-8006
Leslie Sarmiento	2130 Summit Mist Drive	Conroe	TX	77304	(281)686-9293
Sherry Butterfield	6430 Sunnyland Lane	Dallas	TX	75214	(972)497-9700
Pamela Giebler	1411 Calais Court	Euless	TX	76040	(817)350-4684
Bonnie Pressley	4742 Hwy 377 So., S# 102	Fort Worth	TX	76116	(817)249-5779
Jennifer Manley	4701 Waterford Drive	Fort Worth	TX	76179	(940)390-6315
Gretchen Potts	2642 Couch Street	Houston	TX	77008	(713)373-2165
Richard Koonce & Mykal Pedraza	11011 Pembridge Dr	Houston	TX	77071	(713)541-3326
Martha Gray	19210 Broadwind Lane	Katy	TX	77449	(281)855-1800
Kim Herning	5048 Exposition Way	Keller	TX	76244	(817)788-0405
Lile Cecil	2501 Deep Eddy Trail	Keller	TX	76248	(817)788-2461
Linda Terrill	750 Camilla Lane	Lantana	TX	76226	(214)738-5513
Tracy Fuller	4817-104th Street	Lubbock	TX	79424	(806)771-1885
Tammy Trippel	1707 Marigold Avenue	McAllen	TX	78501	(956)631-3326
Beth Gustafson	7209 Langmuir Drive	McKinney	TX	75071	(214)616-6223
Peggy Herrick	10303 E Crosby Lane	Missouri City	TX	77459	(541)821-3395
Peggy Spitalotto	624 Haggard Street #709	Plano	TX	75074	(972)424-1707
Suguna Raghuraman	1520 Glastonbury Drive	Plano	TX	75075	(972)633-3779
Alicia Fleury	611 Dallas Drive Suite 104	Roanoke	TX	76262	(817)488-0034
Cathy Salyers	2202 Friars Legend Drive	Spring	TX	77386	(281)353-0133
Carrie Ann Davies	123 Zephyr Bend Place	The Woodlands	TX	77381	(281)719-0741
Jennifer Jones	23433 Bailey Drive	Tomball	TX	77375	(281)357-0511

VIRGINIA = 18

Linda Riddiough	25600 Summerall Drive	Aldie	VA	20105	(336)575-9584
Janet Bertin	964 N. Washington Street	Alexandria	VA	22314	(703)299-0633
Jacqueline Moyer	6027 N. 22nd Road	Arlington	VA	22205	(703)531-0052
Lauren Riddiough Clement	21923 Blackheath Way	Ashburn	VA	20148	(877)583-0355
Michael & Frank Sapienza	6056 Burnside Landing Dr.	Burke	VA	22015	(703)425-1081
Merete Monahan	8026 Oak Hollow Lane	Fairfax Station	VA	22039	(703)690-7343
Linda Edwards	1057 Val Ter Court	Forest	VA	24551	(434)525-2700

Lisa Marble	10805 St. Anton Circle	Glen Allen	VA	23060	(804)346-3573
Antoinette Moore & David Yoder	907 Steamboat Lane	Heathsville	VA	22473	(804)580-3939
Patricia Gabriel	263 Town Branch Terr. SW	Leesburg	VA	20175	(571)258-1585
Donalyn Kanka	6508 Beverly Avenue	Mclean	VA	22101	(703)734-7900
Janice Holmes	6140 Sylvan Street	Norfolk	VA	23508	(757)423-1515
Jane Sams	10849 Flowerstone Street	Oakton	VA	22124	(703)758-9286
Amelia Logan	1623 Stowe Rd.	Reston	VA	20194	(703)707-0173
Angie Lowry	1607 S. Church Street	Smithfield	VA	23430	(757)356-0082
Kristy Falcone	8129 Lake Pleasant Drive	Springfield	VA	22153	(703)455-2282
Tamyra Spear	1204 Elkinson Court	Virginia Beach	VA	23454	(757)496-5144
Lynn Arnold	817 Calthorp Neck Road	Yorktown	VA	23693	(757)930-2448

WASHINGTON = 4

Rebecca Allison	7213 Interlaaken Drive SW	Lakewood	WA	98499	(253)582-3326
Christina Johnson	16523 SE 147th Street	Renton	WA	98059	(425)430-1240
Lynette Barkell	10825 8th Ave. NW	Seattle	WA	98177	(206)310-3814
Sue Simon	12211 NW 36th Avenue	Vancouver	WA	98685	(360)326-4522

WISCONSIN = 4

Suzan Wemlinger	5601 S. Pennsylvania Ave., S# 2	Cudahy	WI	53110	(414)967-1992
Sally Herre	34 Hawks Court	Fond du Lac	WI	54935	(920)922-9760
Lois Pade	2120 82nd Street	Kenosha	WI	53143	(262)652-6400
Rebecca Lemke	811 N. Weber Avenue	Stratford	WI	54484	(715)687-2222

There were no franchisees operating under the trademark LIVV INTERIOR DESIGNS by Decorating Den franchisees as of the end of our most recent fiscal year, December 31, 2011.



DECORATING DEN SYSTEMS, INC.

**EXHIBIT C
LIST OF FORMER FRANCHISE OWNERS**

C.1. Terminated or Left System January 1, 2011 to December 31, 2011

The following are Decorating Den Interiors Owners whose franchisees during the period indicated have been terminated, cancelled, not renewed or otherwise ceased to do business.

<u>Owner Name</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>	<u>Phone</u>
<u>ARKANSAS = 1</u>					
Bill Tichenor	904 N. W. L Street	Bentonville	AR	72712	(479) 271-2191
<u>CALIFORNIA = 2</u>					
Olga Vargas	14389 Bethany Avenue	Chino	CA	91710	(909) 606-1007
Michelle Riscalla	6945 E. Hidden Oaks Lane	Orange	CA	92867	(714)921-2501
<u>CONNECTICUT = 1</u>					
Gary & Elizabeth Barnes	P O Box 705	Bethel	CT	06001	(203) 798-0092
<u>FLORIDA = 4</u>					
Kim Patiry	31 Pine Street	Windermere	FL	34786	(407)876-6713
Lynne Sylvester	2 Roseberry Court 4770 NW 21st StreetApt 114	Ocoee	FL	34761	(407)877-8163
Julie Wallace	3613 Harbor Isles Court	Lauderhill	FL	33313	(407) 830-6553
Eileen Narozny		Kissimmee	FL	34746	(407)944-9797
<u>GEORGIA = 2</u>					
Karen Hartley	2343 S. Van Wert Road	Villa Rica	GA	30180	(770)459-9096
Lorraine Brown	5591 Bostwick Court	Norcross	GA	30092	(770)447-4733
<u>IDAHO = 1</u>					
Toni Hafliger	3765 N. 2300 E.	Filer	ID	83328	(208)420-6681
<u>ILLINOIS = 1</u>					
Janet Niekamp	4304 Fiddlers Bend	Springfield	IL	62711	(813) 936-4003
<u>MASSACHUSETTS = 1</u>					
Julie Kristensen	1347 Tinkham Road	Wilbraham	MA	01095	(413) 596-9447
<u>MICHIGAN = 1</u>					
Jodi Jobkar	2636 Pebble Beach Drive	Oakland	MI	48363	(723) 981-5450
<u>NEVADA = 1</u>					
Karen Coleman	2401 Quartz Peak Street	Las Vegas	NV	89134	(702)804-0333
<u>NEW JERSEY = 1</u>					
Barbara & Clayton Simpson	2 Devon Drive	Egg Harbor Township	NJ	08234	(609) 601-2600
<u>PENNSYLVANIA = 1</u>					
Tracy Bond	567 Sweetwater Drive	Palmyra	PA	17078	(717)832-0208
<u>TEXAS = 6</u>					
Allison Ann Hargraves	18 Shellbark Place	Woodlands	TX	77382	(281) 419-9580
Kathy Dodson	17010 Conway Springs	Austin	TX	78717	(512) 716-1911

Court

Linda Wilson Beckwith	6826 Love Court	McKinney	TX	75071	(214) 616-6223
Virginia K. Smith	1001 Business Parkway	Richardson	TX	75081	(972) 994-0022
Linda Lukas	1300 East Baja Court	Granbury	TX	76048	(817) 279-0022
Bobalea Driskill	244 A Key Lane	Abilene	TX	79602	(817) 268-3198

C.2. Non-Operating Status during the period January 1, 2011 to December 31, 2011

The following are Decorating Den Interiors Owners who have voluntarily chosen to enter our Non-Operating Status Program during the identified period. These franchise owners are not operating.

<u>Owner Name</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip Code</u>	<u>Phone</u>
<u>ALABAMA = 1</u>					
Laura Brown	2118 Shades Crest Road	Huntsville	AL	35801	(256) 539-5700
<u>ARKANSAS = 1</u>					
Gina Rankin & Karla Thompson	1659 Forest Heights	Fayetteville	AR	72703	(479) 283-5534
<u>ARIZONA = 1</u>					
Cynthia Hammersley	3650 S. Greythorne Way	Chandler	AZ	85248	(480) 855-1600
<u>CALIFORNIA = 3</u>					
Leanne & Steven Zellmer	2460 Chardonnay Way	Livermore	CA	94550	(925) 447-8844
Lynn Parry	369 S Sunset Drive	Lodi	CA	95240	(209) 369-6837
Lauren Balliet Leonarduzzi	2441 Club Drive	Gilroy	CA	95020	(408) 847-7295
<u>FLORIDA = 2</u>					
Ivonne & Jose Cervoni	10841 Earhart Drive	New Port Richey	FL	34654	(727) 376-5067
Sara Castro	2425 Flowering Dogwood Dr.	Orlando	FL	32828	(407) 739-3050
<u>GEORGIA = 1</u>					
Lisa Kepple	6344 Mountain Brook Way	Atlanta	GA	30328	
<u>IOWA = 2</u>					
Jill Smith-Aguirre	65 Cougar Place	North Liberty	IA	52317	(319) 545-7444
Lori & Ken Liljedahl	8935 Lyndhurst Drive	Johnston	IA	50131	(515) 986-1007
<u>ILLINOIS = 1</u>					
Lori Wawczak	14462 S. High Road	Lockport	IL	60441	(815) 588-1793
<u>KENTUCKY = 1</u>					
Esther Jill Cross	408 Gleneagles Way	Versailles	KY	40383	(859) 940-5737
<u>MICHIGAN = 1</u>					
Anita Baydoun	38855 Cheshire Drive	Northville	MI	48167	(248) 471-0900
<u>MINNESOTA = 1</u>					
Kristin Proell	2530 Parkhill Lane SW	Rochester	MN	55902	(507) 261-5988
<u>MISSOURI = 1</u>					
Alisa Lankenau	4518 Woodland Drive	Lake Saint Louis	MO	63367	(636) 625-3956
<u>NORTH CAROLINA = 2</u>					
Fabiola McGuire	3944 Forgotten Pond Ave.	Wake Forest	NC	27587	(919) 341-8270
Laura Koshel	2517 Watersglen Drive	Apex	NC	27502	(919) 387-7362
<u>NEW JERSEY = 1</u>					
Kathleen Bellafiore	168 Anderson Hill Road	Bernardsville	NJ	07924	(908) 766-3707
<u>OREGON = 1</u>					
Jaimie Green	818 SW 3rd Avenue #194	Portland	OR	97204	(503) 580-6933

TEXAS = 1

Jackie Gross 11502 Cypresswood Place Houston TX 77070 (281) 235-5759

VIRGINIA = 2

Colleen Levow 11400 Bronzdale Drive Oakton VA 22124 (703) 758-9855

Patricia Frasier 1749 Whisperhill Drive Reston VA 20194 (703) 472-7301



DECORATING DEN SYSTEMS, INC.

EXHIBIT D
FINANCIAL STATEMENTS OF DDSI

DECORATING DEN SYSTEMS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011, 2010 AND 2009

DECORATING DEN SYSTEMS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	3
Financial Statements:	
Balance Sheets.....	4-5
Statements of Income.....	6
Statements of Changes in Stockholders' Equity.....	7
Statements of Cash Flows	8
Notes to Financial Statements.....	9-19

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Decorating Den Systems, Inc.
Easton, Maryland

We have audited the accompanying balance sheet of Decorating Den Systems, Inc. as of December 31, 2011 and the related statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Decorating Den Systems, Inc. as of December 31, 2010 and 2009 were audited by other auditors whose report dated March 28, 2011, expressed an unqualified opinion on those statements.

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 statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Decorating Den Systems, Inc. as of December 31, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KULLMAN SIEBERT LLC

Annapolis, Maryland
March 28, 2012

DECORATING DEN SYSTEMS, INC.
BALANCE SHEETS
DECEMBER 31, 2011, 2010 AND 2009

ASSETS

	<u>2011</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 41,439	\$ 80,624	\$ 68,567
Accounts and Licensing Receivables			
Regional Licensing Notes Receivable, Current Portion	251,542	211,738	142,595
Franchise Sales Receivable	276,616	178,245	79,286
Service Fees and Other	247,757	231,796	258,831
Less: Allowance for Doubtful Accounts	(75,392)	(63,086)	(81,061)
Refundable Income Taxes	-	-	244,724
Due From Affiliates	5,391	121,183	5,231
Notes Receivable and Accrued Interest - Related Parties	347,545	299,048	-
Deferred Income Tax Asset	7,800	50,809	46,462
Prepaid Expenses	5,000	-	8,013
	<u>1,107,698</u>	<u>1,110,357</u>	<u>772,648</u>
PROPERTY AND EQUIPMENT - NET	317,605	371,102	408,971
OTHER ASSETS			
Regional Licensing Notes Receivable, Net of Current Portion and Allowance for Doubtful Accounts	412,283	373,082	299,760
Reacquired Regional Licenses, Net of Amortization	101,075	22,595	52,652
Cash Surrender Value of Life Insurance Policy	389,769	359,051	328,475
Notes Receivable and Accrued Interest - Related Parties	-	38,477	319,048
Deferred Income Tax Asset	330,200	295,197	216,968
Deposits	1,440	1,440	1,520
	<u>1,234,767</u>	<u>1,089,842</u>	<u>1,218,423</u>
Total Other Assets	1,234,767	1,089,842	1,218,423
Total Assets	\$ <u>2,660,070</u>	\$ <u>2,571,301</u>	\$ <u>2,400,042</u>

See auditor's report and accompanying notes to the financial statements.

DECORATING DEN SYSTEMS, INC
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2011, 2010 AND 2009

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2011</u>	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES			
Line of Credit	\$ 350,000	\$ 350,000	\$ 275,000
Accounts Payable	166,163	125,208	117,902
Accrued Expenses	127,287	197,764	183,211
Current Portion of Long-Term Debt	53,743	34,772	40,911
Deferred Franchise Revenue	2,000	5,520	4,600
Rent Payable - Related Party	18,928	18,928	-
Due to Affiliates	255,468	117,461	99,639
	<u>973,589</u>	<u>849,653</u>	<u>721,263</u>
LONG-TERM LIABILITIES			
Long-Term Debt, Net of Current Portion	168,479	76,691	60,254
Note Payable - Related Party	199,500	314,500	314,500
	<u>367,979</u>	<u>391,191</u>	<u>374,754</u>
Total Liabilities	1,341,568	1,240,844	1,096,017
STOCKHOLDERS' EQUITY			
Class A (Voting) Common Stock, \$1 Par Value;			
5 Shares Authorized, Issued and Outstanding	5	5	5
Class B (Nonvoting) Common Stock, \$1 Par Value; 49,995 Shares			
Authorized, 5,437 Shares Issued, 4,987 Shares Outstanding	39,862	39,862	5,195
Additional Paid-In Capital	193,349	163,349	13,349
Retained Earnings	1,228,066	1,270,021	1,428,256
	<u>1,461,282</u>	<u>1,473,237</u>	<u>1,446,805</u>
Less: 450 Shares of Class B (Nonvoting)			
Common Stock in Treasury, at Cost	<u>(142,780)</u>	<u>(142,780)</u>	<u>(142,780)</u>
Total Stockholders' Equity	<u>1,318,502</u>	<u>1,330,457</u>	<u>1,304,025</u>
Total Liabilities and Stockholders' Equity	<u>\$ 2,660,070</u>	<u>\$ 2,571,301</u>	<u>\$ 2,400,042</u>

See auditor's report and accompanying notes to the financial statements.

DECORATING DEN SYSTEMS, INC,
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUE			
Franchise Sales	\$ 314,857	\$ 304,837	\$ 386,932
Regional Licensing Fees	713,176	384,441	490,565
Franchise Service Fees	1,977,465	2,007,421	1,979,771
Other Franchise Services	<u>155,230</u>	<u>258,814</u>	<u>212,006</u>
Gross Franchise Revenue	3,160,728	2,955,513	3,069,274
DIRECT COSTS OF FRANCHISE REVENUE			
	<u>928,649</u>	<u>825,340</u>	<u>1,326,781</u>
Gross Profit from Franchise Revenue	2,232,079	2,130,173	1,742,493
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES			
	<u>2,219,392</u>	<u>2,326,706</u>	<u>2,994,047</u>
Income (Loss) from Operations	12,687	(196,533)	(1,251,554)
OTHER INCOME (EXPENSE)			
Interest Income	22,410	12,992	13,222
Interest Expense	(37,190)	(48,535)	(39,256)
Other, Net	<u>(22,443)</u>	<u>10,475</u>	<u>30,108</u>
Total Other Income (Expense)	<u>(37,223)</u>	<u>(25,068)</u>	<u>4,074</u>
Income (Loss) Before Provision for Income Taxes	(24,536)	(221,601)	(1,247,480)
(PROVISION FOR) BENEFIT FROM INCOME TAXES			
Current	(9,413)	(16,485)	171,283
Deferred	<u>(8,006)</u>	<u>79,851</u>	<u>230,154</u>
Total Federal and State Income Taxes	<u>(17,419)</u>	<u>63,366</u>	<u>401,437</u>
NET INCOME (LOSS)	<u>\$ (41,955)</u>	<u>\$ (158,235)</u>	<u>\$ (846,043)</u>

See auditor's report and accompanying notes to the financial statements.

DECORATING DEN SYSTEMS, INC
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

	Common Stock		Treasury Stock		Additional Paid-In Capital	Retained Earnings/ (Deficit)	Total
	Shares	Amount	Shares	Amount			
BALANCE, December 31, 2008	5,195	\$ 5,200	450	\$ 142,780	\$ 13,349	\$ 2,274,299	\$ 2,150,068
Net Income	-	-	-	-	-	(846,043)	(846,043)
BALANCE, December 31, 2009	5,195	5,200	450	142,780	13,349	1,428,256	1,304,025
Issuance	242	34,667	-	-	-	-	34,667
Contribution	-	-	-	-	150,000	-	150,000
Net Income	-	-	-	-	-	(158,235)	(158,235)
BALANCE, December 31, 2010	5,437	39,867	450	142,780	163,349	1,270,021	1,330,457
Contribution	-	-	-	-	30,000	-	30,000
Net Income	-	-	-	-	-	(41,955)	(41,955)
BALANCE, December 31, 2011	5,437	\$ 39,867	450	\$ 142,780	\$ 193,349	\$ 1,228,066	\$ 1,318,502

See auditor's report and accompanying notes to the financial statements.

DECORATING DEN SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

	<u>2011</u>	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss)	\$ (41,955)	\$ (158,235)	\$ (846,043)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	82,284	99,469	120,756
(Gain) Loss on Sale of Fixed Assets	-	910	-
Allowance for Doubtful Accounts	12,306	(17,975)	22,115
Deferred Income Taxes	8,006	(82,576)	(183,696)
Cash Surrender Value of Life Insurance Policy	(30,718)	(30,576)	(77,934)
Interest Accrued on Related Parties' Loans	(10,020)	-	-
Changes in Operating Assets and Liabilities:			
Regional Licensing Notes Receivable	(73,246)	(90,338)	283,765
Franchise Sales Receivable	(98,371)	(98,959)	(6,531)
Service Fees and Other	(15,961)	27,035	2,968
Refundable Income Tax	-	244,724	3,272
Prepaid Expenses and Deposits	(5,000)	8,093	8,505
Due to/from Affiliates	253,348	(80,012)	249,598
Accounts Payable and Accrued Expenses	(29,072)	21,859	(3,582)
Deferred Franchise Revenue	(3,520)	920	(4,022)
Net Cash Provided (Used) by Operating Activities	<u>48,081</u>	<u>(155,661)</u>	<u>(430,829)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(2,266)	(20,453)	(1,541)
Acquisition of Regional Licenses	-	-	(14,339)
Net Cash Provided (Used) by Investing Activities	<u>(2,266)</u>	<u>(20,453)</u>	<u>(15,880)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Draw Down on Line of Credit	-	75,000	185,000
Repayment of Loans - Related Parties	(115,000)	-	-
Capital Contribution from Stockholder	30,000	155,000	-
Principal Payments on Debt	-	(41,829)	(47,981)
Net Cash Provided (Used) by Financing Activities	<u>(85,000)</u>	<u>188,171</u>	<u>137,019</u>
NET INCREASE (DECREASE) IN CASH	(39,185)	12,057	(309,690)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>80,624</u>	<u>68,567</u>	<u>378,257</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 41,439</u>	<u>\$ 80,624</u>	<u>\$ 68,567</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest Paid	\$ <u>37,190</u>	\$ <u>48,535</u>	\$ <u>39,246</u>
Income Taxes Paid	\$ <u>9,413</u>	\$ <u>2,143</u>	\$ <u>1,794</u>
Income Taxes Refund	\$ <u>-</u>	\$ <u>242,334</u>	\$ <u>186,730</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Fixed Assets Acquired Through Exchange Transaction	\$ <u>-</u>	\$ <u>12,000</u>	\$ <u>-</u>
Fixed Assets Acquired Through Financing	\$ <u>-</u>	\$ <u>-</u>	\$ <u>49,309</u>

See auditor's report and accompanying notes to the financial statements.

DECORATING DEN SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Decorating Den Systems, Inc. (DDSI) is a Missouri corporation incorporated in 1969. DDSI sells regional licenses and franchises, and provides purchasing, training, marketing and other services to franchisees doing business as Interiors by Decorating Den in parts of the United States and Canada.

Basis of Accounting

The Company prepares its financial statements on the accrual basis of accounting.

Financial Instruments

The Company's financial instruments include cash, receivables, notes receivable, prepaid expenses, line of credit, payables, accrued expenses, short-term and long-term debts. The recorded values of cash, receivables, notes receivable, prepaid expenses, line of credit, payables and accrued expenses approximate their fair values based on their short-term nature. The carrying value of the debts approximate their fair values based on borrowing rates currently available to the Company.

Cash Equivalents

Cash equivalents are defined as highly liquid, short-term investments whose maturity dates do not extend past three months from the original date of purchase.

Accounts and Notes Receivable

Accounts and notes receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. As of December 31, 2011, 2010 and 2009, the Company has recorded a total allowance for bad debts of \$182,436, \$164,312 and \$144,114, respectively, to provide for losses which may be sustained on the realization of its receivables using the allowance method of which \$75,392, \$63,086 and \$81,061 respectively, is recorded as a current allowance.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred. Depreciation is computed utilizing straight line and accelerated methods over the estimated useful lives of the property and equipment which range from 3 to 31.5 years.

DECORATING DEN SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Company periodically evaluates the recoverability of its long-lived assets. This evaluation consists of a comparison of the carrying value of assets with the assets expected future cash flow undiscounted and without interest costs. If the carrying value of an asset exceeds the expected future cash flows impairment exists. An impairment loss is measured by the amount by which the carrying value of the asset exceeds future discounted cash flows. No impairment losses have been recognized.

Reacquired Regional Licenses

Reacquired regional licenses consist of licenses reacquired in various regions totaling \$875,835 with accumulated amortization of \$774,760 as of December 31, 2011. The reacquired licenses are amortized over 4 to 8 year periods. Amortization expense for the years ended December 31, 2011, 2010 and 2009 was \$26,520, \$30,057, and \$54,479, respectively.

Cash Surrender Value of Life Insurance Policy

The company is the beneficiary of the life insurance policy of the principal stockholder. The face value of the insurance policy is \$600,000. The insurance policy serves as collateral to the Company's line of credit facility. At December 31, 2011, the cash surrender value of the insurance policy was \$389,769.

Franchise Revenue

Franchise sales and regional license fees are recognized as revenue, net of a provision for uncollectible amounts, as services required by the franchise or regional license agreement have been substantially performed by the company. The Company or its representative is obligated to provide the following services to the franchisees or regional licensee: training in decorating, sales and promotion, and assistance with the set-up and commencement of the franchisee's business.

Other franchise service fees include revenue from charges for franchise advertising, initial and ongoing training programs, preparation of disclosure documents, and distributions from the MIF Trust (See *Related Party Transactions*).

Deferred Franchise Revenue

Deferred franchise revenue includes fees received from initial franchise and regional license sales which will be recognized as income as services required are substantially performed by the Company. The Company only defers the portion of the franchise fee related to training.

DECORATING DEN SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related to differences between financial and income tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The principal temporary differences arise from the use of different methods for the recognition of bad debts and depreciation of fixed assets for financial statement and federal income tax purposes and the future benefits related to net operating losses and charitable contributions carried forward to subsequent years. The tax effect of these temporary differences is shown in the financial statements as deferred income tax assets.

Under the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. The Company believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open tax years (after 2006 for Federal and Maryland) based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter, except as noted below.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company has a potential income tax exposure in states where tax returns have not been filed in previous years should those states assert taxing jurisdiction over the Company. Based on previous experience with state taxing authorities and widely used administrative practices in many states, management looked back to the prior six fiscal years in determining the liability for unpaid state taxes. After considering net operating loss carryforwards and carrybacks, no liability for state taxes has been reported.

Sales Tax

The Company presents sales tax charged to customers on a net basis. Therefore, such taxes are excluded from sales and are reflected as a liability, which is satisfied when remitted to the governmental authority.

Advertising

The Company expenses advertising associated with franchise sales activities as incurred. Total franchise advertising expense for the years ended December 31, 2011, 2010 and 2009 was \$66,302, \$89,334 and \$226,504, respectively.

DECORATING DEN SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency

The assets and liabilities of the Company's foreign operation are translated into U.S. dollars at the current exchange rates as of the date of the balance sheets and revenues and expenses are translated at an average exchange rate for the year. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. Transaction and translation gains and losses were immaterial as of and for the years ended December 31, 2011, 2010, and 2009, and therefore, are not disclosed separately in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - REGIONAL LICENSING NOTES RECEIVABLE

The components of regional licensing notes are as follows at December 31:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Regional licensing notes receivable	\$ 742,369	\$ 686,047	\$ 505,405
Less: current portion	<u>(221,542)</u>	<u>(211,739)</u>	<u>(142,595)</u>
Long-term portion of regional licensing notes receivable	520,827	474,308	362,810
Less: allowance for doubtful accounts on long-term portion of notes	<u>(108,544)</u>	<u>(101,226)</u>	<u>(63,050)</u>
	<u>\$ 412,283</u>	<u>\$ 373,082</u>	<u>\$ 299,760</u>

Licensing receivables arise from sales of regional licenses and have terms ranging from 7 to 9 years with interest rates ranging from 6% to 9% per annum. Interest earned on licensing receivables is included in regional licensing fees.

DECORATING DEN SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

NOTE 2 - REGIONAL LICENSING NOTES RECEIVABLE (CONTINUED)

Annual maturities of regional licensing receivables at December 31 are as follows:

2012	\$ 140,015
2013	150,533
2014	141,229
2015	143,694
2016	106,832
Thereafter	<u>60,066</u>
	<u>\$ 742,369</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2011, 2010, and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Office Furniture and Equipment	\$ 190,357	\$ 190,357	\$ 180,254
Automobiles	249,946	249,946	249,946
Leasehold Improvements	<u>448,561</u>	<u>446,294</u>	<u>446,294</u>
	888,864	886,597	876,494
Less: Accumulated Depreciation and Amortization	<u>(571,259)</u>	<u>(515,495)</u>	<u>(467,523)</u>
	<u>317,605</u>	<u>\$ 371,102</u>	<u>\$ 408,971</u>

Depreciation expense for the years ended December 31, 2011, 2010, and 2009 were \$55,764, \$69,412, and \$66,484, respectively.

NOTE 4 – LINE OF CREDIT

The Company has a bank line of credit which provides for maximum borrowings of \$350,000. Amounts outstanding under the line bear interest at prime rate plus 1%. The credit facility matures on July 16, 2012. The balance outstanding on the line of credit at December 31, 2011, 2010, and 2009 was \$350,000, \$350,000, and \$275,000, respectively. The line of credit contains certain financial covenants for the years 2010 and 2009. At December 31, 2010, and 2009, the Company was in compliance with the covenants. In 2011 the line of credit was collateralized by the cash value of life insurance of the officer. For the years ended December 31, 2011, 2010 and 2009, the interest paid was \$13,159, \$14,412 and \$3,025, respectively.

DECORATING DEN SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

NOTE 5 - LONG-TERM DEBTS

Long-term debts consist of the following at December 31:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Unsecured notes payable, due in monthly installments with interest imputed at rates ranging from 6.0% to 9.0% per annum, maturing through 2016.	\$ 116,027	\$ 76,947	\$ 48,895
Unsecured commission notes payable, due in monthly installments with interest imputed at 6% Per Annum, maturing through 2016.	81,540	-----	-----
Notes payable secured by automobiles; due in various monthly installments at various interest rates ranging from 0% to 5.0% per annum, maturing through May 2014.	<u>24,655</u>	<u>34,516</u>	<u>52,270</u>
Total	222,222	111,463	101,165
Less: Current Portion of Long-term Debt	<u>(53,743)</u>	<u>(34,772)</u>	<u>(40,911)</u>
Total Long-term Debts	<u>\$ 168,479</u>	<u>\$ 76,691</u>	<u>\$ 60,254</u>

The maturity of the notes payable as of December 31, 2011 is as follows:

2012	\$ 53,743
2013	46,517
2014	43,624
2015	34,677
2016	33,167
Thereafter	<u>10,494</u>
	<u>\$ 222,222</u>

DECORATING DEN SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

NOTE 6 - INCOME TAXES

The provision for income taxes for the years ended December 31, 2011, 2010, and 2009, is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Income Tax (Expense) Benefit			
Current			
Federal	\$ -	\$ -	\$ 178,400
Foreign	(6,583)	(14,467)	(10,527)
State	(2,830)	(2,018)	3,410
	<u>(9,413)</u>	<u>(16,485)</u>	<u>171,283</u>
Deferred			
Federal	(6,852)	67,628	181,821
State	(1,154)	12,223	48,333
	<u>(8,006)</u>	<u>79,851</u>	<u>230,154</u>
Total	<u>\$ (17,419)</u>	<u>\$ 63,366</u>	<u>\$ 401,437</u>

NOTE 7 - DEFERRED INCOME TAXES

Deferred income tax assets at December 31, 2011, 2010, and 2009, result from the following items:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Deferred income tax assets			
Reserve for bad debts	\$ 62,000	\$ 69,422	\$ 56,846
Accumulated depreciation	24,000	-----	-----
Net operating loss	249,300	271,233	192,097
Other	2,700	5,351	14,487
	<u>\$ 338,000</u>	<u>\$ 346,006</u>	<u>\$ 263,430</u>
Total Deferred Tax Assets			

Deferred income tax assets are classified as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current	\$ 7,800	\$ 50,809	\$ 46,462
Noncurrent	330,200	295,197	216,968
	<u>\$ 338,000</u>	<u>\$ 346,006</u>	<u>\$ 263,430</u>
Total Deferred Tax Assets			

Generally accepted accounting principles require deferred income tax assets to be reduced by a valuation allowance if it is more likely than not that some portion of the deferred tax assets will not be realized. No valuation allowance was deemed necessary for the years ended December 31, 2011, 2010, and 2009.

DECORATING DEN SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

NOTE 7 - DEFERRED INCOME TAXES (CONTINUED)

The primary difference in the effective tax rate compared to the statutory rate is related to permanent differences for officer's life insurance, nondeductible meals and entertainment expenses, and Canadian tax which are computed on gross receipts.

As of December 31, 2011, the Company has available net operating loss carry-forwards of approximately \$592,366 and charitable contributions of \$5,179 that expire beginning in the year 2030.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Merchandising Incentive Fund Trust (MIF) was created by the Company and receives preferred supplier contributions which are used to fund merchandising programs, information technology systems and resources, research and development, franchisee incentive programs, and administrative costs. For the years ended December 31, 2011, 2010 and 2009, the balance due from MIF was \$5,391, \$121,183 and \$5,231, respectively.

The National Marketing Fund Trust (NMF) receives franchisee contributions which are used for national marketing programs. NMF was created by the Company to effect the provisions of the Decorating Den Franchise Agreement. NMF incurs the expense of the public relations and advertising departments. For the years ended December 31, 2011, 2010 and 2009, the balance due to NMF was \$255,468, \$117,461 and \$99,639, respectively.

In March 2006, the Company accepted a secured note receivable from an officer for \$300,000. Interest accrues on the unpaid balance at 4.42% per annum and is payable every other week beginning April 14, 2006. The note matured on March 30, 2011 and was extended to March 31, 2012 with the interest rate changed from 4.42% to 0.55% per annum. The principal outstanding at December 31, 2011, 2010 and 2009 was \$299,048 for all respectively years. Total interest paid on the note receivable for the years ended December 31, 2011, 2010 and 2009 was \$2,502, \$12,788 and \$12,788, respectively. Interest imputed and accrued on the principal outstanding from April 1, 2011 to December 31, 2011 was \$5,871.

The Company advanced \$20,000 to an officer during 2007 and 2008. At December 31, 2011, the interest imputed on the advance was \$3,226. The total outstanding balance is due in April 2012.

On January 25, 2010, 242 shares of Class B common stock were issued to an officer and related party for \$34,667. The shares were paid by \$5,000 cash, \$12,000 of office furniture, and the remaining \$17,667 was payable to the Company through a promissory note bearing interest at 5% per annum. The principal and accrued interest on the note is payable in full on December 31, 2012. At December 31, 2011, 2010 and 2009, the balance outstanding was \$19,400, \$18,477 and \$0.

DECORATING DEN SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

NOTE 8 - RELATED PARTY TRANSACTIONS (CONTINUED)

The following is a summary of notes receivable and related accrued interest at December 31:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$299,048 note receivable bearing interest at 0.55% to 4.42% per annum. Principal matures on March 31, 2012.	\$ 299,048	\$ 299,048	\$ 299,048
Additional interest imputed on note receivable	5,871	-	-
\$20,000 note receivable with principal and accrued interest due in April, 2012.	23,226	20,000	20,000
\$17,667 note receivable bearing interest at 5% per annum. Principal and accrued interest matures on December 31, 2012.	17,667	17,667	-
Interest accrued on note receivable	<u>1,733</u>	<u>810</u>	<u>-</u>
Total Notes Receivable and Accrued Interest	347,545	337,525	319,048
Less: Current Portion	<u>(347,545)</u>	<u>(299,048)</u>	<u>-</u>
Total Notes Receivable and Accrued Interest, Net of Current Portion	\$ <u> -</u>	\$ <u>38,477</u>	\$ <u>319,048</u>

The Company had previously issued 800 shares of preferred stock to the existing majority stockholder for \$800,000. During 2000, the Company redeemed 800 shares of preferred stock and issued a subordinated debenture in the amount of \$800,000 which was subsequently reduced by \$90,000 and \$100,000 in 2001 and 2000, respectively, as a reduction against the loan to stockholder. During 2011, 2008, 2007, 2006, 2005 and 2004, an additional \$115,000, \$86,500, \$25,000, \$23,000, \$131,000 and \$30,000 of the debentures were redeemed by the company, respectively. The subordinated debenture balance at December 31, 2011, 2010, and 2009 was \$199,500, \$314,500, and \$314,500, respectively. The subordinated debenture is due on April 1, 2013. The total interest paid for the years ended December 31, 2011, 2010 and 2009 was \$24,031, \$28,305 and \$28,305, respectively.

NOTE 9 - OPERATING LEASES

The Company leases office space from the principal stockholder in Easton, Maryland. The lease expired on March 31, 2012 and was extended to April 1, 2015. The lease requires monthly payments of \$9,464 and includes periodic fixed escalations. In addition, the Company leases a facility from the principal stockholder in Cambridge, Maryland. The lease requires monthly payments of \$3,512 and expires on December 31, 2012.

DECORATING DEN SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

NOTE 9 - OPERATING LEASES (CONTINUED)

The Company leases a vehicle. Lease payments are due monthly at \$1,145 per month and expire in June 2012.

The minimum future rental payments required under non-cancelable operating leases having terms in excess of one year at December 31, 2011 are as follows:

2012	\$	162,580
2013		113,568
2014		113,568
2015		28,392
2016 and Thereafter		-----
Total	\$	<u>418,108</u>

Rent expense during 2011, 2010, and 2009 was approximately \$188,661, \$185,587, and \$197,817, respectively.

NOTE 10 - EMPLOYEE BENEFIT PLANS

The Company has a profit-sharing plan covering substantially all employees that qualify under Section 401(k) of the Internal Revenue Code (IRC). The Plan provides for voluntary employee contributions of up to 20% of their aggregate earnings. The Company may also make voluntary contributions in a plan year. The Company did not make any contributions in 2011, 2010, and 2009.

In 1992, the Company established a deferred compensation plan for selected members of management with benefits determined based on the book value of the Company. Through December 31, 2011, benefits earned under this plan have not been significant.

NOTE 11 - FOREIGN OPERATIONS

The Company has regional franchise agreements in Canada. Franchise and service fees are recognized in accordance with the terms of these agreements and the Company's revenue recognition policies. Revenue recognized from foreign sources in 2011, 2010, and 2009 was approximately \$74,000, \$176,000, and \$122,000, respectively (stated in U.S. dollars).

NOTE 12 - RECLASSIFICATION

Certain 2010 and 2009 balances have been reclassified to conform with the 2011 financial statements presentation.

NOTE 13 - CONCENTRATIONS

The Company maintains cash balances which may exceed federally insured limits at times during the year.

DECORATING DEN SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011, 2010 AND 2009

NOTE 14 - CONTINGENCY

The Company is currently in litigation with an ex-officer of an affiliate, MIF. The Company claimed against the defendant for unauthorized use of funds, the defendant has a counter claim against the Company for three months of severance payments. Management believes the substantiation for its claims will allow the Company to fully recover the unauthorized use of funds. The outcome of the case is pending on the court hearing in April 2012.

NOTE 15 - SUBSEQUENT EVENT

On January 23, 2012, Jim Bugg Sr, Chairman of the Board, Contributed Paid in Capital of \$100,000, so as to increase the available Working Capital of the Company.

The Company has evaluated subsequent events through March 28, 2012, the date which the financial statements were available to be issued. The Company is not aware of any significant events that occurred subsequent to the consolidated balance sheet date but prior to March 28, 2012 that would have a material impact on the financial statements.

**THE FOLLOWING FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN
AUDIT. PROSPECTIVE FRANCHISEES ARE HEREBY ADVISED THAT NO
CERTIFIED PUBLIC ACCOUNTANT HAVE AUDITED THESE FIGURES OR
EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

Decorating Den Systems, Inc. Consolidated
Balance Sheet
As of April 30th 2012

	Apr 30,12
ASSETS	
Current Assets	
Checking/Savings	
Total Checking/Savings	\$ 50,855
Accounts Receivable	
1100 · Accounts Receivable	\$ 387,252
1240 · Allowances/Reserves	\$ (105,892)
1150 · Regional Notes	250,612
1170 · Franchise Notes	282,302
Total Accounts Receivable	\$ 814,274
Other Current Assets	
Other Current Assets	49,667
Notes Receivable - Related Parties	308,145
1350 · Deferred Taxes Current	7,800
Total Other Current Assets	\$ 365,612
Total Current Assets	\$ 1,230,741
Fixed Assets	
1400 · Furniture & Fixtures	\$ 102,967
1410 · Leasehold Improvements	195,971
Total Fixed Assets - Net AD	\$ 298,938
Other Assets	
1440 · Deposits	\$ 1,440
1510 · Cash Value - Life Ins Policy	389,769
1530 · Deferred Income Tax	330,200
1550 · Reacquired Regions Net	92,235
1700 · Long Term Note Receivable	487,967
Total Other Assets	\$ 1,301,611
TOTAL ASSETS	\$ 2,831,290

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Balance Sheet

As of April 30th 2012

Apr 30,12**LIABILITIES & EQUITY****Liabilities****Current Liabilities****Accounts Payable**

2000 · Accounts Payable \$ 143,459

Total Accounts Payable \$ 143,459**Other Current Liabilities**

2007 · Other Various \$ 22,483

2100 · Payroll Liabilities 72,518

Due to Affiliates 315,473

2200 · Short Term Debt 387,280

2300 · Accrued Expenses 139,373

Total Other Current Liabilities \$ 937,127**Total Current Liabilities** \$ 1,080,586**Long Term Liabilities**

2610 · Notes Payable \$ 170,805

3050 · Subordinated Debenture \$ 174,500

Total Long Term Liabilities \$ 345,305**Total Liabilities** \$ 1,425,891**Equity**

3100 · Stockholders Equity \$ 39,867

3125 · Treasury Stock (142,780)

3150 · Additional Paid in Capital 293,349

3900 · Retained Earnings 1,228,066

3910 · Canadian Transfers - Net (10,965)

Net Income (Loss) (2,138)

Total Equity \$ 1,405,399**TOTAL LIABILITIES & EQUITY** \$ 2,831,290

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES ARE HEREBY ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION AS TO THE CONTENT OR FORM.

**Decorating Den Systems, Inc. Consolidated
Statement of Income and Expense
January 1st - April 30th 2012**

	Jan - Apr 12
Ordinary Income/Expense	
Income	
4000 · Regional Sales Income	\$ 113,941
4050 · District Sales Interest Income	6,311
4100 · Franchise Sales Income	129,598
4200 · Service Fee Income	739,839
4500 · Other Franchise Income	68,458
Total Income	\$ 1,058,147
Cost of Goods Sold	
5100 · Direct Franchise Costs	\$ 65,637
5300 · Service Fee Costs	208,337
5500 · Amortization Expense	8,840
Total COGS	\$ 282,814
Gross Profit	\$ 775,333
Expense	
6100 · Executive - Dept 20	\$ 103,342
6200 · Operations -Dept 21	335,654
6400 · Franchise Development - Dept 31	82,951
6500 · Retail Support -Dept 41	160,121
6700 · Training - Dept 51	57,138
6800 · Accounting - Dept 60	205,752
xxxx · Payroll Related Reimbursements	-186,641
Total Expense	\$ 758,317
Net Ordinary Income (Loss)	\$ 17,016
Other Income/Expense	
Other Income	\$ (14,494)
Total Other Income (Expense)	\$ (14,494)
Other Taxes Various	
7600 · Income Taxes (Income) Exp	\$ 4,660
Total Other Expense	\$ 4,660
Net Other Income (Loss)	\$ (19,155)
Net Income (Loss)	\$ (2,138)

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES ARE HEREBY ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION AS TO THE CONTENT OR FORM.



DECORATING DEN SYSTEMS, INC.

EXHIBIT E

FRANCHISE AGREEMENT



**DECORATING DEN SYSTEMS, INC.
FRANCHISE AGREEMENT**

THIS AGREEMENT ("Agreement") is entered into on the date set forth below by and among:

- **Decorating Den Systems, Inc.**, a Missouri corporation (“DDSI”);
- The person(s), corporation, limited liability company, partnership or other entity listed in the Signature Page to this Agreement (jointly and severally referred to as "Franchisee"); and,
- If a Regional Director has been appointed by DDSI for Franchisee's Territory, the Regional Director is listed on the Signature Page to this Agreement ("Regional Director").

Recitals:

A. As a result of time, skill, effort and money, DDSI has developed and owns a unique system for opening and operating a **DECORATING DEN INTERIORS®** business designed to provide a mobile, shop-at-home or place of business interior decorating service through a uniform system using specified marks (“DDI Franchise”). A DDI Franchise markets, offers and sells DECORATING DEN INTERIORS Products and Services through a uniform system under the business format created and developed by DDSI, and which is known as the "DECORATING DEN INTERIORS System" and is further defined below. The DECORATING DEN INTERIORS Products and Services consist of draperies and drapery hardware, fabric, furniture, accessories, decorative shades, wallpaper, carpet, and all other related home and commercial furnishing merchandise, interior decorating services, and labor. The term “Marks” means those proprietary marks registered or pending with the United States Patent and Trademark Office, including without limitation “**DECORATING DEN INTERIORS**”, as well as all common law trademarks and service marks, trade names, trade dress, logo types, insignias, designs and other commercial symbols that DDSI now or hereafter uses and authorizes others to use in conjunction with the DECORATING DEN INTERIORS System.

B. DDSI has, by considerable expenditure, created a demand for DECORATING DEN INTERIORS Products and Services and has created substantial goodwill associated with the Marks.

C. Franchisee desires to acquire a DDI Franchise and to obtain a non-exclusive right to use the Marks in conjunction with the operation of an interior decorating business and desires to obtain experience and know-how with respect to the sale of DECORATING DEN INTERIORS Products and Services and the DECORATING DEN INTERIORS System.

NOW, THEREFORE, the parties agree as follows:

1. GRANT OF RIGHT

1.1 DDSI hereby grants to Franchisee, and Franchisee hereby accepts, a non-exclusive license and the right to use the Marks and the DECORATING DEN INTERIORS System in conjunction with the sale of DECORATING DEN INTERIORS Products and Services, and the developmental and promotional rights in the operation of Franchisee's business only from the Designated Location described on the Signature Page of this Agreement. Subject to the provisions of Section 1.3 below, no territorial rights or limitations shall accompany this grant; provided, however, DDSI shall comply with the franchise grant limitations DDSI publishes in the Policy and Procedure Manual (as hereinafter defined).

1.2 The term "DECORATING DEN INTERIORS System" shall mean a comprehensive marketing and operational system prescribed by DDSI to be used in the conduct of the franchised business, as set forth in this Agreement and a manual of operational guidelines and requirements, which DDSI may amend from time to time (the "Policy and Procedure Manual"). The DECORATING DEN INTERIORS System shall include, among other things, the Marks and certain advertising, marketing and sales programs and techniques, DDSI controlled telephone numbers, training programs and materials, artwork, graphics, layouts, slogans, names, titles, text and other intellectual property that DDSI makes available to Franchisee. DDSI, in its sole discretion, may improve and/or change the DECORATING DEN INTERIORS System from time to time (including adding to, deleting or modifying elements of the DECORATING DEN INTERIORS System, establishing categories or classifications of Franchisees and amending the Policy and Procedure Manual) for the intended purpose of making the DECORATING DEN INTERIORS System more effective, efficient, economical or competitive; adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions; enhancing the reputation or public acceptance of the DECORATING DEN INTERIORS System; and/or better serving the public.

1.3 Franchisee recognizes, acknowledges and agrees that DDSI has heretofore granted certain franchises that include exclusive developmental and promotional rights only within defined geographical territories (a "Restricted Territory"). The exclusive promotional rights include all forms of advertising and promotion for new customers that can be reasonably restricted to the defined territory, including, but not limited to, direct mailings, door leaflets, and localized signs. The promotional rights include the right to hire independently contracted decorators in order to develop the franchised business within the defined territory. Franchisee shall not (i) advertise or promote the DDI Franchise in any Restricted Territory by means of advertising that can be reasonably restricted to specific geographical areas or addresses, including but not limited to, direct mailings, door leaflets, and localized signs, (ii) hire independently contracted or employed decorators to develop business within a Restricted Territory, and (iii) service customers who are located within a Restricted Territory.

1.4 The promotional rights described above encompass all forms of advertising and promotion for new customers, including but not limited to, direct mailings, door leaflets, and localized signs. It further includes customer leads obtained through group advertising and pooled, centralized telephone arrangements in which Franchisee participates, or as specified in the Policy and Procedure Manual. The developmental rights described above include hiring independently contracted decorators in order to develop the franchised business.

1.5 DDSI and Regional Director agree to use Reasonable Business Judgment in the exercise of their respective rights, obligations and discretion under this Agreement, except where otherwise provided in this Agreement. "Reasonable Business Judgment" means that DDSI's or Regional Director's determination shall prevail even in cases where other alternatives are also reasonable so long as DDSI and Regional Director intend to benefit or act in a way that could benefit the DECORATING DEN INTERIORS System by, among other things, enhancing the value of the Marks, increasing customer satisfaction, or minimizing possible customer brand confusion. Franchisee recognizes and agrees that the long-term goals of the DECORATING DEN INTERIORS System, and the long-term interests of DDSI, the Regional Director, Franchisee and all franchisees, taken together, require that DDSI and Regional Director have the latitude to exercise Reasonable Business Judgment.

2. TERM AND RENEWAL

2.1 Initial Term.

Unless shortened pursuant to the terms of this Agreement, the initial term of this Agreement shall be for a period of ten (10) years from the date hereof (the "Initial Term").

2.2 Renewal.

This Agreement shall be renewed for additional ten (10) year terms, unless (i) DDSI and Regional Director, on the one hand, or (ii) Franchisee, on the other, delivers to the other notice in writing of its intent not to renew not less than seven (7) months before expiration of the term. The following conditions must be met prior to each renewal:

a. Franchisee shall, at Franchisee's sole expense, conform the ColorVan[®] vehicle to DDSI's then-current specifications;

b. Franchisee shall not be in default of any provision of this Agreement or any other agreement between Franchisee, DDSI and/or Regional Director, and have substantially and timely complied with all of the terms and conditions of this Agreement and such other agreements during the terms thereof;

c. Franchisee shall have satisfied all monetary obligations owed by Franchisee to DDSI or Regional Director and their subsidiaries and affiliates pursuant to this Agreement and any other agreement between Franchisee and DDSI and/or Regional Director or their subsidiaries or affiliates, and shall have timely met those obligations throughout the terms thereof;

d. If requested by DDSI at least 60 days in advance of the expiration date but subject to DDSI's compliance with applicable disclosure requirements imposed by federal or state laws, Franchisee shall execute DDSI's then-current form of Franchise Agreement for the renewal term stated herein, which agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement and may include, without limitation, a higher Service Fee, NMF Fee, and other fees. There is no fee charged by DDSI or Regional Director for a renewal of this Agreement;

e. Franchisee shall execute a release, in form and content prescribed by DDSI, of any and all claims of Franchisee, of whatever nature or kind, against DDSI and Regional Director and their respective shareholders, officers, employee, agents, subsidiaries and affiliates,

successors and assigns, including without limitation claims arising under this Agreement and any other agreement between Franchisee and DDSI and/or Regional Director or their subsidiaries or affiliates, and under any federal, state, and local laws, rules, and ordinances; and

f. Franchisee shall meet and be in compliance with DDSI's then-current qualification and training requirements.

3. INITIAL AND CONTINUING FEES

3.1 Initial Franchise Fee.

In consideration of the rights and privileges granted to Franchisee herein and the initial services to be rendered and material to be provided by DDSI and Field Manager (as hereinafter defined), Franchisee shall pay to DDSI and Regional Director the sum of **Thirty-Nine Thousand, Nine Hundred Dollars (\$39,900.00)**, (hereinafter referred to as the "Initial Franchise Fee"). If Franchisee is a veteran of the United States armed forces, and qualifies under the VetFran program, the Initial Franchise Fee shall be Thirty-Five Thousand, Nine Hundred Dollars (\$35,900.00). The Initial Franchise Fee is payable at the time of the execution of this Agreement by one of the payment methods described below, shall be deemed earned in full, and is non-refundable.

3.2 Payment Methods.

At the option of Franchisee, the Initial Franchise Fee may be paid by either of the following two (2) options. Franchisee shall select the method of payment by initialing where provided below next to the selected option.

 a. Cash Option - The Initial Franchise Fee shall be paid in full upon the execution of this Agreement by certified or cashier's check or other check acceptable to DDSI and the Regional Director.

 b. Finance Option - Concurrently with the execution of this Agreement, the Franchisee shall pay by certified or cashier's check or other check acceptable to DDSI and Regional Director the down payment amount of \$_____ and shall execute and deliver a promissory note in the form attached hereto as Exhibit "1" (the "Promissory Note"), payable to DDSI, in the principal amount of \$_____, said amount being the difference between the down payment and the Initial Franchise Fee, bearing an interest rate of nine percent (9%) per annum, with a term of up to 72 months. Principal plus accrued interest will be payable in equal amortized monthly payments of the amount entered on the Promissory Note, with the first such payment due on the first day of the second full calendar month after the date of completion of PDSS. The Promissory Note may be prepaid in whole at any time. Installment payments on the Promissory Note will be made by a direct debit of Franchisee's bank account for such amounts on the due date, utilizing the Automated Clearing House (ACH) or other automatic bank payment function. All bank charges for such electronic direct debit shall be borne by Franchisee. Franchisee shall concurrently with the execution of this Agreement, and from time to time thereafter upon request by DDSI, execute an appropriate authorization agreement for automatic payment to permit a bank designated by DDSI to initiate debit entries to, and to debit, the bank account designated by Franchisee. The sum of the cash down payment and the principal amount of the Promissory Note under this Finance Option shall equal the Initial Franchise Fee.

3.3 Service Fees.

a. In addition to the Initial Franchise Fee, Franchisee shall pay to DDSI or Regional Director a recurring service fee ("Service Fee"), equal to and calculated as a specified percentage of Gross Sales (as defined below). Service Fees shall be reported and paid as set forth in Section 7 of this Agreement. The Service Fee shall be Nine Percent (9%) of Gross Sales and may be reduced below Nine Percent (9%) as set forth on the table below.

b. The Service Fee percentage will be reduced below nine percent (9%) as follows:

CUMULATIVE GROSS SALES (on which Service Fees have been paid)	SERVICE FEE PERCENTAGE
\$0 – 1,000,000	9%
\$1,000,001 - 2,000,000	8%
OVER \$2,000,000	7% Permanently

The Service Fee percentages are based on cumulative Gross Sales on which Service Fees have been paid over the life of the Agreement, including all renewal terms. The amount of Gross Sales required to cause a reduction in Service Fee percentage may be increased by DDSI once each calendar year, but such increase may not exceed the increases in the Consumer Price Index for the immediately preceding calendar year.

3.4 National Marketing Fund Contribution.

a. Franchisee shall pay to DDSI for contribution to the National Marketing Fund Trust a recurring advertising and marketing fee (the "NMF Fee") equal to Four Percent (4%) of Gross Sales, calculated on the 15th and last day of each calendar month. If the total NMF Fees for any calendar month are less than the One Hundred Dollar (\$100.00) monthly minimum (the "Monthly NMF Minimum"), the Franchisee shall pay the difference and such amount shall be included in the invoice issued on the last day of the month. The NMF Fees are non-refundable. The NMF Fees so collected shall be placed in the Decorating Den National Marketing Fund Trust and will be segregated from other funds of DDSI.

b. The monies accumulated in the National Marketing Fund Trust shall be spent on national, regional, or local media, advertising or other marketing techniques or programs designed to communicate the services of DECORATING DEN INTERIORS franchisees and promote the DECORATING DEN INTERIORS brand to the public. In addition, these funds may also be expended for market research and development, test or target marketing, the conducting of surveys, creative and production costs, reimbursement to DDSI for reasonable accounting, administrative and legal expenses associated with the National Marketing Fund Trust, internal expenses incurred in connection with the operation of the DDSI advertising and public relations departments, or for other purposes deemed appropriate to enhance and promote the general recognition of the DECORATING DEN INTERIORS System and the Marks.

c. The specific use of the National Marketing Fund Trust for the purposes set forth herein shall be determined and budgeted by DDSI with the advice of the Decorating Den Franchise Owners Board of Advisors, called The Leadership Council. The parties hereby acknowledge and understand that funds of the National Marketing Fund Trust may be expended in any territory (national, regional, or local) without any requirement that expenditures of the National Marketing Fund Trust be apportioned in relation to the amount of contributions made by Franchisee.

3.5 Gross Sales.

The term "Gross Sales," as used in this Agreement, shall be defined as the aggregate gross amount of all revenues from whatever source derived (whether an item sold was purchased through the Preferred Supplier Program or any other source), billed in Franchisee's retail sales orders, either oral or written, including without limitation DDI Products and Services, design and consultation fees, any installation fees, freight, or other items billed to the customer, less only sales tax, discounts, cancellations or returns allowed. In addition, Gross Sales includes all sales made by decorators, employees or independent contractors whose sales are placed through the Franchisee. "Personal Sales", as defined in the Franchisee Policy and Procedure Manual, are not included in Gross Sales.

4. OBLIGATIONS OF DDSI AND FIELD MANAGER

4.1 Role of Field Manager.

As used herein, the term "Field Manager" is a general term referring collectively to a Master Licensee, Regional Director, Regional Manager, or District Developer appointed by DDSI. If a Master Licensee or a Field Manager has been appointed for the territory encompassing the Designated Location, the Field Manager, with the assistance of DDSI, will provide the services described in this Agreement. If no Field Manager has been appointed, DDSI will provide the services and references to "Field Manager" in this Agreement shall have no effect.

4.2 Additional Role of Regional Director.

If DDSI has appointed a Regional Director for the Territory, the Regional Director shall be a signatory to this Agreement and shall provide the services to Franchisee as set forth herein. DDSI reserves the right to appoint a Regional Director and to include an appointed Regional Director as a party to this Agreement at any time during the Agreement term or any renewal term.

4.3 DDSI and Field Manager Services.

a. DDSI and/or Field Manager shall make available to Franchisee training in decorating, marketing, operations, management, and finance, and shall provide instruction for the set up, commencement and continuation of Franchisee's franchised business. The ultimate form, content and extent of the training, programs, and assistance shall be determined by DDSI and Field Manager, but shall include the following:

(i) Loan of a Policy and Procedure Manual to Franchisee during the term of this Agreement, and providing sales and training aids deemed advisable by DDSI and Field Manager from time to time.

(ii) Provide mandatory basic training at the Professional Decorating and Sales School ("PDSS") relating to DECORATING DEN INTERIORS Products and Services and the DECORATING DEN INTERIORS System. All basic training shall be provided at locations to be determined by DDSI or Field Manager. The tuition cost of PDSS is included in the Initial Franchise Fee, but Franchisee shall pay all travel, lodging, meals, and daily living expenses incurred to attend the training.

(iii) Make available optional "Lifestyle University" training on a continuing basis. Lifestyle University's continuing education program provides Franchisee with education in product knowledge, lifestyle design, sales and marketing, and business management. Franchisee will be charged a fee that, at the time of execution of this Agreement ranges from \$75 to \$150 per day, and may change. This fee covers the costs of the trainer, instruction materials and manuals, training room and meals or refreshments. Franchisee shall pay for all travel, lodging and daily living expenses incurred in attending Lifestyle University training. This training shall be conducted by experienced, qualified instructors chosen by DDSI and/or Field Manager.

(iv) Make available additional, optional training in areas which may include, without limitation, advanced window product design, measuring and sales techniques, bookkeeping, and introductory instruction for products offered by DDSI. Fees charged for the optional training and costs must be borne by Franchisee, as described in Section 4.2.a.(iii), above.

(v) Provide an initial supply of DECORATING DEN INTERIORS product samples. Additional samples and supplies may be obtained at Franchisee's expense.

(vi) Provide advertising assistance, planning and programs for promotional pieces, including seasonal and special promotions, layouts for newspapers and recommendations for their use. Franchisee shall pay DDSI for materials and media actually used by Franchisee. The cost of these materials and media is not included in the NMF Fees described in Section 3.4, above.

(vii) Assistance in opening accounts with selected preferred suppliers.

b. The location and scheduling of the services described in this Section 4.3 shall be at the discretion of DDSI and/or Field Manager.

5. FRANCHISEE'S OBLIGATIONS

5.1 Franchisee Organization.

a. In the event Franchisee is a corporation, limited liability company ("LLC") or a partnership, Franchisee represents, warrants, and covenants that:

(i) All of the stockholders, LLC members or partners of Franchisee shall complete the required information and execute the Certification and Guaranty attached to this Agreement as Exhibit 2.

(ii) If Franchisee is a corporation or LLC, Franchisee shall maintain at all times a current list of voting securities in Franchisee. If Franchisee is a partnership, Franchisee shall maintain at all times a current list of all owners of an interest in the partnership. In the event there is a change in such ownership, Franchisee shall provide such

information to DDSI within five (5) days subsequent to any such change, and shall execute any documents deemed necessary by DDSI in order to reflect such changes, including without limitation execution by the new owners of a Certification and Guaranty.

(iii) In the event that any officer or director of Franchisee shall cease to serve as such or any individual shall be elected as an officer or director of Franchisee subsequent to the execution of this Agreement, Franchisee shall provide DDSI with notice thereof within five (5) days subsequent to any such change.

b. Franchisee acknowledges and agrees that the representations, warranties, and covenants set forth above in Section 5.1.a. are continuing obligations of Franchisee and that any failure to comply with such representations, warranties and covenants shall constitute an event of default under Section 9 of this Agreement.

c. If Franchisee is a corporation, LLC, partnership, or is composed of more than one individual, one shareholder or partner shall own more than a fifty percent (50%) interest in Franchisee, or a majority interest in the franchise business, and that shareholder, partner or individual shall be designated to make all decisions for Franchisee. The designee will have the authority to cast the deciding vote on all Franchisee decisions of any type, where a decision is required. Notice to the designee will be notice to all parties involved or associated with Franchisee.

5.2 Promotion; Operations.

Franchisee shall use its best efforts to promote actively the sale of DECORATING DEN INTERIORS Products and Services, and to maintain and extend, whenever possible, excellent DECORATING DEN INTERIORS business relations, goodwill, and reputation with customers, suppliers, and others.

Franchisee shall operate the franchised business in accordance with the Policy and Procedure Manual. DDSI shall have the right to modify the Policy and Procedure Manual at any time by the addition, deletion or other modification of the provisions thereof. DDSI agrees that although such modifications to the Policy and Procedure Manual may be material in that they may have an effect on the operation of the franchised business, they may not conflict with or materially alter the terms of this Agreement. All such additions, deletions or modifications shall be effective at DDSI's election (i) five business days after DDSI has deposited notification to Franchisee with the United States Postal Service properly addressed, or (ii) the next business day after verified receipt by Franchisee of electronic mail notification, or (iii) the next business day after notification is posted on DecoNet.

All additions, deletions or modifications to the Policy and Procedure Manual shall be equally applicable to all similarly situated Franchisees. The Policy and Procedure Manual, as modified or amended from time to time, shall not alter Franchisee's fundamental status and rights under this Agreement. As modified from time to time, the Policy and Procedure Manual shall be deemed to be an integral part of this Agreement and references to the Policy and Procedure Manual made in this Agreement, or in any amendments or exhibits hereto, shall be deemed to mean the Policy and Procedure Manual, as amended from time to time.

If DDSI produces a printed version of the Policy and Procedure Manual, DDSI shall lend to Franchisee at no additional charge one copy of the Policy and Procedure Manual. All copies of the Policy and Procedure Manual shall at all times remain the sole, confidential and trade secret property of DDSI. Upon the expiration or termination of this Agreement for any reason whatsoever, Franchisee shall immediately return all printed copies of the Policy and Procedure Manual to DDSI. Except as specifically permitted by DDSI, at no time may Franchisee, or its employees or agents, make, or cause to be made, any copies or reproductions of all or any portion of the Policy and Procedure Manual or disclose the terms thereof to any other person except employees and agents of Franchisee when required in the operation of the Franchised Business.

5.3 Use, Display and Ownership of the Marks.

a. Franchisee shall use only the Marks designated by DDSI and shall use them only in the manner authorized and permitted by DDSI. Any unauthorized use of the Marks shall constitute an infringement of DDSI's rights and an event of default under this Agreement in accordance with Section 9.

b. Franchisee shall use the Marks, and only the Marks, for the operation of the DDI Franchise or in advertising related to the DDI Franchise, and only during the term of this Agreement. Franchisee expressly agrees to cease use of the Marks after the termination or expiration of this Agreement and shall take appropriate action to remove the Marks from Franchisee's ColorVan[®] vehicle and to cancel any advertising relating to Franchisee's use of the Marks, including yellow pages listings.

c. During the term of this Agreement, Franchisee shall identify itself as the owner of the franchised business in conjunction with any use of the Marks, including, but not limited to, use on invoices, order forms, receipts, contracts, stationery, and business cards. Franchisee shall not use the Marks to incur any obligation or indebtedness on behalf of DDSI. Franchisee shall not use the Marks as part of its corporate or other legal name. Franchisee shall comply with DDSI instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by DDSI to obtain protection for the Marks or to maintain their continued validity and enforceability.

d. Franchisee shall immediately notify DDSI of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks. Franchisee and Franchisee's principals agree that they will not communicate with any person other than DDSI and DDSI's counsel in connection with any such infringement, challenge, or claim. DDSI shall have sole discretion to take such action as it deems appropriate and the right to exclusively control any litigation, or Patent and Trademark Office or other proceeding arising out of any infringement, challenge, or claim, or otherwise relating to any of the Marks. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of DDSI, maintain DDSI's interests in any such litigation or Patent and Trademark Office or other proceeding, or to otherwise protect and maintain DDSI's interest in the Marks.

e. Franchisee expressly understands and acknowledges that:

(i) DDSI is the owner of the Marks with exclusive rights to use and license the Marks;

- (ii) Franchisee shall not directly or indirectly contest the validity of the Marks;
- (iii) Franchisee's use of the Marks pursuant to this Agreement does not give Franchisee any ownership or other interest in or to the Marks, except the license granted by this Agreement. Any and all goodwill arising from Franchisee's use of the Marks in its franchised operation under this Agreement shall inure solely and exclusively to the owner of the Marks, and upon the expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System or the Marks;
- (iv) The right and license of the Marks granted hereunder to Franchisee is nonexclusive, and DDSI thus has and retains the right to grant other licenses for use of the Marks, in addition to those licenses already granted to existing Franchisees, and the right to develop and establish other systems using the Marks or other names or marks, and to grant licenses or Franchises thereto without providing any rights therein to Franchisee;
- (v) DDSI reserves the right to add or substitute different Marks for use in identifying the System and the business operating thereunder if DDSI's currently owned Marks no longer can be used, or if DDSI, in its sole discretion, determines that the addition or substitution of different Marks will be beneficial to the System. In such event DDSI may require Franchisee at Franchisee's sole expense to discontinue or modify Franchisee's use of any of the Marks or to use one or more additional or substitute Marks.

5.4 Approved Advertising.

All advertising and promotion by Franchisee in any medium shall be conducted in a dignified manner and shall conform to the standards and requirements of DDSI as set forth in the Policy and Procedure Manual, or otherwise. Franchisee shall obtain DDSI's approval of all advertising and promotional plans and materials prior to use, if such plans and materials have not been prepared by DDSI or previously approved by DDSI during the past twelve (12) months. Franchisee shall submit such unapproved plans and materials to DDSI (by personal delivery or through the mail) and DDSI shall approve or disapprove such plans and materials within fourteen (14) days from the date of receipt thereof by DDSI. Franchisee shall not use such unapproved plans or materials until they have been approved by DDSI. Franchisee shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from DDSI.

Advertising on the Internet by franchisees is generally prohibited. Franchisee may not use any Marks as part of an Internet domain name, or display the Marks or services from the DECORATING DEN INTERIORS System on an Internet website without DDSI's express written authorization.

5.5 Approved Products and Services.

Franchisee shall not offer for sale interior decorating products for which Franchisee lacks sufficient skill and knowledge to provide the high level of service associated with the DECORATING DEN INTERIORS Products and Services.

5.6 ColorVan[®] Vehicle and Warehouse/Retail Locations.

a. Franchisee shall acquire a ColorVan[®] vehicle meeting DDSI specifications, suitable for carrying samples to the customer's home or office; shall maintain the ColorVan[®] vehicle according to the standards established by DDSI from time to time; and shall make all sales calls in Franchisee's ColorVan[®] vehicle. DDSI specifications for the ColorVan[®] vehicle include the make and model of the vehicle, its color, and the style of decoration by, and placement of, permanent decals. If Franchisee lives in an area that prohibits the parking of vehicles with commercial markings, Franchisee shall make arrangements to park the ColorVan in a garage or other permissible location at Franchisee's expense. Franchisee shall acquire a ColorVan[®] vehicle, and provide DDSI with a photograph and pertinent specifications prior to attendance at PDSS training. No part of the franchised business may be conducted from a vehicle or place other than the ColorVan[®] vehicle without written permission from DDSI. A representative of DDSI or Regional Director may inspect Franchisee's ColorVan[®] vehicle during normal business hours, upon forty-eight (48) hours notice to Franchisee.

b. The License granted by this Agreement contemplates that Franchisee shall operate a primarily home-based, mobile, shop-at-home or shop-at-the-office business utilizing a ColorVan[®] vehicle. Franchisee may, by written notice to DDSI but without further approval from DDSI, utilize an office and/or warehouse location provided that it is not designed for use or used as a retail location. Any such office and/or warehouse location may not display any signage that is visible to any public thoroughfare, may not be open to the general public, and must be located within ten (10) miles from the Designated Location (unless DDSI consents in writing to the office/warehouse being located more than ten (10) miles from the Designated Location; and DDSI shall have the right to terminate such consent upon 90 days notice). DDSI shall have the opportunity to approve in advance and in its sole determination any signs appearing on the exterior of the office/warehouse location. Franchisee shall not operate a fixed retail location for the sale of DECORATING DEN INTERIORS Products and Services, whether inside or outside of the ten (10) miles distance from the Designated Location.

5.7 Goodwill.

Franchisee shall protect the goodwill of the Marks and the DECORATING DEN INTERIORS System, and shall maintain uniform standards of operation, shall pay all financial obligations, whether with DDSI, Regional Director, suppliers, or with others, when due and according to their terms, and shall comply with all standards, policies and operating manuals established by DDSI and Field Manager relating to merchandise, vehicles, display materials, and appearance of all sales and installation personnel or other representatives who meet the public.

5.8 Customer Relations and Refund Policies.

Franchisee agrees to follow any and all customer relations policies and/or guarantee and refund policies established in the Policy and Procedure Manual or otherwise in writing from time to time by DDSI. All dealings and transactions with customers and suppliers must be fair and honest.

5.9 Publicity.

Franchisee agrees that DDSI and Field Manager shall have the right to use Franchisee's name and photographic likeness of any type and pictures or other depictions of Franchisee's

work, including without limitation film, digital images, video tape, or photograph, in publicity, advertising, marketing or public relations activity by DDSI or Field Manager.

5.10 Training and Certification.

Franchisee shall participate in and successfully complete the basic training, PDSS, which is required by DDSI and Field Manager in order to receive competency certification by DDSI, and additionally shall participate in further training as required by DDSI and Field Manager from time to time in order to maintain the Franchise standards, and shall require any employees, partners or independent contractors who render services in the franchised business to complete any and all training required of them in accordance with DECORATING DEN INTERIORS System policies.

5.11 Sources of Products and Supplies.

DDSI has a preferred supplier program (the "Preferred Supplier Program"). DDSI encourages Franchisee's participation through the offer of product discounts and guarantees; contests and incentive awards; and assistance in the return of products. If Franchisee purchases products and services from suppliers that do not participate in the Preferred Supplier Program, DDSI will not offer Franchisee the aforementioned benefits that are available to franchisees participating in the Preferred Supplier Program. Products or services purchased from unapproved suppliers must comply with specifications and standards established from time to time by DDSI.

5.12 Minimum Performance Standards.

Franchisee shall create a minimum volume of Annual Gross Sales from the operation of Franchisee's business in the amount of Forty Thousand Dollars (\$40,000) in order to retain the rights granted herein by DDSI. Failure to achieve the minimum Annual Gross Sales is a ground for termination of this Agreement. The term "Annual Gross Sales" shall be defined as the total of Franchisee's Gross Sales during any calendar year, commencing with the first calendar year after the date Franchisee completes PDSS. In DDSI's sole discretion, the required minimum Annual Gross Sales may be adjusted once each year, but the percentage change shall not exceed increases or decreases in the CPI during the previous calendar year. In no event shall the minimum required Annual Gross Sales be reduced below Forty Thousand Dollars (\$40,000.00).

5.13 Insurance.

a. Franchisee shall procure, within ten (10) days after execution of this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement at Franchisee's expense, an automobile and commercial liability insurance policy or policies protecting Franchisee, DDSI and Field Manager, and their subsidiaries, affiliates, successors, and assigns and their respective officers, directors, shareholders, LLC members, partners, employees, servants, representatives, and agents, against any demand or claim with respect to bodily injury, or property damage, or any loss, liability, or expense whatsoever arising out of or occurring upon or in connection with the condition, operation, use, or occupancy of the franchised business.

b. Such policy or policies shall be written by a responsible carrier or carriers acceptable to DDSI (e.g., with a Best's Insurance Guide rating of "A" or better) and shall include, at a minimum (except as additional coverage may reasonably be specified by DDSI from time to

time), in accordance with standards and specifications set forth in the Policy and Procedures Manual or otherwise in writing, the following:

- (i) Comprehensive general liability insurance, including premises, products, and completed operations personal injury, and contractual, liability coverage in amounts not less than \$1,000,000 for each occurrence with a general annual aggregate of not less than \$2,000,000, and a products and completed operations annual aggregate of not less than \$2,000,000;
- (ii) Employer's liability insurance, if Franchisee has employees, providing for coverage in amounts not less than \$250,000 for each accident, for each employee, and in the aggregate, and Worker's Compensation insurance, if applicable, in amounts provided by applicable law;
- (iii) Automobile (including commercial vehicle) liability coverage, including coverage of owned, non-owned, and hired vehicles, with coverage in amounts not less than \$1,000,000 combined single limit for both bodily injury and property damage; and
- (iv) Any additional insurance coverage which may be required by statute or rule of the state or locality in which the franchised business will be operated.
- (v) All liability insurance policies shall (1) name as additional insureds, (2) expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions, and (3) include a waiver of subrogation in favor of, each of DDSI, Regional Director, and their respective subsidiaries, affiliates, successors and assigns, partners, officers, directors, shareholders, LLC members, representatives, agents, and employees.

c. Franchisee may elect to have typical, commercially reasonable deductibles in connection with the coverage required under Section 5.13.b.

d. All automobile and commercial liability policies and certificates of coverage shall contain a provision that Franchisee's insurance coverage shall be primary to any coverage maintained by DDSI or Field Manager, and DDSI and Field Manager shall be entitled to recover under Franchisee's policies for any loss occasioned to DDSI or Field Manager, their subsidiaries, affiliates, successors, and assigns, and their respective officers, directors, shareholders, LLC members, partners, employees, servants, representatives, and agents, for whatever reason.

e. At the time of the execution of this Agreement and, thereafter, not less than thirty (30) days prior to the expiration of any insurance policy, Franchisee shall deliver to DDSI and Field Manager certificates of insurance and, if requested by DDSI, copies of the applicable insurance policies, evidencing the coverages with limits not less than those required hereunder. All insurance policies and certificates shall expressly provide that not less than thirty (30) days' prior written notice shall be given to DDSI and Field Manager in the event of a material alteration to or cancellation of the policies.

f. Should Franchisee for any reason fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by DDSI in the Policy and Procedure Manual or otherwise in writing, DDSI shall have the right and authority (without, however, any obligation to do so) to immediately procure such insurance and to charge same to Franchisee, which charges, together with a reasonable fee for DDSI's expenses incurred

in so acting, shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies at law or in equity that DDSI may have. An election by DDSI not to obtain any insurance under this Section will not be interpreted as negligence or a breach of DDSI's obligations under this Agreement.

5.14 Central Telephone.

a. If the Designated Location is located in a region where DDSI's or the Field Manager's policy is to require the participation of all or designated groups of DECORATING DEN INTERIORS franchisees in a central telephone service, or in which DDSI or the Field Manager adopts such a policy at any time after the execution of this Agreement, Franchisee shall participate in and share the proportionate costs thereof, including, but not limited to, telephone charges, answering services, yellow pages advertising and listings, general advertising, and the costs associated with the collection and distribution of all telephone messages. The central telephone number must be used by Franchisee for all advertising, including, but not limited to, business cards, stationery, invoices, flyers, Internet and on the ColorVan vehicle. The decision of whether, and when, to install a central telephone service in Franchisee's region shall be made by DDSI and Field Manager. Where a central telephone service is required, Franchisee may use a business telephone number in the operation of the DECORATING DEN INTERIORS Franchise as long as the number is not publicly listed so that it would be available to prospective customers outside of the said region. Such unlisted numbers may be used on Franchisee's business cards and other stationery. A telephone number may be published in a directory or other listing service only with the prior written consent of either DDSI or the Field Manager.

b. If the Designated Location is located in a region that does not have a local central telephone policy, Franchisee may secure white page, yellow page and information listings only in the name of "DECORATING DEN INTERIORS" and the national toll-free 800# shall be displayed. No other proper names or city names may be used in conjunction with any Marks and no additional listings may be used with the telephone number assigned, unless approved in writing in advance by DDSI. All telephone listings, yellow page display advertising, layout, and copy shall be approved in advance in writing by DDSI. Placement of display advertising by the approved Yellow Page Preferred Supplier for Franchisee through the National Yellow Pages Service will constitute automatic approval.

c. Upon termination or expiration of this Agreement, or upon termination of Franchisee's association with DDSI, Franchisee agrees that Franchisee's right to use the Marks shall immediately cease and that all telephone listings appearing under the name "**DECORATING DEN INTERIORS**" or any other Marks shall immediately become the property of DDSI, and Franchisee does hereby release all rights and use of all telephone numbers under which the **DECORATING DEN INTERIORS** name is listed. Franchisee hereby authorizes the telephone company, upon notification by DDSI that the relationship has been terminated, to disconnect Franchisee's "**DECORATING DEN INTERIORS**" telephone number and to transfer calls coming to the disconnected number to any other telephone number issued by the telephone company to DDSI or Field Manager. Franchisee hereby assigns to DDSI and Field Manager all rights, title, and interest in any telephone numbers and business listings used by Franchisee in connection with its conduct of the franchised business, upon termination or expiration of this Agreement. Franchisee hereby appoints DDSI and Field Manager as its attorneys-in-fact with full power and authority to execute on Franchisee's behalf such documents,

if any, as are necessary to effectuate such an assignment of the telephone numbers and listings from Franchisee to DDSI and Field Manager.

d. Franchisee hereby releases and forever discharges DDSI and Field Manager and their successors or assigns from liability of any kind or character which results or may result directly or indirectly from DDSI's or Field Manager's exercise of its rights hereunder or from the telephone company's cooperation with DDSI or Field Manager in effecting the terms of this Section 5.14.

5.15 Licenses.

Franchisee shall obtain, at Franchisee's expense, any licenses that are required under Franchisee's state or local laws in order to operate the franchised business.

5.16 Computer Systems; *DecoNetsm*.

At all times that this Agreement is in existence, Franchisee shall (i) have and maintain a computer system meeting certain minimum specifications (as prescribed from time to time by the Franchisee Policy and Procedure Manual) to use in connection with the operation of the franchised business, (ii) have access to the Internet provided by an Internet Service Provider (ISP), (iii) subscribe to and regularly access and use *DecoNetsm* (the DDSI Intranet) and (iv) pay all costs and fees associated therewith. Any software invented by DDSI will be proprietary to DDSI, and a third party may have contractual rights to provide maintenance, repairs and/or upgrades when necessary. All reports required in the Policy and Procedure Manual may be submitted by Franchisee to DDSI and the Regional Director by electronic means. Neither DDSI nor Field Managers will have independent access to Franchisee's computer system. Franchisee understands and agrees that *DecoNetsm* is the principal means of communication within the DECORATING DEN INTERIORS System. As used herein, the term "DecoNet" shall mean a private method of communication for use only by DDSI staff, Field Managers, Preferred Suppliers and Franchisees; DecoNet is an extranet (which will actually transmit information over the Internet, but the system requires a password to access data on the servers used by DDSI).

DDSI has established and maintains DecoNet through which DDSI Corporate staff, Field Managers, Preferred Suppliers and Franchisees may communicate with each other, and through which DDSI may disseminate the Policy and Procedure Manual, updates thereto and other confidential information. DDSI shall have sole discretion and control over all aspects of DecoNet, including the content and functionality thereof. DDSI will have no obligation to maintain DecoNet indefinitely, and may dismantle it at any time without liability to Franchisee.

Franchisee shall have the privilege to use DecoNet, subject to Franchisee's strict compliance with the standards and specifications, protocols and restrictions (collectively, "Terms of Use") that DDSI may establish from time to time. Such Terms of Use may relate to, among other things, (i) the use of abusive, slanderous or otherwise offensive language in electronic communications; (ii) communications between or among Franchisees that endorse or encourage breach of any Franchisee's franchise agreement; (iii) confidential treatment of materials that DDSI transmits via DecoNet; (iv) password protocols and other security precautions; (v) grounds and procedures for DDSI's suspending or revoking a Franchisee's access to DecoNet; and (vi) a privacy policy governing DDSI's

access to and use of electronic communications that Franchisees post to DecoNet. Franchisee acknowledges that, as administrator of DecoNet, DDSI can technically access and view any communication that any person posts on DecoNet. Franchisee further acknowledges that DecoNet and all communications that are posted to it will become DDSI's property, free of any claims of privacy or privilege that Franchisee or any other person may assert.

If Franchisee breaches this Agreement or any other agreement with DDSI or its Affiliates, DDSI may disable or terminate Franchisee's access to DecoNet without DDSI having any liability to Franchisee, and in which case DDSI shall only be required to provide Franchisee a paper copy of the Policy and Procedure Manual and any updates thereto, if none have been previously provided to Franchisee, unless Franchisee is not otherwise entitled to the Policy and Procedure Manual.

5.17 DDSI Web Site.

DDSI has established and will maintain from time to time the DDSI web site. DDSI has sole discretion and control over the design and content of DDSI's web site. DDSI may, at its sole option, from time to time, without prior notice to Franchisee: (i) change, revise, or eliminate the design, content and functionality of DDSI's web site; (ii) make operational changes to DDSI's web site; (iii) change or modify the URL and/or domain name of DDSI's web site; (iv) substitute, modify, or rearrange DDSI's web site, at DDSI's sole option, including in any manner that DDSI considers necessary or desirable to, among other things, comply with applicable laws, respond to changes in market conditions or technology, and respond to any other circumstances; (v) limit or restrict end-user access (in whole or in part) to DDSI's web site; and (vi) disable or terminate DDSI's web site without any liability to Franchisee.

DDSI may link DDSI's web site to the web sites of third parties, including electronic service providers, Affiliates and other providers of goods and services. DDSI may also permit third parties to link and frame DDSI's Web site. DDSI may place legal notices, disclaimers, DDSI's corporate logos and slogans, advertisements, endorsements, trademarks, and other identifying information on DDSI's web site, all of which may be modified, expanded, or eliminated at DDSI's option. Further, DDSI may establish or participate in programs whereby DDSI refers end-users to other web sites, or DDSI receives referrals from other web sites. All consideration (monetary and non-monetary) received by DDSI on account of the placement or sale of advertisements, endorsements, and sponsorships on DDSI's web site, and all consideration (monetary and non-monetary) received by DDSI on account of affiliate programs, will belong only to DDSI.

DDSI's web site may include one or more interior pages that identify Franchisees operating under the Marks, including the franchised business, by among other things, geographic region, address, telephone numbers, and other appropriate matters. DDSI's web site may also include one or more interior pages dedicated to franchise sales by DDSI.

DDSI has no control over the stability or maintenance of the Internet generally; as a result, DDSI is not responsible for damage or loss caused by errors of the Internet. Furthermore, DDSI is not liable for any direct, indirect, special, incidental, exemplary or consequential damages arising out of the use of, or the inability to use, DDSI's web site or the Internet, including loss of profits, goodwill, or savings; downtime; or damage

to or replacement of programs and data, whether based in contract, tort, product liability, or otherwise.

6. COVENANTS

6.1 Confidential Information.

a. Franchisee and each of Franchisee's principals shall not, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person, partnership, association, LLC or corporation any confidential information, including without limitation any customer lists and sales leads, or any knowledge, or know-how concerning the methods of operation of the franchised business which may be communicated to Franchisee or any of Franchisee's principals or of which they may be apprised by virtue of Franchisee's operation of the franchised business under the terms of this Agreement. Franchisee and each of Franchisee's principals shall divulge such confidential information only to Franchisee's decorators and other personnel as must have access to it in order to assist in the franchised business. Any and all information, knowledge, know-how, techniques, and any materials related thereto which DDSI designates as confidential shall be deemed confidential for purposes of this Agreement. Neither Franchisee nor Franchisee's principals shall at any time, without DDSI's prior written consent, copy, duplicate, record or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person. The covenant set forth in this Section 6.1 shall survive the expiration or termination of this Agreement and shall be perpetually binding upon Franchisee and each of Franchisee's principals.

b. At DDSI's request, Franchisee shall require its decorators, assistants and any other personnel and any persons having access to any confidential information of DDSI to execute covenants that they will maintain the confidentiality of the information they receive in connection with their relationship with Franchisee. Such covenants shall be in the form required by DDSI in the Policy and Procedures Manual, or otherwise in writing.

c. Franchisee and Franchisee's principals acknowledge that any failure to comply with the requirements set forth in this Section 6.1 shall constitute a material event of default under Section 9 and will cause DDSI irreparable injury. Therefore, Franchisee and Franchisee's principals agree to pay all court costs and reasonable attorneys' fees incurred by DDSI in obtaining specific performance, injunctive relief, or any other equitable or other remedy available to DDSI for any violation of the requirements of this Section 6.1. This Section 6.1 shall not apply where prohibited by Franchisee's state law.

6.2 Covenant Not to Compete.

a. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by DDSI, Franchisee or its designated manager shall devote full time, energy, and best efforts to the management and operation of the business franchised hereunder.

b. Franchisee and Franchisee's principals specifically acknowledge that, pursuant to this Agreement, Franchisee and Franchisee's principals will receive valuable specialized training, trade secrets, and confidential information, including, without limitation, information regarding the operational, sales, promotional and marketing methods, and techniques of the DECORATING DEN INTERIORS System which are beyond the present skills and experience possessed by Franchisee, Franchisee's principals, and Franchisee's managers and employees.

Franchisee and Franchisee's principals acknowledge that such training, trade secrets, and confidential information provide a competitive advantage and will be valuable to them in the development of the franchised business and that gaining access to such training, trade secrets and confidential information is, therefore, a primary reason for entering into this Agreement. In consideration for such training, trade secrets and confidential information, Franchisee and Franchisee's principals covenant as follows:

(i) With respect to Franchisee, during the term of this Agreement, or with respect to each of Franchisee's principals during the term of this Agreement or for so long as such individual or entity satisfies the definition of "Franchisee's principal" as described in Section 13.1.f., except as otherwise approved in writing by DDSI, neither Franchisee nor any of Franchisee's principals shall, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

(A) Divert or attempt to divert any business or customer of the business franchised hereunder to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with DDSI's Marks and the DECORATING DEN INTERIORS System; or

(B) Own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the franchised business, including any home furnishing, commercial furnishing, or interior decorating business.

(ii) With respect to Franchisee, for a continuous uninterrupted period commencing upon the expiration or termination of this Agreement and for two (2) years thereafter, or with respect to each of Franchisee's principals, for a continuous uninterrupted period commencing upon the earlier of: (i) the expiration or termination of this Agreement or (ii) the time such individual or entity ceases to satisfy the definition of "Franchisee's principal" as described in Section 13.1.f., and:

(A) For two (2) years thereafter, except as otherwise approved in writing by DDSI, neither Franchisee nor any of Franchisee's principals shall, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

(1) divert or attempt to divert any business or customer of the business franchised hereunder to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the DECORATING DEN INTERIORS System; or

(2) employ or seek to employ any person who is at that time employed by DDSI or Field Manager, or by any other Franchisee or Field Manager of DDSI, or otherwise directly or indirectly induce such person to leave his or her employment; or

(B) For two (2) years thereafter, except as otherwise approved in writing by DDSI, neither Franchisee nor any of Franchisee's principals shall, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any

person, partnership, LLC, or corporation, (i) own, maintain, operate, engage in, or have any interest in any business which is the same or similar to the franchised business, including any home furnishing, commercial furnishing, or interior decorating business, which business is, or is intended to be, located or operated within fifty (50) miles of the Designated Location, or (ii) contact for business purposes or solicit home furnishing, commercial furnishing, or interior decorating business from any person or firm that was a customer of Franchisee prior to the date of termination if such person or firm is located or is operating a business within fifty (50) miles of the Designated Location.

c. The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section 6 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which DDSI or Regional Director is a party, Franchisee and Franchisee's principals expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Section 6.

d. Franchisee and Franchisee's principals understand and acknowledge that DDSI shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Section 6.2.b. of this Agreement, or any portion thereof, without their consent, effective immediately upon written notice to Franchisee; and Franchisee and Franchisee's principals agree that they shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 13.7 hereof. Any reduction of scope or waiver of any covenant by DDSI in favor of another franchisee shall not affect the enforceability of such covenant with respect to Franchisee.

e. Franchisee and Franchisee's principals expressly agree that the existence of any claims they may have against DDSI or Regional Director, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by DDSI of the covenants in this Section 6. Franchisee and Franchisee's principals agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by DDSI and/or Regional Director in connection with the enforcement of this Section 6.

f. Franchisee and Franchisee's principals acknowledge that a violation of the terms of this Section 6 would result in irreparable injury to DDSI and Regional Director for which no adequate remedy at law may be available, and Franchisee and Franchisee's principals accordingly consent to the issuance of an injunction prohibiting any conduct by Franchisee or any of Franchisee's principals in violation of the terms of this Section 6. Notwithstanding the foregoing, the provisions of this Section 6.2.f. shall not apply where prohibited by Franchisee's state law.

g. At DDSI's request, Franchisee shall require and obtain execution of covenants similar to those set forth in this Section 6 (including covenants applicable upon the termination of a person's employment with Franchisee) from its decorators, employees, assistants and manager, and any other person who has received or will receive training from DDSI. Such covenants shall be in the form required by DDSI in the Policy and Procedures Manual, or otherwise in writing. Failure by Franchisee to obtain execution of the covenants required by this Section 6.2.g. shall constitute a material event of default under Section 9 of this Agreement.

7. PAYMENTS, REPORTS, ACCOUNTING AND RECORDS

7.1 Reports.

a. Not later than 9:00 PM local time on the 15th and last days of each calendar month, Franchisee shall submit through DecoNet sales report(s) for all Gross Sales made by Franchisee during the preceding period (1st through the 15th day and 16th through the last day, as applicable) containing such information and in such format as DDSI shall specify, including without limitation the complete name, address and telephone number of each customer, broken down by major product categories. If Franchisee has no sales during the applicable period, Franchisee shall submit a No Sales report as provided for in DecoNet.

b. On the fifteenth day of each month, DDSI will invoice Franchisee electronically for Service Fees and NMF Fees due from Franchisee's sales made on the first through the fifteenth day of the month, and on the last day of the month DDSI will similarly invoice for sales made on the sixteenth through the last day of the month. Amounts thus invoiced are due within seven (7) business days. Unless other arrangements for payment are provided, DDSI will initiate a direct debit of Franchisee's bank account for such amounts on the due date, utilizing the Automated Clearing House (ACH) or other automatic bank payment function. All bank charges for such electronic direct debit shall be borne by Franchisee. Franchisee shall concurrently with the execution of this Agreement, and from time to time thereafter upon request by DDSI, execute an appropriate authorization agreement for automatic payment to permit a bank designated by DDSI to initiate debit entries to, and to debit, the bank account designated by Franchisee. The current form of the Authorization Agreement for Automatic Payment is attached to this Agreement as Exhibit 3.

c. Failure to submit sales report(s) as required under Section 7.1.a., or to make any payment of Service Fees or NMF Fees as required in Section 7.1.b., or to make payment of any other amount required to be made by Franchisee to DDSI or Regional Director shall be an event of default under the terms of this Agreement, and may subject this Agreement to termination for cause as hereinafter set forth. The term "business day" as used in this Agreement is defined as any day other than Saturday, Sunday or a national holiday.

d. Except as prohibited by applicable local, state or federal laws, any amounts paid to DDSI and/or Regional Director by or on behalf of Franchisee representing Service Fees, NMF Fees or other moneys may be applied by DDSI and/or Regional Director to any outstanding balance due for Franchisee's Service Fees, advertising or other payment obligation.

e. If any payment due under any provisions of this Agreement is not paid by Franchisee when such payment is due, such amounts shall be considered overdue amounts for purposes of this paragraph, and Franchisee shall pay to DDSI or Regional Director, in addition to the overdue amount, (1) the greater of (i) \$50 or (ii) interest on such amount from the date it was due until paid, at the rate of eighteen percent (18%) per annum, or the maximum rate permitted by law, whichever is less, and (2) DDSI's or Regional Director's reasonable attorney's fees and court costs incurred in the collection of any payment or fee. In addition, Franchisee will pay a late fee of \$50.00 for each report not timely submitted when due under any provision of this Agreement, and Franchisee will pay a fee of \$25.00 for each payment it submits to us that is not honored and/or returned for insufficient funds. Any failure to comply with the requirements of this Section 7.1.e. shall be a material event of default

under Section 9. Entitlement to such interest or fees shall be in addition to any other remedies DDSI or Regional Director may have at law or in equity, arising under this Agreement or otherwise.

f. Franchisee shall prepare and file with DDSI and/or Regional Director such other reports and compilations of information as set forth below or as DDSI or Regional Director shall require or as may be specified in the Policy and Procedure Manual or other written directions.

g. DDSI shall have the right from time to time to amend the payment processes and procedures by an appropriate amendment to the Policy and Procedure Manual.

7.2 Records and Books of Account.

a. Franchisee shall keep and preserve complete records of all advertising copy and expenses, customer leads, customer appointments, retail sales, supplier orders, installed and completed customer orders, cash receipts and disbursements, and other such records and books of account as necessary for the orderly operation of the business, and to do so in the manner specified by DDSI and Regional Director. Franchisee shall retain all such records and books of account for three (3) years from the assignment, termination, or expiration of this Agreement.

b. Upon request, Franchisee shall submit to DDSI or Regional Director as directed such standard reports as may be specified in the Policy and Procedure Manual, including, but not limited to:

- (i) Individual customer sales contracts,
- (ii) State sales tax returns and reports, and
- (iii) Register of appointments.

c. Franchisee shall adopt and use any computerized financial reporting system which DDSI in its discretion may uniformly require of all franchisees.

7.3 Right to Audit Franchisee's Records.

a. Franchisee shall allow DDSI's and Regional Director's representatives from time to time, at reasonable hours, to inspect Franchisee's systems and controls, advertising materials and supplies, methods of production and sales, books of account, tax returns, and other business records to insure compliance with the terms and conditions of this Agreement.

b. Any inspection, examination or audit by DDSI or Regional Director of Franchisee's accounts, books, records or tax returns shall be at DDSI's or Regional Director's expense unless the same is necessitated by Franchisee's failure to prepare or forward required reports, or if an inspection discloses an understatement in any report or an underpayment of two percent (2%) or more. In either such event, Franchisee shall, in addition to repaying any unreported or understated amount, reimburse DDSI or Regional Director for any and all costs and expenses connected with the inspection, including, without limitation, travel, lodging, and wage expenses and reasonable accounting and legal costs. Interest at the rate of eighteen percent (18%) per annum shall accrue on any such understatement in any report or any underpayment. The foregoing remedies shall be in addition to any other remedies DDSI or Regional Director may have.

8. TRANSFERABILITY OF INTEREST

8.1 DDSI's and Regional Director's Right to Transfer.

This Agreement and all rights hereunder may be assigned and transferred by either DDSI, Regional Director, or both, and, if so, shall be binding upon and inure to the benefit of DDSI's or Regional Director's respective assignees. If a Field Manager has not been appointed at the time this Agreement is executed, DDSI expressly reserves the right to assign certain of its rights, duties, and obligations under this Agreement to a qualified third party appointed by DDSI and meeting DDSI's standards for Field Managers to serve as Field Manager for a region which includes the Designated Location. In the event of termination or expiration of the position of Regional Director, or any Regional Director which may be appointed in the future, this Agreement shall remain in full force and effect with DDSI fully assuming all of the rights, duties and obligations imposed hereunder on Regional Director.

8.2 Franchisee's Right to Transfer.

a. Franchisee understands and acknowledges that the rights and duties created by this Agreement are personal to Franchisee and that DDSI and Regional Director have entered into this Agreement with Franchisee in reliance upon the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee. Accordingly, neither this Agreement nor any part of the DECORATING DEN INTERIORS franchised business nor any interest therein granted pursuant to this Agreement, nor any interest in Franchisee, may be transferred without the prior written approval of DDSI and Regional Director, and any transfer without such approval shall constitute a material breach hereof and convey no rights to or interests in this Agreement, or in the DECORATING DEN INTERIORS franchised business, or in Franchisee. Franchisee shall not have the right to sell and transfer less than the full franchise territory to one purchaser.

b. As used in this Agreement, the term "transfer" shall mean and include the voluntary or involuntary, direct or indirect, assignment, sale, or other transfer by Franchisee of:

- (i) Any interest in this Agreement;
- (ii) The transfer of ownership of capital stock, LLC membership, or partnership interest in the franchised business;
- (iii) The merger or consolidation, or issuance of additional securities representing an ownership interest in the Franchise;
- (iv) The sale of common stock of Franchisee pursuant to a private placement or registered public offering;
- (v) The transfer of an interest in Franchisee or the DECORATING DEN INTERIORS Franchise granted pursuant hereto in a divorce proceeding or otherwise by operation of law;
- (vi) The transfer of an interest in Franchisee or the DECORATING DEN INTERIORS Franchise granted pursuant hereto in the event of the permanent disability of Franchisee or an individual owner of Franchisee, or on the death of Franchisee or an individual owner of Franchisee, by will, declaration of transfer in trust, or under the laws of intestate succession;

(vii) The transfer of the DECORATING DEN INTERIORS franchised business or any interest therein, or the transfer of any significant assets of the business including, but not limited to, customer lists, telephone listings, telephone numbers, inventory, samples, the ColorVan[®] vehicle, books of accounts and records; or

(viii) The encumbrance of any direct or indirect interest in this Agreement, in the franchised business or in Franchisee shall be deemed a transfer under the terms of this Agreement giving DDSI or Regional Director the right, but not the obligation, to take the place of Franchisee in relation to any secured party.

8.3 Approval Procedure.

a. If Franchisee is in full compliance with this Agreement, DDSI and Regional Director shall not unreasonably withhold approval of a proposed transfer that meets any or all of the applicable requirements of this Section 8.3. The proposed transferee must meet DDSI's and Regional Director's then applicable standards for franchisees, and the costs of providing up-to-date samples to the transferee, where necessary, shall be paid by Franchisee.

b. If the transfer is of a controlling interest (i.e., greater than fifty percent (50%)) in Franchisee, or is one of a series of transfers which, in the aggregate, constitute the transfer of a controlling interest in Franchisee, all of the following conditions must be met:

(i) The transferee (a) must provide DDSI and Regional Director with financial, biographical and business experience information, and personal references, and (b) must have, in the opinion of DDSI and Regional Director, sufficient business experience, aptitude, and financial resources, and must have passed DDSI's aptitude test;

(ii) Franchisee shall pay all Service Fees, NMF contributions, accounts payable, and other amounts owed to DDSI and Regional Director, and must not be in default of this Agreement or any other agreement between Franchisee and DDSI and/or Regional Director as of the proposed transfer date;

(iii) The transferee must agree in writing to attend and successfully complete DDSI's basic training program (PDSS);

(iv) The transferee shall have acquired a ColorVan[®] vehicle that meets the then-current DDSI standards, as set forth in Section 5.6 of this Agreement;

(v) The transferee shall execute the then-current DECORATING DEN INTERIORS Franchise Agreement (the terms of which may differ from the terms of this Agreement and may include, without limitation, a higher Service Fee, NMF Fee, and other fees) and agree to be bound by all of its terms and conditions;

(vi) Except as set forth in Section 8.4, Franchisee or the transferee shall pay DDSI or Regional Director a transfer fee of Ten Thousand Dollars (\$10,000) to defray expenses incurred by DDSI and Regional Director in connection with the training provided to the transferee, and the transfer and administrative costs of the transfer; and, in addition, Franchisee shall pay DDSI or Regional Director a Resale Assistance Fee of \$10,000 to defray expenses incurred by DDSI and Regional Director in connection with promotion, advertising, and sales representation by a DDSI franchise sales person in connection with the transfer; provided that DDSI shall waive the Resale Assistance Fee where

Franchisee undertakes its own advertising and sales representation, and develops its own prospective transferees in relation to the transfer;

(vii) Franchisee shall execute a general release, in a form satisfactory to DDSI and Regional Director, of any and all claims, known or unknown, against DDSI and Regional Director and their respective officers, directors, employees, agents, successors and assigns;

(viii) DDSI and Regional Director must approve the material terms and conditions of such transfer, including, without limitation, that the price and terms of payment are not so burdensome as to adversely affect the continuation of the DECORATING DEN INTERIORS franchised business;

(ix) Franchisee shall execute a non-competition covenant in favor of Regional Director, DDSI, and the transferee, agreeing that for a period of not less than two (2) years, commencing on the effective date of the transfer, neither Franchisee nor any member of Franchisee's immediate family nor any partner(s), LLC member(s) or shareholder(s) of Franchisee shall have any direct or indirect interest as a disclosed or beneficial partner, LLC member, shareholder or franchisee in any home furnishing, commercial furnishing, or interior decorating business within fifty (50) miles of the Designated Location;

(x) Franchisee shall enter into an agreement with DDSI and Regional Director providing that all obligations of the transferee to make installment payments of the purchase price of the franchised business or interest thereon to Franchisee shall be subordinate to the obligations of the transferee to pay Service Fees, NMF Fees, obligations for purchases and any other payments to DDSI or Regional Director; and

(xi) Franchisee shall give to DDSI or Regional Director all of Franchisee's sales contracts, customer lists, registers of appointments, and any other of Franchisee's business records which are required to be given to DDSI or Regional Director under the terms of Section 7.1.

8.4 Transfer to a Spouse or Child.

In the event of a transfer of a controlling interest in Franchisee, governed by the terms of Section 8.3.b., where the transferee is the spouse or child of Franchisee, the transfer fee set forth in Section 8.3.b.(vi) shall not be assessed.

8.5 Transfer Upon Death or Disability.

a. Upon the death of any person with an interest in this Agreement, the franchised business, or in Franchisee (the "Deceased"), the executor, administrator, or other personal representative of the Deceased shall transfer such interest to a third party approved by DDSI within twelve (12) months after the death. DDSI shall apply to such third party transfer the approval procedure conditions set forth in Section 8.3 of this Agreement. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by DDSI. If the distributee is not approved by DDSI, then the distributee shall transfer such interest to a third party approved by DDSI within twelve (12) months after the death of the Deceased.

b. Upon the permanent disability of any person with an interest in this Agreement, the franchised business, or in Franchisee, DDSI may, in its sole discretion, require such interest to be transferred to a third party approved by DDSI within six (6) months after notice to Franchisee. DDSI shall apply to such third party transfer the approval procedure conditions set forth in Section 8.3 of this Agreement. "Permanent disability" shall mean any physical, emotional, or mental injury, illness, or incapacity which would prevent a person from performing the obligations set forth in this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely.

c. Upon the death or claim of permanent disability of any person with an interest in this Agreement, the franchised business, or in Franchisee, Franchisee or a representative of Franchisee must promptly notify DDSI of such death or claim of permanent disability. Any transfer upon death or permanent disability shall be subject to the same terms and conditions as described in this Section 8. If an interest in the Franchise is not transferred upon death or permanent disability as required in this Section 8.5 and in accordance with the terms and conditions of this Section 8, DDSI may terminate this Agreement pursuant to Section 9. DDSI and Regional Director shall have the right, but not the obligation, to appoint a temporary manager of the franchised business pending transfer to an approved transferee.

8.6 Change of Designated Location.

Franchisee may change the Designated Location to any available location, without additional fee, only with the prior approval of DDSI and any applicable Regional Directors. Franchisee must be in full compliance with this Agreement as a condition of relocation.

8.7 Transfer for Convenience of Ownership.

In the event the proposed transfer is to a corporation or LLC formed solely for the convenience of ownership, DDSI's and Regional Director's consent may be conditioned upon any of the requirements set forth in Section 8.3, except that the requirements set forth in Section 8.3.b. shall not apply. Franchisee shall be the owner of all of the voting stock or interest of the corporation, and if Franchisee is more than one individual, each individual shall have the same proportionate ownership interest in the corporation or LLC as he/she had in Franchisee prior to the transfer. Franchisee shall guaranty to DDSI and Regional Director the performance of the corporation or LLC.

9. TERMINATION

9.1 DDSI's and Regional Director's Right to Terminate.

a. Franchisee shall be deemed to be in default under this Agreement, and all rights granted to Franchisee hereunder shall terminate automatically without notice to Franchisee, upon the occurrence of any of the following events:

- (i) Franchisee becomes insolvent, makes a general assignment for the benefit of creditors, or is adjudicated a bankrupt, unless otherwise restricted by the United States Bankruptcy Laws; or
- (ii) A petition in bankruptcy for liquidation, reorganization, or other proceeding is filed by or against Franchisee; a receiver is appointed; a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for

Franchisee's business or assets is allowed; or the real or personal property of the franchised business is attached or levied upon by any sheriff, marshal, or constable.

b. Franchisee shall be deemed to be in default under this Agreement and DDSI and Regional Director may, at their option, terminate this Agreement without affording Franchisee any opportunity to cure the default, effective immediately upon receipt of notice by Franchisee, upon the occurrence of any of the following events:

(i) Franchisee abandons or ceases actively to operate the franchised business, which is defined as three (3) consecutive months without Gross Sales, unless prior approval is obtained in writing from DDSI and Regional Director;

(ii) Franchisee or any of its principals, partners, officers or directors is convicted or pleads no contest to a felony or other crime or offense that DDSI believes is reasonably likely to have an adverse effect on the Marks, the goodwill associated therewith, or DDSI's interest therein;

(iii) Franchisee makes a material misrepresentation or omission relating to the acquisition of the Franchise, or Franchisee knowingly maintains false books or records, or submits any false report to DDSI or Regional Director;

(iv) Franchisee fails on three (3) or more occasions within any twelve (12) consecutive calendar months to comply with any material provisions of this Agreement, whether or not such failures to comply are cured after notice thereof to Franchisee;

(v) Franchisee purports to transfer any rights or obligations under this Agreement to a third party without prior written consent of DDSI and Regional Director, contrary to the terms of this Agreement;

(vi) Franchisee, its principals, officers, directors, shareholders, LLC members or partners, engage in any activity prejudicial to the DECORATING DEN INTERIORS System or the goodwill represented by the Marks;

(vii) Franchisee fails to achieve \$40,000 in Gross Sales in any calendar year; or

(viii) If Franchisee has selected the Finance Option, Franchisee fails to make any payment due under the Promissory Note within ten (10) days of the due date thereof.

c. Except as otherwise provided in this Section 9, Franchisee shall have thirty (30) days, or such longer period as applicable law may require, after receipt from DDSI or Regional Director of a written notice of default within which to remedy any default hereunder (or, if the default cannot reasonably be cured within thirty (30) days, to initiate within that time substantial and continuing action to cure the default), and to provide evidence thereof to DDSI or Regional Director. If any such default is not cured within that time (or, if appropriate, substantial and continuing action to cure the default is not initiated within that time), or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon expiration of the thirty (30) day period or such longer period as applicable law may require. Franchisee shall be in default hereunder for any failure to comply substantially with any of the requirements imposed by this Agreement, as it may reasonably be supplemented by the Policy and Procedures Manual, or failure to carry out the terms of this Agreement in good faith. Such defaults shall include, without limitation, the occurrence of any of the following events:

- (i) Franchisee fails, refuses, or neglects to pay amounts due DDSI or Regional Director for Service Fees, NMF contributions, purchases made, or services provided under the terms of this Agreement or any other agreement between Franchisee and DDSI and/or Regional Director within five (5) business days of the due date thereof;
- (ii) Franchisee fails to submit on a timely basis or accurately report Gross Sales or to submit on a timely basis any other report required under this Agreement;
- (iii) Except as provided in Section 9.1.b., Franchisee fails to comply with any of the requirements imposed by this Agreement, the Policy and Procedures Manual, or fails to carry out the terms of this Agreement in good faith;
- (iv) Except as provided in Section 9.1.b., Franchisee fails to maintain or observe any of the standards or procedures prescribed by DDSI in this Agreement, the Policy and Procedure Manual, or otherwise in writing; or
- (v) Except as provided in Section 9.1.b.(v) hereof, Franchisee fails, refuses, or neglects to obtain DDSI's and Regional Director's prior written approval or consent as required by this Agreement.

9.2 Voluntary Termination by Franchisee.

Franchisee may voluntarily terminate this Agreement at any time, upon 30 days' prior written notice to DDSI and Regional Director. Before the termination becomes effective, all reports required to have been filed and all sums of money due and owing to DDSI and/or Regional Director under the terms of this Agreement or any other agreement between Franchisee and DDSI and/or Regional Director must be filed, and Franchisee shall execute a general release, in a form satisfactory to DDSI and Regional Director, of any and all claims, known or unknown, against DDSI and Regional Director and their officers, directors, employees, agents, successors and assigns.

9.3 Effect of Termination.

Termination of this Agreement will not affect, modify or discharge any claims, rights, causes of action or remedies which DDSI and/or Regional Director may have against Franchisee, whether such claims or rights arise before or after termination.

9.4 Non-Operating Status.

Upon approval by DDSI and the Regional Director, Franchisee may elect to place its franchise on a "non-operating" status if Franchisee is in good standing. The purpose of the non-operating status is to place the franchise completely out of business, not merely operating at a reduced level, and any business conducted by Franchisee while on non-operating status, without prior written approval by DDSI and Regional Director, would constitute a violation of this Agreement. The non-operating status allows Franchisee to take a leave of absence from operating the franchise business for three (3) years. Under this status, this Agreement remains intact. At any time during the non-operating status period, Franchisee may elect to become a decorator for another Decorating Den franchise owner. While on non-operating status, Franchisee is not required to pay monthly minimum NMF Fees.

Franchisee may return to its business at any time within the three (3) year period by giving at least thirty (30) days prior written notice to DDSI. If Franchisee does return to its

business, if a franchise in the Designated Location is still available, the Franchisee may return to its business if DDSI and the Regional Director agree. If a franchise in the Designated Location is not available, Franchisee will be assigned another Designated Location, subject to the approval of DDSI and any appropriate Regional Directors. If Franchisee does not return to the business by the end of the three (3) years, this Agreement will automatically be terminated without notification. DDSI reserves the right to withdraw this non-operating status at any time at its sole discretion. While Franchisee is on "non-operating" status, this Agreement and the franchise may not be transferred, sold or inherited.

10. RIGHTS AND DUTIES OF PARTIES UPON EXPIRATION, TERMINATION OR NON-RENEWAL

Upon assignment, expiration, or termination of this Agreement, and regardless of any dispute which may exist between the parties, Franchisee shall:

a. Immediately cease using and thereafter abstain from using all of the Marks, as well as all signs, structures, vehicles, and forms of advertising indicative of DDSI or the business or products thereof, and make or cause to be made such changes in signs, buildings, vehicles and structures as DDSI and Field Manager shall reasonably direct so as effectively to distinguish them from their former appearance and from any other aspect of the franchised business. Further, Franchisee shall release to DDSI or Field Manager all telephone numbers used in directory listings and advertising in which any of the Marks are used. If Franchisee shall fail or omit to take such actions or cause them to be taken, then Field Manager and DDSI shall have the right but not the obligation to enter upon the premises without being deemed liable for trespass or any other tort, and shall have the right to make such changes or cause them to be made at the expense of Franchisee, which expense Franchisee shall pay on demand. Franchisee agrees to reimburse Field Manager and DDSI for all costs, expenses and legal fees incurred by Field Manager and DDSI to require Franchisee to cease using such Marks, names, vehicles, telephone numbers, signs, stationery, advertising, or other means of identification indicative of DECORATING DEN INTERIORS. The provisions of this Section 10.a. shall survive after expiration or termination of this Agreement.

b. Within ten (10) days, ship all samples, advertising pieces and manuals bearing the names, "Decorating Den," "DECORATING DEN INTERIORS", or any other of the Marks, including the Policy and Procedures Manual (all of which are acknowledged to be DDSI's property), postage prepaid, to an address designated by DDSI.

c. Immediately pay to DDSI or Regional Director such Initial Franchise Fee, Service Fees, NMF Fees, amounts owed for purchases by Franchisee, interest due on any of the foregoing, and all other amounts which are then unpaid, under the terms of this Agreement or any other agreement between Franchisee and DDSI and/or Regional Director, their subsidiaries and affiliates.

d. Within ten (10) days, deliver to DDSI or Field Manager all of Franchisee's sales contracts, customer lists, registers of appointments, and any other of Franchisee's business records which are required to be given to DDSI or Field Manager under the terms of Section 7.1.

e. Franchisee and Franchisee's principals shall comply with the restrictions on confidential information contained in Section 6.1 and the covenants contained in Section 6.2 of

this Agreement. Any other person required to execute similar covenants pursuant to Sections 6.1 or 6.2 shall also comply with such covenants.

f. In connection with assignments only, Franchisee shall execute a general release, in a form satisfactory to DDSI and Regional Director, of any and all claims, known or unknown, against DDSI and Field Manager, and their officers, directors, employees, agents, successors and assigns.

11. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

a. It is understood and agreed by the parties that (i) this Agreement does not create a fiduciary relationship between them; (ii) Franchisee shall at all times be an independent contractor; and, (iii) nothing in this Agreement is intended to constitute any party an agent, legal representative, subsidiary, joint venturer, partner, employee, employer, joint employer, or servant of the other for any purpose whatsoever.

b. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from DDSI. Franchisee agrees to take such action as shall be necessary to that end, including, without limitation, exhibiting a notice of that fact in any advertising, stationery or other public notices, the content and form of which DDSI reserves the right to specify in the Policy and Procedures Manual or otherwise in writing.

c. Franchisee and Franchisee's principals understand and agree that nothing in this Agreement authorizes Franchisee or Franchisee's principals to make any contract, agreement, warranty, or representation on DDSI's behalf, or to incur any debt or other obligation in DDSI's name; and that DDSI shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall DDSI be deemed liable by reason of any act or omission of Franchisee or Franchisee's principals in the conduct of the franchised business or for any claim or judgment arising therefrom.

d. Franchisee and each of Franchisee's principals shall, at all times, indemnify and hold harmless to the fullest extent permitted by law DDSI, Field Manager, their respective subsidiaries, affiliates, successors and assigns, directors, officers, shareholders, LLC members, partners, employees, agents, and representatives from all losses and expenses (as defined in Section 11.e., below) incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon any acts, errors, or omissions of Franchisee, any of Franchisee's subsidiaries and affiliates, and any partners, agents, servants, employees, and representatives of Franchisee and its subsidiaries and affiliates, in connection with the establishment and operation of the franchised business.

e. As used in this Agreement, the phrase "losses and expenses" shall include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, attorney's fees, court costs, settlement amounts, judgments, compensation for damages to DDSI's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

12. MEDIATION AND ARBITRATION

12.1 Mediation. Prior to the initiation of arbitration in connection with any dispute, controversy or claim arising under the terms of this Agreement, including any claim that this Agreement or any part thereof is invalid, illegal or otherwise void or voidable, and excepting disputes involving the Marks, telephone numbers or non-competition, either party must submit any dispute arising under the terms of this Agreement or any dispute arising as to the way in which this Agreement was entered into, offered, accepted, or negotiated, to non-binding mediation before the American Arbitration Association or a similar organization. Such mediation shall be conducted in Easton, Maryland. If submitted to mediation by either party, a confidentiality agreement respecting the mediation proceedings will be executed by both parties, and the cost of such mediation shall be borne equally by both parties.

12.2 Arbitration. Any controversy or claim arising from or relating to this Agreement, the circumstances surrounding the execution of this Agreement, or the breach thereof, except as stated in Section 12.3 below, shall be submitted to binding arbitration in accordance with the Rules of the American Arbitration Association (“AAA”) then in effect. The decision of the arbitrator shall, except for mistakes of law, be final and binding upon the parties hereto, and judgment upon the award rendered by the arbitrator, which will, in the case of damages, be limited to actual damages proven in the arbitration, may be entered in any court having jurisdiction. Each party to the arbitration will be responsible for their own filing fees, attorney’s fees, and their share of AAA administrative fees, provided that the arbitrator may allocate any such amounts in the award.

There will be a single arbitrator who shall be an existing or former judge of a court of record within the United States or an attorney in good standing admitted to practice for a period of at least ten (10) years within the United States. No arbitration will involve parties other than the parties hereto and their respective successors and assigns or be in any respect binding with respect to any such other parties. This, however, does not relate to witnesses or counsel used in the proceeding. The site of the arbitration will be in Talbot County, Maryland.

The arbitrator will have no power or authority to diminish DDSI’s exclusive right and interest in the Marks and trade secrets or to vary the terms, conditions or payments which DDSI has designated for licensing one or more of the same. A party wishing to proceed through an action, suit, or proceeding with respect to the Marks may do so without limitation, protecting any of the Marks against infringements and recovering compensation or damages for their use. The prevailing party in any such legal action will be entitled to be compensated for its attorney’s fees, court costs and other reasonable expenses.

The parties hereto recognize, and any mediator, arbitrator or judge is affirmatively advised, that certain provisions of this Agreement describe the right of DDSI or Regional Director to take (or refrain from taking) certain actions in the exercise of its Reasonable Business Judgment based on its assessment of the overall best interests of the DECORATING DEN INTERIORS System. Where such discretion has been exercised, and is supported by the Reasonable Business Judgment of DDSI or Regional Director, a mediator, arbitrator or a judge shall not substitute his or her judgment for the judgment so exercised by DDSI or Regional Director.

If a party to this Agreement fails to adhere to the agreed upon dispute resolution remedies in the sequence herein provided, it shall reimburse the non-violating party(ies) its or

their court costs, attorney's fees and other legal expenses reasonably incurred in the enforcement of these dispute resolution remedies.

12.3 Civil Action. Notwithstanding Subsections 12.1 and 12.2 above, DDSI and Regional Director each reserves the right to commence a civil action or take other appropriate action to: (i) collect Service Fees, NMF Fees and other payments due to DDSI and Regional Director; (ii) compel Franchisee to comply with trademark standards and requirements to protect the goodwill of the Marks; (iii) compel Franchisee to compile and submit required reports to DDSI or Regional Director; (iv) conduct audits authorized by this Agreement; or (v) collect any amounts due under the Promissory Note. Franchisee will pay the costs and legal fees of DDSI and/or Regional Director if such party prevails in such action.

12.4 No Punitive or Exemplary Damages. No punitive or exemplary damages shall be awarded against either DDSI or Regional Director or Franchisee, or any affiliates of any of them, in any proceeding arising under Section 12.2 hereof, and all claims to punitive or exemplary damages are hereby waived by both parties.

13. MISCELLANEOUS

13.1 Severability and Construction.

a. Except as expressly provided to the contrary herein, each section, part, term, and/or provision of this Agreement shall be considered severable; and if, for any reason, any section, part, term and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, that determination shall not impair the operation of, or have any other effect upon, such other sections, parts, terms and/or provisions of this Agreement as may remain otherwise valid; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms and/or provisions shall be deemed not to be part of this Agreement.

b. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, or shall be deemed, to confer upon any person or entity other than Franchisee, DDSI, Regional Director, their officers, directors, and personnel, and such of Franchisee's, DDSI's and Regional Director's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized) by Section 8 hereof, any rights or remedies under or by reason of this Agreement.

c. Franchisee and Franchisee's principals expressly agree 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 DDSI or Regional Director is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

d. All captions in this Agreement are intended solely for the convenience of reference, and shall not be deemed to affect the meaning or construction of any provision in this Agreement.

e. All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter, or plural, where applicable. Without limiting the obligations individually undertaken by Franchisee's principals hereunder, all acknowledgments, promises, covenants, agreements, and obligations herein made or undertaken by Franchisee shall be deemed jointly and severally undertaken by all of Franchisee's principals.

f. The term "Franchisee's principal(s)" as used in this Agreement is defined in the following manner. If the Franchisee is a corporation, limited partnership or limited liability company, then any person owning 10% or more of the outstanding and issued common stock, limited partnership interest or limited liability company interest is a Franchisee principal, and must personally guarantee the corporation's or limited partnership's performance of this Agreement. If the Franchisee is a general partnership, then each partner is a Franchisee principal, and must sign this Agreement and the personal guarantee form.

g. This Agreement may be executed in counterparts, and each copy so executed shall be deemed an original.

13.2 Effect of Waivers.

Time is of the essence of this Agreement. No waiver by DDSI and/or Regional Director of any default in performance on the part of Franchisee or waiver of a breach of this Agreement shall constitute a waiver of any subsequent breach.

13.3 Remedies.

In the event it becomes necessary for DDSI or Regional Director to institute against Franchisee any action at law, in equity, or in arbitration (or to counterclaim in these proceedings) to secure or protect DDSI's or Regional Director's rights under this Agreement, DDSI and Regional Director shall be entitled to recover as part of any judgment entered therein in their favor reasonable costs of collection, including, but not limited to, legal fees, court costs, arbitration fees, and damages.

13.4 Notices.

Any notice required or permitted to be given hereunder shall be in writing and shall be given by personal service or by depositing a copy thereof in United States certified or registered mail, with postage thereon fully prepaid, or by expedited ("express") mail, or by hand delivery, addressed to DDSI, Regional Director or Franchisee, as the case may be, at the addresses that appear on the Signature Page of this Agreement. The addresses hereby given for the service of notice may be changed at any time by any party through written notice given to the other(s) as herein provided.

13.5 Benefit and Burden.

This Agreement shall bind and inure to the benefit of the parties hereto and their respective heirs, administrators, successors and assigns (if permitted pursuant to Section 8).

13.6 GOVERNING LAW, JURISDICTION and VENUE.

THIS AGREEMENT IS EXECUTED IN THE STATE OF MARYLAND AND SHALL BE CONSTRUED AND GOVERNED, AS TO FORM, SUBSTANCE, PROCEDURE, RIGHTS, AND REMEDIES,

SOLELY BY THE LAWS OF MARYLAND. THE UNITED STATES ARBITRATION ACT (9 U.S.C. §1 ET SEQ.) SHALL GOVERN JURISDICTIONAL ISSUES RESPECTING ARBITRATION OF DISPUTES UNDER SECTION 12 OF THIS AGREEMENT; AND THE LANHAM ACT (15 U.S.C. §1051 ET SEQ.) SHALL GOVERN ANY ISSUE INVOLVING THE MARKS.

DDSI, REGIONAL DIRECTOR/MASTER LICENSEE, AND FRANCHISEE HEREBY SUBMIT TO THE JURISDICTION AND VENUE OF ALL COURTS LOCATED WITHIN MARYLAND FOR ALL MATTERS NOT SUBJECT TO ARBITRATION IN ACCORDANCE WITH SECTION 12. FRANCHISEE ACKNOWLEDGES THAT DDSI HAS SELECTED THE FEES AND SERVICES PROVIDED IN THIS FRANCHISE AGREEMENT BASED IN PART ON THIS JURISDICTION AND VENUE SELECTION CLAUSE, AND FRANCHISEE EXPRESSLY CONSENTS TO THE PERSONAL JURISDICTION AND VENUE OF THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF MARYLAND. THE PARTIES AGREE THAT ALL DISPUTES SUBMITTED TO A COURT PURSUANT TO THIS SECTION 13.6 SHALL BE TRIED TO THE COURT SITTING WITHOUT A JURY, AND HEREBY EXPRESSLY WAIVE ALL RIGHTS TO A JURY TRIAL.

13.7 Rights of Parties are Cumulative.

The rights of the Parties under this Agreement are cumulative and no exercise or enforcement by either Party of any right or remedy under this Agreement shall preclude the exercise or enforcement by such Party of any other right or remedy under this Agreement or which such Party is entitled by law to enforce.

13.8 Entire Agreement.

This Agreement, the exhibits attached hereto, and the documents referred to herein, shall be construed together and constitute the entire, full and complete agreement between and among DDSI, Regional Director, and Franchisee concerning the subject matter hereof, and it shall supersede any and all prior and existing agreements, either oral or in writing, between or among the parties hereto with respect to the subject matter hereof. There are no representations, inducements, promises, or agreements, oral or otherwise, between or among the parties not embodied herein, that are of any force or effect with reference to this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on any party unless set forth in writing and executed by all parties. Nothing in this Agreement or in any related agreement is intended to disclaim DDSI's representations made in the Franchise Disclosure Document. This Agreement shall not be effective until an authorized officer of DDSI signs it.

14. ACKNOWLEDGMENTS.

Franchisee hereby acknowledges the following:

(a) FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND UNDERSTANDS AND ACKNOWLEDGES THAT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISKS MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON THE BUSINESS ABILITIES AND PARTICIPATION OF FRANCHISEE AND ITS EFFORTS AS AN INDEPENDENT BUSINESS OPERATOR. FRANCHISEE AGREES THAT NO CLAIMS OF SUCCESS OR FAILURE HAVE BEEN

MADE TO IT PRIOR TO SIGNING THIS AGREEMENT; AND THAT IT UNDERTAKES ALL THE TERMS AND CONDITIONS OF THIS AGREEMENT. THIS AGREEMENT CONTAINS ALL ORAL AND WRITTEN AGREEMENTS, REPRESENTATIONS AND ARRANGEMENTS BETWEEN THE PARTIES HERETO, AND ANY RIGHTS WHICH THE RESPECTIVE PARTIES HERETO MAY HAVE HAD UNDER ANY OTHER PREVIOUS CONTRACTS ARE HEREBY CANCELED AND TERMINATED, AND NO REPRESENTATIONS OR WARRANTIES ARE MADE OR IMPLIED, EXCEPT AS SPECIFICALLY SET FORTH HEREIN. THIS AGREEMENT CANNOT BE CHANGED OR TERMINATED ORALLY WITHOUT LIMITING THE FOREGOING. FRANCHISOR EXPRESSLY DISCLAIMS THE MAKING OF, AND FRANCHISEE ACKNOWLEDGES THAT IT HAS NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED BY THIS AGREEMENT, OR AS TO THE SUITABILITY OF THE DESIGNATED LOCATION AS A SUCCESSFUL LOCATION FOR THE FRANCHISED BUSINESS.

Initial

(b) FRANCHISEE HAS NO KNOWLEDGE OF ANY REPRESENTATIONS BY FRANCHISOR OR ITS OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES, AGENTS OR SERVANTS, ABOUT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE DOCUMENTS INCORPORATED HEREIN. FRANCHISEE REPRESENTS, AS AN INDUCEMENT TO FRANCHISOR'S ENTRY INTO THIS AGREEMENT, THAT IT HAS MADE NO MISREPRESENTATIONS IN OBTAINING THIS AGREEMENT.

Initial

(c) FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR'S APPROVAL OR ACCEPTANCE OF FRANCHISEE PREMISES DOES NOT CONSTITUTE RECOMMENDATION OR ENDORSEMENT OF THE LOCATION, NOR ANY ASSURANCE BY FRANCHISOR THAT THE OPERATIONS OF A FRANCHISED BUSINESS WILL BE SUCCESSFUL OR PROFITABLE.

Initial

(d) FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR OR ITS AGENT HAS PROVIDED FRANCHISEE WITH A FRANCHISE DISCLOSURE DOCUMENT NOT LATER THAN 14 CALENDAR DAYS BEFORE THE EXECUTION OF THIS AGREEMENT, OR 14 CALENDAR DAYS BEFORE THE PAYMENT OF ANY CONSIDERATION; AND THAT, IF APPLICABLE, EARLIER DISCLOSURE WAS PROVIDED AT THE FIRST PERSONAL MEETING HELD TO DISCUSS THE SALE OF A FRANCHISE IF THE OFFERING IS GOVERNED BY THE STATE FRANCHISE LAWS OF NEW YORK, OR RHODE ISLAND. FRANCHISEE FURTHER ACKNOWLEDGES THAT

FRANCHISEE HAS READ SUCH FRANCHISE DISCLOSURE DOCUMENT AND UNDERSTANDS ITS CONTENTS.

Initial

(e) FRANCHISE OWNER ACKNOWLEDGES THAT FRANCHISOR HAS PROVIDED FRANCHISEE WITH A COPY OF THIS AGREEMENT AND ALL RELATED DOCUMENTS, FULLY COMPLETED.

Initial

(f) FRANCHISEE ACKNOWLEDGES THAT IT HAS HAD AMPLE OPPORTUNITY TO CONSULT WITH ITS OWN ATTORNEYS, ACCOUNTANTS AND OTHER ADVISORS.

Initial

(g) FRANCHISEE, TOGETHER WITH ITS ADVISERS, HAS SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS TO MAKE AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE FRANCHISE.

Initial

(h) FRANCHISEE IS AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF FRANCHISOR MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT(S), AND CONSEQUENTLY THAT FRANCHISOR'S OBLIGATIONS AND RIGHTS WITH RESPECT TO ITS VARIOUS DEVELOPERS AND FRANCHISEE'S MAY DIFFER MATERIALLY.

Initial

(i) FRANCHISEE ACKNOWLEDGES THAT THIS INSTRUMENT CONSTITUTES THE ENTIRE AGREEMENT OF THE PARTIES. THIS AGREEMENT TERMINATES AND SUPERSEDES ANY PRIOR AGREEMENT BETWEEN THE PARTIES CONCERNING THE SAME SUBJECT MATTER.

Initial

[Signatures are on the following page.]

SIGNATURE PAGE

Franchisee Name: _____

Franchisee Address: _____

Telephone: _____ **Fax:** _____

E-Mail: _____

Designated Location: _____

In Witness Whereof, the parties have set their hands on the dates set forth below:

Date of Execution of this Agreement by Franchisee: _____, 201____

Date of Execution of this Agreement by Regional Director: _____, 201____

Date of Execution of this Agreement by DDSI: _____, 201____

DECORATING DEN SYSTEMS, INC.
8659 Commerce Drive
Easton, MD 21601

FRANCHISEE

By: _____
Name: _____
Title: _____

Print Name: _____

REGIONAL DIRECTOR

Region Number: _____

By _____
Name:
Title:

**SIGNATURE PAGE
(Partners)**

Franchisee Name(s): _____

Franchisee Address: _____

Telephone: _____ **Fax:** _____

E-Mail: _____

Designated Location: _____

In Witness Whereof, the parties have set their hands on the dates set forth below:

Date of Execution of this Agreement by Franchisee: _____, 201____

Date of Execution of this Agreement by Regional Director: _____, 201____

Date of Execution of this Agreement by DDSI: _____, 201____

DECORATING DEN SYSTEMS, INC.
8659 Commerce Drive
Easton, MD 21601

FRANCHISEE

By: _____
Name: _____
Title: _____

[Print Name]

[Print Name]

REGIONAL DIRECTOR
Region Number: _____

The above named persons are equal partners.
The following person is authorized to act on
behalf of the Franchisee in all matters:

By _____
Name:
Title:

[Print Name]

SIGNATURE PAGE
(Corporation or LLC)

Franchisee Name: _____

Franchisee Address: _____

Telephone: _____ **Fax:** _____

E-Mail: _____

Designated Location: _____

In Witness Whereof, the parties have set their hands on the dates set forth below:

Date of Execution of this Agreement by Franchisee: _____, 201_____

Date of Execution of this Agreement by Regional Director: _____, 201_____

Date of Execution of this Agreement by DDSI: _____, 201_____

DECORATING DEN SYSTEMS, INC.

8659 Commerce Drive
Easton, MD 21601

By: _____

Name: _____

Title: _____

FRANCHISEE

Name of Entity

By: _____

Name: _____

Title: _____

REGIONAL DIRECTOR

Region Number: _____

By _____

Name:

Title:

The above Franchisee is a

Corporation

LLC

formed under the laws of _____ .

[state]

The following person is authorized to act on
behalf of the Franchisee in all matters:

[Print Name]

RIDER
WINDOWS TREATMENT SPECIALIST

RECITALS

Whereas, the parties hereto have entered into a DECORATING DEN INTERIORS Franchise Agreement (the "Agreement") on even date, and

Whereas, the Franchisee named below desires to become a Windows Treatment Specialist.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby expressly acknowledged by each of the undersigned, the parties hereto agree as follows:

1. Recital A of the Agreement is deleted in its entirety and the following inserted in lieu thereof:

"A. As a result of time, skill, effort and money, DDSI has developed and owns a unique system for opening and operating a **DECORATING DEN INTERIORS®** business designed to provide a mobile, shop-at-home or place of business interior decorating service through a uniform system using specified marks ("DDI Franchise"). A DDI Franchise markets, offers and sells DECORATING DEN INTERIORS Products and Services through a uniform system under the business format created and developed by DDSI, and which is known as the "DECORATING DEN INTERIORS System" and is further defined below. For convenience of reference, the phrase "Window Treatments" shall mean draperies, blinds, shades and shutters together with related hardware and labor, or such other products or services that DDSI may designate in writing from time to time. The term "Marks" means those proprietary marks registered or pending with the United States Patent and Trademark Office, including without limitation **"DECORATING DEN INTERIORS"**, as well as all common law trademarks and service marks, trade names, trade dress, logo types, insignias, designs and other commercial symbols that DDSI now or hereafter uses and authorizes others to use in conjunction with the DECORATING DEN INTERIORS System."

2. As used throughout the Agreement, the phrase "Decorating Den Interiors Products and Services" is replaced by the phrase "WTS Products and Services".

3. Section 3 of the Agreement is deleted in its entirety and the following inserted in lieu thereof:

"3.1. In consideration of the rights and privileges granted to Franchisee herein and the initial services to be rendered and material to be provided by DDSI and Field Manager (as hereinafter defined), Franchisee shall pay to DDSI and Regional Director the sum of Fourteen Thousand Nine Hundred Dollars (\$14,900.00). Such sum is hereinafter referred to as the "Initial Franchise Fee".

"3.2 The Initial Franchise Fee shall be paid in full upon execution of the Agreement by certified or

cashier's check or other check acceptable to DDSI and the Regional Director."

4. Section 5.5 of the Agreement is deleted in its entirety and the following inserted in lieu thereof:

"Franchisee shall not offer, directly or indirectly, interior decorating products or services other than WTS Products and Services. Franchisee shall refer customer requests for interior decorating products or services other than WTS Products and Services in accordance with the Policy and Procedures Manual."

5. Section 5.6 of the Agreement is deleted in its entirety and the following inserted in lieu thereof:

"5.6 Business Vehicle and Warehouse/Retail Locations.

"a. Franchisee shall use a vehicle (the "Business Vehicle") meeting DDSI specifications, suitable for carrying samples to the customer's home or office; shall maintain the Business Vehicle according to the standards established by DDSI from time to time; and shall make all sales calls in the Business Vehicle. DDSI specifications for the Business Vehicle include the style of decoration by, and placement of, permanent decals or magnetic signs. On request from DDSI, Franchisee shall provide DDSI with a photograph and pertinent specifications of the Business vehicle prior to attendance at PDSS training. A representative of DDSI or Regional Director may inspect Franchisee's Business Vehicle during normal business hours.

"b. The License granted by this Agreement contemplates that Franchisee shall operate a primarily home-based, mobile, shop-at-home or shop-at-the-office business utilizing the Business Vehicle. Franchisee may, by written notice to DDSI but without further approval from DDSI, utilize an office and/or warehouse location provided that it is not designed for use or actually used as a retail location. Any such office and/or warehouse location may not display any signage that is visible to any public thoroughfare, may not be open to the general public, and must be located within ten (10) miles from the Designated Location (unless DDSI consents in writing to the office/warehouse being located more than ten (10) miles from the Designated Location; and DDSI shall have the right to terminate such consent upon 90 days notice). DDSI shall have the opportunity to approve in advance and in its sole determination any signs appearing on the exterior of the office/warehouse location. Franchisee shall not operate a fixed retail location for the sale of DECORATING DEN INTERIORS Products and Services, whether inside or outside of the ten (10) miles distance from the Designated Location.

6. All references to "ColorVan vehicle" in the Agreement are hereby deleted and the phrase "Business Vehicle" inserted in lieu thereof.

7. Section 5.11 of the Franchise Agreement is hereby deleted in its entirety and the following inserted in lieu thereof:

“Notwithstanding anything to the contrary, Franchisee must purchase all products offered or sold to its customers only from suppliers approved by DDSI (each, an “Approved Supplier”). DDSI reserves the right to increase or decrease the number of Approved Suppliers, and to designate itself or any of its affiliates as an Approved Supplier. If DDSI ceases to designate a particular supplier as an Approved Supplier, Franchisee will thereupon cease to purchase or resell any products from such supplier.”

8. Section 8.3.b(vi) of the Agreement is hereby deleted in its entirety and the following inserted in lieu thereof:

“vi. Except as set forth in Section 8.4, Franchisee or the transferee shall pay DDSI or Regional Director a transfer fee of Five Thousand Dollars (\$5,000) to defray expenses incurred by DDSI and Regional Director in connection with the training provided to the transferee, and the transfer and administrative costs of the transfer; and, in addition, Franchisee shall pay DDSI or Regional Director a Resale Assistance Fee of Five Thousand Dollars (\$5,000) to defray expenses incurred by DDSI and Regional Director in connection with promotion, advertising, and sales representation by a DDSI franchise sales person in connection with the transfer; provided that DDSI shall waive the Resale Assistance Fee where Franchisee undertakes its own advertising and sales representation, and develops its own prospective transferees in relation to the transfer;”

9. Conversion Option. Within the first 2 years after the signing of the Agreement, provided that it is then in good standing, Franchisee may at its option convert to the full product line Decorating Den Interiors franchise and commence selling the full product line of Decorating Den Interiors Product and Services by doing the following:

a. Giving DDSI and Regional Director (if applicable) prior written notice of its intent to convert to the full product line franchise;

b. Paying DDSI and Regional Director (if applicable) the difference between the Initial Franchise Fee paid at the time of signing this Agreement and Window Treatment Specialist Option Rider and the Initial Franchise Fee then being charged for the full product line Decorating Den Interiors franchise;

c. Attending and completing that portion of PDSS that covers the products and services other than Window Treatments. If you have additional persons attend that portion of PDSS with you, you will pay a fee of \$500/person for the additional PDSS training;

d. Acquiring a ColorVan® vehicle and providing DDSI with a photograph of the ColorVan® vehicle and such other information concerning the vehicle as DDSI may reasonably require;

e. Signing an amendment cancelling this WTS Option Rider in form acceptable to DDSI; and

f. Signing a release of any and all claims under the Agreement and the WTS Option Rider prior to the date of signature. The general release required to convert to a full product line franchise shall not apply to any liability under any applicable franchise law.

10. The provisions of this Rider shall amend and be deemed to be an integral part of the Agreement.

In Witness Whereof, the parties have signed this Rider on the dates set forth below:

DECORATING DEN SYSTEMS, INC.

REGIONAL DIRECTOR (if applicable)

By: _____
James S. Bugg, Jr.
President & CEO
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

FRANCHISEE:

Name: _____
Date: _____

Name: _____
Date: _____



CERTIFICATION AND GUARANTY

The undersigned hereby certify that _____ ("Franchisee") is a corporation, limited partnership, limited liability company or partnership duly organized, validly existing and in good standing under the laws of the State of _____. Franchisee has executed and desires to enter into a Decorating Den Systems, Inc. Franchise Agreement, dated _____ (the "Franchise Agreement"). The person who signed the Franchise Agreement is a duly elected officer, member or partner of Franchisee with full power and authority to execute and deliver the Franchise Agreement on behalf of Franchisee.

The undersigned hereby represent and warrant that they are (i) the holders of all of the issued and outstanding capital stock of the Franchisee, or (ii) the holders of all of the limited partnership interest or limited liability company interest of the Franchisee, or (iii) the owners of all of the partnership interests in, the Franchisee.

The names, addresses and percentage ownership of the shareholders, members or partners are as follows:

Name	Address	Percentage Interest

In consideration of, and as an inducement to, Decorating Den Systems, Inc. ("DDSI") and Regional Director (if applicable) entering into the Franchise Agreement, the undersigned hereby, jointly and severally, (1) irrevocably and unconditionally guaranty the full and timely performance by the Franchisee of each and every payment, covenant, obligation, agreement, undertaking and duty of the Franchisee under the terms of the Franchise Agreement, (2) authorize DDSI and the Regional Director to renew, amend and otherwise deal with the Franchise Agreement and Franchisee without notice to the undersigned, (3) waive any right to require DDSI and the Regional Director to proceed against or exhaust any remedy against Franchisee, and agree that DDSI and the Regional Director shall have the right to proceed directly against the undersigned under this Guaranty, and (4) waives all notices whatsoever, including without limitation those provided for under the Uniform Commercial Code. DDSI and Regional Director shall have the right to assign this Guaranty and the Franchise Agreement without the consent of or notice to the undersigned. DDSI and the Regional Director shall be entitled to receive from the undersigned all costs and expenses, including reasonable attorneys fees, incurred to enforce its rights and pursue its remedies under this Guaranty.

This Guaranty shall be binding upon and inure to the benefit of the undersigned, the Regional Director and DDSI and their respective heirs, administrators, successors and assigns.

DATED this _____ day of _____, 20_____.

Individually

Individually

Individually

Individually



Franchise Number: _____

Authorization Agreement For Automatic Payment

I, _____, hereby authorize (1) Decorating Den Systems, Inc., (“**DDSI**”) to initiate debit entries to my Checking [] or Savings [] account indicated below, and (2) the depository named below, (“**Depository**”) to debit the same such account.

Amount: (1) Service Fees, National Marketing Fund and any other fees or payments owed by me pursuant to my Franchise Agreement with DDSI; and (2) Payments owed by me pursuant to any current or future Promissory Note(s) in favor of DDSI to evidence moneys owing under my Franchise Agreement. **Debit Date:** (1) Seven (7) business days after the applicable Cut-off Date (i.e., the 15th day and Last Day of each month; and (2) the date(s) indicated in any such Promissory Note(s).

Bank Name: _____

_____ City State

Banking Transit/ABA No.: _____
(always nine digits)

Account No.: _____

ATTACH TO THIS FORM A VOIDED CHECK IF CHECKING ACCOUNT DEBIT OR A SAVINGS DEPOSIT TICKET IF SAVINGS ACCOUNT DEBIT. *(Please note: Savings deposit ticket may not include DEPOSITORY bank’s transit/ABA number.)*

This authorization is to remain in full force and effect until DDSI has received written notification from me of its termination in such time and in such manner as to afford DDSI a reasonable opportunity to act on it.

Authorized Signature for Above Account Printed Name Date

Authorized Signature for Above Account (If second signature is required) Printed Name Date

PROMISSORY NOTE

\$15,000.00

FOR VALUE RECEIVED, the undersigned, jointly and severally, ("Borrower" or "Maker") promises to pay to the order of Decorating Den Systems, Inc., a Missouri corporation, ("DDSI") at 8659 Commerce Drive, Easton MD 21601 or any other such place or address as DDSI or any other holder of the Note hereafter may designate, the principal amount of FIFTEEN THOUSAND and 00/100 Dollars (\$15,000.00) together with interest at the rate of nine percent (9%) per annum. This is the Promissory Note as defined in a Decorating Den Interiors Franchise Agreement (the "Franchise Agreement") of even date herewith.

This Note is payable as follows:

Interest begins to accrue on the first day of the first full calendar month following the date when Borrower completes PDSS. Principal, accrued interest and interest shall be paid in forty-eight (48) equal monthly installments of \$373.28 each on the first day of each month, commencing the first day of the second (2nd) full calendar month after Borrower's completion of PDSS, and continuing until all principal and interest shall have been paid in full.

At DDSI's request, installment payments on the Promissory Note will be made by a direct debit of Borrower's bank account for such amounts on the due date, utilizing the Automated Clearing House (ACH) or other automatic bank payment function. All bank charges for such electronic direct debit shall be borne by Borrower. Borrower shall concurrently with the execution of this Note, and from time to time thereafter upon request by DDSI, execute an appropriate authorization agreement for automatic payment to permit a bank designated by DDSI to initiate debit entries to, and to debit, the bank account designated by Borrower.

1. If any payment due under this Note remains in default for more than ten (10) days after the due date or in the event of a termination of the Franchise Agreement, the holder of this Note may declare the entire balance of principal and interest immediately due and payable. A breach of Borrower's obligations hereunder shall be deemed to be and is a breach of Borrower's obligations under the Franchise Agreement.

2. Maker may prepay this Note at any time, in whole or in part, without penalty.

3. The Maker and all endorsers, sureties, and guarantors of this Note, jointly and severally: (a) waive presentment, demand for payment, notice of dishonor, and all other notices and demands in connection with the delivery, acceptance, performance, default, endorsement, or guaranty of this Note; (b) consent that the time of payment may be extended from time to time and on any terms and conditions without notice to any of us; (c) agree that additional co-makers, guarantors, and sureties may become parties to this Note without notice to any of us; and (d) waive any and all benefits of homestead exemptions and all other exemptions to which we may be or become entitled under present or future law.

4. If a required payment is not made within 10 days of the due date, the undersigned shall pay in addition to the regular installment a late charge in the amount of \$50.00. The undersigned agrees to pay, in addition to the unpaid principal and interest of this Note, all collection costs, including reasonable attorneys fees, that may be incurred by the holder of this Note in enforcing its rights under this Note. No delay or omission on the part of the holder in the exercise of any right or remedy shall operate as a waiver thereof, or as a novation, and no single or partial exercise by the holder of any right or remedy shall preclude other or further exercises thereof, or of any other right or remedy.

6. The holder of this Note shall also be entitled, at its discretion and from time to time, to bring any action, suit, or proceeding touching or concerning this Note against all makers, endorsers, and guarantors in any state where a maker, endorser, guarantor, payee, or holder resides or has a place of business. To the maximum extent permitted by law the defendants in any such action, suit, or proceeding shall not interpose any counterclaim of any kind and jointly and severally waive any right to trial by jury.

7. This Note is to be governed by and construed in accordance with the laws of the State of Maryland. In any action brought under or arising out of this Note, the undersigned hereby consents to the *in personam* jurisdiction of any Federal or state court in the State of Maryland, waives any claim or defense that such forum is not convenient or proper, and consents to service of process by any means authorized by Maryland law. The debt evidenced by this Note has been incurred for business and commercial purposes and in connection with the operation of a business enterprise.

Executed and delivered by the undersigned this ____ day of _____, 20__.

[Signature]

[Printed Name]

RELEASE

(Voluntary Termination)

THIS RELEASE is made by and among the undersigned **Decorating Den Interiors Franchise Owner(s)** (if more than one person, jointly and severally, "Franchise Owner"), **Decorating Den Systems, Inc.**, a Missouri corporation ("DDSI") and the **Regional Director, Master Licensee, or Regional Manager** identified below, if any.

Franchise Owner is a party to a Decorating Den Interiors Franchise Agreement (the "Franchise Agreement"), and has requested the consent of DDSI and Regional Director or Master Licensee to a voluntary termination of the franchise in accordance with the applicable provisions of the Franchise Agreement. By execution below Franchise Owner represents and warrants that Franchise Owner has complied with all material provisions of the Franchise Agreement, including without limitation reporting and payment Gross Sales and NMF.

NOW, THEREFORE, CONSIDERATION of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged

- The parties hereby agree that the Franchise Agreement is terminated effective as of the date hereof by voluntary, mutual agreement.
- Franchise Owner, individually and on behalf of his, her or their heirs, administrators, successors and assigns, irrevocably releases and forever discharges DDSI and Regional Director/Regional Manager/Master Licensee, and each of them, and their respective shareholders, directors, officers, employees, agents, successors and assigns, of and from any and all claims, demands, causes of action, damages, costs, expenses, attorneys fees and obligations of any nature whatsoever, known or unknown, in law or in equity, which they ever had, now have or may hereafter have arising out of or in any way connected with any matters or events occurring on or before the date of this Release, including without limitation the Franchise Agreement and the franchise relationship among the parties.
- DDSI and Regional Director/Regional Manager/Master Licensee, and each of them, irrevocably releases and forever discharges Franchise Owner, individually and on behalf of his, her or their heirs, administrators, successors and assigns, of and from any and all claims, demands, causes of action, damages, costs, expenses, attorneys fees and obligations of any nature whatsoever, known or unknown, in law or in equity, which they ever had, now have or may hereafter have arising out of or in any way connected with any matters or events occurring on or before the date of this Release, including without limitation the Franchise Agreement and the franchise relationship among the parties, **EXCEPT** (i) Section 6 (Covenants – Confidential Information and Covenant Not To Compete), (ii) Section 10 (Rights and



Duties of Parties Upon Expiration, Termination or Non-Renewal), and (iii) Section 12 (Mediation and Arbitration).

This Release shall be governed and construed in accordance with the laws of the State of Maryland.

THE FRANCHISE OWNER(S) REPRESENTS AND AGREES THAT SHE, HE OR THEY HAS (OR HAVE EACH) CAREFULLY READ THIS RELEASE AND KNOWS AND UNDERSTANDS THE CONTENTS OF IT, AND HAS OR HAVE FREELY EXECUTED IT.

DATED this _____ day of _____, 20__.

Franchise Owner Signature

Franchise Owner Signature

Franchise Owner Print Name

Franchise Owner Print Name

Regional Director, Master Licensee or Regional Manager

Print Name

By: _____
Signature

Decorating Den Systems, Inc.

By: _____
Name:
Title:

RELEASE

(Conversion from WTS Option to Full Product Line Franchise)

THIS RELEASE is made by and among the undersigned **Decorating Den Interiors Franchise Owner(s)** (if more than one person, jointly and severally, "Franchise Owner"), **Decorating Den Systems, Inc.**, a Missouri corporation ("DDSI") and the **Regional Director, Master Licensee, or Regional Manager** identified below, if any.

Franchise Owner is a party to a Decorating Den Interiors Franchise Agreement (the "Franchise Agreement"), and has requested the consent of DDSI and Regional Director, Regional Manager or Master Licensee to convert from the Window Treatment Specialist ("WTS") Option to the full product line franchise in accordance with the applicable provisions of the Franchise Agreement. By execution below Franchise Owner represents and warrants that Franchise Owner has complied with all material provisions of the Franchise Agreement, including without limitation reporting and payment Gross Sales and NMF.

NOW, THEREFORE, CONSIDERATION of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged

- The parties hereby agree that the WTS Rider (but not the remaining provisions of the Franchise Agreement) is terminated effective as of the date hereof by voluntary, mutual agreement, and that such remaining provisions will continue unaffected by this Release.
- Franchise Owner, individually and on behalf of his, her or their heirs, administrators, successors and assigns, irrevocably releases and forever discharges DDSI and Regional Director/Regional Manager/Master Licensee, and each of them, and their respective shareholders, directors, officers, employees, agents, successors and assigns, of and from any and all claims, demands, causes of action, damages, costs, expenses, attorneys fees and obligations of any nature whatsoever, known or unknown, in law or in equity, which they ever had, now have or may hereafter have arising out of or in any way connected with any matters or events occurring on or before the date of this Release.
- DDSI and Regional Director/Regional Manager/Master Licensee, and each of them, irrevocably releases and forever discharges Franchise Owner, individually and on behalf of his, her or their heirs, administrators, successors and assigns, of and from any and all claims, demands, causes of action, damages, costs, expenses, attorneys fees and obligations of any nature whatsoever, known or unknown, in law or in equity, which they ever had, now have or may hereafter have arising out of or in any way connected with any matters or events occurring on or before the date of this Release.



This Release shall be governed and construed in accordance with the laws of the State of Maryland, without reference to its conflict of laws provisions.

THE FRANCHISE OWNER(S) REPRESENTS AND AGREES THAT SHE, HE OR THEY HAS (OR HAVE EACH) CAREFULLY READ THIS RELEASE AND KNOWS AND UNDERSTANDS THE CONTENTS OF IT, AND HAS OR HAVE FREELY EXECUTED IT.

DATED this _____ day of _____, 20____.

Franchise Owner Signature

Franchise Owner Signature

Franchise Owner Print Name

Franchise Owner Print Name

***Regional Director, Master Licensee or
Regional Manager***

Print Name

By: _____
Signature

Decorating Den Systems, Inc.

By: _____
Name:
Title:



DECORATING DEN SYSTEMS, INC.

**EXHIBIT F
STATE AMENDMENTS**

CALIFORNIA

CALIFORNIA SUPPLEMENT

Except as described in Item 3 in the FDD, neither DDSI, nor any franchise brokers or anyone else identified in Item II of this franchise disclosure document:

- A. Has any administrative, criminal, or material civil action (or a significant number of civil actions irrespective of materiality) pending against them alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.
- B. Has during the 10 year period immediately preceding the date of this disclosure document been convicted of a felony or pleaded *nolo contendere* to a felony charge or been held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceedings where such felony, civil action, complaint or other legal proceeding involved violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property or comparable allegations.
- C. Is subject to any currently effective injunctive or restrictive order or decree relating to the franchise or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of a concluded or pending action or proceeding brought by a public agency except for the following.
- D. 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. 78 et seq., suspending or expelling such persons from membership in such association or exchange.

Item 5, Initial Fees. For all franchises offered in the State of California, the initial franchise fee will be deferred and become due upon completion of PDSS training when you have received the materials and services necessary to begin operation of the Decorating Den Interiors franchised business, and you are deemed open for business. This deferral pertains to all fees received by the Franchisor, and does not include payment for the purchase of samples or other products from third-party suppliers where funds may be collected by the Franchisor as a pass-through for payment to third party vendors.

The California Department of Corporations has requested that Item 6, Other Fees, Late Fee and Auditing, Note 3 be amended to say that interest will not exceed the highest amount allowed by law.

Section 31125 of the Corporations Code requires DDSI to give you a disclosure document approved by the Commissioner of Corporations before we ask you to agree to a material modification of an existing franchise.

California Business and Professions Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

i. 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.).

ii. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

iii. The franchise agreement requires binding arbitration. The arbitration will occur at the AAA's Washington, D.C. offices with each party responsible for their own filing fees, attorney's fees, and their share of AAA administrative fees, provided that the arbitrator may allocate any such amounts in the award, such that the prevailing party may be entitled to compensation for its attorneys' fees, court costs and other reasonable expenses by both parties. This provision may not be enforceable under California law.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professional Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

iv. The franchise agreement requires application of the laws of the state of Maryland. This provision may not be enforceable under California law.

The franchise agreement requires the franchisee to execute a general release upon renewal or transfer of the franchise agreement. Under Section 31512 of the California Code, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive any provision of that law or any rule or order thereunder is void.

The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of franchise be delivered together with the disclosure document.

DDSI will comply with all appropriate laws governing any direct financing offered by us to you including, if applicable, the California Finance Lenders Law.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT www.corp.ca.gov.



DECORATING DEN SYSTEMS, INC.

EXHIBIT G
TABLE OF CONTENTS OF THE PDSS TRAINING MANUAL AND
THE FRANCHISEE POLICY AND PROCEDURE MANUAL

PROFESSIONAL DESIGN AND SALES SCHOOL

TWO WEEK CLASS CONTENT

TEXTILES

21 Pages

Understanding Fibers
Vocabulary
Fibers
- Natural
- Synthetic
Weaves
Printing Techniques
How Fabric is Produced
Fabric Suppliers and Workrooms
Window Covering Fabric and Applications
Trim and Fringe

ADVERTISING AND CLIENT DEVELOPMENT

213 Pages*

1. **OVERVIEW**
Our History
Our Mission, Goals and Code of Ethics
Our Business Concept
The Decorating Den Story
2. **PUBLIC RELATIONS**
Monthly Marketing Promotional Materials
What They Are and How to Use Them
3. **RELATIONSHIP BUILDING**
Telephone Calls
Networking
Growing Your Business with Workshops
Referrals
Circle of Influence
4. **INTERNET**
Email Newsletter
Social Media
5. **PRINT**
Direct Mail Advertising

Print Media Advertising

SALES

31 Pages*

Successful Sales Person

Working with Different Personalities

Appointment Information Form

The 8 1/2 Steps Sales Call

- Leaving the ColorVan/Business Vehicle
- At the Doorway
- Entering the Home
- The Home Tour
- "Setting Up" The Appointment
- Our DDI Story (Portfolio)
- Identifying the Client's Needs
- Design Presentation
- Obtaining the Agreement

WINDOW TREATMENTS

111 Pages*

Basics and Terminology

Components of A Drapery

Drapery Hardware

Installation

Window Measurement

Drapery Dimensions

Drapery Worksheets/Exercises

Computing Fullness

Computing Cut Length

Pricing Draperies

- * Worksheets
- * Chart Method of Pricing
- * C.O.M.

Top Treatments

- * Valances
- * Cornices
- * Swags

Soft Shades

Rules of Thumb

Homework Problems

Role Play

- * Needs Assessment
- * Selecting the Fabric

- * Pricing
- * Selling

BEDDING PRODUCTS

15 Pages

Terminology
 Measuring
 Bedding Accessories
 Pricing Exercises

FURNITURE

55 Pages

1. UPHOLSTERED FURNITURE

Terminology
 Selecting Upholstered Furniture
 Floor Plans
 Pricing
 Selling

2. CASEGOODS

Terminology
 Workmanship
 Wood Finishing
 Pricing
 Selling
 Shipping and Delivery

3. ROLE PLAY

- * Needs Assessment
- * Selecting Furniture
- * Pricing
- * Selling

FLOOR COVERING

36 Pages

Terminology
 Carpet Construction
 Pad and Installation
 Ways to Choose Carpet
 Selling Carpet
 Measuring
 Area Rugs
 Floor Covering Exercises

WALL COVERING

21 Pages

Terminology
Categories
Selling Tips
Wallpaper Books
Measuring for Wallcovering
Pricing
Installation

DESIGN BASICS

13 Pages

Elements and Principles
Color
Mixing Prints

HARD WINDOW TREATMENTS

18 Pages*

Types of Shades
Selling Hard Window Treatments
Pricing Exercises

MERCHANDISING

7 Pages*

Preferred Suppliers
Merchandising Update Summary on DecoNet
Personal Use Coupon Program
Supplier Promo Offers and Product Listings
Preferred Supplier Handbook
Merchandising Tools

BUSINESS OPERATIONS

Full Product Franchisees: 66 Pages

WTS Franchisees: 64 Pages*

- BUSINESS FORMS**
 - The Appointment Information Form*
 - Leads and Appointments Register*
 - Product Sales Summary*
 - Eyeball Estimating*
 - Lifestyle Interior Planner
 - Product Worksheet and Job Tracking Sheet
 - Drapery Worksheet*
 - Invoice/Sales Agreement*
 - Client Contact Log*

- 2. Business Analysis Sheet*
WORKFLOW
The Initial Telephone Call*
Prior to the Appointment*
Going On the Appointment*
Returning From the Appointment*
As Products are Received*
When All Products are Received*
Close Out Paperwork*
- 3. **OFFICE ORGANIZATION**
Desk*
File Cabinet*
Binders*
- 4. **FINANCIAL MANAGEMENT**
Financial Management System*
Cash Basis Accounting Journal*
Breakeven Analysis*
Monthly Profit Estimate*
How to Validate the System*
How to Use the Financial Recordkeeping Section*
Using QuickBooks Pro*
- 5. **PRICING**
Retail and Wholesale Conversion*
Profit Margins*

Total Pages for Full Product Franchisees: 607
Total Pages for WTS Franchisees: 444



TABLE OF CONTENTS

A Message from the President 4

Our Mission 6

Our Goals 6

Our Code of Ethics 6

Introduction 7

Owning a Franchise 7

The Decorating Den Interiors System 7

What You Can Expect From DDSI 9

What DDSI Will Expect From You 9

The Policy and Procedure Manual 10

Training 11

Instructors 11

Structure of Training 11

The Executive Franchise Program 11

The Franchise Owner Association and The Leadership Council (“TLC”) 12

Sales Reporting; Payment of Service Fees and NMF 12

Sales Reporting Procedures - DecoNet 12

Payment of Service Fees and NMF 13

“Gross Sales” 14

Sales Producers Dividend Plan (“SPDP”) 14

Reduced Service Fees 15

Competitive Bid Contracts 15

Model Homes 15

Charitable Organizations 15

Maximum Allowable Reduction 15

Personal Purchases 15

Service Fee Cap 16

Business Standards and Practices 16

Complimentary Initial Consultation 16

Separate Design Fees 17

Guidelines on Retainers and Design Fees 17

Additional Product Sales Guidelines 18

Telephone 18

Business Materials 19

Personal Appearance and Standards of Behavior 19

Personal Appearance 19

Standards of Behavior for Appointments and Customer Contacts 19

Follow-Up.....	20
Installers and Deliveries.....	20
Using Decorators.....	21
General.....	21
Decorators Transferring Between Franchises.....	21
Samples.....	22
Customer Service and Awareness Standards.....	22
Non-Discrimination.....	22
Professional Titles.....	22
Design Concept.....	23
Customer Complaints.....	23
Leads and Customer Lists.....	23
Public Relations.....	24
Sales Agreement; Guarantee.....	24
Sales Agreement.....	24
Guarantee.....	24
FTC “Cooling Off” Period.....	24
Retail Pricing.....	24
ColorVan® Vehicle.....	24
ColorVan® Vehicle Specifications.....	25
Decals.....	25
Magnetic Signs.....	26
Color and Paint.....	26
Shelving and Interior Packages.....	26
SAFETY!! – SAFETY!! – SAFETY!!.....	26
Minivans and SUV’s.....	26
Photos of Your ColorVan® Vehicle.....	27
<i>Business Vehicle.....</i>	<i>27</i>
Communications - DecoNet.....	28
Preferred Suppliers and Products.....	29
National Marketing Fund.....	29
Standard Forms and Filing Requirements.....	29
Marketing and Advertising; Co-ops; Leads.....	29
Use of National Marketing Programs.....	30
Cooperative Advertising.....	30
Central Telephone.....	31
Central Telephone Co-op.....	31
Mass Media Advertising – For Franchisees who elect to retain his/her	
Closed Territory.....	32
Mass Media Advertising – For Franchisees who have an Open Territory.....	33



Mass Media Advertising - Closed or Open Territories.....	33
Lead Distribution Process.....	34
Lead Distribution Policy and Procedures.....	34
Customer Preference.....	34
Territory Owned by a Franchise Owner.....	34
Rotation in Unassigned Territory/Open Territory.....	34
Mutual Agreement of Franchise Owners.....	34
Lead Distribution Eligibility.....	34
Territory Procedures – Closed Territories.....	35
Territory Procedures – Open Territories.....	35
Territory Rights Infringement Procedures.....	38
First Offense.....	39
Second Offense.....	39
Curing the Default.....	39
Use of the Internet; DecoratingDen.com and Other Web Sites.....	39
Use of the Internet.....	39
DecoratingDen.com and Other Web Sites.....	40
Trademarks and Trade Names.....	42
Consistent Applications.....	42
Trademark Definition.....	42
Trade Names.....	43
Examples of Correct and Not Acceptable Trade Names.....	44
Other Unacceptable Trade Names.....	44
Policies.....	44
Preferred Supplier Accounts.....	44
Advertising and Promotional Literature.....	44
Credit Cards.....	44
Insurance.....	45
Business Insurance.....	45
Franchise Owner Status Changes.....	45
Franchise Assignments and Transfers.....	45
Referral Policy.....	46
“Free” Franchise.....	46
Special Senior Franchise Owner Policy and Procedures.....	46
<i>Provisions Applicable only to Franchise Owners who elect the Window Treatment Specialist Option.</i>	46



DECORATING DEN SYSTEMS, INC.

EXHIBIT H

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

State Authorities/Agents for Service of Process

STATE	STATE AUTHORITY	AGENT FOR SERVICE OF PROCESS
California	California Department of Corporations 320 West 4 th Street, Suite 750 Los Angeles, California 90013 (213) 576-7500	The Commissioner of Corporations Department of Corporations 320 West 4 th Street, Suite 750 Los Angeles, California 90013
Hawaii	Department of Commerce and Consumer Affairs, Business Registration Department P.O. Box 40 Honolulu, Hawaii 96810	Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, Hawaii 96813
Illinois	Franchise Division Office of the Attorney General 500 South Second Street Springfield, Illinois 62706	Attorney General Office of the Attorney General 500 South Second Street Springfield, Illinois 62706
Indiana	Securities Commissioner Indiana Securities Division Room E 111 302 West Washington Street Indianapolis, Indiana 46204	Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202	The Commissioner of Securities Office of the Attorney General 200 St. Paul Place Baltimore, Maryland 21202
Michigan	Antitrust and Franchise Unit Department of the Attorney General 670 Law Building Lansing, Michigan 48913	
Minnesota	The Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101-2198	The Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, Minnesota 55101-2198
New York	New York State Department of Law Bureau of Investor Protection and Securities 120 Broadway, 23 rd Floor New York, New York 20171	The Secretary of State of New York 41 State Street Albany, New York 11231
North Dakota	The Commissioner of Securities ND Office of Securities Commissioner Fifth Floor, 600 East Boulevard Bismarck, North Dakota 58505	Securities Commissioner Office of the Securities Commissioner Fifth Floor, 600 East Boulevard Bismarck, North Dakota 58505
Rhode Island	Rhode Island Division of Securities 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, Rhode Island 02920	Director, Department of Business Regulation 1511 Pontiac Avenue John O. Pastore Complex – Building 69-1 Cranston, Rhode Island 02920
South Dakota	South Dakota Division of Securities 445 East Capitol Pierre, South Dakota 57501	Director of the Division of Securities 445 East Capitol Pierre, South Dakota 57501
Virginia	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, Virginia 23219	Clerk, Virginia State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, Washington 98504-1200	Director of Financial Institutions Securities Division P.O. Box 41200 Olympia, Washington 98504-1200
Wisconsin	Department of Financial Institutions Securities Division P.O. Box 1768 Madison, Wisconsin 53701-1768	Administrator, Division of Securities Department of Financial Institutions P.O. Box 1768 Madison, Wisconsin 53701-1768



DECORATING DEN SYSTEMS, INC.
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT I

RECEIPTS

RECEIPT
(Our Copy)

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 Decorating Den Systems, Inc. offers you a franchise, we 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.

If Decorating Den Systems, Inc. or the Regional Director 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, D.C. 20580 and the appropriate state agency identified on Exhibit H.

The name, principal business address and telephone number of each franchise seller offering the franchise:
_____; and
_____.

Issuance Date: March 30, 2012 (amended July 15, 2012)

See Exhibit H for our registered agents authorized to receive service of process.

I have received a disclosure document dated March 30, 2012 (amended July 15, 2012) that includes the following Exhibits:

- | | |
|-----------|---|
| EXHIBIT A | FIELD MANAGERS |
| EXHIBIT B | LIST OF FRANCHISE OWNERS |
| EXHIBIT C | LIST OF FORMER FRANCHISE OWNERS |
| EXHIBIT D | FINANCIAL STATEMENTS OF DDSI |
| EXHIBIT E | DDSI FRANCHISE AGREEMENT, PROMISSORY NOTE, RELEASE |
| EXHIBIT F | STATE AMENDMENTS |
| EXHIBIT G | TABLE OF CONTENTS OF THE PDSS TRAINING MANUAL AND THE
FRANCHISEE POLICY AND PROCEDURE MANUAL |
| EXHIBIT H | LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS |
| EXHIBIT I | RECEIPTS |

Date

Signature

Printed Name

Date

Signature

Printed Name

Please sign this copy of the receipt, date your signature, and return it to Franchise Administration,
Decorating Den Systems, Inc., 8659 Commerce Drive, Easton MD 21601.

CALIFORNIA

Registration Effective April 30, 2012 (amended July 19, 2012)

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_____ Date	_____ Signature	_____ Printed Name
_____ Date	_____ Signature	_____ Printed Name

KEEP THIS COPY FOR YOUR RECORDS.

CALIFORNIA
Registration Effective April 30, 2012 (amended July 19, 2012)