

ITEM 1

THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

THE COMPANY

Decorating Den Systems, Inc., a Missouri corporation, is the franchisor of the "INTERIORS by Decorating Den®" franchise program described in this Offering Circular. The franchisor will be referred to as "DDSI", "we", or "us"; and the person who buys the franchise will be referred to as "you" throughout this Offering Circular. If you are a corporation, limited liability company, partnership or other entity, "you" includes the owners of the entity. We do not do business under any other name. Our headquarters are located at 8659 Commerce Drive, Easton MD 21601; our telephone number is (410) 822-9001.

We are in the business of franchising mobile interior decorating businesses using the "INTERIORS by Decorating Den System." The INTERIORS by Decorating Den System, or the "System," features programs and methods for the retail marketing and sale of: custom draperies, drapery hardware, decorative shades and other window treatments; fabric; furniture; accessories; wallpaper; carpet and rugs; other home furnishing merchandise; interior decorating services; installation services; and labor. These products and services are referred to collectively as the "INTERIORS by Decorating Den Products and Services". The franchised business operates under the "INTERIORS by Decorating Den" trademarks (the "Marks"), as described in Item 13.

DECORATING DEN SYSTEMS, INC.'S HISTORY

DDSI, organized under Missouri law in 1969, operated under the name "International Drapery Fashions, Inc." until December 22, 1971, when its name was changed to "American Drapery Consultants, Inc." In March 1970, DDSI began franchising a custom drapery business offered under the name of "Aero Drapery". DDSI began offering Decorating Den franchises in the spring of 1974, primarily to those persons who were already experienced as Aero Drapery franchise owners. On March 15, 1978, the company changed its name to Decorating Den Systems, Inc., and we do not do business under any other name.

DDSI does not operate, and has never operated, company-owned retail outlets. 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 THE INTERIORS BY DECORATING DEN SYSTEM AND THE FRANCHISE OFFERED

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; wallpaper; carpet and rugs; other home furnishing merchandise; interior decorating services; installation services; and labor. Retail sales are made by Franchisees, their trained employees or third party contractors, who serve the customer in the customer's home or office on an appointment basis. The System features a *ColorVan*® -- 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 or office. The *ColorVan*® vehicle displays the Marks, including the room icon, 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. There are no federal regulations specific to the industry in which you will operate, but several states regulate some categories of home installation services. You should make further inquiries regarding state laws that may apply to your business and laws that apply generally to all businesses.

An INTERIORS by Decorating Den franchised business is highly specialized and thus requires on-going training. We offer training in all aspects of the System, as described in more detail in Item 11 of this Offering Circular. The franchised business does 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 or office using a *ColorVan*® vehicle to transport the selection of samples and catalogs. Therefore, a retail location is typically not required.

The market for the services of an INTERIORS by Decorating Den 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 furnishings services. The System offers the unique competitive advantage to you of bringing samples and catalogs directly to the customer's home or office.

We offer one primary type of franchise -- the INTERIORS by Decorating Den Franchise. The Franchise includes the exclusive right to market your business in a specific territory ("Territory"), typically one or more Zip Codes. Your specific Territory will be identified in your Franchise Agreement.

We also offer through a separate offering circular a second type of franchise known as District Developer. Only experienced INTERIORS by Decorating Den Franchisees qualify for this Franchise.

INTERIORS BY DECORATING DEN FIELD MANAGERS

We have organized the country into a number of geographic regions and districts, which do not overlap. We have appointed Regional Directors in some of these regions, Regional Managers in some other regions, and District Developers in the districts. We refer to all three of these personnel classifications collectively as "Field Managers."

In a number of the regions we have licensed Regional Directors to offer and sell INTERIORS by Decorating Den franchises and to provide certain services to all franchisees located in the Region. The services provided include assistance with start-up, education and training, management and other business assistance, and collection of payments. 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, the Franchise Agreement will be executed by you and us.

In some regions we have licensed Regional Managers or District Developers to provide start-up, education and training, and management 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.

In this Offering Circular, where we refer to the "Field Manager" performing services, the reference encompasses Regional Directors, Regional Managers and District Developers, whereas a reference to "Regional Director" refers specifically to that office.

If we have appointed a Regional Director, a Regional Manager, or a District Developer for the area that includes your Territory, you will find additional disclosure information about that Field Manager at Exhibit A.

ITEM 2

BUSINESS EXPERIENCE

Chairman of the Board and Director of International Division: JAMES S. BUGG

Mr. Bugg has served as Chairman of Decorating Den Systems, Inc. and Director of DDSI's International Operations since September, 1994. From 1985 to the present he has served as a member of the Board of Directors; from 1985 until September 1994, Mr. Bugg served as DDSI President and Chief Operating Officer. He currently serves as Chairman of the Yellow Ribbon Fund, Inc., a non-profit, charitable organization committed to organizing community support for our injured service men and women. Mr. Bugg is also a past Chairman of the International Franchise Association.

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. In late May 1985, Mrs. Bugg incorporated Decorating Systems-National Capitol, Inc, an INTERIORS by Decorating Den Region, of which she is the president. Mrs. Bugg is an accomplished author and lecturer. Her books include *Divine Design*, a tribute to DDSI's 25th Anniversary, and *Smart & Simple Decorating*, published by Time/LIFE Inc. in 1999, and *Creating Great Guestrooms*, published in 2005. She has lectured at the Smithsonian and taught decorating classes for Mount Vernon College and Montgomery Wards. Mrs. Bugg received her formal training at the International Institute of Interior Design in Washington, D.C. and the Parsons School of Design in Paris.

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

Before joining DDSI, Mr. Bugg was the regional marketing director for Decorating Den National Capitol Region from October 1984 to November 1986. Mr. Bugg joined DDSI as Assistant Franchise Director in November 1986. In 1989, Mr. Bugg was promoted to Vice President of Franchise Sales. He was promoted to Vice President of Operations on November 1, 1991. In July of 1993 he was promoted to Executive Vice President and Chief Operating Officer. On September 1, 1994, Mr. Bugg was promoted to President and Chief Executive Officer of Decorating Den Systems, Inc. Mr. Bugg is also a Director of DDSI. Mr. Bugg holds a B.S. degree from the University of Maryland. In 1993 he completed the "Program for Management Development" at Harvard Business School.

Executive Vice President & Chief Operating Officer: JAMES B. DEERIN, JR.

Before joining DDSI in April of 1998, Mr. Deerin was a Managing Director and General Counsel of JHM Capital Management, an investment management subsidiary of John Hancock Mutual Life Insurance Company from January 1989 until April 1998. He is a graduate of George Washington University Law School and The Citadel.

Chief Financial Officer, Treasurer: BRUCE B. BOWERS

Mr. Bowers joined DDSI in July, 1978 as Chief Financial Officer. Mr. Bowers has also served as the Trustee for the Decorating Den National Marketing Fund Trust and the Decorating Den Merchandising Incentive Fund Trust since their formation in 1984. He received his Masters degree from the University of Illinois and his CPA certificate in 1961. Prior to joining DDSI, he worked as an auditor for the firm Peat, Marwick, Mitchell and as a project manager for Blue Cross – Blue Shield.

Senior Vice President, Retail Operations: JOANNE NORTH

Mrs. North began her career with Decorating Den in 1977. She has been involved in a variety of managerial positions with DDSI at our headquarters office. Managerial positions held by her include: accounting, merchandising and training. In 1980 she purchased an INTERIORS by Decorating Den franchise. In 1985 she became co-owner with Sue Pelley and Regional Director of the Indiana/Illinois region, making it the number one region for 15 years, and she was appointed regional Vice President. In September, 2000 she became DDSI's Vice President of Franchise Services and Support, and since May 1, 2004 she has served as Senior Vice President, Retail Operations.

Vice President, Franchise Development: GARY L. MATTSON

Mr. Mattson joined DDSI as National Marketing Director on August 1, 1998 and was subsequently promoted to Vice President of Franchise Development. From August 1997 to May 1998 he was Vice President of Franchise Licensing for Money Mailer, Inc. in Garden Grove, California. He served as Executive Vice President of General Business Services and E.K. Williams & Co from October 1994 to March 1997 in Waco, Texas.

National Spokesperson: SUE PELLEY

Mrs. Pelley joined Decorating Den in 1974. She has held a variety of positions, including Vice President of Communications, Senior Vice President of Retail Sales and Regional Director in Indiana and Illinois with JoAnne North. In August of 2000 she became the full time National Spokesperson, appearing in design shows on HGTV, speaking at home shows, and conducting design seminars.

Director of Training and Education: DALE S. BRUSS

In October 1988, Mrs. Bruss was named Decorating Den's Divisional Coordinator for the Northeast U.S. In July 1989 she was appointed Training Manager and subsequently, Director of Training and Education in September 1991. Prior to joining DDSI, Mrs. Bruss held account executive positions with Aero Draperies and Carole Fabrics, serving customers in Maryland, Virginia and North Carolina. Earlier in her career, Mrs. Bruss held management positions with retail companies, Minnesota Fabrics and the May Company Department Stores.

Vice President, Program Development: KEVIN V. ATKINSON

Mr. Atkinson joined DDSI in 1986 as a junior accountant. He became an accountant, and then was promoted to Director of Administration in 1990. Mr. Atkinson left DDSI in January, 1995 and from then until December, 1999 was CEO of Atkinson & Webb, Inc., an insurance agency in McLean, VA specializing in insurance for franchise businesses. From December, 1999 to August, 2002 he was employed by Alliances Abroad, Inc. in Washington, D.C. as Senior Director of Sales and Marketing. He rejoined DDSI in August, 2002 as Vice President, Program Development. He is also involved in sales and marketing of INTERIORS by Decorating Den franchises.

Regional Directors/Regional Managers/District Developers

In certain instances, DDSI has appointed Regional Directors, Regional Managers and District Developers who undertake certain responsibilities for services provided to you in their geographical regions, as discussed in Item 1. The principal occupation and business experience during the last five years of the Regional Director, Regional Manager or District Developer for the Region(s) covered by this Offering Circular are set forth in Exhibit A to this Offering Circular.

Franchise Salespersons and Brokers

DDSI or the Regional Director has a number of franchise salespersons and/or brokers registered to sell INTERIORS by Decorating Den franchises. The function of the franchise salesperson or broker is to qualify and screen prospective candidates for the System. The franchise salespersons or brokers, if any, who are authorized to operate in this state are set forth in Exhibit G to this Offering Circular if required.

**ITEM 3
LITIGATION**

1. Pending Litigation and Arbitration Proceedings

a. Pending Legal Proceedings

None.

b. Pending Arbitration Cases

None.

Other than the 7 resolved cases described in Exhibit J, no litigation is required to be disclosed in this Offering Circular.

ITEM 4

BANKRUPTCY

No officer or director of DDSI or its affiliated corporations previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code so as to require disclosure in this Item 4.

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

ITEM 5

INITIAL FRANCHISE FEE

The Initial Franchise Fee for an INTERIORS by Decorating Den Franchise is \$29,900.

DDSI is a member of the International Franchise Association and participates in the IFA's VetFran program. We offer a reduced Initial Franchise Fee of \$26,900 for veterans of the United States armed forces who meet the requirements of the VetFran program. Details about applicant qualifications for this program are available on request.

The Initial Franchise Fee must be paid in full at the time you sign the Franchise Agreement; it 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*

FEE	AMOUNT	WHEN PAYABLE	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	As Arranged	See Note 3
Transfer Fee	\$10,000	At the time of a transfer	Applies only when you sell or transfer your business.
Resale Assistance Fee (Note 4)	\$7,500	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	To cover travel and living expenses

* This table discloses recurring or isolated fees or payments you must pay DDSI or Regional Director, when applicable, during your business relationship with us. The fees described in this item are not refundable.

NOTES:

1/ Service Fees are invoiced on the 15th and last day of each calendar month and remitted to either DDSI or Regional Director as stated in Section 3.4 of the Franchise Agreement. The lesser of 18% per annum or the maximum rate allowed by law is charged on delinquent Service Fees. Service Fees must be paid to DDSI automatically by electronic fund transfer. Service Fees are non-refundable. 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 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. NMF payments must be paid to DDSI automatically by electronic fund transfer. 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 an understatement of 2% or more is discovered or you have failed to report as required, you must repay all underpayments owed at 18% interest per annum from the date such payment was due, and 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-third of this fee, \$2,500, 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 Decorating and Sales School ("PDSS"), to all new Franchisees. You must participate in, and successfully complete, the introductory training program. You are also required to participate in future training as we and/or the Field Manager may require in order 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 us or the Field Manager or for any third party. For more Training information and a PDSS agenda, see Item 11.

ITEM 7

INITIAL INVESTMENT

Expenditures	Estimated Amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Initial Franchise Fee (Note 1)	\$29,900	Upon execution of the Franchise Agreement	Lump Sum	Not Refundable	DDSI or Regional Director
Furniture, Fixtures and Equipment (Note 2)	ColorVan® vehicle leased or financed: \$504 to \$620/mo. with no down payment (initial range for 3 months is \$1,512 to \$1,860) Computer Equipment and Internet Access: approximately \$734 to \$1,152.	Installments, At Purchase As Arranged	As Arranged, Lump Sum As Arranged	Not Refundable	Lessor, Vendor
Opening Inventory of Business Materials (Note 3)	\$500 to \$750	As Arranged	As Arranged	As Arranged	DDSI or Vendor
Advertising and Grand Opening Event (Note 4)	\$3,500 to \$5,000	Before Grand Opening and during the early months of operation	As Arranged	As Arranged	Vendor

Expenditures	Estimated Amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Comprehensive General Liability and Vehicle Insurance (Note 5)	\$411 to \$860 down and \$369 to \$774 for 3 months (Initial range \$780 to \$1,634)	As Arranged	Down payment plus Installments	Not Refundable, but pro-rated	Insurance Company
Additional Funds --3 Months (Note 6)	\$3,400 to \$6,000	As Needed	As Arranged	Not Refundable	Vendors
TOTAL ESTIMATED INITIAL INVESTMENT (Note 7)	\$40,326 to \$46,296				

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 \$26,900 for veterans of the United States armed forces who qualify under the VetFran program.

2/ All Franchisees are required to acquire a *ColorVan*® vehicle suitable for carrying samples to the customer's home. 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 or model (currently full size van, minivan or 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. 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 \$435 and \$620 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 *Color/Van®* vehicles. If you so desire, it may also be possible for you to acquire a previously owned *Color/Van®*; however, that vehicle must meet our standards.

All 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 Franchise Policy and Procedure Manual. We have included three months of broadband (cable/DSL) internet connection charges at \$34.95 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. In addition we recommend having cash to cover three months of operating expenses.

4/ This includes direct mailed and hand delivered promotional materials, Grand Opening Event expenses and initial newspaper advertising. We strongly recommend that you plan to spend at least \$1,000 per month on direct mail 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 down payment and installment information in the chart reflects annual insurance costs of \$1,642 to \$3,439. The amount you pay for insurance will depend on the state in which you are conducting business and other factors. For purposes of this totaling the information in 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 miscellaneous 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 such factors as 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; and the sales level you reach during the first few months of your business.

7/ We have relied on our more than 30 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 you purchase your interior decorating products and services or your *ColorVan*® vehicle from us, the Field Manager or any particular manufacturer or supplier.

We have a preferred supplier program ("Preferred Supplier Program") as described below. We encourage your participation 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 you to your customers from non-participating suppliers and manufacturers must be of good quality and appropriate for the purpose to be used. DDSI shall have the right to restrict you from selling products that in DDSI's reasonable opinion are not of good quality. DDSI shall have the right to specify the design, appearance and quality of the *ColorVan*® vehicle, 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.

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 to us a rebate ranging from 5% to 8% of sales of their products made to Franchise Owners and Field Managers. After receipt, we place these funds into the Merchandising Incentive Trust Fund. This Trust was established under Maryland law, and is administered by a single Trustee, Bruce B. Bowers, who is appointed by DDSI and who also serves as Chief Financial Officer and Treasurer of DDSI. The Trust was created by DDSI 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 Trust are used (i) to develop technology 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 Policies and Procedures Manual or in applicable contest flyers or brochures. All expenditures from the Trust are subject to the approval of the Trustee.

The Trust funds are also used for payment of administrative and management services for the Trust, including payment to DDSI for such services, and/or hiring employees of the Trust to provide such services. The 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 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 are required to have a computer system meeting DDSI's minimum specifications and Internet access. There is no charge for using *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 you 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.

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, 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.

ITEM 9

FRANCHISE OWNER'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 OFFERING CIRCULAR.

Obligation	Section in Agreement	Item in Offering Circular
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
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

Obligation	Section in Agreement	Item in Offering Circular
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 ARRANGEMENTS

We do not offer, either directly or indirectly, any financing assistance to you for the payment of the Initial Franchise Fee, or for the purchase of vehicles, samples, catalogs or other equipment necessary to begin business. We are unable to estimate whether you will be able to obtain outside financing for any part or all of your investment. Neither DDSI, the Regional Director, nor any affiliate currently receives payment from any person or persons for the placement of financing with you. However, we and the Regional Directors reserve the right to offer arrangements for financing and to receive payment from a third party for the placement of 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.

ITEM 11
FRANCHISOR OBLIGATIONS

Except as listed below, we and the Field Manager are not required to furnish any other service or assistance to you before the start of the franchised business.

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 may be revised during the term of the Franchise Agreement in our sole discretion, and which must be returned 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 H to this Offering Circular. This Manual (including the Appendix) is comprised of more than 75 pages of text, with the number of pages devoted to each subject as noted in the Table of Contents at Exhibit H.

B. Professional Decorating 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 must be completed 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 Decorating 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 INTERIORS by Decorating Den Lifestyle University and is conducted periodically, lasting approximately 10 days, and is comprised of more than sixty hours of instruction. The cost of PDSS is included in the Initial Franchise Fee. The additional charge for a second person to attend is \$1,000. 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 are required to 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 four to six weeks in advance of the scheduled session date. (Franchise Agreement -- Section 4.3.a (ii))

Mrs. Dale Bruss, 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:

Subject	Time Begun	Instruction Manual	Hours of Classroom Training	Hours of On The Job Training	Instructor
Marketing	Week 1: Monday Week 2: Wednesday	PDSS	8 hours	0	DDSI Staff
Sales	Week 2: Tuesday	PDSS	7 hours	0	DDSI Staff
Product Knowledge	Week 1: Monday thru Thursday Week 2: Wednesday and Thursday	PDSS	41 hours	0	DDSI Staff
Design	Week 1: Monday Week 2: Friday	PDSS	7 hours	0	DDSI Staff
Business Management	Week 1: Friday & Saturday Week 2: Monday	PDSS	5 hours	0	DDSI Staff

A copy of the Table of Contents from the PDSS Training Manual is provided at Exhibit H to this Offering Circular. This Manual is comprised of more than 263 pages of text, with the number of pages devoted to each subject as noted in the Table of Contents at Exhibit H.

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)).

Advertising may be disseminated 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 2 members, 1 Canadian franchisee elected by his or her peers, and 1 DDSI staff member appointed by DDSI. The US and Canadian 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 Territory is located maintains such a program. Under this Co-op Program, you will be required to 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 are required to participate in, and contribute to, the National Marketing Fund ("NMF"). Each year, every franchisee is required to contribute an amount equal to 4% of Gross Sales calculated monthly, or a minimum of \$100.00 per month, whichever is greater. The NMF amount based on sales is electronically invoiced to you on the 15th day of the month and the NMF amount based on sales or the minimum is invoiced to you on the last day of the month. Either is due within 7 days after invoicing. You must pay your NMF contributions automatically by electronic fund transfer through special 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 has increased in incremental steps 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, Bruce B. Bowers, who also serves as Chief Financial Officer and Treasurer of DDSI. 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 Franchisee Owner.

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, Trust 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 Franchise Owners Association for reasonable accounting, administrative, legal expenses, and other activities deemed appropriate to promote the INTERIORS by Decorating Den program and Marks.

The National Marketing Fund is generally intended to maximize recognition of the INTERIORS by Decorating Den brand and patronage of INTERIORS by Decorating Den 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 INTERIORS by Decorating

Den 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 INTERIORS by Decorating Den businesses operating in that geographic area. We also have no obligation to ensure that any INTERIORS by Decorating Den 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 Public Relations Department of DDSI are paid by NMF.

The Decorating Den National Marketing Fund Trust is audited annually and these financial statements are available for review by franchisees. For the year ending December 31, 2005, 73% of the fund was spent on national advertising, 11% on retail advertising programs, 10% on public relations programs, and 6% on general and administrative expenses. A periodic accounting of how the NMF funds are spent is distributed at the annual meeting of the franchise owners association.

We receive payment for providing goods and services to the fund, along with other suppliers of administrative services. No portion of the Trust funds are used for advertising that is principally a solicitation for the sale of franchises. The specific uses of the Trust funds are determined and budgeted under a business plan approved by the DDSI Board of Directors with the advice of the Leadership Council of the Decorating Den Franchise Owners Association.

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 operations.

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 of customers located in your Territory. 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 are obligated by the Franchise Agreement, as set forth in Section 4.3, to 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. Periodic training and communications are made available 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 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 incurred to attend all training and seminars. (Franchise Agreement -- Section 4.3.a (iii)).

“*Directions*” is a twelve (12) week, 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 are urged 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. *Directions* classes are offered 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 and class training may require incidental fees.

C. Advertising Planning. Current advertising planning, programs, and promotional pieces, including seasonal and special promotions, layouts for newspapers and recommendations for their use are provided.

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 typically not required, you may need to establish an Office/Warehouse location due to volume of business and zoning and tax laws of your city, county or state. Location approval may be obtained upon written permission of the Field Manager or us.

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, and successful completion of introductory training.

Computer Use and Purchase; *DecoNet*

Section 5.16 of the Franchise Agreement specifies that you are required to 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 are required to 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.

Your computer hardware must meet or exceed the following specifications and you must have installed and operating the following software:

Operating System	Windows XP or Apple Macintosh Equivalent
Processor/Speed	Celeron or Pentium 1.7 Ghz or greater or Apple Macintosh Equivalent
RAM	512MB or greater
Hard Drive	40 GIG or greater (with at least 5 GIG of free space)
Peripherals and Software	(a) CD Drive, (b) an internet connection (cable, DSL or other broadband recommended), (c) Microsoft Office (Small Business Edition), or Corel Office Suite, (d) Microsoft Internet Explorer (6.0 or later), (e) the current version of Adobe Acrobat Reader, and (f) QuickBooks Pro or other small business accounting software

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

The typical territory associated with the franchise is a specific geographic territory (the "Territory"). The Territory is typically comprised of one or more contiguous Zip Codes whose boundaries are described and highlighted on a map attached to your Franchise Agreement.

We evaluate the market potential, and designate the boundaries of the Territory in our sole discretion. Within your Territory, you will have exclusive promotional and developmental rights, as described below. You agree not to solicit sales or actively promote your franchised business outside of your Territory.

It is our long-standing policy that a franchisee may own no more than 1 INTERIORS by Decorating Den franchise.

You will be given exclusive promotional and developmental rights to your Territory. Promotional rights are the rights to advertise and otherwise solicit for new customers within the boundaries of your Territory. Developmental rights are the rights to develop the franchised business within the Territory by allowing independently contracted or employed decorators to operate on your behalf in the Territory.

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

Promotional rights restrict you from advertising in another Franchise Owner's Territory for new customers, when feasible. For example, while it is feasible to restrict direct mailing to a Territory, it is not feasible to restrict a radio or television commercial to a particular Territory. Your developmental rights restrict DDSI, and Regional Directors from assigning any other franchisee to your Territory. If the U.S. Postal Service alters the boundary or number of a Zip Code comprising all or a portion of your Territory, you will retain the geographic territory you received at the time of the execution of the Franchise Agreement, and the Territory will not be affected because of a change in Zip Code boundary by the U.S. Postal Service.

In order to determine the size of a Territory, we utilize demographics data and other factors, such as the number of households in the Territory and the median household income. We obtain this data from third party sources we deem to be reliable, for example, the U.S. Census, Claritas/NPDC, or other demographics services. We then estimate a market potential for the Territory based upon information such as sales of home furnishings and INTERIORS by Decorating Den type products. Notwithstanding the data used, the designation of each Territory is made by DDSI and the Regional Director in our sole discretion.

Minimum Annual Gross Sales

All franchisees must meet minimum annual Gross Sales, in accordance with Section 9.1(b)(vii) of the Franchise Agreement, which is currently \$40,000. A failure to meet the

Annual Gross Sales minimum is grounds for termination of your Franchise Agreement. This minimum in no way implies that a franchise will be profitable if the minimum is achieved. Gross Sales volume minimums are enforced at our discretion.

In order to maintain your territorial rights, under Section 1.2 of the Franchise Agreement, you must meet the following minimum annual Gross Sales. These minimums are not cumulative from year to year, but must be met during each calendar year.

Year One	Year Two	Year Three	Year Four and Thereafter
\$40,000	\$80,000	\$120,000	\$160,000

In the event you fail to achieve the applicable level of Gross Sales, DDSI may, at its option, terminate your exclusive developmental and promotional rights. DDSI will advise you of this action by written notice. We may increase these minimum annual Gross Sales once each year. However, the adjustments may not exceed increases in the Consumer Price Index for Urban Wage Earners and Clerical Workers, U.S. City Average (1967=100). This index is generally known as the "CPI". If the CPI becomes unavailable, we may use any similar index we select, comparing the index as of April 1 of the current year to the index on April 1 of the previous year.

Company Owned Outlets

We have not established, and have no plans to establish, 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. The Field Manager or affiliated person may own and operate an individual franchise unit (see Exhibit A), selling or leasing similar products or services under the INTERIORS by Decorating Den name, in its region but not in your Territory. We reserve the right in our sole discretion to establish franchises other than the franchise described in this Offering Circular.

ITEM 13 TRADEMARKS

You are granted the 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. We have a principal Mark, which is currently registered with the United States Patent and Trademark Office on its principal register, as follows:

MARK	REGISTRATION NUMBER	DATE OF REGISTRATION
INTERIORS by Decorating Den and Design	2,811,468	February 3, 2004

Our principal Mark is displayed on the cover page of this document.

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. Except

as noted below, there is no agreement limiting us or Regional Directors in the use of these Marks. There are no potentially infringing uses known to us which would materially affect your use of the Marks in accordance with the provisions of the Franchise Agreement.

On April 23, 1984, DDSI entered into an agreement with Den Fenske of Canoga Park, California. Mr. Fenske was a prior user of the mark Decorating Den in the Los Angeles area. The agreement restricts our right to place franchises under the mark DECORATING DEN in an area bound roughly by Simi Valley, Westlake Village, Woodland Hills, Sherman Oaks, North Hollywood, and Mission Hills, without Mr. Fenske's approval. In addition, Mr. Fenske has the right to move his business, which operates under the mark "The Decorating Den" to various locations within the Los Angeles area. The term of the agreement is 25 years.

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 Patent Office, the Trademark Administrator of this state or any court, no pending interference, opposition or cancellation proceeding, and no pending material litigation involving the Marks which 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 such action as we deem appropriate in our sole discretion. You agree to cooperate fully with us in the prosecution or defense of such 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, such evidence and assistance as 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 which would materially affect your use of the Marks in the state in which your Territory is to be located.

Individual franchise owners are not permitted to own and operate a web site that uses any of the Marks or the name "Interiors by Decorating Den" or "Decorating Den".

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We are the owner of 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 are entitled to 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 are not to be communicated 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 are obligated immediately to 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 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 such a violation. You are required to 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 FRANCHISED BUSINESS

You are not required to provide direct on-premises supervision of the franchised business. However, when we enter into the Franchise Agreement with you, we rely on your personal qualifications 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. If the franchisee is a legal entity such as a corporation or limited liability company, the responsible person is not required 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

You are required by the Franchise Agreement to offer for sale in your business only those products and services that we consider consistent with and beneficial to the proper operation of an INTERIORS by Decorating Den franchised business, and specifically not to 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. You are not required 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 Offering Circular.

As described in Item 12, you will receive the right to develop, market and advertise your services in a specified geographic area - your Territory. You receive no right to develop or promote your business outside of your Territory.

ITEM 17

**RENEWAL, TERMINATION, REPURCHASE, MODIFICATION AND
ASSIGNMENT OF THE FRANCHISE AGREEMENT AND RELATED
INFORMATION**

The following table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Offering Circular.

Provision	Section in Franchise Agreement	Summary
(a) Term of the franchise	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.
(c) Requirements for you to renew or extend	Section 2.2	Requirements: Bring <i>ColorVan</i> ® 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.
(d) Termination by you (Note 1)	Section 9.2 Section 9.3	You may voluntarily terminate at any time. All sums due and owing to DDSI or Regional Director, must be paid at the time of termination and DDSI has the option to require an audit. With our approval, you may also elect "non-operating status."
(e) Termination by DDSI without cause	None	DDSI will not terminate a franchise without cause.
(f) Termination by DDSI with cause.	Section 1.2 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 w/o consent, engage in activity prejudicial to DDSI, fail to achieve \$40,000 in Gross Sales any calendar year.

Provision	Section in Franchise Agreement	Summary
(g) "Cause" defined: defaults which can be cured	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.
(h) "Cause" defined: defaults which cannot be cured	Section 1.2 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 w/o consent, engage in activity prejudicial to DDSI, or fail to achieve \$40,000 in Gross Sales in any calendar year.
(i) Your obligations on termination and/or 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 telephone numbers and yellow page ads and comply with all confidentiality restrictions and covenants not to compete.
(j) Assignment of contract by DDSI	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 Regional Director.
(k) Transfer by "you" - definition	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.
(l) DDSI's approval of transfer by Franchise Owner	Section 8.1 Section 8.2 Section 8.3	No interest in the Franchise Agreement may be transferred 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 DDSI approval of transfer by Franchise Owner	Section 8.3 Section 8.7 Section 7.1	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 <i>ColorVan</i> ® vehicle, 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) DDSI's right of first refusal	None	N/A
(o) DDSI's option to purchase your business	None	DDSI has never reacquired a franchise through repurchase or otherwise.
(p) Your death or disability	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 which is the same as or similar to the franchised business, including any home 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 or interior decorating business for 2 years from the date of termination, within 50 miles of your Territory, or (ii) contact for business purposes or solicit home 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 within fifty (50) miles of the Territory.
(s) Modification of the agreement	Section 13.8	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 13.8 Section 14(a)	The merger or consolidation, or issuance of additional securities representing an ownership interest in the Franchise is considered a transfer.
(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 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 at the Washington DC offices of the American Arbitration Association. Commercial Arbitration Rules of the American Arbitration Association and 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, and to enforce reporting and audit provisions of the Agreement.

Provision	Section in Franchise Agreement	Summary
(v) Choice of forum	Section 13.6 Section 12	Mediation will be conducted in Easton, Maryland or other place as mutually agreed by the parties and Arbitration will be conducted in AAA offices in Washington, D.C. (Note 2)
(w) Choice of law	Section 13.6	The substantive law of the State of Maryland applies. (Note 2)

NOTES:

(1) **NON-OPERATING STATUS:** If you are in good standing and in compliance with your Franchise Agreement, upon approval by DDSI and the Regional Office, 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 three (3) years. While in this status, your Franchise Agreement remains intact, but you do not retain the rights to your Territory. You cannot sell your business while you are in this status. At any time during the three (3) year period, you may work as a decorator for another franchisee. While on non-operating status, you are not required to make NMF contributions. You may return to your business at any time within the three (3) year period. If you do return to your business and if the Territory that was assigned to you is still available, it may be re-assigned to you by DDSI or the Regional Director. If it is not available, you will be assigned another Territory. If you do not return to your business, your Franchise Agreement may be terminated without notification at the end of the three (3) year period. 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 three (3) year period expires.

(2) These states have statutes which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, tit. 6, ch. 25, Section 2551 et seq.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [815 ILCS 705/1-44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. The above language has been included in this offering circular as a condition to registration. DDSI does not agree that this language violates any statute pertaining to choice of venue restrictions and believes that each of the provisions of the franchise Agreement, including all venue provisions, are fully enforceable. DDSI intends to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by you and us, including (but not limited to) all venue, choice-of-laws, mediation/arbitration provisions and other dispute avoidance and

resolution provisions, and to rely on federal pre-emption under the Federal Arbitration Act (9 U. S. C. § 1 et seq.).

ITEM 18
PUBLIC FIGURES

There is no compensation or other benefit given or promised to a public figure for the use of such person's name or appearance as a symbol of the franchised business, or the endorsement or recommendation of the franchised business by a public figure in advertisements. We do not use any public figure to promote our franchise.

ITEM 19
EARNINGS CLAIMS

DDSI does not furnish or authorize its salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of an INTERIORS by Decorating Den franchised business. Actual results vary from unit to unit and DDSI cannot estimate the results of any particular franchise.

ITEM 20
LIST OF OUTLETS

These tables list the status of franchised outlets for 2005, 2004, and 2003, and the projected openings of franchises anticipated for calendar year 2006. There are no company owned units. DDSI will not have any openings of company owned outlets in calendar year 2006, and has never acquired an INTERIORS by Decorating Den franchise through repurchase or otherwise.

For information regarding the names, addresses and telephone numbers of all operational franchises in your state, please see Exhibit B. This list contains information pertaining to all franchisees in the US. For information regarding any franchisee who has been terminated, canceled, not renewed, or who has otherwise voluntarily or involuntarily ceased to do business pursuant to the Franchise Agreement during calendar year 2005 or has not communicated with us or the Regional Director within 10 weeks of the date of this offering circular, see Exhibit C.

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Item 20
Status of Franchised Outlets for Calendar Years
2005/2004/2003

STATE	TRANSFERS	CANCELED OR TERMINATED	NOT RENEWED	RE ACQUIRED BY DDSI	LEFT THE SYSTEM OTHER	TOTAL FROM LEFT COLUMNS ²	FRANCHISES OPERATING AT YEAR END
Alabama	0/0/0	0/0/1	0/0/0	0/0/0	1/2/0	1/2/1	5/4/4
Arizona	0/0/0	1/0/0	0/0/0	0/0/0	0/0/1	1/0/1	12/8/6
Arkansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
California	0/0/0	1/1/1	0/0/0	0/0/0	3/5/3	4/6/4	54/42/34
Colorado	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	7/7/5
Connecticut	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	10/3/1
District of Columbia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Delaware	1/0/0	0/1/0	0/0/0	0/0/0	0/1/0	1/2/0	3/1/3
Florida	0/4/1	4/0/2	0/0/0	0/0/0	5/4/2	9/8/5	49/45/39
Georgia	0/0/0	0/0/0	0/0/0	0/0/0	5/4/0	5/4/0	14/18/20
Hawaii	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0	1/0/0	0/1/1
Idaho	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/1/0
Illinois	0/0/0	0/0/1	0/0/0	0/0/0	0/2/1	0/2/2	14/15/14
Indiana	0/0/0	1/0/1	0/0/0	0/0/0	0/0/4	1/0/5	9/10/9
Iowa	0/0/0	0/0/0	0/0/0	0/0/0	0/1/1	0/1/1	7/6/7
Kansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Kentucky	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	0/1/0	5/5/6
Louisiana	0/0/0	2/0/0	0/0/0	0/0/0	0/1/0	2/1/0	2/4/5
Maine	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Maryland	0/0/0	3/0/1	0/0/0	0/0/0	1/0/1	4/0/2	23/25/23
Massachusetts	0/0/0	0/0/0	0/0/0	0/0/0	2/1/0	2/1/0	13/14/11
Michigan	0/0/0	0/2/0	0/0/0	0/0/0	0/1/0	0/3/0	10/9/11
Minnesota	0/0/0	1/0/0	0/0/0	0/0/0	1/1/1	2/1/1	4/5/5

STATE	TRANSFERS	CANCELED OR TERMINATED	NOT RENEWED	RE ACQUIRED BY DDSI	LEFT THE SYSTEM OTHER	TOTAL FROM LEFT COLUMNS ²	FRANCHISES OPERATING AT YEAR END
Mississippi	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	0/0/0
Missouri	0/0/1	0/0/1	0/0/0	0/0/0	0/0/3	0/0/5	7/7/5
Montana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/0
Nebraska	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	0/1/0	3/1/1
Nevada	0/0/0	1/1/0	0/0/0	0/0/0	1/0/1	2/1/1	8/8/7
New Hampshire	0/0/1	0/0/0	0/0/0	0/0/0	1/1/0	1/1/1	1/2/2
New Jersey	0/0/0	3/1/0	0/0/0	0/0/0	0/0/1	3/1/1	20/19/17
New Mexico	0/0/0	1/0/0	0/0/0	0/0/0	0/0/0	1/0/0	2/2/2
New York	0/0/1	0/0/0	0/0/0	0/0/0	0/3/1	0/3/2	12/6/8
North Carolina	0/0/0	5/2/1	0/0/0	0/0/0	2/3/4	7/5/5	14/22/24
North Dakota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Ohio	0/0/0	3/0/1	0/0/0	0/0/0	0/3/1	3/3/2	17/20/22
Oklahoma	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	4/2/2
Oregon	0/0/0	0/0/0	0/0/0	0/0/0	0/1/1	0/1/1	8/7/9
Pennsylvania	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	17/15/13
Puerto Rico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Rhode Island	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/0/0
South Carolina	0/0/0	0/1/1	0/0/0	0/0/0	0/0/1	0/1/2	8/4/5
South Dakota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Tennessee	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	4/4/4
Texas	0/0/0	8/1/1	0/0/0	0/0/0	1/1/4	9/2/5	32/36/33
Utah	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	0/1/0	0/1/1
Vermont	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Virginia	0/0/0	1/0/0	0/0/0	0/0/0	1/6/1	2/6/1	19/17/20
Washington	0/0/0	0/0/0	0/0/0	0/0/0	1/0/1	1/0/1	8/5/4

STATE	TRANSFERS	CANCELED OR TERMINATED	NOT RENEWED	RE-ACQUIRED BY DDSI	LEFT THE SYSTEM OTHER	TOTAL FROM LEFT COLUMNS ²	FRANCHISES OPERATING AT YEAR END
West Virginia	0/0/0	0/1/0	0/0/0	0/0/0	1/0/0	1/1/0	1/1/1
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	0/0/1	0/0/1	3/2/2
Wyoming	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Totals	1/4/4	35/13/12	0/0/0	0/0/0	27/44/35	63/61/51	437/408/389

Notes:

- (1) All figures are as of December 31 of the years shown.
- (2) The "Left the System" numbers include franchisees who voluntarily elected to place their franchises in non-operating status. The number of franchisees electing this status as of each date is as follows: as of 12/31/05 - 27; as of 12/31/04 - 16; and as of 12/31/03 - 15. See Item 17 for more information on the non-operating status program, and Exhibit C for a list of these owners for last year.
- (3) The numbers indicated in the "Totals from Left" column may exceed the number of franchise outlets affected because several events may have affected the same outlet.
- (4) We do not reacquire franchises.

PROJECTED OPENINGS DURING CALENDAR YEAR 2006 (Note 1)

State	Franchise Agreement Signed But Franchise Not Open (Note 1)	Projected Franchises To Be Sold In The Next Fiscal Year (2006)	Projected Company-Owned Openings in the Next Fiscal Year (2006)
Alabama	0	1	0
Alaska	0	0	0
Arkansas	0	1	0
Arizona	0	4	0
California	0	12	0
Colorado	0	3	0
Connecticut	0	2	0
Delaware	0	2	0
Florida	0	8	0
Georgia	0	2	0
Hawaii	0	0	0
Idaho	0	1	0

State	Franchise Agreement Signed But Franchise Not Open (Note 1)	Projected Franchises To Be Sold In The Next Fiscal Year (2006)	Projected Company-Owned Openings in the Next Fiscal Year (2006)
Illinois	0	3	0
Indiana	0	3	0
Iowa	0	1	0
Kansas	0	1	0
Kentucky	0	1	0
Louisiana	0	2	0
Maine	0	0	0
Maryland	0	3	0
Massachusetts	0	3	0
Michigan	0	3	0
Minnesota	0	2	0
Mississippi	0	0	0
Missouri	0	2	0
Montana	0	0	0
Nebraska	0	1	0
Nevada	0	4	0
New Hampshire	0	1	0
New Jersey	0	4	0
New Mexico	0	1	0
New York	0	3	0
North Carolina	0	4	0
North Dakota	0	0	0
Ohio	0	2	0
Oklahoma	0	1	0
Oregon	0	2	0
Pennsylvania	0	3	0
Rhode Island	0	0	0
South Carolina	0	4	0
South Dakota	0	1	0
Tennessee	0	3	0
Texas	0	4	0
Utah	0	1	0
Vermont	0	1	0
Virginia	0	3	0
Washington	0	4	0
West Virginia	0	1	0
Wisconsin	0	2	0
Wyoming	0	0	0
TOTALS	0	110	0

Note 1. Projection as of December 31, 2005.

As noted in the chart above, as of December 31, 2005 we estimate that during 2006 we will sell or grant 110 franchises throughout the United States.

If we have appointed a Field Manager for a region that includes your Territory, 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, 2005, December 31, 2004, and December 31, 2003. You will find unaudited financial information about the Regional Director, if applicable, in Exhibit A.

ITEM 22 CONTRACTS

The INTERIORS by Decorating Den 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 RECEIPT

You will find two Receipt pages at the end of this Offering Circular. Please sign and date both copies of the Receipt; keep one copy for your records and return the other copy (titled "DDSI/Regional Director Copy") to us, as directed by your INTERIORS by Decorating Den representative.