

Exhibit E

**DOLLAR DISCOUNT STORES OF AMERICA, INC.
UNIFORM FRANCHISE OFFERING CIRCULAR**

FINANCIAL STATEMENTS

DOLLAR DISCOUNT STORES OF AMERICA, INC.

*** * ***

April 30, 2003 and 2002

DOLLAR DISCOUNT STORES OF AMERICA, INC.
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April 30, 2003 and 2002

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Dollar Discount Stores of America, Inc.
Boothwyn, Pennsylvania

We have audited the accompanying balance sheets of Dollar Discount Stores of America, Inc. as of April 30, 2003 and 2002 and the related statements of income and retained earnings, and cash flows for the years 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 audits.

We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Dollar Discount Stores of America, Inc. as of April 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/S/MORRIS J. COHEN & CO., P.C.
Philadelphia, PA 19103
July 11, 2003

DOLLAR DISCOUNT STORES OF AMERICA, INC.
BALANCE SHEETS
April 30, 2003 and 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Current assets		
Cash and cash equivalents	\$371,087	\$408,453
Royalty and franchise fees receivable, net of allowance for doubtful accounts of \$54,000 in 2003 and \$50,000 in 2002	273,480	202,442
Prepaid expenses and other	31,670	35,577
Inventory	28,413	28,814
Due from shareholders	18,322	
Note receivable, shareholder	7,978	7,624
Deferred tax asset	<u>28,000</u>	<u>21,000</u>
Total current assets	<u>758,950</u>	<u>703,910</u>
Property and equipment		
Automobile	14,946	14,946
Office equipment	64,548	64,548
Furniture and fixtures	37,248	37,248
Deposits on software	<u> </u>	<u>66,637</u>
	116,742	183,379
Less accumulated depreciation	<u>87,308</u>	<u>65,171</u>
	<u>29,434</u>	<u>118,208</u>
Other assets		
Note receivable, shareholder	105,001	112,978
Deferred tax asset	<u> </u>	<u>64,000</u>
	<u>105,001</u>	<u>176,978</u>
Total assets	<u>\$893,385</u>	<u>\$999,096</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>2003</u>	<u>2002</u>
Current liabilities		
Accounts payable and accrued expenses	\$134,441	\$101,745
Current maturities of long-term debt	35,356	45,750
Accrued payroll and related taxes	53,846	47,795
Income taxes		31,893
Deferred franchise fee revenue	97,000	168,500
Deferred trade show revenue	<u>133,388</u>	<u>51,672</u>
Total current liabilities	<u>454,031</u>	<u>447,355</u>
 Long-term liabilities		
Long-term debt	7,610	43,588
Deferred compensation		185,000
Deferred tax liability	<u>7,000</u>	<u> </u>
	<u>14,610</u>	<u>228,588</u>
 Commitments and contingencies (Note 3)		
 Shareholders' equity		
Common stock, no par value, 50,000 shares authorized		
10,000 shares issued and outstanding	100,000	100,000
Additional paid-in capital	41,167	41,167
Retained earnings	<u>283,577</u>	<u>181,986</u>
	<u>424,744</u>	<u>323,153</u>
 Total liabilities and shareholders' equity	<u>\$893,385</u>	<u>\$999,096</u>

The accompanying notes are an integral part of these financial statements.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
Years Ended April 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenues		
Franchise license fees	\$ 488,682	\$ 438,570
Royalty fees	1,811,021	1,574,895
Buying service commission	628,618	549,519
Trade shows	401,479	567,294
Other income	<u>19,289</u>	<u>3,006</u>
Total revenues	<u>3,349,089</u>	<u>3,133,284</u>
Operating expenses		
Selling, general and administrative	3,269,285	3,033,107
Deferred compensation	(185,000)	71,500
Loss on abandonment of assets	<u>66,638</u>	<u>739</u>
	<u>3,150,923</u>	<u>3,105,346</u>
Income from operations	<u>198,166</u>	<u>27,938</u>
Other income (expense)		
Interest income	9,497	13,270
Interest expense	<u>(5,153)</u>	<u>(7,493)</u>
	<u>4,344</u>	<u>5,777</u>
Income before income taxes	202,510	33,715
Income taxes	<u>100,919</u>	<u>24,680</u>
Net income	101,591	9,035
Retained earnings, beginning	<u>181,986</u>	<u>172,951</u>
Retained earnings, ending	<u>\$ 283,577</u>	<u>\$ 181,986</u>

The accompanying notes are an integral part of these financial statements.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
STATEMENTS OF CASH FLOWS
Years Ended April 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Net income	\$ <u>101,591</u>	\$ <u>9,035</u>
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization and depreciation	22,137	22,405
Deferred taxes	64,000	(33,000)
Deferred compensation	(185,000)	71,500
Loss on abandonment of assets	66,637	739
Changes in operating assets and liabilities		
Royalty and franchise fees receivable	(71,038)	50,652
Prepaid expenses	7,110	(2,587)
Inventory	401	(15,088)
Accounts payable and accrued expenses	32,696	(19,372)
Accrued payroll and related taxes	6,051	9,163
Income taxes	(35,096)	9,778
Deferred franchise fee revenue	(71,500)	48,000
Deferred trade show revenue	81,716	(128,116)
	<u>(81,886)</u>	<u>14,074</u>
Net cash provided by operating activities	<u>19,705</u>	<u>23,109</u>
Cash flows from investing activities		
Capital expenditures		(45,577)
Advances to shareholders	(18,323)	
Increase in note receivable, shareholder		(11,459)
Repayments of note receivable, shareholder	<u>7,624</u>	<u>8,995</u>
Net cash used in investing activities	<u>(10,699)</u>	<u>(48,041)</u>
Cash flows from financing activities		
Repayments of long-term debt	<u>(46,372)</u>	<u>(45,095)</u>
Net cash used in financing activities	<u>(46,372)</u>	<u>(45,095)</u>
Net decrease in cash and cash equivalents	(37,366)	(70,027)
Cash and cash equivalents, beginning of year	<u>408,453</u>	<u>478,480</u>
Cash and cash equivalents, end of year	<u>\$ 371,087</u>	<u>\$ 408,453</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 5,087</u>	<u>\$ 7,493</u>
Income taxes paid	<u>\$ 82,355</u>	<u>\$ 55,989</u>

The accompanying notes are an integral part of these financial statements.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2003 and 2002

1. Summary of significant accounting policies

Business activity

The Company is a marketing services and franchise company which licenses franchisees to operate stores selling general merchandise under the name "Dollar Discount Stores" throughout the United States. Franchisees are granted the right to operate a Dollar Discount Store using the Dollar Discount system generally for a period of ten years. Franchisees pay their own rent, occupancy costs and overhead and purchase merchandise directly from vendors. The Company sells uniforms, signage and other incidental items to franchisees.

Use of estimates

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

Cash and cash equivalents

The Company considers cash on hand, cash in banks, certificates of deposit, time deposits, and U.S. government and other short-term securities with maturities of three months or less when purchased as cash and cash equivalents.

Accounts receivable

The Company records accounts receivable when revenue is earned. An allowance for doubtful accounts is provided for specific accounts which the Company identifies as potentially uncollectable, as well as additional amounts based on the Company's account receivable aging and its history of bad debts. Accounts are written-off against this allowance as they are determined to be uncollectable.

Inventory

Inventory, which consists of store signage and uniforms, is stated at the lower of cost or market on a first-in, first-out basis.

Property and equipment

Property and equipment is stated at cost. Depreciation is provided over the estimated useful lives of assets by both the accelerated and straight-line methods.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2003 and 2002

1. Summary of significant accounting policies (Continued)

Revenue recognition and nature of significant services

Initial franchise license fees for each franchise sold are recognized in accordance with the franchise license agreement, when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. Royalty, advertising and buying service fees are recognized when earned.

When an individual franchise is sold, the Company agrees to provide certain services to the franchise. Generally, these services include assistance in site selection, training personnel, and selection and purchase of initial inventory.

Advertising costs

Advertising costs consist primarily of advertising in local newspapers and are expensed when the advertising is placed. Catalogue costs are recorded as prepaid expenses, and expensed as the catalogues are distributed.

Income taxes

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax bases of the Company's assets and liabilities.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and receivables.

The Company places its cash with high credit quality financial institutions in the United States. At times, the Company's cash deposited in banks may be in excess of FDIC insured limits.

Exposure to losses on franchisee and royalty fees receivable is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses.

Reclassification

The 2002 financial statements have been reclassified to conform with the 2003 presentation.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2003 and 2002

2. Related party transactions

For the years ended April 30, 2003 and 2002, the Company paid approximately \$32,000 each year for rent of office space to a related party.

3. Commitments and contingencies

Lease commitments

The Company's corporate offices are leased under an informal arrangement with a related party on a month-to-month basis. In addition to the lease with the related party, the Company is also obligated under operating leases for office equipment.

Future minimum payments for operating leases as of April 30, 2003 are as follows:

Year Ending April 30

2004	\$23,902
2005	19,903
2006	11,907
2007	11,907
2008	<u>6,944</u>
	<u>\$74,563</u>

Rent expense for all leases for the years ended April 30, 2003 and 2002 was \$46,294 and \$45,649, respectively.

4. Deferred revenue

Deferred franchise-fee revenue at April 30, 2003 and 2002 represents that portion of total revenue from initial franchise sales attributable to service to be provided by the Company in the future.

Deferred trade show revenue at April 30, 2003 and 2002 represents fees collected in advance from exhibitors for a Company-sponsored trade show for franchisees to be held in future periods, net of costs incurred in advance for this show.

5. Advertising

Included in prepaid expenses are advertising and brochure costs totaling \$7,659 and \$9,156 at April 30, 2003 and 2002, respectively.

Advertising and promotion expense was \$350,286 and \$280,729 for the years ended April 30, 2003 and 2002, respectively.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2003 and 2002

6. Income taxes

The Company's effective income tax rate is higher than what would be expected if the federal statutory rate were applied to income from operations primarily because of permanent differences which are non-deductible in determining income from operations for income tax purposes.

Income taxes consist of the following at April 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Federal income taxes		
Current	\$ 22,000	\$ 37,000
Prior year under accrual	3,084	1,381
Deferred	<u>48,000</u>	<u>(25,000)</u>
	<u>73,084</u>	<u>13,381</u>
State income taxes		
Current	13,000	18,000
Prior year under (over) accrual	(1,165)	1,299
Deferred	<u>16,000</u>	<u>(8,000)</u>
	<u>27,835</u>	<u>11,299</u>
	<u>\$100,919</u>	<u>\$ 24,680</u>

Under the liability method, the tax effect of significant temporary differences that give rise to a deferred tax asset are as follows:

	<u>2003</u>	<u>2002</u>
Current deferred tax asset		
Allowance for doubtful accounts	\$ 22,000	\$ 20,000
Accrued expenses	9,000	5,000
Catalogue costs	<u>(3,000)</u>	<u>(4,000)</u>
	<u>\$ 28,000</u>	<u>\$ 21,000</u>
Non-current deferred tax asset (liability)		
Deferred compensation		\$ 76,000
Accumulated depreciation	<u>\$ (7,000)</u>	<u>(12,000)</u>
	<u>\$ (7,000)</u>	<u>\$ 64,000</u>

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2003 and 2002

7. Franchise activity

As of April 30, 2003 there were one hundred sixty-one Dollar Discount Stores franchises in operation. The Company opened thirty-six franchises during the year ended April 30, 2003. The number of franchises sold since the Company's inception reflects a strong demand for the products and the benefits obtained by franchise owners. The Company expects this favorable situation to continue; however, franchise sales do reach a saturation point, and accordingly, revenue from franchise sales may decline in the future.

8. Retirement plan

The Company maintains a defined contribution 401(k) profit sharing plan which covers substantially all employees after one year of service. The Company may elect to make matching contributions and may also make other discretionary contributions to the plan subject to the approval of the Board of Directors. The Company made no matching contributions for the years ended April 30, 2003 and 2002 and discretionary contributions of \$26,040 and \$-0- for the years ended April 30, 2003 and 2002, respectively.

9. Deferred compensation agreements

The Company's shareholders rescinded their deferred compensation agreements with the Company in 2003. This resulted in a reduction of operating expense of \$185,000 and an increase in deferred income taxes of \$76,000, for the year ended April 30, 2003.

10. Note receivable, shareholder

Note receivable from shareholder is due over ten years with aggregate annual payments of approximately \$14,000 inclusive of interest at 5.5% per annum. The note is secured by the shareholder's stock in the Company.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2003 and 2002

11. Long-term debt

	2003	2002
Note payable, bank, due in monthly installments of \$1,021, inclusive of interest at 8.25% per annum. The loan is collateralized by the Company's furniture and computer equipment.	\$19,013	\$29,206
Note payable, bank, payable in forty-eight monthly installments which vary due to changes in the interest rate. Interest at 1% above the bank's national commercial rate (effective rate of 5.25% at April 30, 2003). The note is guaranteed by a related entity and one of the Company's shareholders.	21,075	52,742
Automobile loan payable in monthly installments of \$425, inclusive of interest at 11% per annum.	2,878	7,390
	42,966	89,338
Less current maturities	35,356	45,750
Long-term debt	\$ 7,610	\$43,588

Notes payable, bank are subject to certain financial covenants which were either met or waived by the bank as of April 30, 2003. Maturities of long-term debt at April 30, 2003 are as follows:

Year Ending April 30

2004	\$35,356
2005	7,610
	\$42,966

DOLLAR DISCOUNT STORES OF AMERICA, INC.

* * *

April 30, 2002 and 2001

Exhibit E-1

DOLLAR DISCOUNT STORES OF AMERICA, INC.
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Exhibit E-2

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Dollar Discount Stores of America, Inc.
Boothwyn, Pennsylvania

We have audited the accompanying balance sheets of Dollar Discount Stores of America, Inc. as of April 30, 2002 and 2001 and the related statements of income and retained earnings, and cash flows for the years 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 audits.

We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Dollar Discount Stores of America, Inc. as of April 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/S/MORRIS J. COHEN & CO., P.C.
Philadelphia, PA
July 3, 2002

Exhibit E-3

DOLLAR DISCOUNT STORES OF AMERICA, INC.
BALANCE SHEETS
April 30, 2002 and 2001

ASSETS

	<u>2002</u>	<u>2001</u>
Current assets		
Cash and cash equivalents	\$408,453	\$ 478,480
Royalty and franchise fee receivable, net of allowance for doubtful accounts of \$50,000 in 2002 and 2001	202,442	253,094
Prepaid expenses and other	35,577	32,993
Inventory	28,814	13,726
Notes receivable, shareholder	7,624	8,679
Deferred tax asset	<u>21,000</u>	<u>20,000</u>
Total current assets	<u>703,910</u>	<u>806,972</u>
Property and equipment		
Automobile	14,946	14,946
Office equipment	64,548	62,425
Furniture and fixtures	37,248	37,248
Deposits on software	<u>66,637</u>	<u>28,212</u>
	183,379	142,831
Less accumulated depreciation	<u>65,171</u>	<u>47,056</u>
	<u>118,208</u>	<u>95,775</u>
Other assets		
Notes receivable, shareholder	112,978	109,459
Deferred tax asset	<u>64,000</u>	<u>32,000</u>
	<u>176,978</u>	<u>141,459</u>
Total assets	<u>\$999,096</u>	<u>\$1,044,206</u>

Exhibit E-5

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>2002</u>	<u>2001</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 101,745	\$ 121,120
Current maturities of long-term debt	45,750	43,934
Accrued payroll and related taxes	47,795	38,632
Income taxes	31,893	22,115
Deferred franchise fee revenue	168,500	120,500
Deferred trade show revenue	<u>51,672</u>	<u>179,788</u>
Total current liabilities	<u>447,355</u>	<u>526,089</u>
 Long-term liabilities		
Long-term debt	43,588	90,499
Deferred compensation	<u>185,000</u>	<u>113,500</u>
	<u>228,588</u>	<u>203,999</u>
 Commitments and contingencies (Note 3)		
 Shareholders' equity		
Common stock, no par value, 50,000 shares authorized 10,000 shares issued and outstanding	100,000	100,000
Additional paid-in capital	41,167	41,167
Retained earnings	<u>181,986</u>	<u>172,951</u>
	<u>323,153</u>	<u>314,118</u>
Total liabilities and shareholders' equity	<u>\$999,096</u>	<u>\$1,044,206</u>

The accompanying notes are an integral part of these financial statements.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
Years Ended April 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Revenues		
Franchise license fees	\$ 438,570	\$ 568,125
Royalty fees	1,574,895	1,559,579
Buying service commission	549,519	494,004
Trade shows	567,294	
Other income	<u>3,006</u>	<u>7,712</u>
Total revenues	<u>3,133,284</u>	<u>2,629,420</u>
Operating expenses		
Selling, general and administrative	3,033,846	2,531,840
Deferred compensation	<u>71,500</u>	<u>71,500</u>
	<u>3,105,346</u>	<u>2,603,340</u>
Income from operations	<u>27,938</u>	<u>26,080</u>
Other income (expense)		
Interest income	13,270	22,792
Interest expense	<u>(7,493)</u>	<u>(9,065)</u>
	<u>5,777</u>	<u>13,727</u>
Income before income taxes	33,715	39,807
Income taxes	<u>24,680</u>	<u>25,320</u>
Net income	9,035	14,487
Retained earnings, beginning	<u>172,951</u>	<u>158,464</u>
Retained earnings, ending	<u>\$ 181,986</u>	<u>\$ 172,951</u>

The accompanying notes are an integral part of these financial statements.

Exhibit E-7

DOLLAR DISCOUNT STORES OF AMERICA, INC.
 STATEMENTS OF CASH FLOWS
 Years Ended April 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities		
Net income		
Adjustments to reconcile net income to net cash provided	\$ <u>9,035</u>	\$ <u>14,487</u>
by operating activities		
Amortization and depreciation	22,405	20,414
Deferred taxes	(33,000)	(16,500)
Deferred compensation	71,500	71,500
Loss on abandonment of assets	739	
Changes in operating assets and liabilities		
Royalty and franchise fee receivable	50,652	(40,892)
Prepaid expenses	(2,587)	(8,369)
Accounts payable and accrued expenses	(19,372)	44,268
Accrued payroll and related taxes	9,163	15,084
Income taxes	9,778	2,815
Inventory	(15,088)	(1,074)
Deferred franchise fee revenue	48,000	(72,000)
Deferred trade show revenue	(128,116)	179,788
	<u>14,074</u>	<u>195,034</u>
Net cash provided by operating activities	<u>23,109</u>	<u>209,521</u>
Cash flows from investing activities		
Capital expenditures	(45,577)	(24,095)
Increase in notes receivable, shareholder	(11,459)	(120,535)
Repayments of note receivable, shareholder	<u>8,995</u>	<u>2,397</u>
Net cash used in investing activities	<u>(48,041)</u>	<u>(142,233)</u>
Cash flows from financing activities		
Net borrowings, bank		107,946
Repayments of long-term debt	<u>(45,095)</u>	<u>(20,725)</u>
Net cash provided by (used in) financing activities	<u>(45,095)</u>	<u>87,221</u>
Net increase (decrease) in cash and cash equivalents	(70,027)	154,509
Cash and cash equivalents, beginning of year	<u>478,480</u>	<u>323,971</u>
Cash and cash equivalents, end of year	<u>\$ 408,453</u>	<u>\$ 478,480</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 7,493</u>	<u>\$ 9,065</u>
Income taxes paid	<u>\$ 55,989</u>	<u>\$ 23,360</u>

The accompanying notes are an integral part of these financial statements.

Exhibit E-8

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2002 and 2001

1. Summary of significant accounting policies

Business activity

The Company is a marketing services and franchise company which licenses franchisees to operate stores selling general merchandise under the name "Dollar Discount Stores" throughout the United States. Franchisees are granted the right to operate a Dollar Discount Store using the Dollar Discount system generally for a period of ten years. Franchisees pay their own rent, occupancy costs and overhead and purchase merchandise directly from vendors. The Company sells miscellaneous and other incidental items to franchisees.

Use of estimates

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

Cash and cash equivalents

The Company considers cash on hand, cash in banks, certificates of deposit, time deposits, and U.S. government and other short-term securities with maturities of three months or less when purchased as cash and cash equivalents.

Revenue recognition and nature of significant services

Initial franchise license fees for each franchise sold are recognized in accordance with the franchise license agreement, when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. Royalty, advertising and buying service fees are recognized when earned.

When an individual franchise is sold, the Company agrees to provide certain services to the franchise. Generally, these services include assistance in site selection, training personnel, and selection and purchase of initial inventory.

Inventory

Inventory, which consists of store signage and uniforms, is stated at the lower of cost or market on a first-in, first-out basis.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2002 and 2001

1. Summary of significant accounting policies (Continued)

Property and equipment

Property and equipment is stated at cost. Depreciation is provided over the estimated useful lives of assets by both the accelerated and straight-line methods.

Advertising costs

Advertising costs consist primarily of advertising in local newspapers and are expensed when the advertising is placed. Catalogue costs are recorded as prepaid expenses, and expensed as the catalogues are distributed.

Income taxes

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax bases of the Company's assets and liabilities.

Concentrations of credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and receivables.

The Company places its cash with high credit quality financial institutions in the United States. At times, the Company's cash deposited in banks may be in excess of FDIC insured limits.

Exposure to losses on franchisee and royalty fees receivable is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses.

Reclassification

The 2001 financial statements have been reclassified to conform with the 2002 presentation.

2. Related party transactions

For the years ended April 30, 2002 and 2001, the Company paid approximately \$30,000 each year for rent of office space to a related party.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2002 and 2001

3. Commitments and contingencies

Lease commitments

The Company's corporate offices are leased under an informal arrangement with a related party on a month-to-month basis. In addition to the lease with the related party, the Company is also obligated under operating leases for office equipment.

Future minimum payments for operating leases as of April 30, 2002 are as follows:

Year Ending April 30

2003	\$11,995
2004	11,995
2005	<u>7,997</u>
	<u>\$31,987</u>

Rent expense for all leases for the years ended April 30, 2002 and 2001 was \$45,649 and \$42,628, respectively.

4. Deferred revenue

Deferred franchise-fee revenue at April 30, 2002 and 2001 represents that portion of total revenue from initial franchise sales attributable to service to be provided by the Company in the future.

Deferred trade show revenue at April 30, 2002 and 2001 represents fees collected in advance from exhibitors for a Company-sponsored trade show for franchisees to be held in future periods, net of costs incurred in advance for this show.

5. Advertising

Included in prepaid expenses are advertising and brochure costs totaling \$9,156 and \$14,629 at April 30, 2002 and 2001, respectively.

Advertising and promotion expense was \$280,729 and \$242,994 for the years ended April 30, 2002 and 2001, respectively.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2002 and 2001

6. Income taxes

The Company's effective income tax rate is higher than what would be expected if the federal statutory rate were applied to income from operations primarily because of permanent differences which are non-deductible in determining income from operations for income tax purposes.

Income taxes consist of the following at April 30, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Federal income taxes		
Current	\$ 37,000	\$ 28,000
Prior year under accrual	1,381	1,745
Deferred	<u>(25,000)</u>	<u>(12,500)</u>
	<u>13,381</u>	<u>17,245</u>
State income taxes		
Current	18,000	13,000
Prior year under (over) accrual	1,299	(925)
Deferred	<u>(8,000)</u>	<u>(4,000)</u>
	<u>11,299</u>	<u>8,075</u>
	<u>\$ 24,680</u>	<u>\$ 25,320</u>

Under the liability method, the tax effect of significant temporary differences that give rise to a deferred tax asset are as follows:

	<u>2002</u>	<u>2001</u>
Current deferred tax asset		
Allowance for doubtful accounts	\$ 20,000	\$ 20,000
Accrued expenses	5,000	6,000
Catalogue costs	<u>(4,000)</u>	<u>(6,000)</u>
	<u>\$ 21,000</u>	<u>\$ 20,000</u>
Non-current deferred tax asset		
Deferred compensation	\$ 76,000	\$ 46,000
Accumulated depreciation	<u>(12,000)</u>	<u>(14,000)</u>
	<u>\$ 64,000</u>	<u>\$ 32,000</u>

Exhibit E-12

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2002 and 2001

7. Franchise activity

As of April 30, 2002 there were one hundred fifty-two Dollar Discount Stores franchises in operation. The Company opened thirty-four franchises during the year ended April 30, 2002. The number of franchises sold since the Company's inception reflects a strong demand for the products and the benefits obtained by franchise owners. The Company expects this favorable situation to continue; however, franchise sales do reach a saturation point, and accordingly, revenue from franchise sales may decline in the future.

8. Retirement plan

The Company maintains a defined contribution 401(k) profit sharing plan which covers substantially all employees after one year of service. The 401(k) plan permits participants to defer up to 15% of their compensation. The Company may elect to make matching contributions and may also make other discretionary contributions to the plan subject to the approval of the Board of Directors. The Company made no contributions for the years ended April 30, 2002 and 2001.

9. Deferred compensation agreements

The Company entered into deferred compensation agreements with its shareholders, whereby the shareholders agreed to defer a portion of their compensation. One such agreement provides for payments over the lifetime of the shareholder or his spouse, whichever is longer. The other agreements provide for payments over 60 months. The present value of these future payments, which aggregate approximately \$926,000, are payable upon cessation of active employment by the shareholder due to retirement, death or disability. The applicable expense for these plans was \$71,500 in each of the years 2002 and 2001.

10. Notes receivable, shareholder

Notes receivable from shareholder are due over ten years with aggregate annual payments of approximately \$14,500 inclusive of interest at 5.5% per annum. The notes are secured by the shareholder's stock in the Company.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2002 and 2001

11. Long-term debt

	2002	2001
Note payable, bank, due in monthly installments of \$1,021, inclusive of interest at 8.25% per annum. The loan is collateralized by the Company's furniture and computer equipment.	\$29,206	\$ 38,584
Note payable, bank, payable in forty-eight monthly installments which vary due to changes in the interest rate. Interest at 1% above the bank's national commercial rate (effective rate of 5.75% at April 30, 2002). The note is guaranteed by a related entity and one of the Company's shareholders.	52,742	84,408
Automobile loan payable in monthly installments of \$425, inclusive of interest at 11% per annum	7,390	11,441
	89,338	134,433
Less current maturities	45,750	43,934
Long-term debt	\$43,588	\$ 90,499

Notes payable, bank are subject to certain financial covenants. Maturities of long-term debt at April 30, 2002 are as follows:

Year Ending April 30

2003	\$45,750
2004	35,657
2005	7,931
	\$89,338

DOLLAR DISCOUNT STORES OF AMERICA, INC.
CONTENTS

April 30, 2001 and 2000

Exhibit E-15

DOLLAR DISCOUNT STORES OF AMERICA, INC.
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Exhibit E-16

~~MORRIS J. COHEN & CO., P.C.~~

~~CERTIFIED PUBLIC ACCOUNTANTS~~

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~~INDEPENDENT AUDITORS' REPORT~~

~~Board of Directors and Stockholders
Dollar Discount Stores of America, Inc.
Boothwyn, Pennsylvania~~

~~———— We have audited the accompanying balance sheets of Dollar Discount Stores of America, Inc. as of April 30, 2001 and 2000 and the related statements of income and retained earnings, and cash flows for the years 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 audits.~~

~~———— We conducted our audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Dollar Discount Stores of America, Inc. as of April 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.~~

~~/s/ Morris J. Cohen & Co., P.C.~~

~~July 12, 2001~~

Exhibit E-17

DOLLAR DISCOUNT STORES OF AMERICA, INC.
BALANCE SHEETS
April 30, 2001 and 2000

ASSETS

	<u>—2001</u>	<u>—2000</u>
Current assets		
Cash and cash equivalents	\$ 478,480	\$ 323,971
Royalty and franchise fee receivable, net of allowance for doubtful accounts of \$50,000 in 2001; \$70,000 in 2000	253,094	212,202
Prepaid expenses and other	74,931	65,488
Notes receivable, shareholder	8,679	
Deferred tax asset	<u>20,000</u>	<u>30,500</u>
Total current assets	<u>835,184</u>	<u>632,161</u>
Property and equipment		
Automobile	14,946	
Office equipment	62,425	53,275
Furniture and fixtures	<u>37,248</u>	<u>37,248</u>
	114,619	90,523
Less accumulated depreciation	<u>47,056</u>	<u>26,640</u>
	<u>67,563</u>	<u>63,883</u>
Other assets		
Notes receivable, shareholder	109,459	
Deferred tax asset	<u>32,000</u>	<u>5,000</u>
	<u>\$ 141,459</u>	<u>5,000</u>
Total assets	<u>\$1,044,206</u>	<u>\$701,044</u>

Exhibit E-18

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>—2001</u>	<u>—2000</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 121,121	\$ 76,853
Current portion of long-term debt	43,934	8,629
Accrued payroll and related taxes	38,632	23,548
Income taxes	22,115	19,300
Deferred franchise fee revenue	120,500	192,500
Deferred tradeshow revenue	<u>179,788</u>	<u> </u>
<u>—Total current liabilities</u>	<u>526,090</u>	<u>320,830</u>
Long-term liabilities		
Long-term debt	90,499	38,583
Deferred compensation	<u>113,500</u>	<u>42,000</u>
	<u>203,999</u>	<u>80,583</u>
Commitments and contingencies (Note 3)		
Shareholders' equity		
Common stock, no par value, 50,000 shares authorized —10,000 shares issued and outstanding	100,000	100,000
Additional paid-in capital	41,167	41,167
Retained earnings	<u>172,951</u>	<u>158,464</u>
	<u>314,118</u>	<u>299,631</u>
<u>—Total liabilities and shareholders' equity</u>	<u>\$1,044,207</u>	<u>\$701,044</u>

The accompanying notes are an integral part of these financial statements.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
 STATEMENTS OF INCOME AND RETAINED EARNINGS
 Years Ended April 30, 2001 and 2000

	<u>—2001</u>	<u>—2000</u>
Revenues		
Franchise license fees	\$—568,125	\$—573,491
Royalty fees	1,559,579	1,379,201
Buying service commission	494,004	383,500
Other income	<u>—7,712</u>	<u>—18,765</u>
— Total revenues	<u>2,629,420</u>	<u>2,354,957</u>
Operating expenses		
Selling, general and administrative	2,531,840	2,259,950
Deferred compensation	<u>—71,500</u>	<u>—42,000</u>
	<u>2,603,340</u>	<u>2,301,950</u>
Income from operations	<u>—26,080</u>	<u>—53,007</u>
Other income (expense)		
Interest income	22,792	15,861
Interest expense	<u>—(9,065)</u>	<u>—(8,868)</u>
	<u>—13,727</u>	<u>—6,993</u>
Income before income taxes	39,807	60,000
Income taxes	<u>—25,320</u>	<u>—34,556</u>
Net income	14,487	25,444
Retained earnings, beginning	<u>—158,464</u>	<u>—133,020</u>
Retained earnings, ending	<u>\$—172,951</u>	<u>\$—158,464</u>

The accompanying notes are an integral part of these financial statements.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
STATEMENTS OF INCOME AND RETAINED EARNINGS
Years Ended April 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities		
Net income	\$ <u>14,487</u>	\$ <u>25,444</u>
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization and depreciation	20,414	17,352
Deferred taxes	(16,500)	(12,500)
Deferred compensation	71,500	42,000
Changes in operating assets and liabilities		
Royalty and franchise fee receivable	(40,892)	(36,105)
Refundable income taxes		6,626
Prepaid expenses	(9,443)	(25,991)
Accounts payable and accrued expenses	44,268	11,375
Accrued payroll and related taxes	15,084	4,955
Income taxes	2,815	19,300
Deferred franchise fee revenue	(72,000)	50,000
Deferred trade show revenue	<u>179,788</u>	<u> </u>
	<u>195,034</u>	<u>77,012</u>
Net cash provided by operating activities	<u>209,521</u>	<u>102,456</u>
Cash flows from investing activities		
Capital expenditures	(24,095)	(7,522)
Notes receivable, shareholder	(120,535)	
Repayments of note receivable, shareholder	<u>2,397</u>	<u> </u>
Net cash used in investing activities	<u>(142,233)</u>	<u>(7,522)</u>
Cash flows from financing activities		
Net borrowings, bank	107,946	39,927
Repayments of long-term debt	<u>(20,725)</u>	<u>(2,716)</u>
Net cash provided by financing activities	<u>87,221</u>	<u>37,211</u>
Net increase in cash and cash equivalents	154,509	132,145
Cash and cash equivalents, beginning of year	<u>323,971</u>	<u>191,826</u>
Cash and cash equivalents, end of year	<u>\$ 478,480</u>	<u>\$ 323,971</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ <u>9,065</u>	\$ <u>8,868</u>
Income taxes paid	\$ <u>23,360</u>	\$ <u>28,354</u>

The accompanying notes are an integral part of these financial statements

Exhibit E-21

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2001 and 2000

1. ~~Summary of significant accounting policies~~

~~Business activity~~

~~The Company is a marketing services and franchise company which licenses franchisees to operate stores selling general merchandise under the name "Dollar Discount Stores" throughout the United States. Franchisees are granted the right to operate a Dollar Discount Store using the Dollar Discount system generally for a period of ten years. Franchisees pay their own rent, occupancy costs and overhead and purchase merchandise directly from vendors. The Company sells miscellaneous and other incidental items to franchisees.~~

~~Accounting 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.~~

~~Cash and cash equivalents~~

~~The Company considers cash on hand, cash in banks, certificates of deposit, time deposits, and U.S. government and other short-term securities with maturities of three months or less when purchased as cash and cash equivalents.~~

~~Revenue recognition and nature of significant services~~

~~Initial franchise license fees for each franchise sold are recognized in accordance with the franchise license agreement, when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. Royalty, advertising and buying service fees are recognized when earned.~~

~~When an individual franchise is sold, the Company agrees to provide certain services to the franchise. Generally, these services include assistance in site selection, training personnel, and selection and purchase of initial inventory.~~

~~Property and equipment~~

~~Property and equipment is stated at cost. Depreciation is provided over the estimated useful lives of assets by both the accelerated and straight-line methods.~~

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2001 and 2000

1. ~~Summary of significant accounting policies (Continued)~~

~~Advertising costs~~

~~Advertising costs consist primarily of advertising in local newspapers and are expensed when the advertising is placed. Catalogue costs are recorded as prepaid expenses, and expensed as the catalogues are distributed.~~

~~Income taxes~~

~~Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax bases of the Company's assets and liabilities.~~

~~Concentrations of credit risk~~

~~Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and receivables.~~

~~The Company places its cash with high credit quality financial institutions in the United States. At times, the Company's cash deposited in banks may be in excess of FDIC insured limits.~~

~~Exposure to losses on franchisee and royalties fees receivable is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses.~~

~~Reclassification~~

~~The 2000 financial statements have been reclassified to conform with the 2001 presentation.~~

2. ~~Related party transactions~~

~~For the years ended April 30, 2001 and 2000, the Company paid approximately \$30,000 each year for rent of office space to a related party.~~

3. ~~Commitments and contingencies~~

~~Lease commitments~~

~~The Company's corporate offices are leased under an informal arrangement with a related party on a month-to-month basis. In addition to the lease with the related party, the Company is also obligated under operating leases for office equipment.~~

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2001 and 2000

3. ~~Commitments and contingencies (Continued)~~

~~Lease commitments (Continued)~~

~~Future minimum payments for operating leases as of April 30, 2001 are as follows:~~

Year Ending April 30

2002	\$11,995
2003	11,995
2004	11,995
2005	<u>7,997</u>
	<u>\$43,982</u>

~~Rent expense for all leases for the years ended April 30, 2001 and 2000 was \$42,628 and \$39,688, respectively.~~

~~Contingencies~~

~~The Company has received notices from certain states concerning certain prior years income tax returns which they may be required to file. One such state has placed a lien on the Company's assets. The Company is presently preparing the income tax returns requested by the state and the preliminary estimate of taxes due is minimal. Accordingly, the Company does not believe that the ultimate resolution will have a material adverse effect on the Company's financial position or results of operations.~~

4. ~~Deferred revenue~~

~~Deferred franchise fee revenue at April 30, 2001 and 2000 represents that portion of total revenue from initial franchise sales attributable to service to be provided by the Company in the future.~~

~~Deferred trade show revenue at April 30, 2001 represents fees collected in advance from exhibitors for a Company sponsored trade show for franchisees held in June 2001, net of costs incurred in advance for this show.~~

5. ~~Advertising~~

~~Included in prepaid expenses are advertising and brochure costs totaling \$14,629 and \$6,437 at April 30, 2001 and 2000, respectively.~~

~~Advertising and promotion expense was \$242,994 and \$224,246 for the years ended April 30, 2001 and 2000, respectively.~~

DOLLAR DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2001 and 2000

6. ~~Income taxes~~

~~Income taxes consist of the following at April 30, 2001 and 2000:~~

	<u>2001</u>	<u>2000</u>
Federal income taxes		
Current	\$ 28,000	\$ 21,000
Prior year under accrual	1,745	2,047
Assessments for prior years		1,365
Deferred	<u>(12,500)</u>	<u>(9,000)</u>
	<u>17,245</u>	<u>15,412</u>
State income taxes		
Current	13,000	12,000
Prior year under (over) accrual	(925)	842
Assessments for prior years		9,802
Deferred	<u>(4,000)</u>	<u>(3,500)</u>
†	<u>8,075</u>	<u>19,144</u>
	<u>\$ 25,320</u>	<u>\$ 34,556</u>

~~Under the liability method, the tax effect of significant temporary differences that give rise to a deferred tax asset are as follows:~~

	<u>2001</u>	<u>2000</u>
Current deferred tax asset		
Allowance for doubtful accounts	\$ 20,000	\$ 29,000
Accrued expenses	6,000	4,000
Catalogue costs	<u>(6,000)</u>	<u>(2,500)</u>
	<u>\$ 20,000</u>	<u>\$ 30,500</u>
Non-current deferred tax asset		
Deferred compensation	\$ 46,000	\$ 17,000
Accumulated depreciation	<u>(14,000)</u>	<u>(12,000)</u>
	<u>\$ 32,000</u>	<u>\$ 5,000</u>

Exhibit E-25

DOLLAR-DISCOUNT STORES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
April 30, 2001 and 2000

7. ~~Franchise activity~~

~~As of April 30, 2001 there were one hundred thirty Dollar Discount Stores franchises in operation and four stores which had completed training and were in the process of opening. The Company opened forty four franchises during the year ended April 30, 2001. The number of franchises sold has increased each year since the Company's inception, reflecting a strong demand for the products and the benefits obtained by franchise owners. The Company expects this favorable situation to continue; however, franchise sales do reach a saturation point, and accordingly, revenue from franchise sales may decline in the future.~~

8. ~~Retirement plan~~

~~During the year ended April 30, 2000 the Company adopted a defined contribution 401 (k) profit sharing plan which covers substantially all employees after one year of service. The 401(k) plan permits participants to defer up to 15% of their compensation. The Company may elect to make matching contributions and may also make other discretionary contributions to the plan subject to the approval of the Board of Directors. The Company made contributions of 0 and \$25,400 for the years ended April 30, 2001 and 2000, respectively.~~

9. ~~Deferred compensation agreements~~

~~In October 1999, the Company entered into deferred compensation agreements with its shareholders, whereby the shareholders agreed to defer a portion of their compensation. One such agreement provides for payments over the lifetime of the shareholder or his spouse, whichever is longer. The other agreements provide for payments over 60 months. The present value of these future payments, which aggregate approximately \$926,000, are payable upon cessation of active employment by the shareholder due to retirement, death or disability. The applicable expense for these plans in 2001 and 2000 was \$71,500 and \$42,000, respectively.~~

10. ~~Notes receivable, shareholder~~

~~Notes receivable shareholder are due over ten years with aggregate annual payments of approximately \$16,800 inclusive of interest at 7% per annum. The notes are secured by the shareholder's stock in the Company.~~

DOLLAR DISCOUNT STORES OF AMERICA, INC.
 NOTES TO FINANCIAL STATEMENTS
 April 30, 2001 and 2000

11. Long-term debt

	<u>2001</u>	<u>2000</u>
Note payable, bank, due in monthly installments of \$1,021, inclusive of interest at 8.25% per annum. The loan is collateralized by the Company's furniture and computer equipment.	\$ 38,584	\$ 47,212
Note payable, bank, payable in forty eight monthly installments which vary due to changes in the interest rate. Interest is 1% above the bank's national commercial rate (effective rate of 8.5% at April 30, 2001). The note is guaranteed by a related entity and one of the Company's shareholders.	84,408	
Automobile loan payable in monthly installments of \$425, inclusive of interest at 11% per annum.	<u>11,441</u>	<u>0</u>
	134,433	47,212
Less current maturities	<u>43,934</u>	<u>8,629</u>
Long term debt	<u>\$ 90,499</u>	<u>\$ 8,583</u>

Notes payable, bank are subject to certain financial covenants. Maturities of long term debt at April 30, 2001 are as follows:

Year Ending April 30

2002	\$43,934
2003	47,912
2004	34,657
2005	<u>7,930</u>
	<u>\$ 134,433</u>