

DOLLAR DISCOUNT STORES OF AMERICA, INC.
1362 NAAMANS CREEK ROAD
BOOTHWYN, PA 19061
(800) 227-5314
(888) DOLLAR-1



INFORMATION FOR PROSPECTIVE FRANCHISEES
REQUIRED BY THE FEDERAL TRADE COMMISSION

TO PROTECT YOU, WE'VE REQUIRED YOUR FRANCHISOR TO GIVE YOU THIS INFORMATION. WE HAVEN'T CHECKED IT, AND DON'T KNOW IF IT'S CORRECT. IT SHOULD HELP YOU MAKE UP YOUR MIND. STUDY IT CAREFULLY. WHILE IT INCLUDES SOME INFORMATION ABOUT YOUR CONTRACT, DON'T RELY ON IT ALONE TO UNDERSTAND YOUR CONTRACT. READ ALL OF YOUR CONTRACT CAREFULLY. BUYING A FRANCHISE IS A COMPLICATED INVESTMENT. TAKE YOUR TIME TO DECIDE. IF POSSIBLE, SHOW YOUR CONTRACT AND THIS INFORMATION TO AN ADVISOR, LIKE A LAWYER OR AN ACCOUNTANT. IF YOU FIND ANYTHING YOU THINK MAY BE WRONG OR ANYTHING IMPORTANT THAT'S BEEN LEFT OUT, YOU SHOULD LET US KNOW ABOUT IT. IT MAY BE AGAINST THE LAW.

THERE MAY BE LAWS ON FRANCHISING IN YOUR STATE. ASK YOUR STATE AGENCIES ABOUT THEM.

FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

This Offering Circular was issued for purposes of satisfying federal law disclosure requirements
on July 30, ~~2002~~2003.



FRANCHISE OFFERING CIRCULAR
DOLLAR DISCOUNT STORES OF AMERICA, INC.
A Pennsylvania Corporation
1362 Naamans Creek Road
Boothwyn, PA 19061
(800) 227-5314
(888) DOLLAR-1

You will operate a retail store which sells a wide variety of goods, and specializes in toys, candy, foods, housewares, party supplies, gadgets, health and beauty aids, pet supplies and tools at or below the retail price of \$1.00, except as Dollar Discount may otherwise permit.

The initial franchise fee is \$18,000. The estimated initial investment ranges from \$99,000 to \$195,000.

Risk factors:

1. THE FRANCHISE AGREEMENT REQUIRES THAT ALL DISAGREEMENTS BE SETTLED BY ARBITRATION IN PENNSYLVANIA. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE IN PENNSYLVANIA THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT PROVIDES THAT ANY CLAIMS THAT ARE NOT SUBJECT TO ARBITRATION MUST BE LITIGATED IN PENNSYLVANIA. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE IN PENNSYLVANIA THAN IN YOUR HOME STATE.
3. THE FRANCHISE AGREEMENT STATES THAT PENNSYLVANIA LAW GOVERNS THE AGREEMENT AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW.
4. THE FRANCHISE AGREEMENT CONTAINS A POST-TERM NON-COMPETITION CLAUSE.
5. REGISTRATION OF THIS FRANCHISE WITH A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THE OFFERING CIRCULAR. IF YOU LEARN THAT ANYTHING IN THIS OFFERING CIRCULAR IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE AUTHORITY AS IDENTIFIED IN EXHIBIT A TO THIS OFFERING CIRCULAR.
6. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

EVEN THOUGH THE FRANCHISE AGREEMENT PROVIDES THAT "HOME STATE" LAW APPLIES, LOCAL LAW MAY SUPERSEDE IT IN YOUR STATE. PLEASE REFER TO ANY STATE-SPECIFIC ADDENDUM THAT MAY BE ATTACHED TO THE OFFERING CIRCULAR FOR DETAILS.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. IF YOU LEARN THAT ANYTHING IN THIS OFFERING CIRCULAR IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. OR THE STATE ADMINISTRATOR IDENTIFIED IN EXHIBIT A TO THIS OFFERING CIRCULAR.

This Offering Circular is registered or on file in the following states, which registration or filing became effective on the dates listed below:

State	Effective Date
California	August 14, 2002
Hawaii	
Illinois	July 27, 2002
Indiana	October 3, 2002
Maryland	November 18, 2002
Michigan	July 29, 2002
Minnesota	July 31, 2002
New York	August 20, 2002
North Dakota	August 8, 2002
Rhode Island	August 5, 2002
South Dakota	July 30, 2002
Virginia	
Washington	August 9, 2002
Wisconsin	July 29, 2002

MICHIGAN NOTICE

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

- (a) A prohibition against you joining an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law. This does not preclude you, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits Dollar Discount to terminate your franchise prior to the expiration of its term except for good cause. Good cause includes your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits Dollar Discount to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration, of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to Dollar Discount and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This provision applies only if:
 - (i) The term of the franchise is less than five years; and
 - (ii) You are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or if you do not receive at least six months advance notice of Dollar Discount's intent not to renew the franchise.
- (e) A provision that permits Dollar Discount to refuse to renew the franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This provision does not require a renewal provision in the Franchise Agreement or other agreement.
- (f) A provision requiring that arbitration or litigation be conducted outside of Michigan. This does not preclude you from entering into an agreement, at the time of the arbitration, to conduct arbitration at a location outside of Michigan.
- (g) A provision which permits Dollar Discount to refuse to permit a transfer of ownership of the franchise, except for good cause. This provision does not prevent Dollar Discount from exercising a right of first refusal to purchase the franchise. Good cause includes, but is not limited to:
 - (i) The failure of the proposed transferee to meet Dollar Discount's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of Dollar Discount.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to Dollar Discount or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

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

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

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General.

Any questions concerning this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Antitrust and Franchise Unit, 670 Law Building, Lansing, Michigan 48913 (517) 373-7117.

DOLLAR DISCOUNT STORES OF AMERICA, INC.
FRANCHISE OFFERING CIRCULAR
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ITEM 1

THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this offering circular "Dollar Discount" means Dollar Discount Stores of America, Inc., the franchisor. "You" means the person who buys the franchise. The term "you" does not include the franchisee's principals, unless otherwise stated.

Dollar Discount is a Pennsylvania corporation that was incorporated on May 28, 1987, and does business only under its corporate name as "Dollar Discount Stores". Its principal business address, or home office, is 1362 Naamans Creek Road, Boothwyn, PA, 19061. Dollar Discount has no predecessors nor affiliates. Dollar Discount's agents for service of process are listed in Exhibit B to this Offering Circular.

Dollar Discount is a marketing services and franchise company which licenses franchisees to operate stores ("Dollar Discount Stores") selling general merchandise under the name "Dollar Discount" and Dollar Discount's proprietary business system ("System"). The System was developed in 1982 by Dollar Discount's management, and transferred to Dollar Discount upon its incorporation.

Dollar Discount began selling franchises in the Spring of 1987 and has not itself owned or operated a business similar to that to be operated by you. However, Dollar Discount's management has significant experience with similar businesses. Dollar Discount's management founded the Dollar Discount Stores concept in 1982, when the first Dollar Discount Store opened for business. Dollar Discount's management has established corporations which have themselves been franchisees of Dollar Discount, and have operated 11 Dollar Discount Stores in Delaware, Maryland, New Jersey and Pennsylvania. All of these stores have been transferred to other, independent franchisees. See Item 20. Dollar Discount has not offered, and does not currently offer franchises in other lines of business and has never engaged in any other business activities.

The Dollar Discount franchise agreement authorizes you to operate a single Dollar Discount Store at a specific location. Dollar Discount Stores sell a wide variety of goods, including toys, candy, foods, housewares, party supplies, gadgets, health and beauty aids, pet supplies and tools. Dollar Discount maintains a low price philosophy, and most items offered to the consumer are sold at low or discount prices. In order to maintain customer interest and patronage, Dollar Discount Stores regularly introduce new or additional items into stock. Dollar Discount will recommend such new or additional items to you. You will offer and sell all merchandise, at your option, at or below the retail price of one dollar, except as Dollar Discount may otherwise permit. Dollar Discount may, in the future, increase or decrease this maximum price limitation or add other recommended or maximum price points or limitations, to the extent permitted under applicable law.

Dollar Discount Stores are retail stores that offer and sell merchandise to the general public. The typical Dollar Discount Store customer is attracted by its merchandise and low price philosophy. The typical consumer will be one to whom bargain pricing is desirable. The store will be competing with stores offering similar merchandise at discount prices.

There are no regulations specific to the industry in which the franchise business operates.

ITEM 2

BUSINESS EXPERIENCE

Chief Executive Officer, Treasurer and Chairman of the Board: Paul Cohen

Mr. Cohen founded the Dollar Discount Stores concept in 1982 as owner of the first store, and has been with Dollar Discount since that time. He founded the franchise in 1987. Mr. Cohen brings to the franchise his substantial experience in wholesaling and retailing of general merchandise. Mr. Cohen also owns and operates Booth's Corner Realty which owns Booth's Corner Farmers' Market in Boothwyn, Pennsylvania.

President, Chief Operating Officer and Director: Ronald Cohen

Mr. Cohen has served as Dollar Discount's President and Chief Operating Officer and Director since December 1998 and is currently responsible for new product development, training new franchisees, and coordinating the day-to-day operations of Dollar Discount's corporate offices. From its foundation in 1982 through December 1998, Mr. Cohen served as Executive Vice President. Mr. Cohen has also served as a Director of Dollar Discount.

Vice President and Director: Benjamin Cohen

Mr. Cohen has served as Vice President and Director of Dollar Discount since its formation, and currently provides consulting services to the company. In January 2003, Mr. Cohen also assumed the duties of Director of Merchandise.

Treasurer and Director: Bonnie Fryer

Ms. Fryer has served as Treasurer and Director of Dollar Discount since its formation, and currently provides consulting services to the company.

Secretary and Director: Cindy Hamilton

Ms. Hamilton has served as Secretary and Director of Dollar Discount since its formation, and currently serves Regional Franchise Director and provides consulting services to the company.

Chief Financial Officer: Carlo Silvesti

Mr. Silvesti joined Dollar Discount in December 1999 as Chief Financial Officer. From February 1997 through November 1999, Mr. Silvesti served as Controller for the Lenon-X Corp. of Westbury, in Long Island, New York. From February 1995 through February 1997, Mr. Silvesti served as Director of Finance for ChemAlloy, Inc., located in Bryn Mawr, Pennsylvania.

Franchise Director: Mitchell Insel

Mr. Insel assumed his present position with Dollar Discount in July of 1988 and has been with the company since that time.

Operations Director: David Brady

Mr. Brady joined Dollar Discount in May of 1992 and serves as the company's Operations Director.

Merchandise Director: Charlie Militti

Mr. Militti joined Dollar Discount in September 1997, and served as the company's District Manager through November 1999. Since November 1999, Mr. Militti has served as Merchandise Director, and is currently responsible for the procurement and distribution of merchandise for Dollar Discount Stores. From April 1988 through March 1997, Mr. Militti operated C&D variety stores in Glassboro, New Jersey.

Director of Franchise Development: Gerald Leibowitz

Mr. Leibowitz joined Dollar Discount in 1990 and currently serves as the company's Director of Franchise Development.

ITEM 3

LITIGATION

Dollar Discount Stores of America, Inc. v. Jerome and Gail Stackman

~~(Case No. 14-114-0052-92 (C/J), American Arbitration Association, Philadelphia, Pennsylvania. On May 5, 1992, we filed suit against our franchisee, Jerome and Gail Stackman for breach of contract due to the fact that they failed to pay their franchise fee in full. The Stackmans filed a counterclaim against us on July 3, 1992, claiming we breached the franchise agreement and made misrepresentations to them relative~~

~~to the type of business to be operated. The case was settled in October of 1992. No payments were made by the Stackmans or us, and the Stackmans continued to be franchisees until September 15, 1995 when their franchise agreement was terminated by mutual agreement.~~

Dollar Discount Stores of America, Inc. v. Terry and Debra Masten

~~(Case No. 14 E114-0053-92-C/J) American Arbitration Association, Philadelphia, Pennsylvania. On May 3, 1992, we filed suit against our franchisee, Terry and Debra Masten for breach of contract due to the fact that they failed to pay their franchise fee in full. The Mastens filed a counterclaim against us in June of 1992, claiming breach of contract and misrepresentations. The case was settled on November 15, 1992, and the Mastens paid us \$10,000.~~

In the Matter of Dollar Discount Stores of America, Inc.

(Case No. 97-1234) Administrative Proceeding before the Securities Commissioner of Maryland. In November 1997, the Maryland Securities Commissioner concluded that grounds existed to allege that we violated the registration provisions of the Franchise Law by offering and/or selling 3 franchises during a period in which our Maryland registration had lapsed. On November 19, 1997, we consented to the entry of an order requiring us to immediately and permanently cease and desist from the offer and sale of franchises in violation of the Franchise Law, to diligently pursue our pending application to re-register the franchise in Maryland, and to offer to rescind the 3 franchises sold during the period in which the franchise was not effectively registered in Maryland. We are currently in compliance with the Consent Order.

Michael Petusha, Michael Haynes, T&T Dollar, Inc. v. Dollar Discount Stores of America, Inc.

(U.S.D.C. E.D.Pa., No. 01-384)(U.S.D.C. E.D.Mi., No. 01-71849DT) On January 24, 2001, we brought an action against Petrusha, Haynes and T&T Dollar, Inc. in the United States District Court for the Eastern District of Pennsylvania to enforce the terms of the franchise agreement. Later, on April 11, 2001, Petrusha, Haynes and T&T, who operated several unauthorized dollar stores, commenced an action in Michigan state court alleging that we failed to make proper disclosures and sought rescission of their franchise agreement and monetary damages. We removed the case to the United States District Court for the Eastern District of Michigan. These cases were settled and Petrusha, Haynes and T&T agreed to bring their unauthorized dollar stores into our franchise system. We did not pay any money to settle these cases.

Other than these ~~4~~two actions, no litigation is required to be disclosed in this Offering Circular.

ITEM 4

BANKRUPTCY

No person 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 required to be disclosed in this Item.

ITEM 5

INITIAL FRANCHISE FEE

All franchisees pay an \$18,000 Initial License Fee. \$9,000 is payable when the Franchise Agreement is signed; the balance of \$9,000 is payable when you sign your lease for the store. If you provide to Dollar Discount with accurate information concerning your history and financial condition, and if you fail either to obtain a mutually acceptable location or obtain required financing after a diligent search for both, then you may terminate the Franchise Agreement. If you terminate the Franchise Agreement for either of these reasons, and you sign a general and full release of all claims in favor of Dollar Discount and certain

other entities and individuals, Dollar Discount will refund to you \$8,000. The Initial License Fee is otherwise nonrefundable.

All franchisee fees are applied to the franchisor's general operating fund. All obligations of franchisor, whether to franchisees or otherwise, are paid out of this fund.

It is Dollar Discount's current policy to offer a discount to existing franchisees who acquire additional franchises. According to this policy, existing franchisees may acquire additional franchises for a reduced franchise fee of \$9,000 if (1) they have operated a Dollar Discount Store for at least 6 months; and (2) are in compliance with all applicable franchise agreements. Dollar Discount may change or eliminate this policy at any time, in its sole discretion.

~~Dollar Discount increased its franchise fee on January 1, 1992. All franchises sold before that date, were sold for a franchise fee of \$15,000.~~

**ITEM 6
OTHER FEES**

Name of Fee	Amount	Due Date	Remarks
Royalty	3% of Gross Receipts up to \$1,000,000 each calendar year; 1.5% of Gross Receipts in excess of \$1,000,000 in the same calendar year <u>See Note 1</u>	Weekly as collected by Dollar Discount	Dollar Discount currently offers a royalty abatement agreement to qualifying multiple-unit franchisees which cap royalties at \$50,000 per year.
Advertising	1% of total Gross Receipts with right to increase to 2% of Gross Receipts if certain conditions are met	<u>See Note 2</u>	<u>See Note 2</u>
Continuing Inventory Levels	Cost of inventory	Supplier's credit terms	You will be required to continually replenish the Store's inventory to maintain inventory levels.
Transfer	1/3 of the then-current initial license fee	Before the transfer is made	When you sell your franchise
Audit	If you fail to timely submit accurate and legible reports, Then you will have to pay for the costs of the audit	10 days after billing	
Renewal Fee	1/3 of the then-current initial license fee	30 days before renewal	

Name of Fee	Amount	Due Date	Remarks
Interest Payments	Any amount not paid when due will bear interest from the due date at the rate of 2% per month, or the maximum allowed by law, whichever rate shall be lesser	As billed	Interest shall be compounded daily
Taxes	Amount of tax imposed by taxing authority	Upon receipt of invoice from Dollar Discount	To the extent that any state or local taxing authority imposes any tax on any payment you make to the company. You must pay to Dollar Discount the amount of the tax.
Software License and Maintenance Fees	No fee currently imposed	Not Applicable	You may be required to pay software license or maintenance fees if these fees are imposed by third party software application or service providers.
Intranet/Extranet Hosting Fees	No fee currently imposed	Not Applicable	Dollar Discount or a third party may impose a fee or hosting the internet or extranet system. Dollar Discount may require you to pay your <i>pro rata</i> share of this fee if imposed by a third party.

Note 1 - You will pay a 3% Royalty Fee on all Gross Receipts earned in your Dollar Discount Store, in any particular calendar year up to \$1,000,000, and a 1.5% Royalty Fee on all Gross Receipts earned within the same calendar year in excess of \$1,000,000. "Gross Receipts" means all forms of consideration received in connection with the franchise business, excluding sales tax. If you fail to make payments on your Royalty Fees for two (2) consecutive weeks, Dollar Discount will collect estimated Royalty Fees on a weekly basis by direct withdrawal from your bank account or by charging the amount of the estimated Royalty Fee to a designated credit card. Estimated charges are reconciled with actual fees at the end of each month. If your estimated payments exceed actual fees, Dollar Discount will pay you the difference by the 10th day of the month following the month for which fees were estimated. All fees are non-refundable when paid. Dollar Discount currently offers a royalty abatement agreement to qualifying multiple-unit franchisees which cap royalties at \$50,000 per year.

Note 2 - During each calendar year, you must agree to spend 1% of your total Gross Receipts (excluding sales tax) to advertise and promote the products and services offered by Dollar Discount Stores in your locale. If an Advertising Group is formed in the future as described in Item 11, you may be required to pay all or a portion of the 1% advertising fee directly to your Advertising Group. Dollar Discount can increase the minimum local advertising expenditure to a maximum of 2% of Gross Receipts if, in Dollar Discount's sole judgment, the increase is necessary to increase the awareness of Dollar Discount Store products and services, and Dollar Discount imposes the same increase on all similarly situated franchisees operating under franchise agreements that permit Dollar Discount to impose the increase.

ITEM 7
INITIAL INVESTMENT

The following is your estimated initial investment for a Dollar Discount Store located in a strip shopping center, store front, or other area. Most Dollar Discount Stores are located in strip centers, although free standing buildings are available. The initial investment of a free standing building would be the same as a strip center plus any costs to fix or construct the exterior of that building. These costs could vary considerably based on the condition of the building. All fees and costs are nonrefundable unless otherwise stated.

Fee or Expense	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial License Fee	\$18,000 (Note 1)	Two equal payments	One half at signing of the Franchise Agreement; one half at signing of Lease	Dollar Discount
Travel and Living Expenses while in Training	\$500 to \$3,000 (Note 2)	Lump Sum	As Incurred	Suppliers
Leasehold Improvements	\$4,000 to \$10,000 (Note 3)	As required before opening	Before Opening	Contractor
Signage	\$1,000 to \$7,000 (Note 4)	As required before opening	Before Opening	Supplier
Inventory	\$50,000 to \$95,000 (Note 5)	Lump Sum	Before Opening	Suppliers
Equipment and Supplies	\$3,000 to \$11,500 (Note 6)	Lump Sum	Before Opening	Suppliers
Rent (1 month plus 1 month security)	\$4,000 to \$10,000 (Note 7)	Lump Sum	Before Opening	Lessor
Insurance Premium Deposit	\$500 to \$2,000 (Note 8)	1 st quarter	When lease is signed	Insurance Carrier
Grand Opening Advertising	\$1,000 to \$2,000	Lump Sum	As Incurred	Supplier
Fixtures and Furnishings	\$10,000 to \$22,500	Lump Sum	Before Opening	Supplier
Miscellaneous Operating Costs	\$2,000 to \$4,000 (Note 9)	As Incurred	As Incurred	Suppliers, Utilities, Etc.
Additional Fund - 3 months	\$5,000 to \$10,000 (Note 10)	As Incurred	As Incurred	Employees, Suppliers, Utilities
Total	\$99,000 to \$195,000			

Notes

Note 1. See Item 5 for the conditions when this fee is partly refundable. Dollar Discount does not finance any fee. You may purchase a second franchise at a reduced initial franchise fee of \$9,000 as set forth in Item 5. If you elect to purchase additional franchises, Dollar Discount estimates that your initial

investment for establishing the second, and each additional franchise, will be reduced by approximately \$9,000 and, therefore, may range from \$90,000 to \$186,000.

Note 2. You are responsible for training your manager and employees. Dollar Discount requires that you attend the initial training program. See Item 11 for more information about the initial training program.

Note 3. Leasehold improvements include construction build-out costs, fixture installation, and carpentry. Your initial investment for leasehold improvements depends on the size and location of your Dollar Discount Store. Construction costs in some areas of the country may exceed these estimates. The ranges shown represent improvements at strip shopping centers located in suburban Philadelphia in ~~2002~~2003 for leaseholds ranging from ~~2,000~~1,600 to ~~4,000~~3,500 square feet. The cost of leasehold improvements shown in the above ranges does not include purchase and installation of equipment or signage.

Note 4. Signage means one exterior sign, and interior graphics. The cost of signage depends on the size and location of your Dollar Discount Store, the particular requirements of your landlord and local ordinances and zoning requirements. The ranges shown represent signage costs for a smaller exterior building-mounted plastic illuminated sign with the higher estimate representing the cost of a larger sign. Where local ordinances and zoning permit, you will be required to purchase the larger signage.

Note 5. Dollar Discount will provide you with specific inventory purchase recommendations. Actual costs for initial inventory will depend on the size of your Dollar Discount Store.

Note 6. See Items 8 and 11 for more information about equipment and computer system requirements.

Note 7. The average Dollar Discount Store occupies approximately 2,000 to 4,000 square feet of commercial space. The monthly rental for leased premises varies depending on the location of the Dollar Discount Store, and then-current local real estate market conditions. Estimates of leasehold rental costs may be obtained by contacting local commercial realtors. The range of real estate lease deposits reflects the common requirement of a security deposit equal to 1 month to 3 months' rent and payment of 1 month's advance rent for property measuring ~~2,000~~1,600 square feet (the lower estimate) and ~~4,000~~3,500 square feet (the higher estimate) in strip shopping centers located in suburban Philadelphia in ~~2002~~2003.

Note 8. The cost of the business insurance coverage required by the Franchise Agreement will vary from state to state, and will depend upon your loss experience, if any, the prior loss experience of your insurance carrier, and national or local market conditions. Typically, you will be required to prepay your insurance carrier or agent a deposit equal to 3 months of insurance premiums. You must secure and pay premiums for policies of comprehensive general liability insurance, automobile insurance, product liability and broad form contractual liability. You also must secure and pay premiums on workmen's compensation, unemployment insurance, and all other insurance required by federal, state, or other local law. If your lease requires you to purchase insurance with higher limits than those set forth in this paragraph, the lease insurance requirements will control. You must name Dollar Discount as additional named insured and furnish Dollar Discount with a certified copy of your certificate of insurance before you open your store for business. Dollar Discount must approve of your insurance carrier and your carrier must be rated by Best Insurance as A+ or better with a financial rating of 10 or better. (See Franchise Agreement, Item 15). You must agree to defend, indemnify and hold Dollar Discount harmless from all fines, suits, proceedings, claims, demands, obligations or actions of any kind (including costs and reasonable attorneys' fees) arising in whole or in part from your operation of your Dollar Discount Store. See Item 8 of this offering circular for a description of insurance requirements.

Note 9. Includes license permits, utility deposits, incorporation fee and fictitious name registration.

Note 10. This estimates your initial start-up expenses. These figures are estimates because Dollar Discount cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: business experience; local economic conditions; the local market; the prevailing wage rate; competition; and the sales level reached during the initial period.

Other than as stated in Item 5 of this Offering Circular, Dollar Discount will not refund any sums paid to Dollar Discount by you.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Dollar Discount desires to be associated by the consuming public with products and services of a particular quality and uniformity, and a store with decor suited to Dollar Discount Stores' image. Its specifications are designed to establish, maintain and promote these goals. Dollar Discount formulates its specifications based upon the collective experience of its principals and franchisees in operating Dollar Discount Stores generally. Dollar Discount currently issues its standards and specifications only to its franchisees. Dollar Discount has the right to modify its standards and specifications as it deems appropriate, and will notify you of any modifications by written amendment to the Manuals or otherwise in writing.

You must construct, equip, lay out and merchandise your Dollar Discount Store according to Dollar Discount's plans and specifications. It is your responsibility to adapt the plans and specifications to meet your needs, and applicable ordinances, building codes, permits, or lease requirements or restrictions and market conditions. All such modifications are at your expense. Dollar Discount has the right to approve construction or remodeling plans or specifications before you implement them. Dollar Discount has the right to approve of the architect and contractor that you use.

You must also equip, fixture, furnish and decorate the store in accordance with Dollar Discount's requirements, and you must maintain and use interior and exterior signs that meet with Dollar Discount's specifications. Dollar Discount does not have the right to require you to purchase from suppliers approved by Dollar Discount.

You must obtain and keep in force at a minimum: (i) comprehensive general liability insurance covering property damage, with limits of coverage of not less than \$1,000,000 single limit coverage for personal injury and \$500,000 for property damage; (ii) fire and extended insurance covering inventory, fixtures, and equipment in amounts equal to at least 80% of the market value of the inventory, fixtures, and equipment; and (iii) worker's compensation insurance as required by the laws of the state in which the Dollar Discount Store is operated. If the lease for the Store premises requires you maintain higher limits of insurance, the lease insurance requirements will control.

See Item 11 of this offering circular for minimum computer requirements. You also must purchase supplies, forms, printed materials and other items used in operation of the Dollar Discount store as specified by Dollar Discount.

You must purchase an initial supply of inventory according to Dollar Discount's recommendations. Thereafter, you must maintain levels of inventory that are sufficient to meet consumer demand. You must carry a wide variety of goods, including toys, candy, foods, housewares, party supplies, gadgets, health and beauty aids, pet supplies and tools, of the type and in the quantities that Dollar Discount specifies. You may purchase inventory from any supplier of your choice.

Neither Dollar Discount, nor an affiliate of Dollar Discount, are an approved or designated supplier for any item. Dollar Discount negotiates purchase arrangements with suppliers (including price terms) for the benefit of its franchisees.

Dollar Discount derives revenue as a result of purchases from recommended suppliers. In the year ending April 30, 2002, Dollar Discount received buying service fees, in the total amount of \$549,519,628,618.00 (representing approximately 4819% of its total gross revenues), from some vendors who supply merchandise to the Dollar Discount network. Not all vendors pay buying service fees. The buying service fees when paid range from 1% to 5% of all franchisee purchases. Currently, Dollar Discount rebates to franchisees 1% of certain vendor invoices (excluding freight charges). To receive this rebate,

the franchisee must apply to Dollar Discount and submit statements showing paid bills applicable to the requested buying service fee and be current with obligations to Dollar Discount. Dollar Discount reserves the right to eliminate the buying service fee to its franchisees, in its sole discretion. Dollar Discount does not have any affiliates that derive income based on the required purchases or leases.

If you purchase the items Dollar Discount requires you to obtain, and do not include your inventory, your expenditures for these items will account for approximately 30% to 50% of your initial expenses. After opening, you have no purchase obligations imposed by us, although Dollar Discount assumes that you will continue to purchase inventory items.

ITEM 9

FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

Obligation	Section in Agreement	Item in Offering Circular
a. Site selection and acquisition/Lease	3(A)(B) and (C)	Items 7 and 11
b. Pre-opening purchase/leases	3(C)	Item 7
c. Site development and other pre-opening requirements	3(D)	Items 5,7 and 11
d. Initial and ongoing training	9	Item 7 and 11
e. Opening	3(E)	Item 11
f. Fees	5	Items 5 and 6
g. Compliance with standards and policies/Operating Manual	12	Items 8 and 11
h. Trademarks and proprietary information	6 and 11	Items 13 and 14
i. Restrictions on products/services offered	12(E)	Item 16
j. Warranty and customer service requirements	12(C)	Item 11
k. Territorial development and sales quotas	2	Item 12
l. Ongoing product/service purchases	12(E) and (F)	Item 8
m. Maintenance, appearance and remodeling requirements	2(B)(1) and 12(G)	Item 11
n. Insurance	14	Item 7
o. Advertising	7	Items 6, 8 and 11
p. Indemnification	8	Item 7
q. Owner's participation/management/staffing	12(D)	Items 11 and 15
r. Records/reports	10	Item 6
s. Inspections/audits	10(G) and 12(I)	Items 6 and 11

Obligation	Section in Agreement	Item in Offering Circular
t. Transfer	16	Item 17
u. Renewal	4(B)	Item 17
v. Post-termination obligations	20	Item 17
w. Non-competition covenants	21	Item 17
x. Dispute resolution	22-25	Item 17

ITEM 10
FINANCING

Dollar Discount does not offer direct or indirect financing. Dollar Discount does not guarantee your note, lease or obligation; however, the Dollar Discount Store franchise is registered on the SBA's Franchise Registry Program. For more information concerning the benefits associated with this registry, please consult the SBA's web page, www.franchiseregistry.com.

ITEM 11
FRANCHISOR'S OBLIGATIONS

Except as listed below, Dollar Discount need not provide any assistance to you.

Before you open your Dollar Discount Store, Dollar Discount will:

- 1) Provide advice and guidance with respect to identifying a suitable site for your Dollar Discount Store as Dollar Discount considers necessary and appropriate. (Franchise Agreement, Section 3(A).)
- 2) Provide to you lay out and appearance requirements for a standard Dollar Discount Store. (Franchise Agreement, Section 3(D).)
- 3) Provide to you its initial training program. Franchise Agreement, Section 9(A.) It is your responsibility to train your manager and any employees. You must complete the training program to Dollar Discount's satisfaction. You are responsible for the traveling and living expenses associated with the training program. The training program is currently offered on an as needed basis, and consists of five days of training (Monday through Friday). It takes place at the home office of Dollar Discount in Boothwyn, Pennsylvania, or such other location as Dollar Discount specifies. The training is as follows:

Subject	Time Begun	Instructional Material	Hours of Classroom Training	Hours of On the Job Training	Instructor
Management of Store	Flexible	Manual	1 to 2 hours	1 hour	Dave Brady
Your Duties	Flexible	Manuals	1 to 2 hours	none	Dave Brady
Policies & Procedures	Flexible	Manuals	1 hour	none	Dave Brady
Merchandising	Flexible	Manuals	2 to 4 hours	1 hour	Dave Brady
Purchasing	Flexible	Manuals	8 to 12 hours	1 hour	Dave Brady
Store Operations	Flexible	Manuals	2 hours	1 hour	Dave Brady
Bookkeeping	Flexible	Manuals	1 hour	none	Carlo Silvesti

Subject	Time Begun	Instructional Material	Hours of Classroom Training	Hours of On the Job Training	Instructor
Hiring and Personnel Management	Flexible	Manuals	1 hour	none	Dave Brady
Theft Prevention Procedures	Flexible	Manuals	1 hour	none	Dave Brady

During the term of the franchise, Dollar Discount may offer and require you and your employees to attend additional or remedial training programs, classes, meetings, seminars and workshops. These programs may be held at any location Dollar Discount specifies, or may be offered or made available, at Dollar Discount's election, via videoconference or the Internet. You and your employees must attend and satisfactorily complete all required programs and courses. (Franchise Agreement, Section 9.(B).)

- 4) Provide to you one copy of the Manuals, which may provided via email or via an intranet or extranet system. (Franchise Agreement, Section 11(A).) See Exhibit C for the Table of Contents of Manuals.
- 5) Immediately prior to and coinciding with the opening of your Dollar Discount Store, send a representative to provide 30 hours of opening assistance (if you are opening your first Dollar Discount Store) or 15 hours of opening assistance (if you are opening your second or any subsequent Dollar Discount Store). (Franchise Agreement, Section 9(G).)
- 6) Provide inventory purchase recommendations. (Franchise Agreement, Section 9(H).)

During the operation of your Dollar Discount Store, Dollar Discount will:

- 1) Provide you with specific inventory purchase recommendations. (Franchise Agreement, Section 9(F).)
- 2) Make available to you advice regarding management and operation of your Dollar Discount Store the store to the extent that Dollar Discount considers necessary and appropriate, in its sole discretion. (Franchise Agreement, Section 9(H).)
- 3) Make available to you any and all improvements and changes in the Dollar Discount Store products, services, business methods and techniques to the same extent and in the same fashion as they are made available to other franchisees. (Franchise Agreement, Section 9(H).)

Advertising

Dollar Discount's advertising program currently consists of templated advertising that franchisees can download from Dollar Discount's intranet/extranet system. This advertising is developed in house and with an outside service provider. You may develop advertising materials for your own use, at your own cost. All advertising and promotional activities must be conducted in a dignified manner and must conform to Dollar Discount's standards. You may not use, publish or broadcast any advertising materials until Dollar Discount has first approved the content, the proposed method of use, and the proposed media. There is no advertising council for the Dollar Discount system.

Dollar Discount has the right, but is not obligated, to designate an area encompassing a group of Dollar Discount Stores, for purposes of instituting an Advertising Group program. If an Advertising Group is formed for the area encompassing your Dollar Discount Store, you must promptly sign an Advertising Group Agreement and abide by the rules and regulations of the Advertising Group. Dollar Discount has the power to require Advertising Groups to be changed, dissolved or merged, and has the sole right to assign members to an Advertising Group. The Advertising Group will be self-governing, and act by

majority vote. It will be empowered to elect a president and adopt by-laws and other procedures to implement an advertising program. The Advertising Group may designate an advertising committee to administer the program. If you are a member of an Advertising Group, Dollar Discount can require you to contribute all or a portion of your minimum local advertising expenditure (that is, 1% of your total gross receipts, which Dollar Discount can increase to 2% of gross receipts, excluding sales tax) directly to the Advertising Group. Advertising Groups will be required to prepare and make available to its members annual unaudited financial statements, the cost of which shall be paid from Advertising Group contributions.

No Advertising Group has yet been created for the Dollar Discount system. Dollar Discount does not have the right to implement or require you to contribute to any other type of advertising fund.

Computer Requirements

You must purchase a computer and an electronic cash register and point-of-sale system. The computer must meet the following minimum specifications: 1.5 GHZ CPU or better, 2.0 Gig hard drive or better, 120 MG RAM, Windows 98 or higher, and mouse, internal 56K fax/modem and 56X or better CD-ROM. You will also need a 17-inch color monitor and inkjet printer. You also will need to purchase an office software package (such as Microsoft Excel 2000) and an accounting program (Quickbooks 2000-~~or~~ 2002 is recommended). None of these items are proprietary to Dollar Discount.

The point-of-sale system is currently being developed. It will consist of an electronic cash register and point-of-sale system which includes a server, POS terminal register system, and a portable handheld scanner. This hardware is not proprietary, but you may be required to purchase certain brand name items. You also will be required to license software for the system, which may be proprietary to Dollar Discount. You also will need to obtain an Internet source provider which provides you with Internet and e-mail access.

Dollar Discount can require you to update or upgrade computer hardware components and/or Software not more than 3 times per calendar year. Dollar Discount also can require you to enter into a separate maintenance agreement for such computer hardware and/or Software. (Franchise Agreement 12.(M).) Dollar Discount will have independent access to all information compiled by your computer system.

Site Selection

It is your responsibility to research the market in your Area, and to select a site for the Store within that Area. Dollar Discount recommends that the Store premises contain 2,500 to 3,500 square feet of commercial space, but will approve any site that you propose so long as will conform, when finished, to Dollar Discount's Standards for shelving and merchandise layout and Dollar Discount's trade dress requirements. You may not execute a lease for a store premises without Dollar Discount's prior approval. It is your sole responsibility to comply with all local ordinances and to obtain any required licenses, permits, and zoning variances. There is no time limit for you to select a site for the Store, so long as you open the Store for business within eight months from the date Dollar Discount signs the Franchise Agreement. If, despite diligent efforts, you cannot locate a site for the Store, you may terminate the Franchise Agreement and receive a limited refund. See Item 5 of this Offering Circular for more information about the refund and conditions for refund.

Opening

You must open your Dollar Discount Store for business within eight months from the date Dollar Discount signs the Franchise Agreement. Franchisees typically open their stores three to four months after they sign a franchise agreement. The factors that affect this time are the franchisee's ability to select and negotiate a lease for a store, time involved in development of the site, franchisee's ability to secure financing, construction, renovation, or improvement time, and the hiring and training of needed staff. If

you do not open the Store for business within eight months from the date Dollar Discount signs the Franchise Agreement, Dollar Discount may terminate the Franchise Agreement.

**ITEM 12
TERRITORY**

Your Dollar Discount Store will operate at a single location approved by Dollar Discount. You may not relocate the store without Dollar Discount's permission.

During the term of the Franchise Agreement, so long as you comply with the terms and conditions of the Franchise Agreement, Dollar Discount will neither locate, operate nor grant a franchise for another Dollar Discount Store within a defined territory ("Area") surrounding your store. The geographic bounds of your Area will be specified in the Data Sheet of your Franchise Agreement. The size of the Area will depend on territory and population. Areas do not encompass a substantial amount of territory or population. They are primarily designed to provide protection in the immediate area surrounding the store. A typical suburban Area would be a radius of a few miles from the store; a typical urban Area would be significantly less, while a typical rural Area would encompass an entire town or even more than one town. Dollar Discount uses the following guidelines in determining whether an area is urban, rural or suburban: an urban area is an area in which there are 50,000 people within a 3 mile radius; a rural area is an area in which there are 25,000 people within a 10 mile radius; and a suburban area is an area in which there are 50,000 people within a 5 mile radius.

The Franchise Agreement does not prohibit Dollar Discount from establishing a similar or competitive business within the Area under a different trademark or establishing other channels of distribution, although Dollar Discount has no current plans to do so.

You are unrestricted as to the geographic area from which you may obtain business. Dollar Discount and other Dollar Discount Store franchisees may solicit business and accept orders from within your Area, without providing you compensation.

You will not have any options, rights or first refusal or similar rights to acquire additional franchises within the Area or contiguous areas.

Continuation of your territorial protection does not depend on your achievement of any sales volume, market penetration or other contingency. The size and boundaries of your Area may be altered only by written agreement between you and Dollar Discount.

**ITEM 13
TRADEMARKS**

Dollar Discount owns and has registered the following marks on the Principal Register of the U.S. Patent and Trademark Office and has filed all required affidavits.

Mark	Registration Number	Date of Registration
Dollar Discount Stores (and design)	1,955,915	February 13, 1996
Dollar Discount Stores	2,344,570	April 25, 2000
<u>C.R. BARGAINS</u>	<u>2,715,671</u>	<u>May, 13 2003</u>

The mark "Dollar Discount Stores" is registered in the following states:

State	Identification Number	Date of Registration
Pennsylvania	981428	June 15, 1987
Georgia	S-7821	September 11, 1987
South Carolina	None	July 22, 1987

Dollar Discount does not know of any superior rights or infringing uses that could materially affect your use of the marks licensed under the Franchise Agreement. There are no currently effective material determinations of the U.S. Patent and Trademark Office, Trademark Trial and Appeal Board, or the trademark administrator of any state or any court; and there is no pending infringement, opposition or cancellation proceeding or material litigation involving the principal trademarks. There are no agreements in effect that significantly limit Dollar Discount's right to use or license the use of any of the marks listed in this Item 13 in a manner material to the franchise.

You must follow Dollar Discount's rules when you use the marks. You may not use any of the marks as part of a corporate name or with modifying words, designs or symbols except for those which Dollar Discount licenses to you. You may not use Dollar Discount's registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by Dollar Discount. You may neither use nor register the mark "Dollar Discount" or any other words or symbols constituting any part of Dollar Discount's marks as part of any Internet domain name or URL or web site address. You may neither display nor use any of the marks in connection with, or associate the Dollar Discount system with (through a link or otherwise), any Web site advertising, address, or listing on the Internet or World Wide Web without Dollar Discount's consent.

You must inform Dollar Discount of any apparent infringement of, or challenge to your use of, any of Dollar Discount's marks. Dollar Discount will, in its sole discretion, take such action as it deems appropriate. If Dollar Discount undertakes the defense or prosecution of any litigation or administrative action pertaining to its marks, you must cooperate fully with Dollar Discount which may include, among other things, signing all documents and performing such acts and things as may, in the opinion of Dollar Discount's counsel, be necessary to carry out any defense or prosecution. The Franchise Agreement does not require Dollar Discount to take affirmative action when notified of these uses or claims. Dollar Discount has the right to control administrative proceedings or litigation involving its marks. The Franchise Agreement does not require Dollar Discount to participate in your defense, and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed by Dollar Discount to you, or if the proceeding is resolved unfavorably to you.

Dollar Discount reserves the right to modify or discontinue use of any marks or to add additional marks at its discretion. You must make any additions, deletions and modifications on all interior and exterior signs, displays, paper products and advertising as Dollar Discount directs at your own expense and without compensation therefor. Dollar Discount will not be liable to you for any expenses, losses, or damages sustained by you as a result of any such addition, discontinuance or modification and you must agree not to commence nor to join any litigation against Dollar Discount for any such expenses, losses or damages.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no registered patents or copyrights that are material to the franchise, Dollar Discount claims copyright protection in the Manuals, the design portions of its marks, the content of all advertising and promotional materials, and the content and graphic design of its Web site and intranet/extranet system.

You also must maintain the confidentiality of certain information that Dollar Discount considers confidential ("Confidential Information"). Confidential Information means all trade secrets, Dollar Discount's standards, specifications, policies and procedures for locating, establishing, managing, operating, merchandising and promoting a Dollar Discount Store and all the elements of the System, all information contained in the Manuals, information concerning the identity, prices and inventory of suppliers, and all other information that Dollar Discount designates "Confidential Information." You may neither duplicate nor divulge any Confidential Information to any person except your employees and professional advisors on a need-to-know basis, and you may not use the Confidential Information for any purpose except for the purpose of operating and promoting a Dollar Discount Store.

Dollar Discount refers to its marks, copyrighted works and confidential information as its "intellectual property."

You must inform Dollar Discount of any apparent infringement of, or challenge to your use of, any of Dollar Discount's intellectual property. Dollar Discount will, in its sole discretion, take such action as it deems appropriate. If Dollar Discount undertakes the defense or prosecution or any litigation or administrative action pertaining to its intellectual property, you must cooperate fully with Dollar Discount which may include, among other things, signing all documents and performing such acts and things as may, in the opinion of Dollar Discount's counsel, be necessary to carry out any defense or prosecution. The Franchise Agreement does not require Dollar Discount to take affirmative action when notified of these uses of claims. Dollar Discount has the right to control administrative proceedings or litigation involving its intellectual property. The Franchise Agreement does not require Dollar Discount to participate in your defense, and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving intellectual property licensed by Dollar Discount to you, or if the proceeding is resolved unfavorably to you.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You are responsible for compliance with the Franchise Agreement and are required to exercise overall supervision of the franchise business. However, the business may be directly supervised "on-premises" by a "Designated Manager" who has been trained by you. The Designated Manager need not have an equity interest in the franchise nor attend the initial training program. Dollar Discount does not place any special restrictions on whom you may hire as a Designated Manager (provide that the person must satisfy general requirements concerning personnel), and does not require that you place any special restrictions on your Designated Manager.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer and sell only those goods and services that Dollar Discount has approved. You must offer all goods and services that Dollar Discount designates as required for the Dollar Discount Store system. These required goods are low-price, variety and close-out products. (See Item 8) Dollar Discount has the right to add additional services and products that you are required to offer. Dollar Discount may add,

eliminate, change or modify the goods or services required for sale; provided that your cost of offering new products or services (specifically, the cost of acquiring necessary fixtures, furnishings and initial inventory (but not ongoing inventory)) will not exceed \$5,000 per 12-month period.

You will offer and sell all merchandise, at your option, at or below the retail price of one dollar, except as Dollar Discount otherwise permits. Dollar Discount may, in the future, increase or decrease this maximum price limitation or add other recommended or maximum price points or limitations, to the extent permitted by applicable law.

Dollar Discount does not restrict you from soliciting any customers, no matter who they are or where they are located.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS OFFERING CIRCULAR.

	Provision	Section in Franchise Agreement	Summary
a.	Term of the franchise	4	Term is for 10 years.
b.	Renewal or Extension of the term	4(B)	If you are in good standing you can add additional terms of 10 years.
c.	Requirement for you to renew or extend	4(B)	Sign new agreement, pay 1/3 the then current franchise fee, remodel and sign release.
d.	Termination by you	19(B)	30 days' written notice to Dollar Discount Compliance with non-competition provision.
e.	Termination by Dollar Discount without cause	None	None.
f.	Termination by Dollar Discount with cause	19	Dollar Discount may terminate only if franchisee defaults.
g.	"Cause" defined - defaults which can be cured	19(A) and (C)	You have 7 days to cure: non-payment of fees, 20 days to cure other defaults unless deemed non-curable.

	Provision	Section in Franchise Agreement	Summary
h.	"Cause" defined - defaults that cannot be cured	19(C)	Non-curable defaults: Bankruptcy and insolvency-related events; Falsifying information to Dollar Discount; Offering unauthorized products; Closing the store for more than 5 days; Attempts to terminate or assign not in accordance with the terms of the Franchise Agreement; Failure to use licensed marks; Violation of confidentiality; Requirements regarding trademarks; Violation of covenant not to compete; Refusal to permit Dollar Discount to make an inspection; Insolvency; Committing an act that would make notice impractical, and other defaults listed in 19 C.
i.	Your obligation on termination/renewal due to default that cannot be cured	20	Obligations include discontinuance of rights to use name, advertising, printed materials, signs identification and payment of amounts due, and other obligations set forth in Section 20.
j.	Assignment of contract by Dollar Discount	18(A)	No restriction on Dollar Discount's right to assign.
k.	"Transfer" by you - definition	1	Means either: (1) the sale, assignment, transfer, conveyance, gift, pledge, mortgage, or encumbrance of your interest, or any interest held by your principals, in the Franchise Agreement, or (2) the sale, assignment, transfer, conveyance, gift, pledge, mortgage or encumbrance of any equitable ownership interest in the franchisee entity (if the franchisee is other than a natural person).
l.	Dollar Discount's approval of transfer by you	18	Dollar Discount has the right to approve all transfers but will not unreasonably withhold approval.
m.	Conditions for Dollar Discount's approval of transfer	18(E)	New franchisee qualifies, transfer fee paid; new franchise agreement signed; training arranged, release signed.
n.	Dollar Discount's right of first refusal to acquire your business	18(F)	Dollar Discount can match any offer for the franchisee's business.
o.	Dollar Discount's option to purchase your business	None	None
p.	Your death or disability	18(G) and (H)	If you or your principals die or become permanently disabled, Dollar Discount may require that the deceased or disabled person's interest in the franchise be transferred to an acceptable person within 6 months from the date of death or notification of the requirement.
q.	Non-competition covenants during the term of the Agreement	21	No involvement in competing business anywhere.

	Provision	Section in Franchise Agreement	Summary
r.	Non-competition covenants after the franchise is terminated	21	No competing business for 18 months at the location of your former store or within 15 miles of your store or any other Dollar Discount Store.
s.	Modification of the agreement	28	No modification generally but Manuals are subject to change.
t.	Integration/merger clause	28	Only the terms of the franchise agreement are binding (subject to state law). Any other promises may not be enforceable.
u.	Dispute resolution by arbitration or mediation	22	Except for certain claims, all disputes must be arbitrated in Philadelphia, Pennsylvania.
v.	Choice of forum	22	Except for certain claims, all disputes must be arbitrated in Philadelphia, Pennsylvania. Any proceedings not subject to arbitration may be brought only in a court of general jurisdiction in Delaware County, Pennsylvania, or in the United States District Court for the Eastern District of Pennsylvania. This provision may be void or unenforceable under certain states' statutes or case law. Information concerning these laws may be contained in a state-specific addendum to this offering circular. <i>See the Appendix to Offering Circular and State Amendments to the franchise Agreement for information about your rights under state law.</i>
w.	Choice of law	25	Pennsylvania law applies. <i>See the Appendix to Offering Circular and State Amendments to the franchise Agreement for information about your rights under state law.</i>

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.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [815 ILC 705/19 and 705/20], 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-5], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.0-3]. 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 provision in the agreements which provides for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 *et seq.*)

**ITEM 18
PUBLIC FIGURES**

Dollar Discount does not use any public figure to promote its franchise.

**ITEM 19
EARNINGS CLAIM**

Dollar Discount 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 a Dollar Discount Store. Actual results will vary from franchise to franchise and Dollar Discount cannot estimate the results of any particular franchise

**ITEM 20
LIST OF OUTLETS
FRANCHISED
STORES STATUS SUMMARY
FOR YEARS ENDED APRIL 30 2003/2002/2001/2000**

State	Transfers	Canceled or Terminated	Not Renewed	Reacquired by Us	Left the System Other	Total from Left Columns	Franchises Operating at Year End
Alabama	<u>0/1/0/0</u>	<u>0/1/2/0</u>	0/0/0	0/0/0	1/0/0	<u>3/1/2/0/2</u>	<u>7/6/7/6</u>
Arkansas	0/0/0	<u>0/1/0/0</u>	0/0/0	0/0/0	0/0/0	<u>0/1/0/0</u>	<u>1/2/1/0</u>
California	0/0/0	0/0/0	0/0/0	0/0/0	<u>0/1/0/0</u>	<u>0/1/0/0</u>	<u>4/3/2/4</u>
Colorado	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	<u>1/1/0/0</u>
Connecticut	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
District of Columbia	0/0/0	<u>0/1/0/0</u>	0/0/0	0/0/0	0/0/0	<u>0/1/0/0</u>	2/2/2
Delaware	0/0/0	0/0/0	0/0/0	0/0/0	<u>0/0/4/0</u>	<u>0/0/4/0</u>	<u>4/2/1/1</u>
Florida	0/0/0	<u>3/4/2/2</u>	0/0/0	0/0/0	0/0/0	<u>3/4/2/2</u>	<u>11/10/11/4/0</u>
Georgia	0/0/0	<u>1/2/1/0</u>	0/0/0	0/0/0	<u>1/1/0/0</u>	<u>2/3/1/4</u>	<u>4/5/8/8</u>
Illinois	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	<u>6/1/0/0</u>
Kansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/ <u>0/1</u>
Kentucky	<u>0/1/0/0</u>	0/0/0	0/0/0	0/0/0	0/0/0	<u>0/1/0/0</u>	<u>6/4/3/4</u>
Louisiana	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0
Massachusetts	0/0/0	<u>0/0/1/0</u>	0/0/0	0/0/0	0/0/0	<u>0/0/1/0</u>	<u>0/0/4/0</u>
Maryland	<u>0/1/0/0</u>	<u>0/0/2/0</u>	0/0/0	0/0/0	<u>0/1/0/2</u>	<u>4/0/4/2/0</u>	<u>5/3/3/2</u>
Michigan	0/0/0	<u>0/0/1/0</u>	0/0/0	0/0/0	0/0/0	<u>0/0/1/0</u>	<u>16/15/9/4/0</u>

State	Transfers	Canceled or Terminated	Not Renewed	Reacquired by Us	Left the System (Other)	Total from Left Columns	Franchises Operating at Year End
Minnesota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	<u>3/3/24</u>
Mississippi	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	<u>1/1/0#</u>
Missouri	0/0/0	<u>01/0/0</u>	0/0/0	0/0/0	0/0/0	<u>01/0/0</u>	<u>6/6/4#2</u>
North Dakota	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	<u>3/3/14</u>
New Jersey	<u>0/0/10</u>	<u>0/0/4/5</u>	0/0/0	0/0/0	<u>01/0/0</u>	<u>1/0/4/6</u>	<u>9/9/129</u>
New York	0/0/0	<u>2/1/1#</u>	0/0/0	0/0/0	<u>01/0/0</u>	<u>3/1/1#</u>	<u>1/3/24</u>
North Carolina	0/0/0	<u>12/1/1</u>	0/0/0	0/0/0	<u>0/1/0#</u>	<u>11/22/2/1</u>	<u>3/4/6#6</u>
Ohio	0/0/0	<u>01/0/0</u>	0/0/0	0/0/0	<u>03/0/0</u>	<u>04/0/0</u>	<u>4/8/7#4</u>
Pennsylvania	0/0/0	<u>1/1/5/5</u>	0/0/0	0/0/0	<u>1/1/21</u>	<u>2/2/6/7</u>	<u>14/15/15/17</u>
South Carolina	0/0/0	<u>1/1/01</u>	0/0/0	0/0/0	0/0/0	<u>1/1/01</u>	<u>7/8/7#5</u>
South Dakota	<u>01/0/0</u>	0/0/0	0/0/0	0/0/0	0/0/0	<u>01/0/0</u>	<u>10/8/7#5</u>
Tennessee	<u>0/1/0#</u>	<u>01/0/0</u>	0/0/0	0/0/0	0/0/0	<u>1/1/0#</u>	<u>1/3/3#2</u>
Texas	0/0/0	<u>0/0/1#</u>	0/0/0	0/0/0	<u>01/0/0</u>	<u>1/0/1#</u>	<u>4/3/1#4</u>
Utah	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	<u>1/1/01</u>
Virginia	0/0/0	<u>2/0/0#2</u>	0/0/0	0/0/0	0/0/0	<u>2/0/0#2</u>	<u>2/4/3#4</u>
West Virginia	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Vermont	0/0/0	<u>0/0/1#</u>	0/0/0	0/0/0	0/0/0	<u>0/0/1#</u>	<u>5/4/4#5</u>
Wisconsin	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	<u>7/6/31/0/0</u>
Wyoming	<u>1/0/0</u>	<u>1#0/0/0</u>	0/0/0	0/0/0	0/0/0	<u>21/0/0</u>	<u>6/6/312/7/6</u>
Totals	<u>4/0/31/0</u>	<u>11/21/170/1/</u>	0/0/0	0/0/0	<u>5/1/60/0/0</u>	<u>19/22/260/2/0</u>	<u>152/134/1137</u>
Totals	<u>3/4/0</u>	<u>17/11/21</u>	<u>0/0/0</u>	<u>0/0/0</u>	<u>9/5/1</u>	<u>29/19/22</u>	<u>160/152/134</u>

1) The numbers in the "Total" column may exceed the number of stores affected because several events may have affected the same store. For example, the same store may have multiple owners. There are no company owned stores. Eleven stores were owned and operated by principals of Dollar Discount which were converted to franchises and sold to franchisees. Dollar Discount no longer operates any stores.

A list of the names, addresses and telephone numbers of all franchisees is attached as Exhibit D-1.

A list of the name and last known home address and telephone number of every franchisee who has had an outlet terminated, canceled, or otherwise voluntarily or involuntarily ceased to do business under the

franchise agreement during the most recently completed fiscal year or who has not communicated with Dollar Discount within 10 weeks from the date of this Offering Circular is attached as Exhibit D-2.

PROJECTED OPENINGS AS OF JUNE April 30, 20022003

State	Franchise Agreements Signed but Store Not Opened	Projected Franchised New Stores in the Next Fiscal Year	Projected Company Owned Openings in the Next Fiscal Year
Alabama	01	21	0
Arkansas	0	01	0
Colorado	0	21	0
California	1	32	0
Delaware	0	21	0
Florida	50	75	0
Georgia	40	21	0
Illinois	62	83	0
Indiana	1	2	0
Kentucky	30	53	0
Louisiana	0	21	0
Maryland	2	31	0
Massachusetts	0	0	0
Michigan	0	1	0
Missouri	0	1	0
Minnesota	0	1	0
North Carolina	40	21	0
New Jersey	0	21	0
New York	0	40	0
Ohio	0	1	0
Pennsylvania	01	1	0
South Carolina	0	1	0
South Dakota	0	21	0
Tennessee	0	0	0
Texas	40	1	0
Virginia	1	20	0
Wisconsin	1	2	0
Wyoming	0	31	0
Utah	0	0	0
Total	2210	5735	0

ITEM 21

FINANCIAL STATEMENTS

The Audited Financial Statements of Dollar Discount for fiscal years ended April 30, 20022003, April 30, 20012002 and April 30, 20002001 are attached as Exhibit E.

ITEM 22
CONTRACTS

A copy of the Dollar Discount Franchise Agreement is attached as Exhibit F.

ITEM 23
RECEIPT

Exhibit G is a detachable document, in duplicate, acknowledging receipt of this offering circular by a prospective franchisee. You should sign both copies of the Receipt. You should retain one copy of the Receipt for your records and return the other signed copy to: Mitchell Insel, Franchise Director, Dollar Discount Stores of America, Inc., 1362 Naamans Creek Road, Boothwyn, Pennsylvania 19061.

DOLLAR DISCOUNT STORES OF AMERICA, INC.

APPENDIX TO OFFERING CIRCULAR

Dollar Discount is required to tell you about certain state laws, and how they may affect your franchise contracts. By providing you this information, Dollar Discount is not agreeing that the laws apply to your franchise contract, or waiving Dollar Discount's right to challenge the validity or enforceability of the state law in the future. Dollar Discount is giving you this information solely for purposes of satisfying its disclosure obligations.

CALIFORNIA

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

Section 31125 of California Corporations Code, Section 31125, requires that Dollar Discount give you a disclosure document, approved by the Department of Corporations, prior to solicitation of a proposed material modification of your Franchise Agreement.

The following is added to Item 3 of the Offering Circular:

Neither the franchisor nor any person, or franchise broker identified in Item 2 of the Offering Circular is subject to any current effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

California Business and Professions Code, Section 20000 through 20043 provide rights to the franchisee concerning termination or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

You must sign a release if you renew or transfer your franchise. California Corporations Code voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 2000 through 20043).

The Franchise Agreement contains a covenant not to compete that extends beyond expiration or termination of the Agreement. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the laws of Pennsylvania. This provision may not be enforceable under California law.

ILLINOIS

The following is added to Item 17 of the Offering Circular:

In accordance with Illinois law, any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to any action which is otherwise enforceable in Illinois, except that the Franchise Agreement may provide for arbitration outside Illinois. In addition, Illinois law will govern the Franchise Agreement with respect to those claims arising under the Illinois Franchise Disclosure Act or any other Illinois statute or regulation; Pennsylvania law will govern all other claims.

MARYLAND

The following is added to Item 17 of the Offering Circular:

Section 14-226 of the Maryland Franchise Law prohibits a franchisor from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a

franchise. To the extent that the Franchise Agreement requires you to disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Maryland Franchise Law in order to purchase your franchise, such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Law.

The following is added to Item 17 of the Offering Circular:

Section 14-226 of the Maryland Franchise Law prohibits a franchisor from requiring, as a condition of the sale of a franchise, a franchisee to agree to a release, assignment, novation, waiver, or estoppel that would relieve a person from liability under the Maryland Franchise Law. To the extent that the franchise agreement requires you to sign a release as a condition of transfer, the release will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Pursuant to COMAR 02.02.08.16L:

- (a) Any release required as part of the Agreement or as a condition of the sale, renewal, or assignment, or transfer of the franchise is not intended to nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
- (b) Notwithstanding any contrary provision in the Franchise Agreement, any claims arising under the Maryland Franchise Law must be brought within three (3) years after the grant of the franchise.
- (c) Any provision in the Agreement which requires litigation to be conducted in a forum other than the State of Maryland will not limit any rights you may have under the § 14-216(c)(25) of the Maryland Franchise Law to bring suit in the State of Maryland.

MINNESOTA

The following is added to Item 13 of the Offering Circular:

Dollar Discount will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the marks to the extent required by Minnesota law.

The following is added to Item 17 of the Offering Circular:

Under Minnesota law and except in certain specified cases, Dollar Discount must give you 90 days' notice of termination with 60 days to cure. Dollar Discount also must give you at least 180 days' notice of its intention not to renew a franchise, and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Franchise Agreement or Development Agreement is inconsistent with the Minnesota law, the Minnesota law will control.

To the extent that any condition, stipulation or provision contained in the Franchise Agreement or Development Agreement (including any choice of law provision) purports to bind any person who, at the time of acquiring a franchise is a resident of Minnesota, or, in the case of a partnership or corporation, organized or incorporated under the laws of Minnesota, or purporting to bind a person acquiring any franchise to be operated in Minnesota to waive compliance with the Minnesota Franchises law, such condition, stipulation or provision may be void and unenforceable under the nonwaiver provision of the Minnesota Franchises Law.

NEW YORK

DOLLAR DISCOUNT MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, DOLLAR DISCOUNT CANNOT USE THE

NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

The following is added to Item 3 of the Offering Circular:

Neither Dollar Discount nor any person identified in Item 2 of this Offering Circular has been convicted of a felony or pleaded *nolo contendere* to a felony charge or has, during or within the 10-year period immediately preceding the application for registration or amendment of the franchise registration (as applicable), been convicted of a misdemeanor charge.

The following is added to Item 17 of the Offering Circular:

Any condition, stipulation or provision contained in the Franchise Agreement which purports to bind you to waive compliance with any provision of the New York General Business Law (Article 33, Sections 680 through 695) or any rule promulgated thereunder, may be void and unenforceable under the nonwaiver provision of such law.

New York General Business Law, §687.5 prohibits Dollar Discount from requiring a franchisee to assent to a release, assignment, novation, waiver, or estoppel that would relieve a person from any duty or liability imposed by such law. To the extent the Franchise Agreement requires you to waive or release any claims you may have against Dollar Discount or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would serve to relieve any person from liability under the FRDL, such release, waiver or acknowledgment shall not apply and shall be void to the extent that they would violate the nonwaiver provisions of the New York General Business Law.

NORTH DAKOTA

The North Dakota Securities Commissioner has held certain provisions contained in franchise agreements to be unfair, unjust or inequitable to North Dakota Franchisees within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Please refer to any North Dakota amendment to the Franchise Agreement for changes required by North Dakota law.

RHODE ISLAND

Section 19-28.1-14 of the Rhode Island Franchise Investment Act (the "RIFIA") provides that any provision in a franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island or requiring the application of the laws of another state is void with respect to claims otherwise enforceable under the RIFIA.

WASHINGTON

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with Dollar Discount including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with Dollar Discount including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, Washington law currently requires that the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the "WFIPA") shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the WFIPA except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or

limit the statute of limitations period for claims under the WFIPA, rights or remedies under the WFIPA such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect Dollar Discount's reasonable estimated or actual costs in effecting a transfer.

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