

**A SUMMARY PLAN DESCRIPTION OF**

**ALABAMA THRIFT STORES, INC.**

**401(K) RETIREMENT PLAN**

**December 2005**

# TABLE OF CONTENTS

<b>INTRODUCTION.....</b>	<b>1</b>
Type of Plan.....	1
Plan Sponsor.....	1
Purpose of the Summary.....	1
<b>PLAN ADMINISTRATION .....</b>	<b>1</b>
Plan Trustees.....	1
Plan Administrator .....	1
Other Information.....	1
<b>PLAN PARTICIPATION .....</b>	<b>1</b>
Adopting Employer«IF Adopting employers»s«END IF» .....	1
Eligible Employees .....	2
Special Eligibility Requirements.....	<b>Error! Bookmark not defined.</b>
Eligibility Requirements.....	2
Entry Date.....	2
Participation By Employees Whose Status Changes.....	2
<b>SERVICE RULES .....</b>	<b>2</b>
Service Definitions .....	2
Termination and Return to Employment .....	3
Credit for Service with other Employers.....	3
<b>CONTRIBUTIONS AND ALLOCATIONS.....</b>	<b>3</b>
Elective Deferrals.....	3
Minimum and Maximum Elective Deferrals.....	3
IRS Testing For Maximum Elective Deferrals .....	4
Salary Deferral Election Forms .....	4
Matching Contributions .....	5
Eligibility to Share in Matching Contributions .....	5
"Safe Harbor" Matching Contributions .....	5
Non-Elective Contributions .....	5
Eligibility to Share in Non-Elective Contributions .....	6
"Safe Harbor" Non-Elective Contributions .....	6
Employer Contributions.....	<b>Error! Bookmark not defined.</b>
Compensation.....	6
Eligibility to Share in Employer Contributions .....	<b>Error! Bookmark not defined.</b>
Top Heavy Allocations .....	6
<b>BENEFIT DISTRIBUTIONS.....</b>	<b>7</b>
Amounts of \$5,000 or Less .....	7
Amounts of More Than \$5,000 .....	7
Normal Retirement Age .....	7
Early Retirement Age.....	8
Disability Retirement.....	8
Death .....	8
Termination of Employment.....	8
Pre-Retirement Distributions.....	<b>Error! Bookmark not defined.</b>
Hardship Distributions.....	8
<b>DETERMINATION OF VESTED INTEREST .....</b>	<b>9</b>
Treatment of Forfeitures .....	<b>Error! Bookmark not defined.</b>
<b>OTHER PLAN PROVISIONS .....</b>	<b>9</b>
Participant Loans .....	<b>Error! Bookmark not defined.</b>
Rollover Contributions.....	9
Voluntary Employee Contributions.....	<b>Error! Bookmark not defined.</b>

<b>INVESTMENT OF ACCOUNTS</b> .....	<b>10</b>
<b>TAX WITHHOLDING ON PLAN BENEFITS</b> .....	<b>10</b>
<b>OTHER INFORMATION</b> .....	<b>11</b>
Claims for Benefits.....	11
Non-Alienation of Benefits .....	11
Amendment or Termination .....	11
<b>STATEMENT OF ERISA RIGHTS</b> .....	<b>12</b>

## INTRODUCTION

### **Type of Plan**

This Plan was originally effective August 1, 1996. This summary plan description is based on the provisions of the Plan as in effect on December 29, 2005. As of such date Alabama Thrift Stores, Inc. amended its 401K plan, which is named Alabama Thrift Stores, Inc. 401(K) Retirement Plan (referred to in this summary plan description as the "Plan").

### **Plan Sponsor**

The sponsor of the Plan is Alabama Thrift Stores, Inc., and this summary will sometimes refer to Alabama Thrift Stores, Inc. as the "Employer", "we", "us" or "our". The Plan Sponsor's address is 1248 Center Point Parkway, Birmingham, AL 35215; its telephone number is (205) 856-1234; and its employer identification number is 63-0889019.

### **Purpose of the Summary**

This summary, which describes the important features of the Plan in non-technical language, is intended to answer most of your questions about the Plan and replaces all prior announcements we may have made about the Plan. It nevertheless is only a summary, and if there is any conflict between the description in this summary and the terms of the Plan, the terms of the Plan will control. If you have any questions about the Plan that are not addressed in this summary, you can contact the Administrator, whose name and address is set forth in the next section.

## PLAN ADMINISTRATION

### **Plan Trustees**

The Plan is administered by a written plan and trust agreement, and the trustee of that agreement is responsible for management of the Plan's assets. The trustee is James B. Salmon, whose address is 1248 Center Point Parkway, Birmingham, AL 35215.

### **Plan Administrator**

All other matters concerning the operation of the Plan are the responsibility of the Administrator. The Administrator of the Plan is Alabama Thrift Stores, Inc., whose address is 1248 Center Point Parkway, Birmingham, AL 35215, and whose telephone number is (205) 856-1234.

### **Other Information**

We have assigned number 001 to the Plan. The accounting year of the Plan, called the Plan Year, begins January 1st and ends the following December 31st; and legal process can be served on either the Administrator, the Employer, or the Trustee.

## PLAN PARTICIPATION

### **Adopting Employers**

If you are an Eligible Employee of Alabama Thrift Stores, Inc., you are eligible to participate in the Plan on the *Entry Date* as of which the *Eligibility Requirements* described below are satisfied. America's Thrift Stores of Georgia, Inc., Mississippi Thrift Stores, Inc., Guaranteed Labels & Silkscreening, Inc., America's Thrift Stores of Alabama, Inc., America's Thrift Stores of Tennessee, LLC, America's Thrift Stores of Louisiana, LLC, ATS Wholesale, Inc., ATS Management, LLC and Salmon Properties, Ltd. have also adopted the Plan for the benefit of

their Eligible Employees, who are also similarly eligible to participate in the Plan. A business entity that adopts this Plan is referred to as an Employer.

### **Eligible Employees**

All persons who are our employees are eligible to participate in the Plan upon satisfying the eligibility requirements set forth below.

### **Eligibility Requirements**

If you were a Participant as of one day before December 29, 2005 and you continue to be an Eligible Employee, you will continue to participate in the Plan. Otherwise, you can enter the Plan as a Participant on the applicable entry date described below upon attaining age 21 and completing 1 Year of Service. In determining your eligibility and your entry date, you will be credited with completing a Year of Service on the last day of the applicable eligibility computation period during which you are credited with the required Hours of Service. Age means your actual attained age for all purposes of the Plan.

See the section below called SERVICE RULES for information on how eligibility computation periods and Years of Service for eligibility are determined.

### **Entry Date**

If you are an Eligible Employee you will enter the Plan as a Participant on the January 1st or the July 1st which coincides with or next follows the date on which you first satisfy the *Eligibility Requirements* described in the preceding paragraph.

### **Participation By Employees Whose Status Changes**

If you are not considered an Eligible Employee but later become one, you will participate in the Plan immediately if you satisfy the above requirements. If you are a Participant and later become a member of an ineligible class your Plan participation will be suspended; and you will be entitled to an allocation of Matching Contributions and Non-Elective Contributions for the Plan Year only to the extent of the Hours of Service you completed while you were an Eligible Employee. Upon returning to an eligible class of Employees, you will immediately participate again in the Plan.

## **SERVICE RULES**

### **Service Definitions**

Service for vesting and eligibility will be determined by the term Year of Service, which is a 12-month computation period during which you complete a certain number of Hours of Service with us or with an affiliated employer, or with any direct predecessor business entity which was or would have been considered a part of the same group of affiliated employers with us.

- ▶ **Year of Service:** You will receive credit for a Year of Service as follows:

In determining eligibility, you will be credited with a Year of Service if you complete 1,000 Hours of Service within a 12-consecutive month eligibility computation period. Your initial eligibility computation period begins on your date of hire. The second eligibility computation period will begin on the first day of the Plan Year which begins prior to the first anniversary of your date of hire. If you complete 1,000 Hours of Service in both the initial eligibility computation period and in the second eligibility computation period, you will be credited with two Years of Service for eligibility purposes.

In determining the Vested Interest in your Account, you will be credited with a Year of Service if you complete 1,000 Hours of Service within a 12-consecutive month vesting computation period, which is the Plan Year.

► **Hour of Service:** In determining your Years of Service, an Hour of Service is any hour for which you have a right to be paid by us or by any adopting Employer, including hours you are paid for vacation, holidays, illness, back pay and maternity leave.

► **Break in Service:** You will incur a Break in Service if you fail to perform more than 500 Hours of Service during any 12-consecutive month computation period, in which event your active participation in the Plan may cease.

### **Termination and Return to Employment**

If you terminate and return to employment before you incur a Break in Service, your Years of Service and Plan participation will not be deemed interrupted. If you return to employment with us after a Break in Service, your prior Years of Service will be counted (and if you were a Participant, your Plan participation will be reinstated), subject to the following rules:

► In determining your eligibility to participate in the Plan, your prior Years of Service will not be counted if you did not have a Vested Interest in your Account and if the number of your consecutive Breaks in Service equals or exceeds the greater of five or your aggregate number of Years of Service.

► In determining the Vested Interest in your Account, if you had five or more Breaks in Service, your prior Years of Service will not be counted if you did not have a Vested Interest in your Account before incurring the five or more Breaks in Service and the number of your consecutive Breaks in Service equals or exceeds your aggregate number of Years of Service before incurring the five or more Breaks in Service.

### **Credit for Service with other Employers**

For Plan purposes, your Service counts if it was completed with us, with another Employer that adopts the Plan, and with any direct predecessor business that is or would have been considered a part of the same group of affiliated employers with us or another adopting Employer.

## **CONTRIBUTIONS AND ALLOCATIONS**

### **Elective Deferrals**

An Elective Deferral (or Elective Deferral Contribution) is the amount you elect as a reduction in your Compensation and which we contribute directly into the Plan on your behalf. Allowable amounts of Elective Deferrals made to your Account in the Plan are not subject to current federal income taxation (and in some cases, also not subject to current state income taxation), but are subject to FICA Social Security/Medicare taxation. You may elect the amount of your Elective Deferral on a Salary Deferral Election form. Once you're eligible to make Elective Deferrals, you can file a Salary Deferral Election form with the Administrator authorizing us to withhold as an Elective Deferral the amount specified (subject to the limits described below). Elective Deferrals can be made in a whole or fractional percentage of Compensation or in a specific dollar amount.

### **Minimum and Maximum Elective Deferrals**

There is no minimum Elective Deferral amount. The maximum Elective Deferral contribution is the annual legally permissible dollar limit as indicated in the chart below; or if less, 25% of your

Compensation (your Compensation for this purpose includes the amount of your Elective Deferral contribution). However, beginning with the Plan Year which begins in 2004, the maximum Elective Deferral you can make for any Plan Year will be 80% of your total compensation (before reduction for Elective Deferral contributions) as defined under Internal Revenue Code §415.

In any Plan Year in which you have not deferred at the maximum rate permitted by the Plan, you may elect to defer up to 100% of any bonus paid during a Plan Year. At the Administrator's discretion, you may also elect to defer from a bonus payable for a Plan Year which is paid after the end of the Plan Year but not more than 2½ months after the last day of the Plan Year.

Notwithstanding the foregoing, your total Elective Deferrals for any calendar year cannot exceed the annual permissible dollar limit, as set forth in the following chart:

<b>Calendar Year</b>	<b>Maximum Annual Elective Deferral</b>	<b>Additional Catch-up Contribution if Age 50</b>	<b>Total Allowable Contribution if Age 50</b>
2002	\$11,000	\$1,000	\$12,000
2003	\$12,000	\$2,000	\$14,000
2004	\$13,000	\$3,000	\$16,000
2005	\$14,000	\$4,000	\$18,000
2006	\$15,000	\$5,000	\$20,000

Additional “catch-up” Elective Deferral Contributions can be made beginning in the calendar year in which you will attain at least age 50 by the end of such calendar year.

**IRS Testing For Maximum Elective Deferrals**

Elective Deferrals made by certain highly paid employees (called highly compensated employees, or HCEs) may be limited under IRS rules unless there are no participants who are not considered HCEs, or there are participants who are considered HCEs, and the amount of Elective Deferrals for non-HCEs when compared to the amount of Elective Deferrals for HCEs is considered sufficient to pass IRS non-discrimination testing. This test is intended to ensure that there is a fair level of participation by all eligible participants regardless of compensation level.

In order to meet the non-discrimination test, we encourage participation from all Eligible Employees. Depending upon the results of the test, shortly after the end of each Plan Year the Plan Administrator may have to refund a portion of certain HCEs' Elective Deferrals which have already been contributed to the Plan. Generally, Elective Deferrals will be refunded on a pro-rata basis from each investment option selected. You will be notified by the Plan Administrator if any of your Elective Deferral contributions have to be refunded to you.

**Salary Deferral Election Forms**

Upon reasonable advance notice not to exceed 30 days, you may request an increase, a decrease, a resumption or a cessation in your Elective Deferral Contributions in accordance with rules established by the Plan Administrator and applied on a consistent basis. If necessary to insure that the Plan satisfies the non-discrimination tests mentioned in the preceding section, we also have the right to reduce or suspend your Salary Deferral Election at any time.

## **Matching Contributions**

We may elect to make a Matching Contribution to the Plan. For any Plan Year in which we do make a Matching Contribution and in which you are eligible to receive a Matching Contribution, you will be notified of the amount allocated to your Matching Contribution Account.

However, for any Plan Year your maximum Matching Contribution will be equal to 5% of your Elective Deferrals.

For certain Plan Years, we may elect to make a Qualified Matching Contribution in order to satisfy certain non-discrimination tests required by the IRS. This contribution may or may not be made for all Participants. If a contribution is made on your behalf, it will be allocated to your Qualified Matching Contribution Account, which will be 100% Vested at all times.

## **Eligibility to Share in Matching Contributions**

You will be entitled to share in the allocation of Matching Contributions for a Plan Year if you were an Eligible Participant and made Elective Deferral Contributions during the Plan Year.

If you are considered a "highly compensated employee" under IRS rules, you are only entitled to share in basic Matching Contributions to the extent the Plan satisfies IRS nondiscrimination rules for 401(k) plans.

## **"Safe Harbor" Matching Contributions**

For certain Plan Years, we may also make a "safe harbor" Matching Contribution in order to satisfy certain non-discrimination tests required by the IRS. This contribution will be made on your behalf if you made an Elective Deferral at any time during the Plan Year and you are not considered a "highly compensated employee" under IRS rules (although we may at our discretion make a "safe harbor" Matching Contribution for all Participants who made an Elective Deferral at any time during the Plan Year). In general, if you make an Elective Deferral of at least 5% of your Compensation, you will receive a "safe harbor" Matching Contribution equal to 4% of your Compensation. If you contribute less than 5% of Compensation, your "safe harbor" Matching Contribution may be a lesser amount as described in the safe harbor notice distributed before the beginning of each Plan Year in which we intend to make this contribution.

## **Non-Elective Contributions**

The amount of our Employer Non-Elective Contributions for a Plan Year will be a discretionary amount as determined by us.

The allocation of our Employer Non-Elective Contributions will be pro rata in proportion to the applicable Compensation of Participants eligible to share in such contribution.

See *Eligibility to Share in Non-Elective Contributions* below for the requirements you must satisfy to share in an allocation of Employer contributions for a particular Plan Year.

For certain Plan Years, we may elect to make a Qualified Non-Elective Contribution in order to satisfy certain non-discrimination tests required by the IRS. This contribution may or may not be made for all Participants. If a contribution is made on your behalf, it will be allocated to your Qualified Non-Elective Contribution Account, which will be 100% Vested at all times.

**Eligibility to Share in Non-Elective Contributions**

You will be eligible to share in the allocation of our Employer Non-Elective Contributions for a Plan Year if you were a Participant during the Plan Year and either completed more than 500 Hours of Service in the Plan Year or are an Employee on the last day of the Plan Year.

The above requirements are waived if you terminated employment on or before the last day of the Plan Year because of retirement on or after Normal Retirement Age or because of your death or Disability during the Plan Year.

**“Safe Harbor” Non-Elective Contributions**

For certain Plan Years, we may make a "safe harbor" Non-Elective Contribution to the Plan in order to automatically satisfy certain non-discrimination tests required by the IRS. This contribution will be made on your behalf if you were eligible to make an Elective Deferral at any time during the Plan Year and you are not considered a "highly compensated employee" under IRS rules (although we may at our discretion make a "safe harbor" Non-Elective Contribution for all Participants who were eligible to make an Elective Deferral at any time during the Plan Year). This contribution will equal 3% of your Compensation for any Plan Year in which it is made. You will be notified by a separate notice distributed before the beginning of each Plan Year in which we intend to make this contribution.

**Compensation**

In determining allocations and for all Plan purposes your Compensation is salary, wages, and other fringe benefit compensation as reported on your IRS Form W-2 during the Plan Year, excluding any remuneration in excess of the annual limit which may be counted. The annual limit is \$220,000 for 2006, and this dollar amount may be changed in future years to reflect the cost of living as permitted under federal regulations or to reflect changes in the law.

Amounts which were not currently includible in your gross income pursuant to a salary reduction agreement (such as your Elective Deferral contributions made to this Plan) will be counted in determining your Compensation.

Except in determining *Top Heavy Contributions*, amounts earned prior to the actual date you initially become a Participant will not be included in determining Compensation. However, any amount received after the actual date you initially become a Participant but while you are not considered an Eligible Employee as described above will be included in determining Compensation.

**Top Heavy Allocations**

Under certain circumstances, you may be entitled to a minimum allocation for any Plan Year in which the Plan is considered top heavy. However, the Plan is exempt from providing this minimum allocation in any Plan Year in which we elect to satisfy this requirement by contributing on your behalf to another plan (if any) that we sponsor, or in any Plan Year in which our contribution to this Plan consists solely of a "safe harbor" Non-Elective Contribution or a "safe harbor" Matching Contribution.

If the Plan is not exempt from this requirement, then for each Plan Year in which the Plan is considered top heavy and in which you are a "non-key" employee who is employed by us on the last day of the Plan Year, you will receive a minimum top heavy allocation equal to the lesser of (a) 3% of your Compensation, or (b) the highest percentage of Compensation allocated for that Plan Year on behalf of Participants who are "key" employees. The top heavy minimum allocation

requirement is deemed to be satisfied for any Plan Year in which we make a “safe harbor” Non-Elective Contribution.

The Plan is considered top heavy for any Plan Year in which more than 60% of Plan assets are allocated to the Accounts of Participants who are “key employees”; and a “key employee” for top heavy purposes is any Employee who satisfies certain ownership requirements or who is an officer and whose Compensation for the Plan Year exceeds certain limits imposed by the IRS.

## **BENEFIT DISTRIBUTIONS**

### **Amounts of \$5,000 or Less**

If the Vested Interest in your Account does not exceed \$5,000 at the time your benefits are paid, it will be distributed in a lump sum payment without your consent or the consent of your spouse. However, you can roll over all or a part of such amount to your own Individual Retirement Account or to a qualified retirement plan of another employer if permitted under that plan.

### **Amounts of More Than \$5,000**

If your total distribution including any prior Plan distributions (excluding Rollovers) exceeds \$5,000, you will be entitled to a distribution in the form of a lump sum (or in designated sums from time to time as you elect) in cash. In addition, with the consent of the Plan Administrator, you may elect an optional form of benefit distribution in the form of monthly, quarterly, semi-annual or annual cash installments over a period generally of up to 10 years. If installments are elected, the lump sum benefit will either be segregated and separately invested by the Trustee or it will be used to purchase from an insurance company a nontransferable annuity which will provide for the installment payments and which does not include a life contingency element.

You (or your spouse beneficiary in the event of your death) can roll over all or a part of a lump sum distribution to an Individual Retirement Account or to a qualified retirement plan of another employer if permitted under that plan. See *Tax Withholding On Plan Benefits* below.

Any amounts transferred or rolled over from a defined benefit or money purchase pension plan without the consent of the your spouse will be distributable as an annuity from an insurance company, with annuity payments payable to you for your life which will continue after your death for the life of your surviving spouse.

The Administrator may establish rules relating to the amount and frequency of any distributions you (and your spouse, if applicable) elect to receive as a designated partial lump sum for any amount which is less than the remaining Vested Interest in your Account. Also, a fee may be assessed against your remaining account for the partial distribution.

### **Normal Retirement Age**

You will have a 100% Vested Interest in your Account if you reach Normal Retirement Age while you are still employed by us. Your Normal Retirement Age is age 65 or if later the completion of five (5) Years of Service. Your Normal Retirement Date is the same date you attain Normal Retirement Age.

You may commence your benefits upon your retirement from us at any date on or after you attain Normal Retirement Age. If you continue working for us after Normal Retirement Age, the Plan does not permit in-service distributions except as may otherwise be permitted for *Hardship Distributions* as described below.

**Early Retirement Age**

There is no Early Retirement Age under the Plan.

**Disability Retirement**

If you become disabled before your Account commences to be distributed, you will automatically have a 100% Vested Interest in your Account. To be considered disabled, you must suffer a physical or mental condition in which you are totally and permanently disabled in a manner which prevents you from performing your specified duties for us.

You can elect to have your Account distributed upon termination of your employment on account of disability; or you also have the option to defer the commencement of distribution for a period up to but no later than the date which would have been your Normal Retirement Date.

**Death**

In the event of your death prior to the commencement of your benefits, your beneficiary will be entitled to receive a distribution of the Vested Interest in your Accounts shortly following such event, but generally not be later than a date as soon as administratively practical after the "valuation date" for allocating Plan trust fund investment earnings or losses and determining the value of Participants' Accounts. The Plan valuation date will occur daily.

In addition, your beneficiary will have the option to defer the commencement of distribution as follows: (a) for your spouse beneficiary, for a period up to but no later than the date which would have been your Normal Retirement Date; and (b) for your non-spouse beneficiary, for a period not to exceed 5 years following the last day of the Plan Year during which you last worked for us, but no later than the date which would have been your Normal Retirement Date.

If you are married for one year on the date of your death, your spouse is designated by law to be the beneficiary of 100% of your Vested Interest. Your spouse can waive in writing his or her statutory death benefit, in which case you can name another beneficiary to receive 100% of your Vested Interest in the event of your death.

**Termination of Employment**

If you terminate employment with us before you reach Normal Retirement Age, or if you terminate employment with us before you die or become disabled, you will be entitled to receive the Vested Interest in your Account. Distribution of your benefits will commence within an administratively reasonable time after your request for benefit payment. In addition, you also have the option to defer the commencement of your distribution for a period up to but no later than the date which would have been your Normal Retirement Date.

**Hardship Distributions**

If you are deemed eligible by the Plan Administrator you may request an in-service hardship distribution of your Elective Deferrals, Vested Matching Contributions and Vested Non-Elective Contributions. A hardship distribution is only in a lump sum.

You can withdraw up to 100% of your Elective Deferrals, Vested Matching Contributions and Vested Non-Elective Contributions to pay for a financial hardship caused by (1) eligible medical expenses incurred by you or your family; (2) the purchase (excluding mortgage payments) of your principal residence; (3) tuition for the next 12 months of college for you or your family; (4) payments needed to prevent your eviction from, or foreclosure on the mortgage of, your principal residence; (5) funeral expenses for a member of your family; or (6) any other immediate and heavy financial need as determined by the Administrator.

Generally, a hardship distribution can only be made to the extent your financial hardship cannot be satisfied from other resources reasonably available to you as determined by the Administrator on the basis of all relevant facts and circumstances, including any available loan from this Plan or any other plan we maintain.

## **DETERMINATION OF VESTED INTEREST**

Your Vested Interest is the percentage of your Account to which you are entitled at any point in time. You will always have a 100% Vested Interest in the portion of your Account attributable to your Elective Deferral contributions. All contributions are 100% vested upon attaining Normal Retirement Age, death or Disability.

In all other cases the following vesting schedule applies to Matching Contributions and Non-Elective Contributions including amounts attributable to Minimum Top-Heavy Allocations:

<b>Years of Service</b>	<b>Vested Interest</b>
2 .....	20%
3 .....	40%
4 .....	60%
5 .....	80%
6 .....	100%

In determining your Vested Interest, all Years of Service will be counted except those that are credited during any period for which we did not maintain this Plan or a predecessor plan.

## **OTHER PLAN PROVISIONS**

### **Rollover Contributions**

If you participated in another qualified retirement plan before you were employed by us, you can transfer or roll over any distribution made to you from that plan to this Plan provided all legal requirements (and any requirements imposed by the Administrator) with respect to such a transfer are satisfied. Such transfer (or rollover) may be made at any time after you become a Plan Participant. Do not withdraw funds from any other plan or account until you have received written approval from the Administrator to roll those funds over into this Plan.

If you do decide to make a rollover contribution and it is accepted by the Administrator, it will be kept in a separate Rollover Contribution Account established on your behalf. You will at all times have a 100% Vested Interest in all amounts credited to your Rollover Contribution Account.

You may withdraw all or any portion of your Rollover Contribution Account upon the earlier of (a) the date you are entitled to a distribution of your Plan Account, or (b) within an administratively reasonable time after you terminate employment.

Your Rollover Account will be invested by the Trustee as part of the other Plan assets and will share in the investment gain (or loss) of the total Plan's trust funds, unless the Trustee permits you to direct the investment of all or a part of your Rollover Account.

## INVESTMENT OF ACCOUNTS

Your Account will be placed in the trust maintained by the Plan trustee(s) who will invest your Account in a diversified portfolio which may include stocks, bonds and mutual funds. Your Account will share in the investment performance of the trust, which is valued on the Plan valuation date. The Plan valuation date occurs daily.

With the consent of the trustee, the Administrator can adopt procedures to permit you and all Participants to direct all or a portion of your Account to be invested at your election in a range of investment options offered under rules established by the Administrator. At the appropriate time the Administrator will provide you with more detailed information about the directed investment alternatives, if adopted under the terms of the Plan.

*You will be informed if the portion of this Plan that is self directed is intended to comply with Section 404(c) of the Employee Retirement Income Security Act of 1974. This means that if you are permitted to exercise independent investment control over any portion of your Account, then the fiduciaries of the Plan (including the trustee, the Administrator and we as the Employer) are relieved of liability for any losses resulting from your exercise of such control.*

## TAX WITHHOLDING ON PLAN BENEFITS

Due to the complexity and frequency of changes in the federal laws that govern benefit distributions, penalties and taxes, the following is only a brief explanation of the applicable law and IRS rules and regulations as of the date this summary is issued. You will receive additional information from us at the time of any benefit distribution, and you should consult your tax advisor to determine your personal tax situation before taking any distribution from the Plan.

Any distribution from this Plan that is eligible to be rolled over and that is directly transferred to another qualified retirement plan or to an individual retirement account (IRA) is not subject to income tax withholding. Generally, any part of a distribution from this Plan can be rolled over to another qualified plan or to an IRA unless the distribution (1) is part of a series of equal periodic payments made over your lifetime, over the lifetime of you and your beneficiary, or over a period of 10 years or more; or (2) is a minimum benefit payment which must be paid to you because you have reached age 70½. There are other distributions that cannot be rolled over, and you should contact the Administrator if you have questions about whether a distribution can be rolled over.

If you choose to have your benefit paid to you and the benefit is eligible to be rolled over, you only receive 80% of the payment. The Administrator is required by law to withhold 20% of the payment and remit it to the Internal Revenue Service as income tax withholding to be credited against your taxes. If you receive the distribution before you reach age 59½, you may also have to pay an additional 10% tax. You can still rollover all or a part of the 80% distribution that is paid to you by putting it into an IRA or into another qualified retirement plan within 60 days of receiving it. If you want to rollover 100% of the eligible distribution to an IRA or to another qualified retirement plan, you must find other money to replace the 20% that was withheld.

You cannot elect out of the 20% withholding (1) unless you are permitted (and elect) to leave your benefit in this Plan, or (2) unless you have 100% of an eligible distribution transferred directly to an IRA or to another qualified retirement plan that accepts rollover contributions.

## **OTHER INFORMATION**

### **Claims for Benefits**

If you feel you are not receiving benefits to which you are entitled, you must file a written claim with the Administrator. If a claim is made, the Administrator will accept, reject, or modify such request and will notify you in writing setting forth his or her response. In the case of a denial or modification, the Administrator will (1) state the specific reason or reasons for the denial, (2) provide specific reference to pertinent Plan provisions on which the denial is based, (3) provide a description of any additional material or information necessary you or your representative to perfect the claim and an explanation of why the material or information is necessary, and (4) explain the Plan's claim review procedure described below.

If the request is rejected or modified, you or your representative may within 60 days following receipt of the rejection or modification, submit a written request for review by the Administrator of the Administrator's initial decision. Within 60 days following such request for review, the Administrator will render his or her final decision in writing stating specific reasons for such decision. If you or your representative are not satisfied with the Administrator's final decision, you or your representative can institute an action in a federal court of competent jurisdiction; for this purpose, process would be served on the Administrator.

### **Non-Alienation of Benefits**

In general, your creditors cannot garnish or levy upon your Account, and you cannot sell, transfer, assign, or pledge your Account. However, if you and your spouse separate or divorce, a court can direct through a qualified domestic relations order that up to 100% of your Account be transferred to another person (usually your ex-spouse or your children). The Plan has a procedure for processing domestic relations orders, which you can obtain from the Administrator.

### **Amendment or Termination**

Although the Plan is intended to be permanent, the Employer can amend or terminate it at any time. Upon termination, all Participants will have a 100% Vested Interest in their Accounts as of the date of termination, and all Accounts will be distributed. If the Plan is amended or terminated, each Participant and each beneficiary receiving benefits will be notified in writing.

Your Account is not insured by the Pension Benefit Guaranty Corporation (PBGC) because the insurance provisions of the Employee Retirement Income Security Act do not apply to this plan. For more information on PBGC coverage, ask the Administrator or the PBGC. Written inquiries to the PBGC should be addressed to the Technical Assistance Division, PBGC, 1200 K Street NW, Suite 930, Washington, D.C. 20005-4026, or you can call (202) 326-4000.

## STATEMENT OF ERISA RIGHTS

As a participant in the Alabama Thrift Stores, Inc. 401(k) Retirement Plan (the "Plan"), you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants are entitled to:

- (1) Examine, without charge, at the Plan Administrator's office and at other specified locations, such as work-sites and union halls, all Plan documents, including insurance contracts, collective bargaining agreements and copies of all documents filed by the Plan with the U.S. Department of Labor, such as detailed annual reports and Plan descriptions.
- (2) Obtain copies of all Plan documents and other Plan information upon written request to the Plan Administrator. The Administrator may make a reasonable charge for the copies.
- (3) Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each Participant with a copy of this summary annual report.
- (4) Obtain a statement telling you whether you have a right to receive a pension at Normal Retirement Age and if so, what your benefits would be at Normal Retirement Age if you stop working under the Plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once a year. The Plan must provide the statement free of charge.

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, who are called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

If your claim for a pension benefit is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the Plan review and reconsider your claim. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator.

If you have a claim for benefits that is denied, in whole or in part, you have the right to use the Plan's claim procedures to request review of the claim and then to file suit in state or Federal court if your claim continues to be denied in whole or in part. You can also file suit in state or Federal court if your claim for benefits is ignored.

If you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you can file suit in Federal court.

If Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are

successful, the court may order the person you sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or your rights under ERISA, you should contact the nearest office of the Employee Benefits Security Administration (formerly known as the Pension and Welfare Benefits Administration), U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210.

For even more information, you can also contact the U.S. Department of Labor at its internet website at <http://www.dol.gov/pwba/welcome.html> where you can review a publication called "*WHAT YOU SHOULD KNOW ...about your pension rights*". If you would like a copy of that publication, you can call the Department of Labor toll free at (866) 275-7922.

## Alabama Thrift Stores, Inc. 401(k) Retirement Plan

### Summary of Material Modifications

March 28, 2005

**Purpose of this Summary.** This is a Summary of Material Modification regarding the Alabama Thrift Stores, Inc. 401(k) Retirement Plan (the "Plan"). It is a summary of changes we have made to the plan and it is intended to supplement the Summary Plan Description (the "SPD") previously provided to you. You should retain this summary with your copy of the SPD.

**Description of the Modification.** The law has been changed regarding the circumstances (and manner) in which a Participant's Vested Interest can be distributed without his or her written consent, and the Plan has been modified as of March 28, 2005 as indicated below. But please note: this change in the law does not affect the circumstances, if any, in which a spouse must also give written consent before a distribution can be made, and those provisions of the SPD are unaffected by the change described below.

◆ *If you terminate employment with us and your Vested Interest (excluding your Rollover Contributions) doesn't exceed \$5,000 on the date you terminate, then your entire Vested Interest (including your Rollover Contributions) will be distributed from the Plan as soon as administratively feasible after the date you terminate. You can elect to receive this "mandatory" distribution in a lump sum payment or you can elect to have us roll over your entire Vested Interest to another eligible retirement plan such as an individual retirement account (IRA). However, if the amount to be distributed (including your Rollover Contributions) exceeds \$1,000 and you fail to elect either a lump sum payment or a direct rollover to another eligible retirement plan designated by you, we will automatically roll over your entire Vested Interest to an IRA we establish at a qualified financial institution of our choosing on your behalf. Your funds will then be invested in a type of investment designed to preserve principal and provide a reasonable rate of return and liquidity, such as an interest-bearing account, a certificate of deposit, or a money market fund. The IRA provider will charge your IRA account for any expenses associated with the establishment and maintenance of the IRA and with the IRA investments. If your Vested Interest is transferred to an IRA under this "automatic rollover" requirement, you will be given more information at that time regarding the IRA provider and any fees or expenses associated with the IRA.*

◆ *If the Plan terminates and your Vested Interest is to be distributed in a lump sum payment, if the amount to be distributed (including your Rollover Contributions) exceeds \$1,000 and you fail to elect either a lump sum payment or a direct rollover to another eligible retirement plan designated by you, then your entire Vested Interest will be distributed in the same manner as described in the preceding paragraph.*

**Information About the Sponsor.** Alabama Thrift Stores, Inc. is the sponsor of the Plan. Our address is 1248 Centerpoint Parkway, Birmingham, AL 35215; our telephone number is (205) 856-1234; and our employer identification number is 63-0889019.