DOB May 4, 2006

NOTICE TO THE TRADE – DeCA NOTICE 06-70

SUBJECT: Brand Name Resale Swell Allowance Program

What is a Swell Allowance Program?

The Defense Commissary Agency's (DeCA) Swell Allowance Program is an initiative that will eliminate most Brand Name Resale Vendor Credit Memorandums (VCM) written for unsaleable products (products that are no longer fit for sale). Only those companies that have written VCMs to DeCA in the past for unsaleables will be asked to participate under this program. By doing so, the manufacturer will agree to convert dollars of VCMs for unsaleables into a mutually agreed upon percent that will automatically be deducted from each payment. Products that come in as direct store deliveries (generally items such as bread, chips, and sodas) are not part of this program.

Why is DeCA going to this type of program?

The primary objective is to automate the existing VCM process that is now predominantly manual. Research conducted by DeCA's VCM working group confirmed that manufacturers and retail companies are already adopting similar swell allowance programs with their commercial accounts, which facilitates their objective of easing the burden associated with reimbursements for unsaleable products in retail stores. DeCA anticipates that this program will free up both store personnel and Industry partners by automating what is currently a labor-intensive, manual process. This change will permit both parties to concentrate their valuable time to better serve our patrons, operate the store more efficiently and effectively, and ultimately increase sales. This program will significantly reduce the manual requirement to process unsaleable VCMs at all stores and DeCA's accounting offices.

How will it work?

DeCA will contact each individual manufacturer that has one or more existing Brand Name Resale Ordering Agreements (ROA) with DeCA and that has issued unsaleable VCMs in the past. The notification correspondence will request that the manufacturer verify the amount of dollars that are currently being expended as unsaleable VCMs and convert that figure to a proposed percent that will be deducted from all payments. The proposed percent should then be provided to DeCA's contracting officer, a single percent per ROA, also known as your PIIN/contract number. The swell allowance provided by the manufacturer should be comparable to the amount currently provided DeCA via manual VCMs for unsaleables. The percent, based on category brackets, may be different for each ROA. DeCA will evaluate the proposed percent for each ROA. Once a mutually agreed upon percent is determined, the necessary administrative actions will be completed to implement the agreement.

New ROAs will not be required for your company to accommodate this program. Once implemented, DeCA stores and accounting offices will no longer process unsaleable VCMs for ROAs that have a swell allowance percent, except for exclusions agreed upon in advance by both parties.

How it will work at our CONUS sites?

The swell allowance percent will be entered into the Standard Automated Voucher Examination System (SAVES) via a modification by the contract specialist. The percent will be deducted at time of payment, annotated on the voucher, and will credit the CONUS stores' inventory for that amount systematically.

How it will work at our OCONUS sites?

Far East, Alaska, Europe, Cuba, and Puerto Rico will have the percent processed against the applicable order processing point (OPP) Department of Defense activity address codes (DODAACs). This amount will be maintained in a table. Each month the dollars accumulated in the table will be allocated based on an all commodities value algorithm to each store supported by that OPP.

What shall I expect next?

Your company will be notified in writing by the contracting officer in June requesting your swell allowance percent proposal and other relevant information be provided, no later than July 31, 2006.

When will this program be fully operational?

This program will kick off with a pilot involving several companies in October 2006 and with a projected implementation date of January 2007 for the remaining applicable companies.

If I have questions, who do I contact?

***Overall Program* -** Ms. Mary DeSantis, 804-734-8975, for Performance and Policy or Ms. Sheila Walton, 804-734-8389, for Corporate Planning

***ROAs* -** Mr. Jim Keeton, 804-734-8935 or Mr. Wayne Bordeaux, 804-734-8929, for Product Support

***Financial Systems/Payments/Vouchers* -** Mr. Wayne Davis, 804-765-2908, for Financial Services and Systems

NOTE: **DeCA will be briefing the Swell Allowance Program at the ALA/DeCA 2006 Commissary Conference. An informational booth will also be set up at the conference to answer questions.**

Thanks again for your support. We are excited about this new program. By partnering we can ensure it will be a WIN-WIN for both DeCA and Industry.

/s/
Scott E. Simpson
Chief Operating Officer