

PS

January 7, 2005

NOTICE TO THE TRADE – DeCA NOTICE 05-48

SUBJECT: Change in Support to Cuba and Pricing Zone for Cuba and Puerto Rico

In December 2001, the Defense Commissary Agency (DeCA) made the decision to transfer support for Cuba from the Southern OPP account (HQCSK7) over to the East Coast OPP account (HQCAAB) in order to achieve a dramatic cost savings as well as to serve our patrons better. This change brought about immediate improvement in service and van utilization with support being provided by one distributor instead of four different distributors.

Recently, however, the NEXCOM has identified a pricing disparity between Cuba's receipt pricing and the pricing that exists in our southern stores. Personnel from the southern area reassigned to Cuba have raised this discrepancy up to the Nexmart management in Cuba. Research has proved that the pricing in Cuba is higher and it is directly attributable to them being under the HQCAAB OPP, which falls under Electronic Data Interchange (EDI) price zone #20. Reduced pricing and promotional VPRS are not submitted under EDI price zone #20; rather price reductions are provided directly to the European Region or CDC by industry within Europe. This procedure protects accountability within the CDCs. Unlike Europe, which enjoys and benefits from a large representation of industry on the ground, Cuba has little to no representation. Due to this lack of representation, Cuba does not receive reduced pricing or promotional VPRS on a regular, consistent basis, as is required.

In order to provide Cuba with pricing comparable to our southern stores, DeCA has determined that Cuba will be transferred back to the southern OPP account (HQCSK7), and that HQCSK7 will move from EDI price zone #17 over to EDI price zone #3, effective February 16. Since HQCSK7, which also supports Fort Buchanan, Puerto Rico, is also supplied out of one distributor, this move should have little impact on the stores and industry.

We sincerely appreciate your support and cooperation during this transfer and feel certain this move will now allow you to provide Cuba with reduced pricing and promotional offers that you have been willing to provide but lacked the means to do so until now.

Point of contact for this issue is Donna Starkus-Ward, at 804-734-8154.

/s/

Scott E. Simpson
Chief Operating Officer