

PSM

March 29, 2005

NOTICE TO THE TRADE – DeCA NOTICE 05-71

SUBJECT: Stock Protection for Phase Out Items

The purpose of this Notice to the Trade (NTT) is to clarify situations in the commissaries where phase out items are being substantially marked down in price through EDI by sales representatives in an effort to sell residual stock.

In NTT 05-32, Deleted Items Process, we recently adjusted our policy concerning phase out items to a new timeframe of 60 days for the entire process. Many companies have eagerly embraced the new procedures and have expeditiously reduced the price of merchandise through EDI for stock designated for phase out. This quick response by our partners in industry is greatly appreciated. However, there is cause for concern when stores have product on hand and the product price is reduced. Commissary accountability issues could suffer as a result.

Sales representatives who decide to mark down product must provide stock protection for phase out items at individual store locations. These representatives will be authorized to provide vendor credit memorandums to store directors under these circumstances.

In summary, we greatly appreciate your efforts in expeditiously removing phase out items from our distributors and stores. However, we must also protect the inventory and accountability of our commissaries. Please ensure that our stores receive proper stock protection. With your support, commissaries will continue to grow sales and remain within their accountability standards.

My point of contact for this action is Mr. Charles Dowlen, (804) 734-8385.

/s/

Scott E. Simpson
Chief Operating Officer