



Department of Defense
INSTRUCTION

NUMBER 1330.21

July 14, 2005

PDUSD(P&R)

SUBJECT: Armed Services Exchange Regulations

- References: (a) DoD Instruction 1330.21 "Armed Services Exchange Regulations," February 4, 2003 (hereby canceled)
(b) DoD Directive 1330.9, "Armed Services Exchange Policy," November 27, 2002
(c) DoD Directive 1125.3, "Vending Facility Program for the Blind on Federal Property," April 7, 1978
(d) DoD Directive 1015.14, "Establishment, Management, and Control of Nonappropriated fund Instrumentalities and Financial Management of Supporting Resources" July 16, 2003
(e) through (ab), see enclosure 1

1. PURPOSE

This Instruction reissues reference (a), implements reference (b), prescribes procedures, and assigns responsibilities for operating Armed Services Exchanges.

2. APPLICABILITY AND SCOPE

This Instruction applies to:

2.1. The Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities in the Department of Defense (hereafter referred to collectively as the "DoD Components").

2.2. The Commissioned Corps of the Public Health Service and the National Oceanic and Atmospheric Administration (NOAA) under agreements with the Departments of Health and Human Services and the Department of Commerce. The term "Armed Services," as used herein, refers to the Army, the Navy, the Air Force, the Marine Corps, and the Coast Guard.

3. DEFINITIONS

Terms used in this Instruction are defined in enclosure 2.

4. POLICY

DoD policy for the Armed Service Exchanges is contained in reference (b).

5. RESPONSIBILITIES

5.1. The Principal Deputy Under Secretary of Defense for Personnel and Readiness (PDUSD (P&R)), under the Under Secretary of Defense for Personnel and Readiness, shall:

5.1.1. Serve as the principal point of contact for all Armed Services Exchange policy matters in the Department of Defense.

5.1.2. Develop uniform DoD policy and guidance to ensure proper administration and management of Armed Services Exchange programs and monitor compliance thereof.

5.2. The Secretaries of the Military Departments or their designees shall comply with this Instruction.

6. PROCEDURES

6.1. Armed Service Exchange Programs. Other Federal Departments, Agencies, and instrumentalities shall obtain, in advance, written right of first refusal from the Armed Services Exchange before beginning to operate or contract on military installations and Government-owned or -leased military housing areas, for the programs designated for the Armed Services exchanges listed at subparagraph E3.1.1.1. of enclosure 3. Exchanges support forward deployments, ships at sea, emergency and disaster relief efforts, international exercises, and contingency operations. Resale activities of blind vendors are governed by DoD Directive 1125.3 (reference (c)).

6.2. Merchandise Restrictions. The Armed Services Exchanges are authorized to sell items of merchandise and offer retail services to provide a well-rounded program, except as restricted in enclosure 4. Merchandise restrictions apply to direct sales, including by special order catalog or e-commerce, and to indirect or concession activities.

6.3. Alcoholic Beverages Minimum Drinking Age. The Secretary of the Military Department concerned shall establish and enforce the minimum age for consumption and purchase of alcoholic beverages established by the law of the State in which the military installation is located. If a military installation is located in more than one State or a State but within 50 miles of another State, Mexico or Canada, the Secretary concerned may establish and enforce the lowest applicable age as the minimum drinking age on that military installation. The Armed Service Exchanges shall follow the minimum drinking age regulations for each military installation. Enclosure 5 establishes procedures for the sale of package alcoholic beverages.

6.4. Sale of Tobacco.

6.4.1. Military retail outlets shall not enter into any new merchandise display or promotion agreements, or exercise any options in existing agreements, that provide for an increase in total tobacco shelf-space. This provision does not prohibit couponing, or incentives that allocate tobacco shelf-space among brands so long as total tobacco shelf-space is not increased. Self-service promotional displays shall not be used outside of the tobacco department. Incentives to increase the total number of tobacco displays shall not be accepted, except to reallocate existing tobacco shelf-space among tobacco brands, if the total amount of tobacco shelf-space is not increased. Promotional practices for tobacco products shall reflect general commercial practices and shall not include "military only" coupons or other promotions unique to the military or military resale system.

6.4.2. Tobacco (including smokeless tobacco) shall not be sold to anyone less than 18 years of age. A customer's ID shall be checked if his or her age is not known to be over 18, and appears to be under 27.

6.4.3. Armed Service Exchanges shall endeavor to display tobacco cessation products in areas that provide visibility and opportunity to customers who desire to change their tobacco habits.

6.5. Authorized Patrons. Only authorized patrons are entitled to exchange privileges as prescribed in enclosure 6 of this Instruction, except when prohibited by treaty or other international agreements in foreign countries. Patrons shall be identified under enclosure 7.

6.5.1. Sales of State Tax-Free Tobacco Products and Alcoholic Beverages. State tax-free tobacco products and alcoholic beverages shall be sold only to those individuals, organizations, and activities entitled to unlimited exchange privileges. Common sense must be used in determining that the quantities of state tax-free tobacco products and alcoholic beverages sold are reasonable and for the use of authorized exchange patrons.

6.5.2. Sales to Appropriated Fund (APF) Activities Authorized. Exchanges are authorized to supply items within normal stock assortment to components, agencies,

instrumentalities and other activities or units within the Department of Defense and to accept APF in payment, including the Government-wide purchase card. Such sales shall be advantageous of the exchange and purchasing activity.

6.5.3. The Secretaries of the Military Departments may grant deviations with regard to authorized patron privileges for individuals or classes/groups of persons at specific installations. Delegation of this authority outside the Secretariat concerned is prohibited. Deviations may be granted, when based on alleviating individual hardships. Deviations granted by the Secretaries of the Military Departments shall be reviewed annually as of June 30 and a report shall be submitted to the PDUSD (P&R) specifying the exceptions and their justifications (Report Control Symbol DD-P&R(A)1096).

6.6. Purchase Restrictions. By August 1st of each year, each Commander of a Combatant Command, through the Chairman, Joint Chiefs of Staff, shall submit to the PDUSD(P&R) an annual report describing changes to the host-nation laws and the treaty obligations of the United States, and the conditions within host nations, that require the use of new quantity or other restrictions on purchases in commissary and exchange stores located outside the United States. Negative reports are required. If there are changes, the PDUSD (P&R) shall notify Congress within 120 days of receipt of the reports.

6.7. Best Business Practices. Exchange programs shall use best business practices to fulfill customer needs, while maintaining a readiness capability to support wartime missions and to meet quality, fiscal, health, and safety standards. The exchange organizations shall ensure that short- and long-term plans are established and maintained.

6.8. Exchange Operations on Closed Installations. Exchange operations on closed installations shall follow the procedures in enclosure 8 of this Instruction.

6.9. Methods of Operation - Direct or by Concession. Unless addressed specifically by contract, a contractor or concessionaire of exchange services that sells or provides authorized exchange service products or services is entitled to the same level of APF support authorized for the applicable exchange service program in enclosure 9 of this Instruction. The APF shall be used strictly on the exchange service program.

6.10. Resource Management. Exchange program resource elements that are authorized APF support are found in enclosure 9 and DoD Directive 1015.14 (reference (d)).

6.10.1. Reporting of Violations. The Department of Defense encourages the reporting of suspected violations of rules, regulations, or law at the lowest organization level possible. However, reports may be made to senior management, organizational inspectors general, or to the DoD Hotline. The Commanders are responsible for prompt detection, proper investigation, and appropriate corrective action. Individuals reporting violations are protected from reprisal. Reference (e) is applicable to nonappropriated

fund (NAF) employees and employers and contains protections and responsibilities in NAF whistleblower cases in accordance with reference (f).

6.10.2. Penalties for Violations. The Commanders shall take appropriate action against personnel responsible for violations of rules, regulations, or law. Where there is a serious criminal infraction, commanders shall refer the matter to the appropriate Defense criminal investigative organization for investigation and potential referral to judicial authorities. Under Section 2783b of title 10, United States Code (U.S.C.) (reference (g)), penalties for substantial violations of regulations governing the management and use of NAF by civilian NAF employees shall be the same as provided by law for the misuse of appropriations by civilian employees of the Department of Defense paid from APF. Violations by personnel subject to the Uniform Code of Military Justice shall be subject to appropriate disciplinary or administrative action.

6.11. Credit Programs. A credit program shall be administered in accordance with established business practices and industry standards. Credit limits shall be adjusted periodically using standard industry practices. The exchange services shall include an overview report that comments on the financial status of their credit programs as part of their annual year-end certified financial audit. The exchange services shall also maintain a Standard and Poor's rating. The exchange services shall initiate credit checks with civilian credit bureaus on all new accounts and shall provide both good and bad credit reports to the credit bureaus.

6.11.1. The Secretaries of the Military Departments may authorize the types of merchandise or services for sale on a deferred payment basis for which no finance or interest is charged within the following parameters:

6.11.1.1. Articles necessary for the health, comfort, or convenience of recruits, officer candidates, re-enlistees, prisoners, or detained personnel. Payment shall be made within 30 days.

6.11.1.2. Military Uniforms and Accessories. The liability of any individual shall not exceed the initial cost of the uniform requirement, to be paid in not more than 12 monthly installments.

6.11.1.3. Articles or services delivered or provided to private on-base quarters, such as milk or bread deliveries. Billing and payment shall be monthly.

6.11.1.4. Sales to other authorized Government Agencies or instrumentalities. Billing and payment shall be made on normal commercial terms of trade.

6.11.1.5. The Secretaries of the Military Departments may authorize other types of merchandise or services for sale for which no finance or interest is charged for a period not to exceed 6 months.

6.11.2. Exchanges shall accept the Government-wide purchase card in activities where personal credit cards or other purchase cards are accommodated. Exchanges shall use the Government-wide purchase card or other commercial credit cards for goods and services procured with NAF valued at or below \$2,500 when appropriate and cost effective.

6.11.3. A standard customer satisfaction index shall report customer satisfaction levels for the individual exchanges and compare the three exchange services worldwide.

6.11.4. The exchanges shall jointly conduct an annual, standardized market-basket price survey to measure customer savings by comparing the costs of like products in the civilian sector in the United States.

6.12. Federal Retailers Excise Tax. The Federal Retailers Excise Tax shall be included in the sales price of all merchandise subject to this tax.

6.13. Pricing of Smoking Cessation Products. The Military Departments shall support the pricing of smoking cessation products below the local competitive price.

6.14. Merchandise Support. Exchange merchandise categories for tobacco products may be consigned and sold in commissary stores as exchange items.

6.15. Joint Construction. Whenever practical, new commissaries and exchanges shall be built as joint projects and collocated.

6.16. Advertising. Armed Services Exchange advertising shall conform to enclosure 10 of this Instruction.

7. INFORMATION REQUIREMENTS

7.1. The annual "Military Exchange Deviation Report" required by subparagraph 6.5.3. has been assigned Report Control Symbol DD-P&R(A)1096 in accordance with 8910.1-M (reference (h)).

7.2. The annual "Overseas Commissaries and Exchange Stores-Access and Purchase Restrictions Report" referred to at paragraph 6.6. has been assigned Report Control Symbol DD-P&R(A&AR)2150 in accordance with reference (h).

7.3. Reporting of violations described in subparagraph 6.10.1. are exempt from licensing in accordance with paragraph C4.4.2. of reference (h).

7.4 Inclusion of comments on the exchange services' credit programs referred to in paragraph 6.11. is part of the "Morale, Welfare and Recreation (MWR) Activities Financial Management Report." This annual report has been assigned Report Control Symbol DD-P&R(A)1344 in accordance with reference (h).

7.5. The annual "DoD Commissary Operations Report" referred to in enclosure 8, paragraph E8.1.6, has been assigned Report Control Symbol DD-P&R(A)1187 in accordance with reference (h).

8. EFFECTIVE DATE.

This Instruction is effective immediately.



David S. C. Chu
Under Secretary of Defense
(Personnel and Readiness)

Enclosures - 10

- E1. References, continued
- E2. Definitions
- E3. Exchange Resale Activities
- E4. Merchandise Restrictions
- E5. Alcoholic Beverages Operations
- E6. Authorized Patrons
- E7. Identification of Authorized Patrons
- E8. Exchange Operations on Closed Installations
- E9. Exchange Resource Elements Authorized Appropriated Fund (APF) Support
- E10. Exchange Advertising Policy

E1. ENCLOSURE 1

REFERENCES, continued

- (e) DoD Directive 1401.3, "Reprisal Protection for Nonappropriated Fund Instrumentality Employees/Applicants," October 16, 2001
- (f) DoD 7000.14-R, "DoD Financial Management Regulation," Volume 13, "Nonappropriated Funds Policy and Procedures," August 2002
- (g) Section 2783 of title 10, United States Code
- (h) DoD 8910.1-M, "DoD Procedures for Management of Information Requirements," June 30, 1998
- (i) DoD Directive 1015.2, "Military Morale, Welfare and Recreation (MWR)," June 14, 1995
- (j) DoD Instruction 1015.15, "Procedures for Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources," July 16, 2003
- (k) Section 12301-12302 of title 10, United States Code
- (l) Section 1101 of title 38, United States Code
- (m) Section 1163a-1 of title 33, United States Code
- (n) DoD Instruction 4105.70, "Sale or Rental of Sexually Explicit Material on DoD Property," June 29, 1998
- (o) DoD Instruction 7700.18, "Commissary Surcharge, Nonappropriated Fund (NAF) and Privately-Financed Construction Reporting Procedures," July 16, 2003
- (p) Section 6374 of title 42, United States Code
- (q) Section 7586 of title 42, United States Code
- (r) Executive Order 13149, "Greening the Government through Federal Fleet and Transportation Efficiency," July 2000
- (s) Section 548 of title 47, United States Code
- (t) DoD Directive 1010.4, "Drug and Alcohol Abuse by DoD Personnel," September 3, 1997
- (u) Section 213 of title 27, United States Code
- (v) Section 2489 of title 10, United States Code
- (w) Section 2482 of title 10, United States Code
- (x) Section 1059 of title 10, United States Code
- (y) DoD Instruction 1000.13, "Identification (ID) Cards for Members of the Uniformed Services, Their Dependents, and Other Eligible Individuals," December 5, 1997
- (z) Section 2490a of title 10, United States Code
- (aa) DoD Directive 1330.17, "Military Commissaries," March 13, 1987
- (ab) DoD Audit of Nonappropriated Fund Instrumentalities And Related Activities," January 16, 2004
- (ac) DoD Instruction 5120.4, "Department of Defense Newspapers, Magazines, and Civilian Enterprise Publications," June 16, 1997

E2. ENCLOSURE 2

DEFINITIONS

E2.1.1. Alcoholic Beverages. Beverages containing alcohol including wines, malt beverages and distilled spirits.

E2.1.2. Appropriated Funds (APF). See section 010103 of Volume 13, Chapter 1 of reference (f).

E2.1.3. Authorized Family Member. An individual whose relationship to the sponsor leads to entitlement, benefits, or privileges administered by the Uniformed Services. Family members include:

E2.1.3.1. Dependent Children 21 or Over. Children, including adopted children, stepchildren, and wards, who are 21 years of age or older, unmarried, and dependent upon the sponsor for over half of their support and either:

E2.1.3.1.1. Incapable of self-support because of a mental or physical handicap; or

E2.1.3.1.2. Have not passed their 23rd birthday and are enrolled in a full-time course of study at an institution of higher education.

E2.1.3.2. Dependent Children Under 21. Unmarried children under 21 years of age, including pre-adoptive children, adopted children, stepchildren, foster children, and wards dependent on the sponsor for over half of their support.

E2.1.3.3. Lawful Spouse. If separated, a dependent spouse retains privileges until a final divorce decree is issued.

E2.1.3.4. Orphans. Surviving unmarried children of a deceased Uniformed Service member or retired member of a Uniformed Service, who are either adopted or natural born and under the age of 21, or who are over 21 and incapable of self-support; or under 23 and enrolled in a full-time course of study. The surviving children must have been dependents under the definitions in subparagraph E2.1.3. at the time of the death of the parent or parents.

E2.1.3.5. Parents. Father, mother, stepparent, parent by adoption, and parents-in-law, who depend on the sponsor for over half of their support. The surviving dependent parents of a member of the Armed Services who dies while on active duty are included.

E2.1.3.6. Surviving Family Member. Children or parents of a sponsor who are dependent on the surviving spouse for over half their support.

E2.1.3.7. Surviving Spouse. A widow or widower of a sponsor who has not remarried or who, if remarried, has reverted through divorce, annulment, or the demise of the spouse, to an unmarried status.

E2.1.3.8. Unmarried Children. Unmarried children, including pre-adoptive children, adopted children, stepchildren, foster children, and wards not having passed their 23rd birthday and enrolled in a full-time course of study at an institution of higher education and dependent on the sponsor for over half of their support.

E2.1.3.9. Unremarried Former Spouse. An unremarried former spouse of a member or former member of the Uniformed Services, who (on the date of the final decree of divorce, dissolution, or annulment) had been married to the member or former member for a period of at least 20 years during which period the member or former member performed at least 20 years of service creditable for retired or retainer pay, or equivalent pay.

E2.1.4. Continental United States (CONUS). The 48 contiguous States and the District of Columbia.

E2.1.5. Exchange Employees. Civilian employees of the military exchange systems.

E2.1.6. Executive Control and Essential Command Supervision (ECECS). Those managerial staff functions and positions located above the direct program managerial and operational level of individual Morale, Welfare and Recreation (MWR) programs that support planning, organizing, directing, coordinating, and controlling the overall operations of MWR programs. ECECS consists of program, fiscal, logistical, and other managerial functions that are required to ensure oversight.

E2.1.7. Military Departments. The Department of the Army, the Department of the Navy, and the Department of the Air Force.

E2.1.8. Military Morale, Welfare, and Recreation (MWR Programs). The military programs defined in DoD Directive 1015.2 (reference (i)).

E2.1.9. Nonappropriated Funds (NAF). See section E2.1. of DoD Instruction 1015.15 (reference (j)).

E2.1.10. Nonappropriated Fund Instrumentality (NAFI). See section E2.1. of reference (j).

E2.1.11. Outside the Continental United States (OCONUS). Areas other than the 48 contiguous states and the District of Columbia. Includes Alaska, Hawaii, Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. territories and possessions.

E2.1.12. Official DoD Web Site. A DoD web site that is developed and maintained by a command for which a DoD Component (a subordinate organization or an individual) exercises editorial control over content. The content of official DoD web sites presents the official position of the DoD Components. Content may include official news releases, installation history, command position papers, etc. Official DoD Web sites are prohibited from displaying sponsorships or commercial advertisements.

E2.1.13. Overseas. Areas other than the 50 states and the District of Columbia.

E2.1.14. Reserve Components. The Army National Guard and the Air National Guard of the United States, the Army Reserve, the Naval Reserve, the Air Force Reserve, the Marine Corps Reserve, the Coast Guard Reserve, and Reserve Officers of the Public Health Service. The Ready Reserve is comprised of military members of the Reserve and National Guard, organized in units, or as individuals, liable for recall to active duty to augment the active components in times of war or national emergency under sections 12301(a) and 12302 of title 10 U.S.C. (reference (k)). The Ready Reserve consists of three Reserve component subcategories: the Selected Reserve, the Individual Ready Reserve, and the Inactive National Guard.

E2.1.15. Retired Personnel. All personnel carried on the official retired lists (Active and Reserve) of the Uniformed Services, who are retired with pay, granted retirement pay for physical disability, or entitled to retirement pay whether or not such pay is waived, or pending due to age requirement.

E2.1.15.1. Members of the Retired Reserve who are eligible for retired pay at age 60, but have not yet reached age 60.

E2.1.15.2. Personnel on the emergency officers' retired list of the Army, the Navy, the Air Force, and the Marine Corps who retired under 38 U.S.C., (reference (l)).

E2.1.15.3. Officers, crews of vessels, light keepers, and depot keepers of the former Lighthouse Service who retired under 33 U.S.C. (reference (m)).

E2.1.15.4. Retired noncommissioned ships' officers and crewmembers of the NOAA and its predecessors, who either were on active duty as a vessel employee on July 19, 1963, and whose employment as such vessel employee was continuous from that date until the date of retirement, or who had retired as a vessel employee on or before July 19, 1963.

E2.1.16. Sponsor. An individual who is entitled to exchange benefits and privileges and from whom others become entitled.

E2.1.17. Uniformed Personnel. Members of the Armed Services, the Coast Guard; cadets and midshipmen of the Armed Forces Service Academies, the Coast Guard

Academy, Commissioned Corps of NOAA and its predecessors, Commissioned Corps of the Public Health Service, and members of the Reserve components.

E2.1.18. Uniformed Services. The Armed Services, the Commissioned Corps of the National Oceanic and Atmospheric Administration, and the Commissioned Corps of the Public Health Service.

E2.1.19. United States. The 50 states and the District of Columbia.

E2.1.20. Unofficial DoD Web Site. A DoD web site that is developed and maintained with NAF. The content of unofficial DoD web sites is not endorsed as the official position of the DoD Components. Content may, but does not usually, include official news releases, installation history, command position papers, etc. Unofficial DoD web sites may include commercial advertisements and may be used to advertise products for sale, in accordance with the mission of the organization. In most cases, unofficial DoD web sites are developed and maintained by NAFIs, including military exchanges and MWR activities that use NAF.

E3. ENCLOSURE 3

EXCHANGE RESALE ACTIVITIES

E3.1. GENERAL ACTIVITIES

E3.1.1. Exchanges are authorized to operate the following revenue generating activities:

E3.1.1.1 Retail stores.

E3.1.1.2. Mail order, catalog, and ecommerce services.

E3.1.1.3. Automobile garages and service stations.

E3.1.1.4. Name brand fast food outlets (restaurants, cafeterias, and snack bars), including nationally recognized franchises.

E3.1.1.5. Packaged beverage stores.

E3.1.1.6. Barber and beauty shops.

E3.1.1.7. Flower shops.

E3.1.1.8. Laundries, dry cleaning, and pressing.

E3.1.1.9. Tailor shops.

E3.1.1.10. Watch repair shops.

E3.1.1.11. Radio, television, computer, and electronic repair shops.

E3.1.1.12. Shoe repair shops.

E3.1.1.13. Photographic studios.

E3.1.1.14. Vending machines.

E3.1.1.15. Taxicab and bus services.

E3.1.1.16. Personal services.

E3.1.1.17. Newsstands.

E3.1.1.18. Pay telephone stations, telephone calling centers, and personal telecommunication services.

E3.1.1.19. Military Clothing Sales Operations.

E3.1.1.20. School Lunch Programs.

E3.1.1.21. Exchange Credit Programs.

E3.1.1.22. Tax Preparation Services.

E3.1.1.23. Exchange Marts.

E3.1.1.24. The Secretaries of the Military Departments may prescribe in their regulations a selection of food and beverages, including malt beverages, wines, and other alcoholic beverages. Food items shall supplement the primary full-line grocery service provided by the commissary system.

E3.1.1.2. The Secretaries of the Military Departments may authorize the exchanges to operate the following activities:

E3.1.1.2.1. Membership clubs (open messes), restaurants, cafeterias, and snack bars.

E3.1.1.2.2. Lodging, including Permanent Change of Station (PCS), guest houses and hostess houses.

E3.1.1.2.3. Amusement machines.

E3.1.1.2.4. Recreational, social, and family support activities.

E3.1.1.2.5. Pet Shops

E3.2. STOCKAGE AND SALE OF ITEMS

The Secretaries of the Military Departments shall determine items to be stocked or sold OCONUS. Within the CONUS, the exchanges shall determine the items to be stocked or sold, provided such items are not otherwise restricted.

E3.3. AUTHORIZED ACTIVITIES WITH SPECIAL REQUIREMENTS

E3.3.1. Fresh Meat and Produce Departments. The Secretary of the Military Department concerned may specifically authorize the sale of fresh meat, fresh poultry, fresh seafood, fresh fruit, and produce when no commissary store is available on the installation or when fresh meat and produce is not available within a reasonable distance

at a reasonable price, or in satisfactory quality and quantity. Other necessary grocery items may be sold without limitation in the number of items or container size.

E3.3.2. Mini-Storage Facilities. Proposals for individual activities must be submitted 60 days in advance to the PDUSD(P&R) for Congressional notification prior to approval.

E3.3.3. Medical and Dental Services including Pharmacies. Medical services include, but are not limited to, dental, optometry, audiology, and pharmacy activities.

E3.3.3.1. Proposals for medical services at specific locations must be submitted 60 days in advance to PDUSD(P&R) for Congressional notification. The PDUSD(P&R) must approve the offering of new medical and dental services and shall notify Congress of such approval. Congressional notification and PDUSD(P&R) approval must be obtained before exchanges initiate construction or contract action, including entering into any license agreement with private practitioners.

E3.3.3.2. Proposals shall include the installation's name and location; statements that solicitations shall include small businesses from the surrounding communities and that no military doctors shall be used in the clinic; that the installation commander and local military health care facility commander support the project; the number of customers to be served; projected sales and financial return to the Department of Defense and/or the exchange service; projected customer savings; a statement that space available for the service meets DoD military medical space requirements; a detailed site specific description of the contract award process, the contract requirements, the length of the contract, the scope of services to be offered; and specific benefit to service members. While there is no requirement that local business leaders agree with the new service, the local business community and government officials shall be made aware of the initiative and the proposal shall include their views.

E3.3.3.3. Re-notification is not required for renewal of a previously approved specific medical concession at a specific location.

E3.3.4. Magazines and periodicals are authorized exchange sale items. DoD Instruction 4105.70 (reference (n)) governs the sale or rental of sexually explicit material on DoD property.

E3.3.5. Firearms and ammunition are authorized exchange sale items. Firearms shall be sold in compliance with Federal laws and regulations. Overseas activities shall conform to all applicable Status of Forces Agreements (SOFA) requirements, as well as any requirements imposed by bilateral agreements between the United States and the host nation.

E3.3.6. Name-Brand Fast-Food Operations. When establishing name-brand commercial fast-food operations, concession operations are preferred for military bases in the United States, and exchange direct-run operations are the preferred method for bases overseas. Both economic and non-economic factors shall be evaluated to decide on the

method of operation that best meets the exchange mission for each location. In addition, the following factors shall be considered in the aggregate: financial risk, customer service, employment opportunities, management control, operational risk, and investment opportunities. Primary consideration shall be given to the overall quality of life and welfare of the active duty community. Notice of deviations from the preferred method that result in major construction projects as defined in DoD Instruction 7700.18 (reference (o)) shall accompany the major construction program submitted to the PDUSD(P&R) and I include the evaluation of economic and non-economic factors.

E3.3.7. Only Armed Services exchanges are permitted to sell, publicize, or display new or factory certified cars or motorcycles on overseas DoD installations. Exchanges may sell automobiles and motorcycles only to authorized patrons who are stationed or are assigned overseas for 30 consecutive days or more. Orders may be taken for U.S.-made automobiles, foreign name-plated vehicles with at least 75 percent U.S. or Canadian content, and motorcycles. Sales may be made for stateside delivery or for in-country delivery where permitted under the status of forces agreement.

E3.3.8. Alternative Fuels Armed Services exchanges may sell alternative fuels to the general public in compliance with 42 U.S.C. 6374, 42 U.S.C. 7586, and Executive Order 13149 (references (p) through (r)).

E3.3.9. Cable Television Services. Armed Services exchanges may provide cable television services in compliance with 47 U.S.C. 548 (reference (s)).

E4. ENCLOSURE 4

MERCHANDISE RESTRICTIONS

E4.1.1. Exchanges in CONUS may not sell projection televisions and televisions with a cost to the exchange of more than \$3,500.

E4.1.2. Exchanges in CONUS may not sell diamond settings with individual stones that exceed one carat.

E4.1.3. Exchanges in CONUS may not sell jewelry other than diamond jewelry with a per-unit (piece) cost to the exchange in excess of the cost price of 2 ounces of gold.

E4.1.4. Exchanges in CONUS may not sell finished furniture with a per-unit (piece) cost to the exchange in excess of \$900.

E4.1.4.1. CONUS exchanges may not undertake new capital construction or renovation of an exchange facility of any kind for the purpose, in whole or in part, of providing additional space in which to sell finished furniture.

E4.1.4.2. At any new installation or location at which the exchange service proposes to sell finished furniture, the exchange manager or installation commander shall consult in advance with local furniture merchants and the exchange service shall advise the Office of the PDUSD(P&R) of the proposal and any local merchant objections to exchange sales of finished furniture. Such notice to the Office of the PDUSD (P&R) shall be made 60 days before offering finished furniture at any new location so the Office of the PDUSD (P&R) may notify the Congressional Committees on Armed Services in advance. The PDUSD(P&R) must approve the offering of finished furniture at new locations and shall notify Congress of such approval prior to offering finished furniture at new locations.

E4.1.5. Exchanges in CONUS may not sell decorative housewares and furnishings with a per-unit (piece) cost to the exchange in excess of \$500.

E4.1.6. Exchanges in CONUS may not sell small appliances with a per unit (piece) cost to the exchange in excess of \$150 except that there is no cost limitation on floor polishers, food processors, fans, coffee makers, humidifiers, dehumidifiers, air purifiers, microwave ovens, refrigerators, rotisseries, roasters, broilers, and vacuum cleaners.

E4.1.7. Exchanges in CONUS may not sell recreational boats with a per unit (piece) cost to the exchange in excess of \$750.

E4.1.8. Exchanges in CONUS may not sell sports equipment and supplies; recreational, garden, and manual arts equipment and supplies; or photographic supplies and film with a per-unit (piece) cost to the exchange in excess of \$500. There is no cost limitation on aquatic equipment, bicycles, cameras and projectors, camera and projector accessories, fishing equipment, golf club sets, guns and gun accessories, physical fitness exercise equipment, power tools, outdoor power equipment including lawn mowers, edgers and snow blowers, ski equipment, surfboards, and tents.

E5. ENCLOSURE 5

ALCOHOLIC BEVERAGES OPERATIONS

E5.1. APPLICABILITY AND AUTHORITY

This section applies to the sale of alcoholic beverages in the exchange systems.

E5.2. RESPONSIBLE USE OF ALCOHOL

The Military Departments shall establish programs, policies, and procedures consistent with DoD Directive 1010.4 (reference (t)) to deglamorize the use of alcohol and to discourage and treat its irresponsible use.

E5.3. ALCOHOLIC BEVERAGE LABELING

The provisions of the Alcoholic Beverage Labeling Act of 1988, 27 U.S.C 213 (reference (u)) shall apply to all alcoholic beverages sold in exchange activities in CONUS and OCONUS . This includes the requirement that alcoholic beverages purchased offshore carry labels as required of U.S.-procured products.

E5.4. ESTABLISHMENT AND CONTINUATION OF EXCHANGE PACKAGE STORES IN THE UNITED STATES

In the United States and Puerto Rico, the Secretary concerned may approve the sale of packaged alcoholic beverages with an alcohol content of more than 7 percent by volume.

E5.4.1. Establishment. Before authorizing the establishment of a package store, the Military Department Secretary shall review the following pertinent factors:

E5.4.1.1. Estimated number of authorized patrons per outlet if granted.

E5.4.1.2. Importance of estimated contributions of package store profits to providing, maintaining, and operating military MWR activities.

E5.4.1.3. Availability of wholesome family social clubs to military personnel in the local civilian community.

E5.4.1.4. If on a National Guard installation, coordination with the State Adjutant General concerned.

E5.4.1.5. Geographical inconveniences.

E5.4.1.6. Limitations of nonmilitary sources.

E5.4.1.7. Disciplinary and control problems due to restrictions imposed by local law and regulations.

E5.4.1.8. Highway safety.

E5.4.1.9. Location and distance of nearest military package store and reasons that the use of this facility is not feasible.

E5.4.1.10. A digest of the attitudes of community authorities or civic organizations toward establishment of a package sales outlet. This digest should consist of a summary of the community authorities and civic organizations, including the means of contact, the date contact occurred, and any written comments received from individuals and agents such as local mayors, heads of prominent civic groups or Chambers of Commerce, State legislators, Members of Congress, or other government officials. Speculative assessments of prospective community attitudes shall not satisfy this requirement. The use of available command channels is encouraged.

E5.4.2. An information copy of the Military Department review shall be submitted to the PDUSD(P&R) for each action approving the establishment of sales outlets for packaged alcoholic beverages, including the determinations and findings made in accordance with the criteria as stated above. The review shall be submitted to the PDUSD(P&R) 60 days prior to the establishment to provide for advance notification to Congress.

E5.4.3. Triennial Review. The Secretary concerned shall conduct a triennial review of each package store in the United States to determine the need for its continued operation. The evaluation shall consider the factors required to establish a package store, except subparagraph E5.4.1.10., above.

E5.5. ESTABLISHMENT OF EXCHANGE PACKAGE STORES OVERSEAS

Outside the United States, the sale of packaged alcoholic beverages with an alcoholic content of more than 7 percent by volume may be approved by the exchange service Commander/Chief Executive Officer provided such sales do not contradict treaties, SOFA, and local governmental agreements.

E5.6. NONALCOHOLIC AND ALCOHOLIC-TYPE BEVERAGES

The sale of packaged nonalcoholic, alcoholic beverage substitutes shall be carried out only in exchange facilities. Due to the disparity in State laws on the classification of "nonalcoholic," these products shall be sold only to those customers authorized to purchase alcoholic beverages.

E5.7. PACKAGE STORE OPERATIONS

Where a package store operation is authorized for an installation, exchange systems may operate in an independent facility, or, merge the alcoholic beverage operations with other exchange activities provided the installation commander concurs, the stock and displays are segregated, and all inventory controls, ration controls, signage required for alcoholic beverages are in effect.

E5.8. PURCHASE OF ALCOHOLIC BEVERAGES FOR RESALE

Alcoholic beverage shall be purchased by the exchange service for resale from the most competitive source and distributed in the most economical manner, price, and all other matters considered. The most economical method of distributing distilled spirits to stores shall be found by considering all components of distribution costs incurred in distributing beverages to the stores including all management, logistics, administration, depreciation, utilities, inventory carrying, handling, and distribution costs. In Alaska and Hawaii, alcoholic beverages shall be purchased from and delivered by a source within the State in which the military installation is located.

E5.8.1. Malt beverages and wine shall be purchased from and delivered by a source within the State in which the military installation is located. If an installation is located in more than one State, then the source may be in any State in which the installation is located.

E5.8.2. State and Local Government. DoD resale activities are not subject to State and local laws, regulations, control, or taxation. It is DoD policy to cooperate with State and local officials to the degree that their duties relate to the provisions of this Instruction. The factors to be considered in sections E5.4., and E5.9. of this enclosure, shall not be construed as meaning any submission to State control, nor shall cooperation be construed or represented as an admission of any legal obligation to submit to State control, pay State or local taxes, or purchase distilled spirits within geographical boundaries, from suppliers or at prices prescribed by any State.

E5.9. POSSESSION

Packaged alcoholic beverage sales outlets are operated solely for the benefit of authorized customers. Authorized purchasers shall not sell, exchange, or otherwise divert packaged alcoholic beverages to unauthorized personnel.

E5.10. OVERSEAS WINE SALES

In accordance with 10 U.S.C. 2489 (reference (v)) Armed Services exchanges outside the United States engaged principally in selling alcoholic beverages will, in general, give equitable treatment to American produced wines, in terms of selection, distribution, and price, when compared with wines produced by the host nation. The exchange service shall:

E5.10.1. Work with U.S. wine producers to assist and facilitate the supply and marketing of U.S.-produced wines in package stores outside the United States. Each package store shall separately and/or prominently identify or display U.S.-produced wines.

E5.10.2. Carry a representative number of American wines in each category and price level that compares with the selection of host-nation wines.

E5.10.3. Ensure that the percentage of markup on host-country wines shall be equal to or more than the percentage of markup on American-produced wines.

E5.10.4. If there is conflict between this policy and a SOFA or other country-to-country agreements, the latter shall prevail.

E5.11. IN-HOUSE PROMOTIONS OF ALCOHOLIC BEVERAGE SALES

Coupons, bag stuffers, free samples, or any other media used to promote or advertise the sale or consumption of specific brands of alcoholic beverage are prohibited. Examples include, but are not limited to, cents-off coupons, chit books, courtesy cards, slips, coupons books, and product samples designed to reduce the normal retail sales price charged by package beverage stores as established above. This does not prevent conducting on-premise beverage tasting.

E5.12. COMMERCIAL PROMOTIONS OF ALCOHOLIC BEVERAGE SALES

Exchange systems are not authorized to participate in any type of alcoholic beverage promotion sponsored by commercial enterprises that is directed or targeted primarily or exclusively at the military community (uniformed or retired personnel, either on active duty or serving in any category of a Reserve component, and their dependents).

Examples of promotions include, but are not limited to, sweepstakes, lucky number events, bottle-top redemption, premiums, discount coupons, or providing sample products. This does not prevent conducting on-premise beverage tasting. Package beverage stores may participate in promotions available to the general public at large.

E6. ENCLOSURE 6AUTHORIZED PATRONS

E6.1.1. Unlimited Exchange Privileges in the United States, and all Commonwealths, Possessions, and Territories of the United States (except as noted). The following table lists the individuals, organizations, and activities entitled to unlimited exchange service benefits:

<u>Table E6.T1. Unlimited Exchange Privileges</u>	
<u>CATEGORY</u>	<u>STATUS</u>
1. Uniformed or Retired Uniformed Personnel, either on Active Duty or serving in any category of the Reserve Component	<ul style="list-style-type: none"> • All members of the Army, the Air Force, the Navy, the Marines, the Coast Guard, commissioned officers of the National Oceanic and Atmospheric Administration (NOAA) and its predecessors, and commissioned officers of the Public Health Service. • Former members of the Lighthouse Services; personnel of the Emergency Officers' Retired List of the Army, the Navy, the Air Force, and the Marine Corps; and members or former members of Reserve components who, but for age, would be eligible for retired pay. • Enlisted personnel transferred to the Fleet Reserve of the Navy and Fleet Marine Corps Reserve after 16 or more years of active military service. (These personnel are equivalent to Army and Air Force retired enlisted personnel.)
2. Medal of Honor Recipients	<ul style="list-style-type: none"> • All.
3. Honorably Discharged Veterans	<ul style="list-style-type: none"> • When: (a) classified by the Veterans' Administration as being 100-percent disabled or (c) when hospitalized where exchange facilities are available.
4. Military Members of Foreign Nations	<ul style="list-style-type: none"> • Active duty officers and enlisted personnel of foreign nations when on duty with the U.S. Armed Services under orders issued by the U.S. Army, Navy, Air Force, or Marine Corps. Service regulations shall govern the sale of uniform items. • Excluded are officers and enlisted personnel of foreign nations, retired or on leave in the United States, or when attending U.S. schools, but not under orders issued by the U.S. Army, Navy, Air Force, or Marine Corps. • Overseas, when decided by the major overseas commander that granting such privileges is in the best interest of the United States and that such persons are connected with, or their activities are related to, the performance of functions of the U.S. Military Establishment.

Table E6.T1. <u>Unlimited Exchange Privileges</u> - Continued	
<u>CATEGORY</u>	<u>STATUS</u>
5. National Guard Members not in Federal service	<ul style="list-style-type: none"> Members not in Federal service, when called or ordered to duty in response to a federally declared disaster or National Emergency shall be permitted to use exchange facilities during the period of such duty, on the same basis as active duty members of the Armed Forces.
6. Red Cross Personnel	<ul style="list-style-type: none"> Personnel who are U.S. citizens and assigned to duty outside of the United States and Puerto Rico with an activity of the Military Service.
7. U.S. Civilian DoD Employees	<ul style="list-style-type: none"> When stationed outside of the United States.
8. U.S. Citizen Employees of Firms under Contract to the Department of Defense	<ul style="list-style-type: none"> When employed outside of the United States.
9. Wage marine personnel, including noncommissioned ships' officers and crew members of the NOAA	<ul style="list-style-type: none"> All
10. Retired wage marine personnel, including noncommissioned ships' officers and crew members of NOAA	<ul style="list-style-type: none"> All
11. Authorized Family Members of Personnel in Categories 1 through 10, above	<ul style="list-style-type: none"> As defined in enclosure 2.
12. Contract Surgeons	<ul style="list-style-type: none"> During the period of their contract with the Surgeon General.
13. Official DoD Activities (for activity purchases and use only; not for individual purchases or use)	<ul style="list-style-type: none"> All purchases authorized for Government-wide purchase card use. All other purchases based on sole-source justification. All purchases authorized by 10 U.S.C. 2482 (reference (w))
14. Non-DoD Federal Departments/Agencies (for Federal Department/Agencies purchases and use only; not for individual purchases or use)	<ul style="list-style-type: none"> When it is determined by the local commanding officer that the desired supplies or services may not be conveniently obtained elsewhere and may be furnished without unduly impairing service to exchange patrons. All purchases authorized by reference (w).
15. Dependents of members of the Armed Forces, Commissioned Officers of the Public Health Service, and Commissioned Officers of the NOAA, separated for Dependent Abuse	<ul style="list-style-type: none"> A dependent or former dependent entitled to transition compensation under 10 U.S.C. 1059 (reference (x)), if not eligible under another provision of law, while receiving payments for transition compensation.
Table E6.T1. <u>Unlimited Exchange Privileges</u> - Continued	
<u>CATEGORY</u>	<u>STATUS</u>

Table E6.T1. <u>Unlimited Exchange Privileges</u> - Continued	
<u>CATEGORY</u>	<u>STATUS</u>
16. United Service Organizations (USO)	<ul style="list-style-type: none"> • USO clubs and agencies may purchase subsistence supplies for use in club snack bars that support active duty military members and their families. • USO personnel stationed outside the United States. • In overseas areas, installation Commanders may extend privileges to USO area executives, executive directors, and assistant executive directors who are U.S. citizens when it is in the capability of the exchanges and does not impair the military mission.
17. Agents	<ul style="list-style-type: none"> • Persons authorized in writing by the base commanding officer to shop for an authorized patron or an official organization or activity entitled to unlimited privileges. • Agents are not authorized to shop for themselves.
18. Delayed Entry Program Participants	<ul style="list-style-type: none"> • Authorized to use exchange facilities during interim period before entering active duty.

E6.1.2. Limited Exchange Privileges in the United States and all Commonwealths, Possessions, and Territories of the United States (except as noted in section 2. of table E26.T2., below). The following table lists the individuals, organizations, and activities entitled to limited exchange service benefits. Limited exchange privileges generally exclude tobacco products, alcoholic beverages, and military uniforms.

Table E6.T2. <u>Limited Exchange Privileges</u>	
<u>CATEGORY</u>	<u>STATUS</u>
1. U.S Government Civilian Employees and Full-Time Paid Staff of the Red Cross	<ul style="list-style-type: none"> • Who reside on military installations within the United States and Puerto Rico. • No uniform items. • No State tax-free tobacco items. • Tax-free alcoholic beverages may be purchased, but not removed from the installation.
2. Armed Forces Exchange Employees	<ul style="list-style-type: none"> • Current employees, retired employees with 20 or more years of service, and employees on 100-percent disability retirement from the Armed Services exchanges are entitled to all privileges of the exchange system where they are employed. • No uniform items. • No State tax-free tobacco items.

	<ul style="list-style-type: none"> • No tax-free alcoholic beverages. • Unlimited privileges overseas, except for uniform items. • Overseas sales to exchange employees must not violate SOFA or international agreements.
3. DoD Civilian Employees on Evacuation Orders	<ul style="list-style-type: none"> • Employees who are directly affected by an emergency evacuation are authorized to use the Armed Services exchange services at their safe-haven location as determined by the pertinent installation commander in the United States during the evacuation period.
4. Authorized Family Members of Personnel in Categories 1 through 3, above	<ul style="list-style-type: none"> • As defined in enclosure 2.

5. DoD Civilian Employees in Temporary Duty (TDY) status	<ul style="list-style-type: none"> • In the United States, when occupying Government quarters on military installations, and identified by copies of their TDY orders and on-base billeting authorization. • Outside of the United States when identified by copies of their TDY orders. • No uniform items. • No State tax-free tobacco items. • No tax-free alcoholic beverages.
6. Civilian Employees of the U.S. Government working on, but residing off of, Military Installations	<ul style="list-style-type: none"> • All food and beverages sold at any exchange food activity, if consumed on post.
7. Uniformed and Non-uniformed Personnel working in recognized welfare service organization offices within an Activity of the Military Service	<ul style="list-style-type: none"> • All food and beverages sold at any exchange food activity, if consumed on post.
8. Visitors to Military Installations	<ul style="list-style-type: none"> • All food and beverages sold at any exchange food activity, if consumed on post.
9. Contract Technical Services Personnel in travel status; Army, Navy, and Air Force Academy Applicants	<ul style="list-style-type: none"> • When occupying Government quarters on a military installation. • No uniform items. • No State tax-free tobacco items. • No tax-free alcoholic beverages.
10. Foreign National Active Duty Officers and Enlisted Members, when visiting U.S. Military Installations on unofficial business	<ul style="list-style-type: none"> • Entitled to all exchange privileges, except that merchandise sold to such personnel shall be restricted to quantities required for their personal use. • Service regulations shall govern the sale of uniform items.
11. Service Members of the Civil Air Patrol in a travel status and occupying Government quarters on a DoD Installation	<ul style="list-style-type: none"> • For purchases other than uniforms, they shall be identified by their current membership card, their travel authorization, and evidence they are occupying Government quarters on the installation. • Purchases of uniforms, when Civil Air Patrol membership card is shown. • No State tax-free tobacco items.

	<ul style="list-style-type: none"> • No tax-free alcoholic beverages.
12. Civil Air Patrol Cadets	<ul style="list-style-type: none"> • Purchases of uniforms, when Civil Air Patrol membership card is shown. • All food and beverage sold at any exchange food activity, if consumed on post.

<u>Table E6.T2. Limited Exchange Privileges - continued</u>	
<u>CATEGORY</u>	<u>STATUS</u>
13. Members of the Reserve Officers Training Corps and Junior Reserve Officers Training Corps	<ul style="list-style-type: none"> • When visiting installations under orders as part of a Service orientation program. • No State tax-free tobacco items. • No tax-free alcoholic beverages.
14. Members of the Naval Sea Cadet Corps	<ul style="list-style-type: none"> • On 2-week summer training duty, if occupying Government quarters on a military installation. • No distinctive uniform items. • No State tax-free tobacco items. • No tax-free alcoholic beverages.
15. Coast Guard Auxiliary Members	<ul style="list-style-type: none"> • When identified by the Coast Guard Auxiliary ID Card, CG-2650. • Uniform articles and accessories authorized by Coast Guard auxiliary directives.
16. Civilian Students and Faculty Members at Service Schools	<ul style="list-style-type: none"> • Books, supplies, and materials related to the educational process, only at exchange facilities that support the school.
17. Persons Suffering from Hardship	<ul style="list-style-type: none"> • Exchange employees may sell to otherwise unauthorized persons "stranded on an installation," small quantities of gasoline, oil, other automotive items, or items necessary for an individual's health.
18. DoD Civilian Employees using Government-authorized vehicles for official business	<ul style="list-style-type: none"> • Gasoline for use in vehicles, upon presentation of military travel orders that authorize the leasing or use of the Government vehicle.

E7. ENCLOSURE 7

IDENTIFICATION OF AUTHORIZED PATRONS

E7.1. POSITIVE IDENTIFICATION REQUIRED

Any individual seeking to make a purchase from an exchange shall be positively identified as an authorized patron before completing a sale. Sales shall be made only to authorized patrons.

E7.2. TYPES OF IDENTIFICATION REQUIRED

Authorized patrons of exchanges shall be identified by the complete regulation U.S. military uniform, by an official Uniformed Services Identification Card (DD Form 2, DD Form 1173, DD Form 1173-1, DD Form 2750, DD Form 2764, DD Form 2765, and the DoD Common Access Card), by the Armed Forces Exchange Service Identification and Privilege Card (DD Form 2574), by an official identification card issued by the Military Service of which the patron is affiliated, or by official DoD issuances (DD Form 4, DD Form 1610, and DD Form 1618). Specific information regarding the Armed Services Identification Card (DD Form 2, DD Form 1173, DD Form 1173-1, DD Form 2750, DD Form 2764, DD Form 2765, and DoD Common Access Card) is contained in DoD Instruction 1000.13 (reference (y)). The Defense Enrollment Eligibility Reporting System may be used to verify authorized Armed Services exchange catalog customers.


E7.3. ARMED FORCES EXCHANGE SERVICE IDENTIFICATION AND PRIVILEGE CARD (DD FORM 2574)

The Armed Forces Exchange Service Identification and Privilege Card DD Form 2574 (See figure E7.F1., below) may only be issued to authorized patrons of exchanges who do not otherwise require the Armed Service Identification Card for benefit or identification purposes.

E7.1.4. PATRONS OF FOUNTAIN, SNACK BAR, AND RESTAURANT FACILITIES

Identification cards are not required of personnel listed in subsections E6.T2.6, E6.T2.7., and E6.T2.8., who are authorized only to patronize fountain, snack bar, and restaurant facilities.

Figure E7.F1. Armed Forces Exchange Identification and Privilege Card, DD Form 2574

	CARD NUMBER A000087			
	ISSUE DATE (YYYYMMDD) 20050518		EXPIRATION DATE (YYYYMMDD) 20090517	
ISSUED TO (Name and Grade) George P. Giles, NF-01				
BIRTH DATE (YYYYMMDD) 19550702		SOCIAL SECURITY NUMBER 123-45-6789		
AUTHORIZED PATRONAGE LIMITED EXCHANGE THEATER	COLOR EYES BR	COLOR HAIR BR	HEIGHT 6' 2"	WEIGHT 185
DD FORM 2574, MAR 2000 Previous edition may be used.				

NON-TRANSFERABLE - VOIR ALIEN ISSUING OFFICER	LEGAL STATUS: The holder of this card is an authorized patron of the Military Exchange Services and issuance of the card is in accordance with provisions of DoD Directive 1330.9 (Armed Services Exchange Regulations).		PROPERTY OF DOD
	PLACE OF ISSUE Fort Myer, Arlington, VA		
	SIGNATURE <i>Mae B. Bryant</i>		
	NAME AND GRADE (Typed or Stamped) Mae B. Bryant, NF-03		
SIGNATURE	WARNING: Issued for official use of the holder designated herein. Use or possession except as provided is unlawful and will make the offender liable to heavy penalty (18 U.S.C. 499, 506, 701 and 1001).		PROPERTY OF DOD
	IF FOUND DROP IN ANY MAIL BOX POSTMASTER - RETURN TO: HQ AAFES-AD DALLAS, TX 76288-0202		
ARMED FORCES EXCHANGE SERVICES IDENTIFICATION AND PRIVILEGE CARD			
DD FORM 2574 (BACK), MAR 2000			

E8. ENCLOSURE 8

EXCHANGE OPERATIONS ON CLOSED INSTALLATIONS

E8.1. REALIGNMENT AND CLOSURE

Where military realignment and installation closure costs adversely impact exchange earnings, affected exchanges are authorized to receive APF. Where permitted by law, this includes all Base Realignment and Closure (BRAC) accounts.

E8.2. BRAC FUNDING

Exchange programs may receive BRAC funding for expenses affecting personnel (civilian severance pay, civilian PCS, outplacement, transportation of things, etc.) to the extent authorized by reference (f). When NAF facilities are transferred in connection with the closure or realignment of a military installation, exchanges may also receive funding from the Reserve Account up to the depreciated value of the investment. Use of funds from the Reserve Account is specified in reference (j).

E8.3. PROPERTY

Exchange service NAF personal property is not Government APF property. At BRAC locations, this NAF property may be removed or sold to the local redevelopment authority for fair market value at the exchange service's discretion. Every effort should be made to ensure that the local redevelopment authority is aware of the difference between NAF and APF property.

E8.4. EXCHANGE OPERATIONS ON CLOSED INSTALLATIONS

Exchange operations may be provided to patrons in the immediate area of closed installations in the United States, its territories and possessions under specific criteria.

E8.4.1. Exchange operations are authorized on closed installations based on either Reserve component or active duty patron bases remaining on the closed installation, or in the immediate vicinity.

E8.4.2. Main exchange and other major exchange operations on closed installations shall be endorsed by the Secretary of the Military Department concerned and approved by the PDUSD(P&R). The exchange Service Commander shall approve troop stores, concessions, food, and shoppette-type operations on closed installations after a final decision from the Military Department.

E8.4.3. The general criteria for continuation of exchange operations on closed installations in the United States are:

E8.4.3.1. The needs and welfare of the remaining active duty military community shall be given primary consideration.

E8.4.3.2. The installation no longer has a full-time active duty mission, but active duty Uniformed Service personnel remain on the former installation or in the immediate area. This includes the actual installation and Government-owned or contracted housing.

E8.4.3.3. The Military Department shall confirm the number of active duty personnel who shall be stationed on and in the immediate area of the closed installation after the installation is closed. Active duty personnel are Uniformed Service personnel with DD Form 2 (Active) identification cards.

E8.4.3.4. Where possible, as determined by the Military Department, the exchange operations shall complement the local community reuse plan and have written community support from the local government(s) in the immediate area surrounding the closed installation.

E8.4.3.5. The closed installation shall be over 20 miles from another active installation or a Government-owned or contracted housing area that is authorized exchange support. If the active installation is fewer than 20 miles from the closed installation, the active installation's exchange shall be able to accommodate the additional patron migration.

E8.4.3.6. Requirements for facilities and programs shall consider that all authorized patrons (including Reserve components and retirees) may continue to use the exchange programs.

E8.4.3.7. New construction or expansion of an existing facility on a closed installation should not be required. This does not preclude renovations, maintenance and repair, and minor construction on existing facilities when justified. Exceptions to allow major construction shall be approved by the PDUSD(P&R) and forwarded to Congress for approval, as required.

E8.4.4. In addition to the foregoing criteria, the PDUSD(P&R) shall approve main exchanges and other exchange operations for closed and realigned installations with a predominant Reserve Force, based on the following specific criteria, if the exchange operations:

E8.4.4.1. Provide an otherwise unavailable benefit to a substantial number of authorized patrons remaining in the area.

E8.4.4.2. Require no APF. Exchanges are authorized to receive support for common services normally provided, such as police and fire protection.

E8.4.4.3. Complement the local community reuse plan and have local community support.

E8.4.4.4. Require a Reserve Force as part of the patron complement, based on the Reserves' entitlement to full exchange privileges.

E8.4.4.5. Do not require new construction or expansion of an existing building. Renovations and minor construction on existing buildings are allowable, when justified.

E8.4.5. All exchange operations on closed installations shall undergo a 1-year test period to establish profitability. For operations that are not profitable, the exchange service shall take action to achieve profitability. Any operation with a loss for any 2 consecutive years or with a loss for 2 out of 3 years shall close.

E8.5. COMBINED COMMISSARY AND EXCHANGE STORES ON CLOSED INSTALLATIONS

Before evaluating a combined store, the Secretary of the Military Department concerned shall decide if a "limited commissary benefit" shall be supported at the location. A "limited commissary benefit" is defined as grocery (edible) food items sold at cost plus 5 percent to authorized exchange patrons. Where the Military Department(s) supports a "limited commissary benefit" (including the associated APF costs) and an exchange and commissary already operate at the location, an exchange-operated combined commissary and exchange store shall be evaluated by the Armed Service exchange that operates at the location.

E8.5.1. A recommendation to create a combined store shall be based on the following criteria, which apply to all models of combined stores operated by the Military Department, except those specifically excluded by or under an agreement in effect before the enactment of 10 U.S.C. 2490a (reference (z)):

E8.5.1.1. Active duty personnel remain on the installation or within a 20 mile radius of an installation.

E8.5.1.2. The closest installation with an active duty mission, or a Federal Government-owned or contracted housing area that has commissary and exchange support is a one-way distance of at least 20 miles away. If the one-way distance is fewer than 20 miles, and the commissary and exchange are able to accommodate the additional patron migration, a combined store shall not be considered.

E8.5.1.3. In the case of a closed installation:

E8.5.1.3.1. Where possible, as determined by the Secretary concerned, the combined store must complement the local reuse plan and have written support from the local government(s) immediately surrounding the closed installation.

E8.5.1.3.2. Space must be available in an existing facility. New construction or expansion of an existing facility on a closed installation shall not be required. Renovations, maintenance and repair, and minor construction on existing facilities are allowable, when justified. Exceptions to allow major construction shall be approved by the PDUSD(P&R).

E8.5.1.3.3. Requirements for facilities and programs shall consider that all authorized patrons (including Reservists and retirees) may continue to use MWR and resale programs.

E8.5.1.4. The number of combined stores in the United States shall not exceed ten.

E8.5.1.5. Only an Armed Service Exchange may operate a combined store.

E8.5.1.6. Edible groceries shall be sold at cost plus 5 percent. Other items may be priced in conformance with paragraph 4.10. of reference (b).

E8.5.1.7. The combined store shall be economically viable and shall not negatively impact MWR dividends, after authorized APF is provided, as discussed below.

E8.5.1.7.1. The cost for the combined grocery store operation must yield at least a 10 percent annual savings compared to the cost for the Defense Commissary Agency (DeCA) to operate a downscaled commissary. All operating costs, including facility, equipment and manpower, both one-time and recurring, that are required shall be considered when making this comparison.

E8.5.1.7.2. DeCA and the Military Department(s) shall provide APF to the Armed Service Exchange for the combined store only if the grocery operation suffers a net loss during the Federal fiscal year, provided that there is an annual loss from all exchange-operated activities at the installation. The annual APF support shall be limited to 25 percent of the last full fiscal year of DeCA's cost to operate the commissary store at that location. Within the limitations, the amount shall be based on a pro rata share of:

E8.5.1.7.2.1. Store-specific costs determined by the percentage of store sales associated with edible grocery items; plus,

E8.5.1.7.2.2. "Above the store level" overhead (exclusive of MWR dividends) that shall not exceed 2.5 percent of edible grocery item sales.

E8.5.2. The combined store operation shall be reviewed annually by the Military Departments and the Commissary Operating Board (COB) to ensure that criteria are still met. A combined store operation with a loss for two consecutive years or with a loss for 2 out of 3 years shall close. If the location is closed as a combined store operation, the exchange may reestablish the operation as a stand alone independent exchange selling all merchandise including food at regular exchange mark-ups provided it conforms to section E8.4. and paragraphs E8.5.4. and E3.3.1. If an operation reopened as an independent exchange continues to post a loss, the exchange and the host military Service shall determine the continuance of the operation.

Comment [b1]: Is this correct or should this be E8.3.1.? It is correct as written

E8.5.3. Based on the above analysis, the Director of DeCA, following coordination with the Military Department(s) and the Armed Service Exchange concerned, shall provide a recommendation to the COB regarding the need to close or to create a combined store. The COB shall forward its recommendation to the PDUSD(P&R). A decision to close or create a combined store must be approved by the PDUSD(P&R). The PDUSD(P&R) shall notify the Congress 90 days before action is taken.

E8.5.4. If a "limited commissary benefit" is not warranted at the location, then the Armed Service Exchange may elect to sell edible food items at the location, but APF support designated for commissaries shall not be provided to offset the exchange cost of selling edible groceries

E8.6. REPORTING REQUIREMENTS

The Military Departments, DeCA, and the COB shall submit their recommendations, along with the "DoD Commissary Operations Report" (Report Control Symbol DD-FM&P(A)1187) required by DoD Directive 1330.17 (reference (aa)), to the PDUSD(P&R) by April 1st of each year.

E9. ENCLOSURE 9

EXCHANGE RESOURCE ELEMENTS AUTHORIZED APPROPRIATED FUND
(APF) SUPPORT

E9.1. MILITARY PERSONNEL

Active duty military personnel performing ECECS in sufficient numbers for military exchanges to provide a trained cadre to meet wartime and deployment requirements and to perform managerial functions.

E9.2. HUMAN RESOURCES OFFICE ASSISTANCE OR ADMINISTRATION

The human resources office (appropriated) may provide technical advice and counsel, and day-to-day personnel administration when no additional incremental APF costs are incurred.

E9.3. TRAVEL OF PERSONNEL

E9.3.1. PCS relocation of military and APF civilian personnel assigned on a full-time basis.

E9.3.2. Temporary Duty (TDY and/or TAD) travel for military and APF civilian personnel, and for exchange employees when directed by the Department of Defense.

E9.3.3. Use of Government vehicles (owned, leased, or contracted) to assist in ECECS.

E9.4. TRANSPORTATION OF THINGS

E9.4.1. APF purchased goods.

E9.4.2. NAF purchased goods:

E9.4.2.1. Transoceanic movement of goods to and from overseas and aerial ports of debarkation to first destination OCONUS.

E9.4.2.2. Movement of U.S. and foreign goods within foreign areas when commercial transportation is not available, in combat zones, or otherwise on a reimbursable basis only.

E9.4.2.3. Movement of U.S. goods between DoD installations because of base closures, or to safeguard goods under emergency conditions, such as the threat of hostile force or natural disaster.

E9.4.2.4. Household goods of military personnel and APF civilian personnel.

E9.4.2.5. Household goods of NAF personnel on a reimbursable basis. Initial APF funding is authorized for NAF personnel only when NAF shall reimburse (except at BRAC locations that are authorized APF).

E9.5. UTILITIES (including fuel)

E9.5.1. Buildings on military installations used for exchange activities.

E9.5.2. Other exchange activities for members of the Armed Forces.

E9.6. COMMUNICATIONS

E9.6.1. Electronic communications in support of command management functions, statistical data gathering, and communications with other DoD and Government Agencies.

E9.6.2. Electronic communication in support of exchange activities OCONUS.

E9.6.3. Postal services for official communications within and between Government Agencies, persons, and private commercial agencies not related to the sale of goods and services.

E9.6.4. Printing and reproduction services excluding those services directly relating to the sale of merchandise or services, or to the internal operation of the exchanges.

E9.7. EQUIPMENT

Equipment required for ECECS, and surplus/excess Government equipment.

E9.8. EQUIPMENT MAINTENANCE

Equipment acquired with NAF, but authorized for purchase with APF where the title transfers to the Government.

E9.9. OTHER SERVICES

E9.9.1. Education and training of military and APF personnel. APF may be used to fund NAF employee courses for DoD Component-approved training that is not job unique; examples include, but are not limited to, courses on management and/or leader development, quality training, health and safety, sexual harassment, etc.

E9.9.2. Data automation services required for command supervision and management review and analysis.

E9.9.3. Financial management services in the form of technical guidance and assistance in preparing budgets, and financial and analytical data required for command supervision and control. Auditing services are authorized in accordance with DoD Instruction 7600.6 (reference (ab)).

E9.9.4. Legal services by judge advocate and general counsel legal staff, but not internal NAFI staff.

E9.9.5. Procurement Office assistance when existing APF contracts are used to purchase items or services.

E9.9.6. Common services protecting the health and safety of participants, employees, and exchange resources. Trash and garbage removal services are not authorized in CONUS.

E9.9.7. Routine grounds maintenance.

E9.10. SUPPLIES

Expendables required for ECECS.

E9.11. OTHER OPERATING EXPENSES

Costs incurred to perform functions related to ECECS.

E9.12. NON-OPERATING EXPENSES

E9.12.1. Architect and/or engineering services for exchange construction, if no additional manpower authorizations are required, and for APF construction.

E9.12.2. Purchase of real property as approved by Congress.

E9.12.3. Use of existing facilities.

E9.13. MERCHANDISE FOR RESALE

Military clothing and other APF items sold in military exchanges on a cost-reimbursable basis.

E9.14. CONSTRUCTION

E9.14.1. Community facility construction related to the establishment, activation, or expansion (resulting from a major increase in personnel strength over a short period of time due to mission change or influx of new personnel; e.g., a 25-percent increase in personnel within a 2-year time span satisfies these criteria) of a DoD installation, or relocation of facilities for the convenience of the Government.

E9.14.2. Restoration of facilities destroyed by acts of God, fire, or terrorism.

E9.14.3. Correction of life, health, and safety deficiencies.

E9.14.4. Exchange facilities in areas of military conflict, or in air terminals, hospitals, housing, or other construction projects.

E9.14.5. Exchange logistical facilities outside the United States including: administration, storage and maintenance, laundry and dry cleaning plants, bakeries, dairies, or similar facilities in support of the military mission.

E9.14.6. Replacement of facilities denied by country-to-country agreements.

E9.14.7. Archeological clearance, ammunition clearance, environmental assessment and remediation, and water purification.

E10. ENCLOSURE 10

EXCHANGE ADVERTISING POLICY

E10.1. GENERAL

DoD military exchanges must raise awareness of the quality of life benefits they provide and the availability of goods and services they offer to as many authorized patrons as possible. Such communication shall not reflect unfavorably on the Department of Defense.

E10.2. POLICY

E10.2.1. Military exchanges may pay to advertise goods, services, and entertainment in DoD newspapers (DoD Instruction 5120.4 (reference (ac)) including installation cable television. The following may be included in the advertisement: brand names, item prices, films, theater admission prices, and names of companies, vendors or distributors in the case of special promotions.

E10.2.2. Military exchanges may pay to advertise their services, products, and events in newspapers other than DoD newspapers, if the chosen media is circulated among and written for authorized exchange patrons. When non-DoD media is used for advertising that may be heard, seen, or read by unauthorized patrons, a disclaimer shall be used similar to: "this offer or event is open only to authorized patrons." (This policy shall not be interpreted to apply to publications distributed to a more general audience.) Both economic and non-economic factors shall be evaluated before engaging non-DoD media to advertise exchange services, products and events.

E10.2.3. Military exchanges may pay to advertise in appropriate civilian media when holding or participating in special events that are open to the public or private sector (such as Air Shows, Automobile Shows, etc.), subject to the following conditions:

E10.2.3.1. Events shall not directly compete with MWR activities or similar events offered in the local civilian community. Open events shall be coordinated in advance with the local public affairs office.

E10.2.3.2. Open events must be infrequent, not weekly or monthly, and enhance community relations.

E10.2.3.3. Merchandise shall not be advertised; however, event-related goods and souvenirs and food and beverages for on-premises consumption may be sold.

E10.2.3.4. OCONUS advertising shall also conform to existing SOFA regulations, command policy, and local laws.

E10.2.4. Military exchanges may sell advertising in any media (printed, electronic, etc.) produced for or prepared by them and may accept payment for such advertising subject to the following conditions:

E10.2.4.1. Advertising is limited to only those products and services the military exchanges are authorized to sell.

E10.2.4.2. Publication of paid commercial advertising by military exchanges is bound by similar standards that apply to civilian enterprise publications.

E10.2.4.3. Acceptance of paid commercial advertising on Armed Forces Radio and Television Service (AFRTS), local commander channels, or any APF electronic media is prohibited.

E10.2.4.4. Advertising in exchange media is based on reaching bona fide users in accordance with established patronage policies.

E10.2.4.5. Use of mailing lists provided to agents is restricted to specific exchange mailings.

E10.2.5. Mailings (written or electronic) of announcements promoting exchange products and services are authorized only to authorized patrons. Such mailings may contain advertisements for specific commercial products, commodities, or services provided by or for any private individual, firm, or corporation, and are permitted only to authorized patrons. The cost of promotional mailings and postage shall not be paid with APF.

E10.2.5.1. Advertising is limited to only those products and services the military exchanges are authorized to sell.

E10.2.5.2. Informational mailings to eligible patrons are authorized and may include promotional material.

E10.2.5.3. Promotional mailings may be sent only when individuals have consented to such mailings.

E10.2.5.4. A mechanism shall be adopted so those individuals, who consented to such mailings, can remove their names from the list.

E10.2.6. Military exchanges may contribute articles and stories for publication as unpaid information items in DoD newspapers, plan-of-the-day, AFRTS, installation cable television, and other media intended primarily for distribution to authorized patrons.

E10.2.7. Ads, premiums, coupons, samples, and similar promotions (like those used in the commercial sector) may be distributed directly to authorized patrons unless specifically prohibited by DoD policy.

E10.2.8. Military exchanges may establish, operate, and maintain unclassified Web sites in accordance with DoD prescribed web site administration policies and procedures for official and unofficial web sites.

E10.2.9. The Military Departments shall disseminate standard exchange benefit information at recruiting locations, and at basic training, pre-deployment, and Service schools.

E10.2.10. Outreach programs shall advise patrons, especially those living and working off base, of the products and services available.