

**FPI BOARD OF DIRECTORS TELECONFERENCE**  
**March 29, 2016**  
**Washington, D.C.**

A teleconference of the Federal Prison Industries (FPI) Board of Directors was held from FPI Headquarters in Washington, D.C., Tuesday, March 29, 2016.

**IN ATTENDANCE:**

David Spears, Chairman (call-in)  
Don Elliott, Member (call-in)  
Frank Gale, Member (call-in)  
Audrey Roberts, Member (call-in)  
Lee J. Lofthus, Member (unable to participate)

**QUORUM:** A quorum was present.

**ALSO IN ATTENDANCE:**

Thomas R. Kane, Acting Director, Bureau of Prisons,  
Commissioner, FPI (call-in)  
Gary Simpson, Assistant Director, IEVT  
Chief Executive Officer, FPI  
Judi Simon Garrett, Assistant Director, IPPA  
Phil Sibal, Senior Deputy Assistant Director, IEVT  
Ken Yeich, Deputy Assistant Director, IEVT  
Marianne Cantwell, General Counsel, IEVT  
Brad Beus, Chief Financial Officer, FPI  
Robert Grieser, Chief, Marketing, Research  
& Corporate Support, FPI  
Christian Burch, Executive Assistant, IEVT

Chairman Spears called the meeting to order at 10:30 a.m. and thanked everyone for their flexibility in scheduling the meeting and facilitating call-in options.

**I. Approval of the March 3, 2016 Meeting Minutes**

The Board of Directors considered the draft minutes from the March 3, 2016 meeting conducted at the FPI headquarters office, Washington, D.C. The Board voted unanimously to accept the minutes.

## **II. Director's Report**

Acting Director Kane thanked the Board members for their participation in the teleconference. Additionally, he thanked Mr. Simpson for his efforts in keeping him abreast of progress on FPI's optimization. Lastly, he stated he had nothing new to share since the March 3, 2016 board meeting.

## **III. Chief Financial Officer's Report:**

Mr. Beus, Chief Financial Officer, provided the financial update utilizing PowerPoint charts that were provided to attendees prior to the meeting. Using attachment A (FPI Financial Performance), he explained that all income figures at the Business Group (BG) level were formulated after General and Administrative Expenses (G&A) were allocated. Additionally, he highlighted that as of February 29, 2016, FPI was \$59,000 ahead of plan for the fiscal year. He pointed out that the Recycling Business Group (RBG) was significantly behind in financial performance compared to the other business groups. He also highlighted that the Clothing and Textiles Business Group (C&TBG) was significantly above plan by \$6.6 million.

## **IV. Chief Executive Officer's Report:**

Mr. Simpson reported that he had met with about 50% of the staff/and various Business Groups in FPI Headquarters since his onboarding. He mentioned that he will be visiting as many factory sites as possible over the next year and added that he had already visited 11 facilities/16 factory operations.

Mr. Simpson began with the Chief Executive Officer (CEO) report (as a handout) to highlight the meeting's objectives, agenda, and provide an update on his onboarding status as well as FPI's new strategic plan. Mr. Simpson further noted that FPI's new Strategic Plan focused on the McKinsey Corporation's efforts to support 2016 earnings goals. He added that we are still working toward a \$10 million goal. FPI is also working with the BOP to see about them taking over certain security functions in the factory.

Mr. Simpson informed the Board that the mothballing of FCI Sheridan's FPI operation should occur by the end of the month (March 2016) as a result of the solar contract expiring. He noted that FPI plans to explore other opportunities for FCI Sheridan in the interim, including launching a study to determine what it would take to run a solar operation with assembly.

Mr. Simpson also noted that several initiatives we are working on:

- (a) AW I&E structure/plans being established to replace with an “Operations Manager”
- (b) \$7.1 million in negotiations with BOP to take on some of the work structure (e.g., 5 FPI Foreman, 2 Correctional Officers funded by S&E)
- (c) 20% reduction in Central Office overhead

Mr. Elliott asked what were risks involved and were there any assumptions from these proposed plans. Mr. Simpson noted that impairment for 2016 could be impacted, however, we will manage this in a manner to reduce such impact. Mr. Simpson also noted that although there were no “business risks” associated with the Network Optimization plan, it has the potential for a negative reaction from staff if not conveyed to them properly. Mr. Simpson further highlighted components of the Strategic Plan, specifically section 2.0, Business Growth. Mr. Elliott asked what were the risks, if any, for this plan component. Mr. Simpson informed him that there were no foreseeable risks associated with this component.

Mr. Simpson spoke about Strategic Plan, Section 3.0, People, and highlighted that Mr. Burch had been tasked with developing an Employee Satisfaction & Engagement Questionnaire as an instrument to gauge overall employee satisfaction and engagement within FPI. Mr. Simpson prompted Mr. Burch to provide the Board with a more detailed description of efforts thus far with this initiative. Mr. Burch informed the Board that a diverse team of six FPI staff had been formed to develop a survey involving 20 questions. He further explained that various sources had been used to compile the questions (Office of Personnel Management, BOP’s-HR survey, Department of Labor, and a source from a private-sector corporation). He noted that the group anticipated favorable feedback from staff within the organization about the opportunity to participate in such a survey. Lastly, he informed the Board that the scheduled launching date for the survey was April 15, 2016, and he would send them a copy of the survey questions.

Chairman Spears commented that he appreciated the team’s efforts in developing the questionnaire. Ms. Roberts and Mr. Elliott also commented that they felt such surveys were very effective tools for enhancing employee engagement.

Mr. Simpson also informed the Board that we had decided to hold off on developing/launching a similar survey for FPI inmate workers. He added that the FPI Leadership team had made this decision based on the fact that there were other competing priorities and that this idea would be reconsidered at a later time.

Mr. Elliott asked if there was a problem with Employee Engagement. Mr. Simpson explained that he certainly wanted to enhance the communication between field staff and the Central Office.

Chairman Spears thanked Mr. Simpson for establishing and maintaining so many important priorities within a very short time frame.

Mr. Elliott asked if research had been conducted to show a trending pattern with inmate jobs in the private sector in the last five years. Additionally, he asked if we had been tracking new job data and if there had been any proof to establish that we were creating new jobs. Chairman Spears followed up by asking how we “prove” that we are creating new jobs. Mr. Simpson informed the Board that he and the FPI Leadership team would do some additional work on this and provide an update.

The Board members and the Director expressed their support for the Strategic Plan objectives and planned actions.

Mr. Simpson proposed the below Board meeting dates and locations with set start and end times of 8:00 a.m. – 1:00 p.m. EST:

7/13/16	Board Meeting (Field Location, TBD)
10/19/16	Board Meeting (Field Location, TBD), possibly September 14 <sup>th</sup> for Operating Plan
1/18/17	Board Meeting (Field Location, TBD)
4/19/17	Board Meeting (Field Location, TBD)
7/19/17	Board Meeting (Field Location, TBD)

Conference call dates proposed are: 5/18/16, 6/15/16 and 8/17/16.

## **V. General Counsel’s Report and Summary of Action/Information Items:**

### **(1) CEO and Commissioner Title Distinction**

Ms. Cantwell provided a memorandum with overview of the Chief Executive Officer and the Commissioner roles, and the recommendation to update the bylaws. A discussion is planned at next teleconference/Board meeting.

### **(2) Corporate Seal**

Ms. Cantwell updated the Board on research on the corporate seal. She mentioned the law governing government corporations does not specifically require, but DOJ policies do require, each component to keep a seal. Ms. Cantwell recommended that the bylaws not be changed regarding the reference to the seal. Mr. Simpson said we would look into further which seal to use and give a recommendation at a future meeting.

Ms. Cantwell also mentioned that efforts were underway to fill the vacant FPI Board seat with a representative from the Department of Defense (DOD). She said she would update as this progresses.

Upon mention of the previously approved action to sign the pilot proposal to manufacture metal containers, at a prior Board meeting, Mr. Elliott asked how many jobs would be created in the private sector supply chain from FPI's entry into this pilot. Mr. Grieser prepared a memorandum for the Board and also discussed the findings further.

The Teleconference was adjourned.

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Gary Simpson, Chief Executive Officer