

FPI BOARD OF DIRECTORS MEETING  
July 24, 2025

A meeting of the Federal Prison Industries, Inc. (FPI) Board of Directors was held on July 24, 2025.

**IN ATTENDANCE:**

David Spears, Chair  
Donald R. Elliott, Vice Chair  
Jolene Lauria, Member  
Lee Lofthus, Member  
Dee Reardon, Member  
Monty Wilkinson, Member

**QUORUM:** A quorum was present.

**ALSO IN ATTENDANCE:**

William K. Marshall III, Director, Federal Bureau of Prisons; Commissioner, FPI  
Seth Bogin, Chief of Staff, Federal Bureau of Prisons  
Oleta Vassilopoulos, Acting Assistant Director/Chief Executive Officer, FPI  
Jim Mitchell, Acting Deputy Assistant Director, FPI  
Marianne Cantwell, Acting Deputy Assistant Director and General Counsel, FPI  
Steven Thaler, Assistant General Counsel, FPI  
Edward Porras, Chief Financial Officer, FPI  
Fred Hayes, Acting General Manager, Agribusiness Group, FPI  
Christopher Winchell, Deputy Chief Financial Officer, FPI  
Silas Dobbins, Information Technology Specialist, FPI  
Shaquana Faison, Administrative Officer, FPI

Chairman Spears opened the meeting and thanked everyone for their participation. He welcomed Director Marshall and emphasized the importance of engagement from the Director's Office.

Director Marshall thanked the Board for their welcome and provided the Board with updates, including updates on his meetings with members of Congress and upcoming institution visits.

**I. Assistant Director/Chief Executive Officer's Report**

Ms. Vassilopoulos thanked everyone for attending the meeting. She discussed FPI's focus on long-term planning and the financial progress FPI has been making. FPI went live with its ASC 606-compliant revenue recognition module in SAP HANA in June 2025. This module enables FPI to conduct automated ASC 606 revenue recognition analyses at the end of each month rather than conducting them manually at the end of the fiscal year. Ms. Vassilopoulos also discussed FPI's annual audit and the prior year financial statements that remain pending.

FPI is in the midst of its summer training program and continues to execute its training budget,

which has prioritized financial competency and classes with the maximum impact on business success. SAP training will be occurring for specific business teams throughout the fourth quarter, and we completed a work measurement training for relevant employees last week.

Ms. Vassilopoulos will continue to emphasize and remain focused on pricing concerns and our cost of sales. As the hiring freeze continues, we are beginning to feel the impacts of core central office positions that remain vacant or are filled by acting positions. This includes two General Manager positions, our Procurement Executive position, as well as the three top leadership posts in FPI. Mr. Spears inquired about what FPI needs regarding positions and staffing. Ms. Vassilopoulos mentioned extending the Acting Procurement Executive's detail until the hiring freeze is lifted.

We have continued to experience building maintenance issues and as of this past pay period, have detailed an experienced construction project manager to oversee our facilities staff. We hope this will help with ongoing HVAC issues and improve oversight of several maintenance issues. Our elevator system in the building continues to have ongoing maintenance issues and, based on its age and condition, we are looking at elevator replacement options.

Looking forward to the next fiscal year, we remain on track to timely provide the fiscal year (FY) 2026 proposed Operating Plan for Board concurrence at the September Board meeting. Based on revenue projections and in light of a forecasted slowdown in non-defense spending, FPI is seeking to reduce general and administrative expenses (G&A) by a material amount.

Ms. Vassilopoulos recognized FPI's information technology department – they have been ranked as number one by the Department of Justice (DOJ) out of all DOJ components. This is the first time in 10 years that we have received that score and it shows that our processes are working. Mr. Lofthus congratulated FPI on the great accomplishments and recognized the ASC 606 implementation and audits.

## **II. Financial Update**

Mr. Porras provided a financial overview for FY25, covering performance through June. FPI reported \$18 million in net income from October through June. However, only \$1.4 million (0.4%) of that income is from operating activities—well below our \$6 million plan. This discrepancy is largely due to three key areas:

(1) Sales Performance: Sales are \$46 million above plan, primarily due to the implementation of ASC 606 in June. This required reversing previously recognized FY24 sales and re-recording them under the new standard. The two business groups most affected were:

- The Clothing and Textiles Group (CTG) experienced negative sales and positive cost of sales due to the reversal of FY24 revenue, leading to lower FY25 recognized sales.
- The Fleet Business Group (FBG) showed large sales gains driven by the available vehicle inventory, however with a 99% cost of sales (COS), they are operating at a loss.
- The other business groups showed only minor changes.

(2) Cost of Sales: COS currently stands at 89%, which is above the 84% target. We continue to deploy a cost optimization team to assess factories with the highest losses and identify operational inefficiencies.

(3) G&A Status: We are successfully controlling G&A. FY25 G&A is on track to stay below \$59 million, with current spending at \$43 million versus a \$44 million plan.

Mr. Spears asked about the 99% COS for FBG. When vehicles are completed does it affect the cost of sales? Mr. Mitchell responded affirmatively. Ms. Lauria offered to help the business groups.

We are on track for FY26; G&A is expected to be lower than FY25. Sales will be in line (\$420 million) with FY25 actuals. Mr. Spears asked where we are with audits. Mr. Porras stated we are working with KPMG to provide information. Mr. Elliott asked how we navigate mission vs. productivity. Mr. Mitchell responded by saying it is a struggle, we have regular conversations about this, but it is not one simple approach. We have issues getting people to apply for jobs. Ms. Lauria asked whether legislative change is needed – e.g., can the First Step Act be changed to give incentives. Mr. Elliott mentioned that the world is changing and asked whether we need to change our mission. He also questioned how artificial intelligence will impact us.

Mr. Mitchell stated that operationally we are in good shape. The problem is volume at most institutions. Mr. Elliott asked if it is because the pie is shrinking or just our piece of the pie is shrinking. According to Mr. Mitchell, it is both. In the past, we were not always the best at providing the best services. You are seeing a cultural change.

Mrs. Reardon asked what happened to CTG. Ms. Vassilopoulos mentioned that we need more than one factory to be able to fulfill critical orders so when a factory is shutdown we are not greatly affected. Mr. Lofthus asked if FPI investigated contracts that we were locked into. Mr. Mitchell told him that we are out of most of those contracts.

While FPI's overall financial health remains positive, we must continue to address sales inconsistencies, high cost of sales, and unprofitable operations within certain business groups to sustain long-term performance.

### **III. Operating Plan Forecast**

Mr. Mitchell discussed the ASC 606 accounting system and new business opportunities. Fleet is the new up and coming business group. Ms. Lauria asked how FPI advertises. Ms. Vassilopoulos mentioned UNICOR's updated website.

### **IV. Business Group Spotlight – Agriculture**

Mr. Hayes presented an overview of the Agribusiness Group (ABG). The group is the newest to FPI and currently operates at two facilities, where it conducts beef operations and crop production. From FY22 to FY24, the business group lost money. FY25 year-to-date, ABG has a profit of \$330,262 and is projected to end the fiscal year at \$125,764.

ABG currently has 42,000 acres of land, eight farm staff, 60-90 inmate workers, 2,400 livestock and 2,400 acres of crops. Cattle sales are up. Total beef sales for FY25 are \$1.6 million: El Reno with \$852,485 in sales and Lompoc at \$752,433. Crop revenue comes from bales of hay, oat hay, corn, beans, broccoli, celery, and various cover crops. ABG is planning to expand its beef operations to additional locations.

ABG is working with an organization to start a beef processing plant at Lompoc. The goal for this partnership is to ensure meat producers of various scales have USDA-certified meat processing, ensure a sustainable program, and give incarcerated individuals highly marketable skills through vocational training.

Ms. Lauria asked if land is needed and whether FPI is working with other DoD facilities. Mr. Hayes agreed to needing more land and stated that he is looking into it. Mr. Spears wants to further discuss that option and he may have a solution.

## **V. Upcoming Board Meetings**

The Board approved draft meeting minutes from the previous meeting.

Ms. Cantwell shared updates to the Board meeting calendar. The next meeting is a teleconference scheduled for September 19, 2025. November's meeting will be at an in-person location/FPI facility to be determined.

Ms. Cantwell presented a Board resolution for a new dust collection system for the Office Furniture Group, which will cost \$1.3 million. The Board approved the resolution.

## **VI. Action Items/Legal Updates**

Mr. Thaler provided a brief legal update. He noted the legal team continues to monitor executive orders and other federal guidance to ensure compliance across all areas of FPI's operations. There were no new legislative developments to report at this time. There are no threatening legal issues with the interim legal liability report. Lastly, there may be opportunities for FPI under the "Big Beautiful Bill".

The meeting adjourned, and the Board participated in an Executive Session to discuss confidential matters.

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For: Assistant Director/Chief Executive Officer