



The prison industry in the United States: big business or a new form of slavery?

BY VICKY PELAEZ (Taken from El Diario-La Prensa, New York)

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HUMAN rights organizations, as well as political and social ones, are condemning what they are calling a new form of inhumane exploitation in the United States, where they say a prison population of up to 2 million – mostly Black and Hispanic – are working for various industries for a pittance. For the tycoons who have invested in the prison industry, it has been like finding a pot of gold. They don't have to worry about strikes or paying unemployment insurance, vacations or comp time. All of their workers are full-time, and never arrive late or are absent because of family problems; moreover, if they don't like the pay of 25 cents an hour and refuse to work, they are locked up in isolation cells.

There are approximately 2 million inmates in state, federal and private prisons throughout the country. According to California Prison Focus, "no other society in human history has imprisoned so many of its own citizens." The figures show that the United States has locked up more people than any other country: a half million more than China, which has a population five times greater than the U.S. Statistics reveal that the United States holds 25% of the world's prison population, but only 5% of the world's people. From less than 300,000 inmates in 1972, the jail population grew to 2 million by the year 2000. In 1990 it was one million. Ten years ago there were only five private prisons in the country, with a population of 2,000 inmates; now, there are 100, with 62,000 inmates. It is expected that by the coming decade, the number will hit 360,000, according to reports.

What has happened over the last 10 years? Why are there so many prisoners?

"The private contracting of prisoners for work fosters incentives to lock people up. Prisons depend on this income. Corporate stockholders who make money off prisoners' work lobby for longer sentences, in order to expand their workforce. The system feeds itself," says a study by the Progressive Labor Party, which accuses the prison industry of being "an

imitation of Nazi Germany with respect to forced slave labor and concentration camps."

The prison industry complex is one of the fastest-growing industries in the United States and its investors are on Wall Street. "This multimillion-dollar industry has its own trade exhibitions, conventions, websites, and mail-order/Internet catalogs. It also has direct advertising campaigns, architecture companies, construction companies, investment houses on Wall Street, plumbing supply companies, food supply companies, armed security, and padded cells in a large variety of colors."

According to the Left Business Observer, the federal prison industry produces 100% of all military helmets, ammunition belts, bullet-proof vests, ID tags, shirts, pants, tents, bags, and canteens. Along with war supplies, prison workers supply 98% of the entire market for equipment assembly services; 93% of paints and paintbrushes; 92% of stove assembly; 46% of body armor; 36% of home appliances; 30% of headphones/microphones/speakers; and 21% of office furniture. Airplane parts, medical supplies, and much more: prisoners are even raising seeing-eye dogs for blind people.

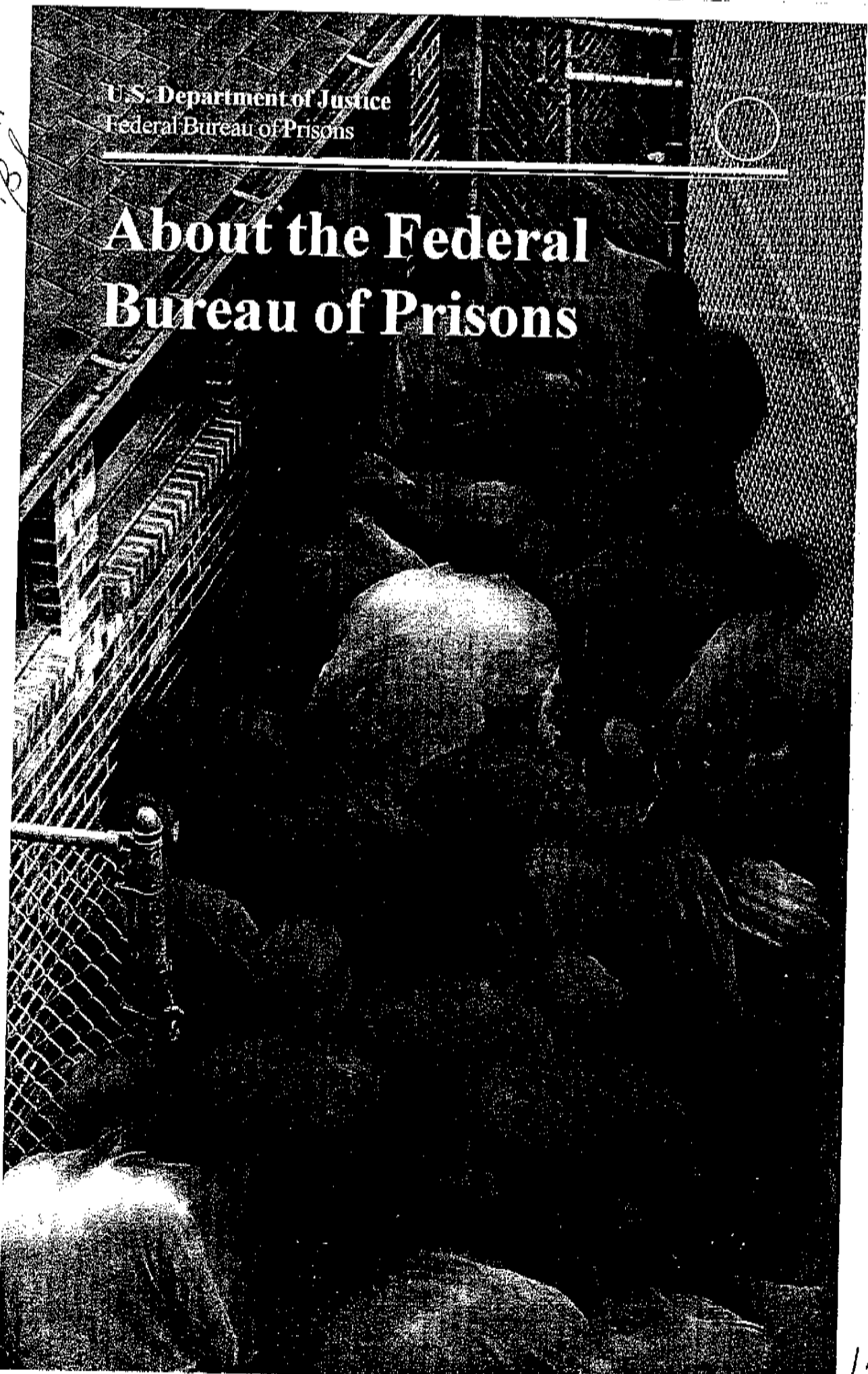
CRIME GOES DOWN, JAIL POPULATION GOES UP

According to reports by human rights organizations, these are the factors that increase the profit potential for those who invest in the prison industry complex:

- Jailing persons convicted of non-violent crimes, and long prison sentences for possession of microscopic quantities of illegal drugs. Federal law stipulates five years' imprisonment without possibility of parole for possession of 5 grams of crack or 3.5 ounces of heroin, and 10 years for possession of less than 2 ounces of rock-cocaine or crack. A sentence of 5 years for cocaine powder requires possession of 500 grams – 100 times more than the quantity of rock cocaine for the same sentence. Most of those who use cocaine powder are white, middle-class or rich people, while mostly Blacks and Latinos use rock cocaine. In Texas, a person may be sentenced for up to two years' imprisonment for possessing 4 ounces of marijuana. Here in New York, the 1973 Nelson Rockefeller anti-drug law provides for a mandatory prison sentence of 15 years to life for possession of 4 ounces of any illegal drug.
- The passage in 13 states of the "three strikes" laws (life in prison after being convicted of three felonies), made it necessary to build 20 new federal prisons. One of the most disturbing cases resulting from this measure was that of a prisoner who for stealing a car and two bicycles received three 25-year sentences.

<http://www.granma.cu/ingles/2005/octubre/juev13/42carceles.html>

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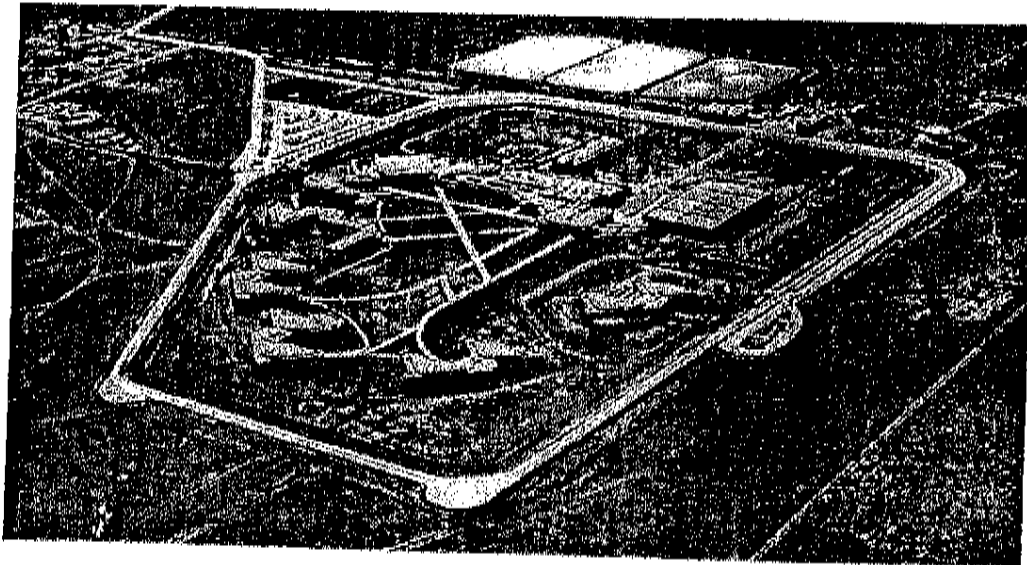
About the Federal Bureau of Prisons

The Federal Bureau of Prisons was established in 1930 to provide more progressive and humane care for Federal inmates, to professionalize the prison service, and to ensure consistent and centralized administration of the 11 Federal prisons in operation at that time. Today, the Bureau consists of 100 institutions, 6 regional offices, a Central Office (headquarters), 3 staff training centers, and 28 community corrections offices. The regional offices and the Central Office provide administrative oversight and support to the institutions and community corrections offices. Community corrections offices oversee community corrections centers and home confinement programs.

The Bureau is responsible for the custody and care of approximately 154,000 Federal offenders. Approximately 130,000 of these inmates are confined in Bureau-operated correctional institutions or detention centers. The remainder are confined through agreements with State and local governments and through contracts with privately-operated community corrections centers, detention centers, prisons, and juvenile facilities.

The Bureau's most important resource is its staff. The approximately 33,000 employees of the Bureau of Prisons ensure the security of Federal prisons, provide inmates with needed programs and services, and model mainstream values. The Bureau's employees help the agency meet its obligation to protect public safety and provide security and safety to the staff and inmates in its facilities.

The Bureau protects public safety by ensuring that Federal offenders serve their sentences of imprisonment in institutions that are safe, humane, cost-efficient, and appropriately secure. The Bureau helps reduce future criminal activity by encouraging inmates to participate in a range of programs that are proven to help them adopt a crime-free lifestyle upon their return to the community.



Federal Correctional Institution, Phoenix, Arizona.

Growth of the Federal Inmate Population

Most of the challenges affecting the Bureau today relate to the agency's growth. At the end of 1930 (the year the Bureau was created), the agency operated 14 institutions for just over 13,000 inmates. In 1940, the Bureau had grown to 24 institutions with 24,360 inmates. Except for a few fluctuations, the number of inmates did not change significantly between 1940 and 1980 (when the population was 24,252); however, the number of institutions almost doubled (from 24 to 44) as the Bureau gradually moved from operating large institutions confining inmates of many security levels to operating smaller, more cost-effective facilities that each confined inmates with similar security needs.

The 1980's brought a significant increase in the number of Federal inmates -- the result of Federal law enforcement efforts and new legislation that dramatically altered sentencing in the Federal criminal justice system. Most of the Bureau's growth since the mid-1980's has been the result of the Sentencing Reform Act of 1984 (which established determinate sentencing, abolished parole, and reduced good time) and mandatory minimum sentences enacted in 1986, 1988, and 1990. From 1980 to 1989, the inmate population more than doubled, from just over 24,000 to almost 58,000. During the 1990's, the population more than doubled again, reaching approximately 136,000 at the end of 1999 as efforts to combat illegal drugs and illegal immigration contributed to significantly increasing conviction rates.

The Bureau is projecting dramatic population increases for the next several years because it appears that current Federal law enforcement efforts will continue to be effective. Through construction of new institutions, expansions at some existing facilities, and limited contracting for the housing of lower-security inmates, the Bureau will meet the challenge posed by the projected population growth.

Institution Security

The Bureau ensures institution security through a combination of physical features, security technologies, the classification of inmates based on risk factors, and direct staff supervision. The Bureau operates institutions at four security levels (minimum, low, medium, and high) to meet the various security needs of its diverse inmate population and has one maximum-security prison for the less than 1 percent of the inmates who require that level of security. It also has administrative facilities, such as pretrial detention centers and medical referral centers, that have specialized missions and confine offenders of all security levels. The characteristics that help to define the security level of an institution are perimeter security measures (such as fences, patrol officers, and towers), the level of staffing, the internal controls for inmate movement and accountability, and the type of inmate living quarters (such as cells or open dormitories). The Bureau's graduated security scheme allows staff to assign an inmate to an institution in accordance with the inmate's individual security

needs. Inmates who are able to function with relatively little supervision, without disrupting institution operations or threatening the safety of staff, other inmates, or the public, can be housed in lower security level institutions.

Regardless of the specific discipline in which a staff member works, all employees are "correctional workers first." This means that everyone is responsible for the security and good order of the institution. All staff are expected to be vigilant and attentive to inmate accountability and security issues, to respond to emergencies, and to maintain a proficiency in custodial and security matters, as well as in their particular job specialty.

Although architecture and technological innovations help the Bureau maintain the safety and security of its institutions, the most important way to maintain accountability, ensure security, and manage inmate behavior is direct supervision of inmates by staff. The Bureau has continued to add technological innovations to increase the physical security of institutions. Nonetheless, to facilitate the direct supervision of inmates, the Bureau has eliminated structural barriers (such as bars and grilles) between staff and inmates wherever possible. In addition, many staff offices are located near the areas where programs and services are delivered. Staff circulate freely and constantly through all areas of the institution, continually interacting with inmates. This promotes a more normalized environment within the institution, with staff serving as law-abiding role models, and places staff in a better position to observe inmate behavior.

Inmate Management

Staff are the most important part of inmate management. Constructive interaction and frequent communication between staff and inmates are the most important ways to ensure accountability, security, and positive inmate behavior. The Bureau encourages staff to talk with and be available to inmates and to be receptive to inmate concerns.

Unit management is one hallmark of the Bureau's inmate management philosophy. Unit management gives inmates direct daily contact with the staff who make most of the decisions about their daily lives. These staff members (the unit manager, case manager, and correctional counselor) have offices in inmate living units. This results in improved inmate access to staff and greater staff access to inmates, providing staff with an awareness of significant inmate concerns and potential problems.

The unit staff is directly responsible for the program involvement of inmates in the unit. Unit staff receive input from other employees involved in an inmate's progress (such as work supervisors, teachers, and psychologists) and meet with the inmate on a regular basis to develop, review, and discuss the work assignment and programs the inmate should be involved in, as well as any other needs or concerns. These regularly-scheduled meetings do not preclude inmates from approaching a member of the unit team or any other appropriate staff member at any time to discuss their particular issues.

Bureau staff are the inmates' primary role models during their incarceration, and the Bureau emphasizes employee ethics, responsibility, and standards of conduct. The Bureau expects its employees to conduct themselves in a manner that creates and maintains respect for the agency, the Department of Justice, the Federal Government, and the law. Bureau employees are expected to avoid situations that involve conflicts of interest with their employment and to uphold and comply with the ethical rules and standards that govern their professions, as well as the laws and regulations that ensure institution security and protect the safety of inmates and the general public.



Housing unit officer makes routine rounds.

Another significant way the Bureau maintains security and the safety of staff and inmates is by keeping inmates constructively occupied. Meeting the challenges posed by an increasing and changing inmate population involves more than just providing bedspace, meals, and health care. Experience has shown that keeping inmates busy and productive in appropriate correctional programs and activities is critical to managing a safe and secure prison, as well as helping to ensure public safety. Correctional programs and activities help prepare inmates for their return to the community and they reduce inmate idleness and the stresses associated with living in a prison.

Inmate Programs

While safety and security are paramount, the Bureau also has a responsibility to provide inmates with opportunities to participate in programs that can provide them with the skills they need to lead crime-free lives after release. The Bureau provides many self-improvement programs, including work in prison industries

and other institution jobs, vocational training, education, substance abuse treatment, religious observance, parenting, anger management, counseling, and other programs that teach essential life skills. The Bureau also provides other structured activities designed to teach inmates productive ways to use their time.

Work is the Bureau's most important correctional program. Prison work programs teach inmates occupational skills and instill sound and lasting work habits and work ethics in offenders. All sentenced inmates in Federal correctional institutions are required to work (with the exception of those who for security, educational, or medical reasons are unable to do so). Most inmates are assigned to an institutional job such as a food service worker, orderly, plumber, painter, warehouse worker, or groundskeeper. Approximately 25 percent of the Bureau's eligible sentenced inmates work in Federal Prison Industries factories. They gain job skills through specific instruction in factory operations for a variety of products and services. Inmates are compensated for their work with a subsistence wage and can receive raises based on their performance.



Inmates working in Federal Prison Industries factory.

Bureau institutions accommodate services and programs for inmates of the approximately 30 faiths represented within the population. Inmates are granted permission to wear or retain various religious items, and accommodations are made to facilitate observances of holy days. Bureau facilities offer "common fare" diets designed to meet the stringent dietary requirements common to several faith groups, such as the Jewish and Islamic faiths. Most institutions have sweat lodges to accommodate the religious requirements of those whose religious preference is Native American. Religious programs are led or supervised by staff chaplains, contract spiritual leaders, and community volunteers. Chaplains oversee inmate worship services and self-improvement programs such as study of sacred writings and religious workshops. Bureau chaplains also provide pastoral care, spiritual guidance, and counseling to inmates. Inmates may request visits and spiritual counseling from community representatives.

The Bureau believes that inmates are responsible for the behavior that led to their incarceration and for participating in self-improvement programs that will provide them with the skills they need to conduct themselves as productive, law-abiding citizens upon release. Inmates show responsibility through their behavior and conduct in prison, through active and constructive involvement in programs, and by living up to their financial commitments and responsibilities. The Bureau encourages inmates to help meet their family and financial obligations with their earnings from work or other financial assets. The Inmate Financial Responsibility Program requires inmates to make payments from their earnings to satisfy court-ordered fines, victim restitution, child support, and other monetary judgments. The majority of the court-ordered fine and restitution money goes to crime victims or victim support organizations.

The Bureau strives to create an environment for inmates that is as conducive to positive change as possible. In addition, Bureau facilities are clean, well-maintained, orderly, and well-managed in order to provide inmates and staff a healthy, normalized living and working environment.

Improving Inmates' Lives and Reducing Recidivism

Research shows what corrections officials have long believed — that industrial work programs, vocational training, education, and drug treatment have a major impact on public safety. These programs reduce recidivism and reduce misconduct in prison. Drug treatment programs also decrease offenders' relapse to drug use after release. The Bureau is among the many correctional systems that have gathered evidence of the success of these programs.

The Post Release Employment Project

The Post Release Employment Project is a long-term study designed to evaluate the impact of prison industrial work experience (alone and in conjunction with vocational and apprenticeship training) on former Federal inmates' post-release adjustment. A significant early finding of the research was that program participants showed better institutional adjustment — they were less likely to be involved in misconduct and, when involved, misconduct was less severe. Early data analysis also focused on the ex-inmates' first year in the community. (The first year after release from prison is critical to successful reintegration and to remaining crime free.) The major findings at the 1-year follow-up point were that program participants: (1) were 35 percent less likely to recidivate (be rearrested or have their post-confinement community supervision revoked) than comparison group members, (2) were more likely to be employed during their first year after release, and (3) earned slightly higher wages, on average, during the first year after release.

The ongoing research has found that, as much as 8 to 12 years after their release, inmates who worked in prison industries were 24 percent less likely to recidivate than inmates who did not participate, while inmates who participated in either vocational or apprenticeship training were 33 percent less likely to recidivate

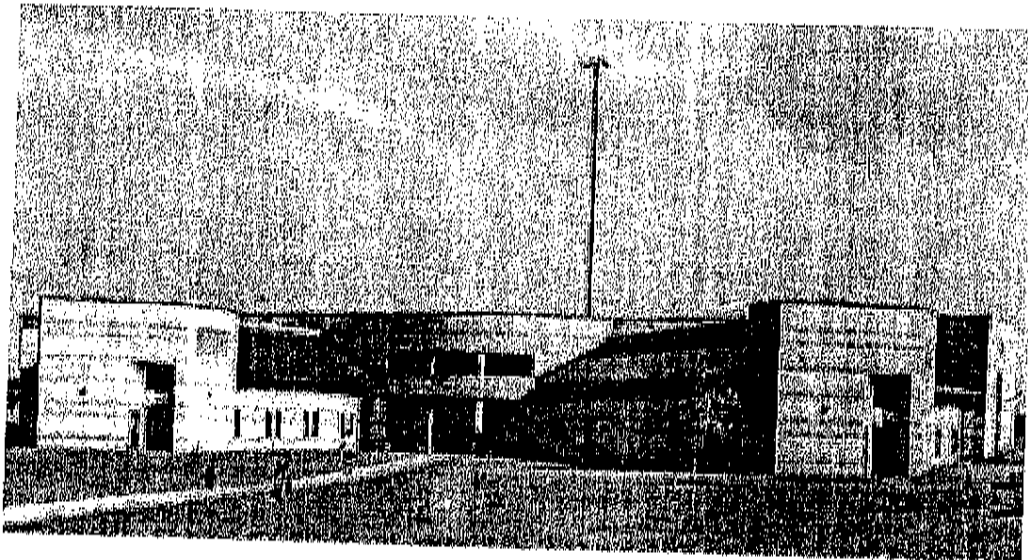
than inmates who did not participate. The results further indicated that work program participants were 14 percent more likely to be employed following release from prison than those who did not participate. In addition, minority groups that are at the greatest risk for recidivism benefitted more from industrial work participation and vocational training than their non-minority counterparts.

Education

An analysis of numerous factors affecting recidivism found that participation in education programs also has a positive effect on post-release success. The findings showed a significant decline in recidivism rates among inmates who completed one or more educational courses during each 6 months of their imprisonment. (Recidivism was measured as being rearrested or having parole revoked.)

Residential Substance Abuse Treatment

Residential drug abuse treatment programs exist at 47 Bureau institutions, offering treatment to approximately 12,000 inmates each year. Inmates who participate in the residential programs are housed together in a separate unit of the prison that is reserved for drug treatment. The residential programs provide intensive treatment, 5 to 6 hours a day, 5 days a week, for 9 to 12 months. The remainder of each day is spent in education, work skills training, and other inmate programs.



The Federal Correctional Institution, Marianna, Florida – one of 47 institutions with a residential drug abuse treatment program.

According to the results of a rigorous study of the effect of residential drug treatment, male and female inmates who completed the residential drug abuse treatment program and were released to the community for at least 3 years were less likely to be re-arrested, less likely to have their supervision revoked (and be returned to prison), and less likely to be detected for drug use than were similar

inmates who did not participate in the drug abuse treatment program. The study also found improved employment among women after release. Female inmates who completed residential drug abuse treatment were employed for more than two-thirds of the time that they were in the community following release, while women who did not receive treatment were employed 59.1 percent of the time. In addition, an evaluation of inmate behavior found that institution misconduct among male inmates who completed the residential drug abuse treatment program was reduced by 25 percent when compared to misconduct among similar male inmates who did not participate in the residential program, and institution misconduct among female inmates who completed residential treatment was reduced by 70 percent. These results demonstrate that residential drug abuse treatment in corrections-based settings makes a significant difference in the lives of inmates following their release from custody and provides a significant benefit to institution safety and security.

Specific Pro-Social Values Programs

Encouraged by the positive results of the residential substance abuse treatment program, the Bureau has implemented a number of new residential programs for special populations (including younger offenders, high-security inmates, and intractable, quick-tempered inmates) who are responsible for much of the misconduct that occurs in Federal prisons. The cognitive restructuring approach used in the drug treatment programs was carried over as the foundation for programs to change the criminal thinking and behavior patterns of inmates. These programs focus on inmates' emotional and behavioral responses to difficult situations and emphasize life skills and the development of pro-social values, respect for self and others, responsibility for personal actions, and tolerance. Each program was developed with an evaluation component to ensure the program meets the goals of promoting positive behavior. While too early to assess the programs' effects in terms of reducing recidivism, the Bureau has found that these cognitive restructuring programs significantly reduce inmates' involvement in institution misconduct.

Preparing Inmates for Release

Inmate program involvement is geared, ultimately, toward helping inmates prepare for their eventual release. The Bureau complements its array of programs with a specific Release Preparation Program in which inmates become involved near the end of their sentence. The program includes classes in resume writing, job seeking, and job retention skills. The program also includes presentations by officials from community-based organizations that help ex-inmates find employment and training opportunities after release from prison. The Bureau places most inmates in community corrections centers (halfway houses) prior to their release from custody in order to help them adjust to life in the community and find suitable post-release employment.

The Bureau's Inmate Placement Program provides additional post-release employment assistance to inmates. Many institutions hold mock job fairs to

instruct inmates in appropriate job interview techniques and to expose community recruiters to the skills available among inmates. Qualified inmates may apply for jobs with companies that have job openings. The Inmate Placement Program helps inmates prepare release portfolios which include a resume, education and training certificates, diplomas, education transcripts, and other significant documents needed for a successful job interview.

Community-Based Confinement and Community Activities

Not all Federal inmates are confined in prisons with fences. Some low-risk, non-violent inmates with short sentences serve their sentences in community corrections centers (also known as halfway houses). Community corrections centers are also used by the Bureau to place inmates in the community just prior to their release. These centers provide a structured, supervised environment and support in job placement, counseling, and other services. They allow inmates to gradually rebuild their ties to the community, and they allow correctional staff to supervise offenders' activities during this important readjustment phase. Inmates in community corrections centers are required to work and to pay a subsistence charge of 25 percent of their income to defray the cost of confinement. Some Federal inmates are placed in home confinement for a brief period at the end of their prison terms. They serve this portion of their sentences at home under strict schedules, curfew requirements, telephonic monitoring, and sometimes electronic monitoring.

Some minimum-security inmates from Federal prison camps perform labor-intensive work off institutional grounds for other Federal entities such as the National Park Service, the U.S. Forest Service, and the U.S. armed services. These inmates work at their job site during the day and return to the institution at the end of the work day.

Some carefully-selected Federal inmates speak to youth groups at schools, universities, juvenile offender programs, and drug treatment programs to give juveniles and young adults a first-hand understanding of the consequences of drug use and crime. Other inmates volunteer to help the communities near their institution, providing services that otherwise would not likely be performed, such as repairing or rebuilding dilapidated buildings and cleaning up or beautifying streets, roadsides, parks, schools, ball fields, and other public grounds.

Under limited circumstances, inmates who meet strict requirements are allowed temporary releases from the institution through staff-escorted trips and furloughs. The Bureau permits approved inmates to go on staff-escorted trips into the community to visit a critically-ill member of their immediate family; attend the funeral of an immediate family member; receive medical treatment; or participate in other activities, such as a religious or work-related function.

A furlough is a temporary authorization for an appropriate inmate to be in the community without a staff escort. Inmates near the end of their sentences who require minimal security are granted permission to go on trips into the community

without escort to be present during a crisis in the immediate family, to participate in certain activities that will facilitate release transition, and to re-establish family and community ties. Furloughs are not very common, and inmates are carefully screened for risk to the community before they are released on a furlough. Research has shown that inmates who maintain ties with their families have reduced recidivism rates.

In addition to certain staff-escorted trips and furloughs, the Bureau helps inmates maintain their family and community ties through visiting, mail, and telephone privileges. The Bureau allows visits with approved family, friends, and attorneys. At its two highest-security prisons, visiting is done without physical contact between the inmate and the visitor. The Bureau does not permit conjugal visits.

Community Involvement with Inmates and the Bureau

The Bureau welcomes community involvement in its institutions and offices. Volunteers help inmates adapt successfully to imprisonment and prepare for their eventual adjustment into the community after release. Volunteers provide a variety of services such as spiritual counseling, assistance with marriage and family issues, substance abuse counseling, education and vocational training, and health education.



Volunteers support and enhance many inmate programs.

Most institutions have community relations boards that provide communication and support between the facility and the local community, advancing public awareness and an understanding of any issues of concern at the prison. All Federal prisons have arrangements with State and local law enforcement agencies and other emergency services in the rare event of an escape or other

security concern. Bureau institutions are involved in a variety of joint training activities with State, local, and other Federal law enforcement agencies; they often allow these agencies to use training areas in their institutions. In addition, Bureau institutions provide tours to members of the public who would like to visit a Federal prison.

The Image of Corrections

Unfortunately, the general public often forms its impressions of prisons and correctional systems primarily from mass media sources like movies or the news. Movies about prisons are frequently gross misrepresentations of reality. Movies such as *White Heat*, *Bird Man of Alcatraz*, *Cool Hand Luke*, and *The Shawshank Redemption* are fictional depictions of prison life. These movies, and many others, exaggerate life within a prison and cast prison operations and administrators in a negative light.

Those who draw their impressions of prisons from movies alone may think of them as brutal environments with corrupt or incompetent staff who inflict needless cruelty on inmates. Others may think of prisons as unduly luxurious places that provide needless "amenities" at the expense of the taxpaying public. Still others come to conclusions based on documentaries of famous prisons, such as Alcatraz, or of news reports that tend to highlight an unfortunate, isolated event and make it appear as if it is representative of an entire correctional system.

The Bureau of Prisons prides itself on being an outstanding public organization, meeting its goal of ensuring public safety, and providing appropriate, efficient, safe, and humane correctional services and programs. Whether it is to dispel myths, clarify unfounded perceptions, or to further educate and inform, the agency welcomes the general public to become better acquainted with the Federal Bureau of Prisons.

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TITLE 18 > PART I > CHAPTER 85 > Sec. 1761.

Notes on Sec. 1761.

SOURCE

June 25, 1948, ch. 645, 62 Stat. 785
 Pub. L. 90-351, title I, Sec. 819(a), formerly Sec. 827(a), as added Pub. L. 96-157, Sec. 2, Dec. 27, 1979, 93 Stat. 1215, and renumbered Pub. L. 98-473, title II, Sec. 609B(f), Oct. 12, 1984, 98 Stat. 2093
 Pub. L. 98-473, title II, Sec. 223(c), 609K, Oct. 12, 1984, 98 Stat. 2028, 2102
 Pub. L. 100-17, title I, Sec. 112(b)(3), Apr. 2, 1987, 101 Stat. 149
 Pub. L. 101-647, title XXIX, Sec. 2906, Nov. 29, 1990, 104 Stat. 4914
 Pub. L. 102-393, title V, Sec. 535(a), Oct. 6, 1992, 106 Stat. 1764
 Pub. L. 103-322, title XXXIII, Sec. 330010(11), 330016(1)(H), Sept. 13, 1994, 108 Stat. 2144, 2147
 Pub. L. 104-134, title I, Sec. 101(b) (title I, Sec. 136), Apr. 26, 1996, 110 Stat. 1321-77, 1321-93
 renumbered title I, Pub. L. 104-140, Sec. 1(a), May 2, 1996, 110 Stat. 1327
 Pub. L. 104-294, title VI, Sec. 601(a)(7), 607(h), Oct. 11, 1996, 110 Stat. 3498, 3512.

HISTORICAL AND REVISION NOTES

Based on title 18, U.S.C., 1940 ed., Sec. 396a, 396b (July 24, 1935, ch. 412, Sec. 1, 49 Stat. 494; Oct. 14, 1940, ch. 872, 54 Stat. 1134; July 9, 1941, ch. 283, 55 Stat. 581).

Section consolidates sections 396a and 396b of title 18, U.S.C., 1940 ed. Each section related to the same subject matter and defined the same offense. Section 396a of title 18, U.S.C., 1940 ed., was enacted later and superseded section 396b of title 18, U.S.C., 1940 ed.

Reference to persons aiding, causing or assisting was omitted.

Such persons are principals under section 2 of this title.

Reference to states, territories, specific places, etc., were omitted. This was made possible by insertion of words "interstate commerce or from any foreign country into the United States," and by definitive section 10 of this title.

Subsection (b) was rewritten to eliminate ambiguity and uncertainty by expressly making the exceptive language apply to the entire chapter and by permitting State institutions to manufacture goods for the Federal Government and the District of Columbia and vice versa. In such subsections, the words "penal and correctional" and "penal or correctional," preceding "institutions" and "institution," respectively, were omitted as surplusage. Minor changes in phraseology were made

AMENDMENTS

1996 - Subsec. (a). Pub. L. 104-294, Sec. 601(a)(7), substituted "fined under this title" for "fined not more than \$50,000".

Subsec. (b). Pub. L. 104-134 inserted "or not-for-profit organizations" after "of a State". Subsec. (d). Pub. L. 104-294, Sec. 607(h), added subsec. (d). 1994 - Pub. L. 103-322, Sec. 330016(1)(H), which directed the amendment of this section by substituting "under this title" for "not more than \$1,000", could not be executed because the phrase "not more than \$1,000" did not appear in text subsequent to amendment of subsec. (a) by Pub. L. 102-393. See 1992 Amendment note below.

Subsec. (c). Pub. L. 103-322, Sec. 330010(11), struck out "and" at end of par. (1), substituted

semicolon for period at end of par. (2)(B), and inserted "and" at end of par. (3). 1992 - Subsec. (a). Pub. L. 102-393 substituted "\$50,000" for "\$1,000" and "two years" for "one year". 1990 - Subsec. (c). Pub. L. 101-647, Sec. 2906(1), (2), substituted "In addition to the exceptions set forth in subsection (b) of this section, this chapter shall not apply to goods, wares, or merchandise manufactured, produced, or mined by convicts or prisoners who" for "In addition to the exceptions set forth in subsection (b) of this section, this chapter shall also not apply to goods, wares, or merchandise manufactured, produced, or mined by convicts or prisoners participating in a program of not more than twenty pilot projects designated by the Director of the Bureau of Justice Assistance and who" in introductory provisions, added par. (1), and redesignated former pars. (1) to (3) as (2) to (4), respectively. Subsec. (c)(2)(B). Pub. L. 101-647, Sec. 2906(3), amended subpar. (B) generally. Prior to amendment, subpar. (B) read as follows: "reasonable charges for room and board as determined by regulations which shall be issued by the Chief State correctional officer;". 1987 - Subsec. (d). Pub. L. 100-17 struck out subsec. (d) which read as follows: "Notwithstanding any law to the contrary, materials produced by convict labor may be used in the construction of any highways or portion of highways located on Federal-aid systems, as described in section 103 of title 23, United States Code." 1984 - Subsec. (a). Pub. L. 98-473, Sec. 223 (c), inserted ", supervised release," after "parole".

Subsec. (c). Pub. L. 98-473, Sec. 609K(a), substituted "twenty" for "seven" and "Director of the Bureau of Justice Assistance" for "Administrator of the Law Enforcement Assistance Administration". Subsec. (d). Pub. L. 98-473, Sec. 609K(b), added subsec. (d). 1979 - Subsec. (c). Pub. L. 90-351 added subsec. (c)

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by section 223(c) of Pub. L. 98-473 effective Nov. 1, 1987, and applicable only to offenses committed after the taking effect of such amendment, see section 235(a)(1) of Pub. L. 98-473, set out as an Effective Date note under section 3551 of this title

TRANSFER OF FUNCTIONS

Effective Aug. 1, 2000, all functions of Director of Bureau of Justice Assistance, other than those enumerated in section 3742(3) through (6) of Title 42, The Public Health and Welfare, transferred to Assistant Attorney General for Office of Justice Programs, see section 1000(a)(1) (title I, Sec. 108(b)) of Pub. L. 106-113, set out as a note under section 3741 of Title 42

REPORTS BY SECRETARY OF LABOR

Pub. L. 101-647, title XXIX, Sec. 2908, Nov. 29, 1990, 104 Stat. 4915, which required the Secretary of Labor to submit an annual report to Congress on compliance by State Prison Industry Enhancement Certification programs with requirements set forth in section 1761(c) of this title, terminated, effective May 15, 2000, pursuant to section 3003 of Pub. L. 104-66, as amended, set out as a note under section 1113 of Title 31, Money and Finance. See, also, page 123 of House Document No. 103-7

EXEMPTIONS TO FEDERAL RESTRICTIONS ON MARKETABILITY OF PRISON-MADE GOODS

Pub. L. 90-351, title I, Sec. 819(c), formerly Sec. 827(c), as added Pub. L. 96-157, Sec. 2, Dec. 27, 1979, 93 Stat. 1215, renumbered and amended Pub. L. 98-473, title II, Sec. 609B(f), (o), Oct. 12, 1984, 98 Stat. 2093, 2096, provided that: "The provisions of section 1761 of title 18, United States Code, and of the first section of the Act of June 30, 1936 (49 Stat. 2036; 41 U.S.C. 35), commonly known as the Walsh-Healey Act, creating exemptions to Federal restrictions on marketability of prison-made goods, as amended from time to time, shall not apply unless - "(1) representatives of local union central bodies or similar labor union organizations have been consulted prior to the initiation of any project qualifying of any exemption created by this section; and "(2) such paid inmate employment will not result in the displacement of employed workers, or be applied in skills, crafts, or trades in which there is a surplus of available gainful labor in the locality, or impair existing contracts for services."

SECTION REFERRED TO IN OTHER SECTIONS

CONTRACT FOR SERVICES BETWEEN
FEDERAL PRISON INDUSTRIES AND WORLD WIDE AUTOMOTIVE,
INC.

THIS AGREEMENT is entered into this 4th day in April (the "Effective Date", 2002, by and between Federal Prison Industries, Inc., with principal offices located at 320 First Street NW, Building 400, 7th Floor, Washington, DC 20534 (hereinafter referred to as "Company") and World Wide Automotive, Inc., with principal offices located at 300 West Brook Road, Winchester, Virginia 22603, a Virginia corporation (hereinafter referred to as "World Wide Automotive"), a subsidiary of Delco Remy International, Inc.

WHEREAS, World Wide Automotive desires to rebuild vehicular components and have Company to provide the factory space and perform the services as may be specified by World Wide Automotive;

WHEREAS, Company has established the capability and capacity to perform the Services and desires to provide the Services for World Wide Automotive;

WHEREAS, Company and World Wide Automotive desire to enter into an Agreement whereby Company will provide such factory facilities and Services, and to furnish to World Wide Automotive the Services as specified herein;

Whereas, Company shall perform services on behalf of World Wide Automotive through the use of inmate workers (hereinafter referred to as "inmates") at F-3 Petersburg, Virginia, who shall be compensated for their services by Company, and who perform a variety of services on their own volition, and non-inmate employees (hereinafter referred to as "Staff") who provide supervisory and administrative support as well as security for the operation.

NOW THEREFORE, Company and World Wide Automotive hereby agree as follows:

1. Performance of Rebuilding Vehicular Components.

1.1 Services. During the term of this Agreement, Company shall provide services to World Wide Automotive for the rebuilding of vehicular components. Upon delivery of vehicular components to Company's facility, Company shall provide supervision and general oversight over inmates as they disassemble, clean, repair as necessary, re-assemble, test and package various previously used vehicular component parts including, but not limited to, alternators, generators, diesel engines, gasoline engines, transmissions and starters, for World Wide Automotive (hereinafter referred to as the Services). The Services performed on the vehicular components shall be in accordance with the training provided by World Wide Automotive. The services performed on vehicular

components may be changed by mutual agreement of the parties at any time during the term of this Agreement and any such changes will automatically become a part of this Agreement. Parties acknowledge and agree that World Wide Automotive owns all the component inventory.

1.2 Ramp-up Schedule. Ramp-up for the provision of Services shall occur over a twenty four (24) month period commencing no later than sixty (60) days from the Effective Date of this agreement ("Ramp-Up Period"). During the Ramp-Up Period, the inmate workers providing Services shall increase at a rate of approximately 20 additional inmates added to the work cadre each month for a total of a minimum of 330 inmates at the completion of 24 months. The number of inmates to be utilized may increase in varying increments from month-to-month, but, Company and World Wide Automotive agree that World Wide Automotive will, to the best of its ability, ramp up utilization of inmates as early as possible over the initial 24 months, and that a total of a minimum of 330 inmates should be utilized by the end of this period.

1.3 Insurance. World Wide Automotive shall maintain insurance coverage for its equipment, supplies and materials located on Company's premises against casualty on itself, its agents, servants, and employees in an amount no less than \$300,000 per person per claim, \$600,000 aggregate. Such insurance coverage shall name Company as an additional insured. World Wide Automotive shall also maintain Workers Compensation insurance on its employees.

1.4 Facility. Company shall provide to World Wide Automotive access to the entire 50,000 square foot Company facility (hereinafter referred to as the "facility" or the "Unicot Building" located at 1060 River Road, Hopewell, Virginia 23860) for the entire term of this Contract.

1.5 Evaluation/On-Going Concerns. The parties shall meet at least on an annual basis to evaluate the relationship of the parties and to discuss performance, implementation, and cost issues.

2. Pricing

2.1 Hourly Billable Rate. Subject to all subsections of Section 2, World Wide Automotive shall pay Company at the rate of \$4.25 for each inmate work hour, to the exclusion of non-compensable activities such as head-counts, lock-downs, breaks, tool counts, tool distribution & collection, inmate searches, personal appointments, or meal periods. Inmate work hours include the disassembly, cleaning, testing and reassembly of vehicular components, delivery of components, and other duties as assigned by the supervisor from time-to-time, as well as the maintenance of equipment and cleaning of the immediate work area. The \$4.25 hourly rate shall be reduced by 10.25 when the number of full-time inmates employed increases to 100, thereby reducing the hourly rate to \$4.00. The hourly rate shall be reduced by an additional \$0.40 when the number

of full-time inmates employed increases to 200, thereby reducing the rate to \$3.60. The hourly rate shall be reduced by a further \$0.30 when the number of full-time inmates employed increases to 350, thereby reducing the rate to \$3.30. The hourly billable rate shall be further reduced by a further \$0.15 when the number of full-time inmates employed increases to 400, thereby reducing the rate to \$3.15. The hourly billable rate shall be further reduced by a further \$0.15 when the number of full-time inmates employed increases to 500, thereby reducing the rate to \$3.00. This billable rate includes payment by Company to inmates at a rate of \$0.70 per hour while inmates are in training for their first six (6) months, increasing to \$1.30 per hour for fully trained inmates after completion of the introductory period.

2.2 Overtime Adjustments to Current Hourly Billable Rate. The Hourly Billable Rate will be adjusted to account for staff work that occurs during Federal holidays, or otherwise premium payment days, and for overtime. When work occurs on a Federal holiday, then holiday pay shall be implemented. Company is generally responsible for the supervision of inmates and security. If World Wide Automotive requests services of inmates, exceeding the regularly scheduled work day, Company will be reimbursed by World Wide Automotive for the direct cost of the overtime, Federal holiday, or premium payment wages paid to Company staff for the number of additional inmate hours worked that exceeds eight (8) hours. For example: If inmates on Shift "A" work 10 hours a day, assuming an eight (8) hour work day, World Wide Automotive will pay Company for two hours of overtime for each staff member required to work.

2.3 Adjustments for Future Wage Increases to Hourly Billable Rate.

- a. Staff Wage increases. The Hourly Billable Rate shall be adjusted to reflect future staff wage increases. However, the rate adjustment shall not exceed 6% of the Hourly Billable Rate.
- b. Inmate Wage increases. The Bureau of Prisons periodically increases inmate wages, but not necessarily on an annual basis. The Hourly Billable Rate shall be adjusted to reflect the direct amount paid to inmates for future inmate wage increases. World Wide Automotive shall have the option of increasing inmate wages by increasing the hourly wage paid to the Company, subject to Company approval and Company's policy on deductions.

2.4 Utilities. All utilities shall be metered and Company shall be responsible for payment of utilities related and incidental to the service operations, except as specified herein. These utility charges are included in the hourly rate based on World Wide Automotive's estimate of \$150,000.00 per year. There is an acceptable variance of 25%, but above that amount, the hourly rate is

subject to renegotiation to ensure coverage of utility charges. The \$150,000 annual utilities limit will be increased to reflect rate increases as these increases occur; any such rate increases shall be reflected in the billable rate. The hourly billable rate will be adjusted to reflect the increase in the excess of the \$150,000.00 annual utilities limit.

2.5 Equipment and Start-Up.

- a. Company agrees to provide to World Wide Automotive up to \$1,250,000.00 in cash or other payments made on behalf of World Wide Automotive for use on machinery, build outs, or other items or expenses agreed to by the parties for use on this Contract. To obtain such cash advances from Company, World Wide Automotive must submit a request in writing to Company's designated representative, providing evidence of any expenditures or deposits made pursuant to this Agreement, along with any supporting documentation, describing items purchased or expenses to be incurred and detailing the amount of funding requested. Upon approval by Company's designated representative, disbursement shall be made within 7 business days or in accordance with the terms of an invoice to be paid on behalf of World Wide Automotive, whichever is later. World Wide Automotive shall also provide to Company its ACH bank numbers and its Tax Identification Number for the purpose of facilitating such cash advances. The amount of the advance provided to World Wide Automotive by Company, as well as any payment made on behalf of World Wide for build outs or other agreed upon expenses, shall be repaid through the portion of the Hourly Billable Rate that is based on the amortization of the total amount provided to or on behalf of World Wide Automotive over a five-year period of principal and seven percent interest per annum.
- b. Termination. If this contract is terminated for any reason, prior to five years from the effective date of this agreement, any of the payment made to World Wide Automotive through the portion of the Hourly Billable Rate designated towards recovery of such equipment and other items pursuant to the amortization schedule shall immediately be paid to Federal Prison Industries Inc. as payee. (The advance plus interest owed will be reduced by \$24,751.00 per month assuming that the ramp-up schedule is met or exceeded pursuant to Section 1.2.) Upon payment of the unamortized balance, World Wide Automotive shall be entitled to remove its equipment. If the balance of the funds advanced is not paid within thirty (30) days of termination, Company has the option of keeping the equipment or collecting the unamortized amount in accordance with the Debt Collection Improvement Act of 1996, Pub. L. 104-134.

- c. Any and all rights, including taking title to property purchased by Company pursuant to this Agreement shall remain with Company.
- d. Lien on Property. Any and all advance payments made under this agreement shall be secured by a lien in favor of Company, paramount to all other liens, upon the supplies or other things covered by this Agreement and on all materials and other property acquired for or allocated to the performance of this Agreement. World Wide Automotive shall identify by marking or segregating all property which is subject to a lien in favor of Company by virtue of any provision of this Agreement in such a way as to indicate that it is subject to such lien and that it has been acquired or allocated to the performance of this Agreement. If for any reason such supplies, equipment, materials or other property are not identified by marking or segregation, Company shall be deemed to have a lien to the extent of Company's interest under this Agreement on any mass of property with which such supplies, materials, or other property are commingled.

2.6 Freight. Company shall provide a maximum of two (2) trucks and two (2) 53-foot trailers per day for fully loaded deliveries of finished components to World Wide Automotive's warehouse and manufacturing facilities in Winchester and Chantilly, Virginia. Cores and other materials will be picked up the same day and returned to Company facility at Petersburg. The deliveries are to be made using inmate drivers and subject to applicable Bureau of Prisons policies concerning such use of federal inmates. Freight charges or the cost of transportation shall be \$320 for each round trip between Petersburg and World Wide Automotive's facilities in Chantilly and/or Winchester, VA. When World Wide Automotive determines trips to Chantilly are no longer needed, World Wide Automotive shall provide written notice to Company; thereafter, the rate for trips between Petersburg and Winchester shall be \$300 per trip. Upon request by World Wide Automotive, the total transportation cost may be divided by the monthly billable hours for that month and invoiced to World Wide Automotive as a per-hour charge. Company agrees to make every effort to implement the transportation phase of this partnership as quickly as possible. Until such time that enough product is produced to provide a fully loaded trailers, World Wide Automotive agrees to provide transportation for both in-coming and out-going shipments. At such time that World Wide Automotive employs inmates beyond the 330 agreed to in this contract, Company would add a third truck and trailer to the daily shipping schedule. Costs will be reviewed annually and adjusted as necessary to ensure Company is compensated for its costs; any such changes will be mutually agreed upon.

2.7 Invoicing and Payment Terms. Company shall render an invoice every thirty (30) days for services rendered and costs incurred, mailed to an address

provided by World Wide Automotive, with payment due in full and payable thirty (30) days from the date of said invoice. If payment is not received by Company within thirty (30) days from the date of said invoice, Company may send a certified, return-receipt notification to World Wide Automotive informing World Wide Automotive that this contract may be terminated if payment is not received within 10 days from receipt of this certified, return-receipt notification, pursuant to Section 5. However, if a dispute exists concerning an item included in the invoice, World Wide Automotive shall notify Company within ten (10) business days of the date of said invoice that a dispute exists concerning the item and pay the amount of the invoice not in dispute.

2.8 Minimum Employment. Failure to maintain the minimum employment Ramp-up schedule, pursuant to Section 2.2, of inmate workers shall be cause for an increase in the Hourly Billable Rate equal to the lost revenue, subject to a 90-day grace period. Payment shall be exclusive of the wages of non-hired inmates.

3. Term of Agreement/Termination

3.1 Term of Agreement. This Agreement shall be for a term of five (5) years commencing on the Effective Date. Such term shall be automatically extended at the end of the five-year term for an additional five-year term unless either party provides not less than twenty four (24) months written notice of its intent to terminate this Agreement prior to the end of the initial term. World Wide Automotive agrees to guarantee and make payment, at the rates indicated in Section 2. At the end of the five year period, the hourly billable rate will be adjusted to offset capital payback expenses in Section 2.5 and will be subject to the applicable rates in Section 2.3.

3.2 Termination of Agreement. Notwithstanding Section 3.1, this Agreement may be terminated prior to the end of the initial term or then current subsequent term as follows:

- a. by mutual agreement of the parties, to be effective thirty days after said agreement to terminate or as otherwise agreed.
- b. World Wide Automotive may terminate this Agreement upon one hundred and eighty (180) days written notice sent return receipt to Company. From the date of termination, World Wide Automotive shall be responsible for payment of all hours worked during the 180 day period following notice of termination and shall pay all WWA related costs incurred up until 270 days following the notice of termination, excluding building depreciation.
- c. Either party may terminate this agreement upon the occurrence of a default by the other party, subject to and as provided in Section 5.

- d. At any point starting on or after one year after the effective date of this agreement, Company may terminate this Agreement upon twenty four (24) months written notice sent return receipt to World Wide Automotive. Company, however, may terminate earlier by providing written notice sent return receipt to World Wide Automotive if, one of the following conditions apply: (i) if Company is directed to terminate by the Attorney General; (ii) if required by Court Order or federal law; (iii) if required by Executive Order; (iv) if required by Act of Congress; or (v) if at anytime following the 24 month ramp up period, the minimum amount of inmates utilized pursuant to Section 1.2 is not met for thirty (30) consecutive days.

3.3 Return of Property. Upon the expiration of this Agreement, each party will return any equipment, machinery, tools, documents, information and any other property provided by the other party hereunder, including but not limited to any of World Wide Automotive's instructional information and Confidential Information (as defined in Section 6 of this Agreement) or any information developed or compiled by Company hereunder and any copies thereof. However, this does not include equipment or other items purchased through funds advanced to World Wide Automotive by Company pursuant to Section 2.5 if the unamortized balance has not been repaid

4. Representations & Warranties/Limitation of Liability

4.1 Each of the parties represents and warrants to the other as follows:

- a. it has all requisite power and authority (corporate and otherwise) to enter into this Agreement and has duly authorized by all necessary action the execution and delivery hereof by the officer or individual whose name is signed on its behalf below
- b. its execution and delivery of this Agreement and the performance of its obligations hereunder do not and will not conflict with or result in a breach of or a default under its respective organization instruments or any agreement, instrument, order, law or regulation applicable to it or by which it may be bound.
- c. this Agreement has been duly and validly executed and delivered by it and constitutes its valid and legally binding obligation, enforceable in accordance with its terms.

4.2 Company represents and warrants that with the exception of institution emergencies and other unforeseen circumstances associated with

management of a prison:

- a. it will provide World Wide Automotive with a suitable pool of inmate applicants for World Wide to select a work force of up to 504 inmates selected from the prison population at the site of service, sufficient to meet the needs of World Wide Automotive. Such work force shall be classified and selected by World Wide Automotive to be suitable for this activity through the use of various diagnostic tests and personal interviews. Company shall properly clothe inmate workers to include, aprons, safety glasses, ear plugs and lockers for storing their clothing.
- b. it acknowledges that inmates shall be available to work eight (8) hours per work day not to include head counts, lock-downs, breaks, tool counts, tool distribution, collection, inmate searches, personal appointments, or meal periods. The work force is to be made available for additional time as necessary, and to meet the requirements of World Wide Automotive, with all hourly compensation to be paid for each inmate work hour pursuant to Section 2.1 as applicable. Company at all times shall provide supervision and security in respect of the inmates. Company and World Wide Automotive may also be permitted to work on Saturdays, Sundays and Federal Holidays, as necessitated by World Wide Automotive's customer demand. (Both parties shall adhere to the Federal holiday schedule.)
- c. World Wide Automotive may, on notice to Company, elect to not work inmates a full forty (40) hours during a work week. In such instances, and provided the work week consists of 40 hours, World Wide Automotive shall compensate Company as if a full-40 hour week was worked and then receive a credit to be used against future hours in excess of a 40-hour week. Such credit shall be calculated on an individual basis and based on hours performed by each inmate. Should an inmate be transferred or released prior to a crediting of such person's hours, World Wide Automotive shall not be entitled to a credit for such inmate's hours.
- d. Company agrees to provide World Wide Automotive with access to the facility in accordance with the terms of this Agreement and subject to the rules and security concerns of the prison facility.
- e. it shall make the utmost effort, without compromising the safety and security of their personnel and facilities, to prioritize World Wide Automotive's operations for enabling resumption of Services as soon as possible following lockdowns and inmate headcounts.

- f. it agrees to serve any inmate meal that take place during the work schedule within the work facility to minimize downtime to operations.
- g. it will make available to inmate workers access to services and appointments such as the commissary, clothing exchange, linen exchange, and routine medical treatment at times other than the scheduled work hours of the work facility. This is a critical provision in ensuring disruption to operations is kept to an absolute minimum.
- h. it acknowledges that the protracted training time for inmate workers necessitates minimizing the transfer of inmate workers from the facility. Therefore, inmate turnover does not have a positive benefit for either party and every reasonable effort will be utilized to minimize inmate turnover. World Wide Automotive understands and acknowledges that transfers will sometimes be unavoidable for several reasons including security issues and inmate geographic preferences. Subject to Company policy, Company will also give due consideration to inmates in other institutions who would consider transferring to FCI Petersburg.
- i. World Wide Automotive's success in this new venture will be largely determined by the caliber of the inmates and staff performing services on behalf of it. Company acknowledges that it is critical that World Wide Automotive have the ability to provide input into the recruiting and hiring decisions, through Company, of qualified inmates and staff employed at FCI Petersburg pursuant to this agreement.
- j. World Wide Automotive shall determine and designate appropriate use of the Unicor Building, including all office space, storage space and floor space, for placement of machinery, equipment, parts and personnel. Both parties agree that the location of the tool room must be in a secure area. Company agrees to make a good faith effort in working with World Wide Automotive in the modification of tools and workstations to maximize the flexibility of tool use, subject to the Bureau of Prisons tool control policy. Also pursuant to BOP tool control policy, all tools owned by Company shall be marked by Company.
- k. it shall make a good faith efforts to assist World Wide Automotive in commencing operations by assisting World Wide Automotive personnel in planning and organizing the elements necessary for such operations to include the requisition of personnel, parts, equipment and outside services. Both Company and World Wide

Automotive agree that the degree of success in launching the operation shall have significant impact in affecting the "tone" of the on-going partnership between Company and World Wide Automotive.

- l. it shall provide suitable space and times to enable World Wide Automotive to conduct interviews and diagnostic testing of inmates for meeting the needs of its operations.
- m. Its Staff shall provide OSHA-required safety training for inmate workers, as well as safety signs, paging system and enforce all safety rules for the Unicor Building including the prohibition of head phones, radios and smoking.
- n. Its Staff shall conduct periodic performance evaluations of inmate workers. Subject to Company policy, appropriate disciplinary action, up to and including termination, will be taken for those workers who fail to perform at expected levels.
- o. Both parties agree that this is not an exclusive agreement between Company and Delco Remy or World Wide Automotive to exclusively perform the services described herein; however, Company agrees that should it enter into an agreement with another company to perform similar services, the terms and conditions of such an agreement would be comparable to this Agreement. Company shall not compete as a direct competitor in the commercial market with either World Wide Automotive, Inc. or Delco Remy, Inc. or any of its subsidiaries or affiliates; in order for Company to comply with this provision, World Wide Automotive shall provide to Company an updated listing, in writing, of its subsidiaries and affiliates.

4.3 World Wide Automotive represents and warrants that:

- a. it agrees to provide sufficient work in the facility to meet the inmate employment Ramp-up Schedule pursuant to Section 1.2.
- b. it will test the referred inmate population for suitability for hire and to train those inmates found suitable for hire to provide prescribed services in 1.1.
- c. it shall provide sufficient civilian staff of its own employees to provide supervision of the production process and proper training of the inmate workers and management of the production process during the term of this Agreement.

- d. It shall furnish all used vehicular components requiring services as outlined in this Agreement as well as any and all components necessary for repair of the used component parts.
- e. it shall be responsible for providing all necessary tools, equipment, and/or supplies which may be necessary for the performance of the Services herein contemplated.
- f. it shall provide a quality control manual for these operations and to ensure compliance with the terms provided herein. The requirements contained within the quality manual must be submitted in writing to Company for review for institutional safety and security prior to beginning of the service operations.
- g. it shall provide Company with plans, proposed equipment layout and specifications at least two weeks prior to installation of such equipment and fixtures in the Union Building. World Wide Automotive shall not remove or install any walls, partitions, dividers, or make any penetrations through walls without prior written approval of Company. In such instances, Company will render a decision within 72 hours or a reasonable time period given the circumstances from the time a request is made to World Wide Automotive, and shall make its best effort to satisfy World Wide Automotive without sacrificing security.
- h. World Wide Automotive's employees, along with Company's staff and inmates, shall be collectively responsible to see that the occupied area is kept clean, neat and tidy, and shall report any damage to the building structure or material fixtures or unsafe conditions to the Company's factory manager. Cleaning and sanitation supplies shall be provided by World Wide Automotive. World Wide Automotive shall not be responsible for normal wear and tear to the building, roof, structural system, floor, parking lot and paved areas surrounding the building except for damage caused by World Wide's negligence. Upon termination of this Agreement, tools, equipment, and supplies owned by World Wide Automotive shall be removed by World Wide Automotive. All tools and equipment owned by World Wide Automotive shall be marked in accordance with Bureau of Prisons policy on tool accountability.
- i. the occupancy of the building shall be consistent with the terms of this Agreement regarding work authorized and hours of operation. It will be necessary for World Wide Automotive personnel to work in the correctional facility at times other than regularly scheduled work

hours. In such instances, World Wide Automotive personnel shall adhere to all prison rules and policies.

- j. its staff shall be allowed access to telephone lines and computer lines in the Building in accordance with prison rules and computer security. World Wide Automotive shall reimburse host correctional facility for the actual costs of long distance telephone and related communications services incurred unless paid by World Wide Automotive directly to the service provider.
- k. it shall adhere to the facility's operating policies and the prison operating policies as well as state, federal, municipal, OSHA and EPA regulations and applicable laws. Further, World Wide Automotive shall not commit any act that will compromise the safety, health and security of any inmate, correctional officer, prison staff, or the community at large.

4.4 Consequential Damages. Except for parties' obligations contained in sections 4.1, 4.2 and 4.3, neither party shall have any liability to the other party with respect to its obligations under this agreement for consequential, exemplary, or incidental damages even if either party has been advised of the possibility of such damages.

4.5 Domestic Employment. World Wide Automotive certifies the Services to be provided by Company hereunder would otherwise be provided by non-domestic sources and that World Wide Automotive will not have a reduction in force of its United States employment as a direct result of this agreement.

4.6 Environmental Requirements

- a. World Wide Automotive shall not cause or permit any hazardous substances to be used, stored, generated, or disposed of, on or in, the premises by World Wide Automotive, its agents, employees, contractors or invitees without first obtaining Company's written consent. All materials and fluids will comply in all material respects with federal and state OSHA regulations.
- b. Any hazardous waste generated in the building by World Wide Automotive shall be disposed of promptly by World Wide Automotive, at World Wide Automotive's sole expense, and according to all federal, state, local and institutional policies, procedures, rules, and regulations existing and in force at the time.
- c. Company represents that the premises are substantially free of any known contamination at the commencement of this agreement. If

the premises become contaminated in any manner for which World Wide Automotive is solely responsible during the term of this Agreement, World Wide Automotive shall indemnify and hold Company harmless from any damages or claims arising during or as a result of World Wide Automotive's occupancy of the premises and arising as a result of such contamination by World Wide Automotive.

5. Default

An event of default shall occur hereunder (i) if World Wide Automotive fails to pay any sum when due after any applicable grace period; (ii) if either party fails to perform or observe any material covenant or agreement to be performed or observed herein; or (iii) either party becomes insolvent, bankrupt or unable to pay its debts as such become due or files any debtor proceedings or shall take or have taken against them (unless dismissed or stayed within 90 days of filing) in any court pursuant to any statute either of the United States or any state a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or a portion of its property or makes an assignment for the benefit of creditors, or petitions for or enters into such an arrangement. For purposes of this Agreement, a material covenant or agreement shall be defined as one stated in this Agreement, the breach of which would likely cause the other party to suffer material harm to its business or reputation. The defaulting party shall have thirty (30) days from receipt of prior written notice specifying the default to cure such default. In the event that the default is not cured within such thirty (30) day period, the non-defaulting party shall have the right to immediately terminate this Agreement.

6. Proprietary Rights/Confidentiality

6.1 Definition & Uses. The term "Confidential Information" shall mean any information disclosed by one party to the other in connection with this Agreement which is in written, graphic, machine readable, other tangible or oral form. Without limitation, Confidential Information includes all business plans, trade secrets, computer software, financial information, designs, the Data and customer and dealer lists. Each party agrees that it will safeguard such information by using the same degree of care and discretion that it uses to prevent disclosure of its own information that it regards as confidential, but in no event less than reasonable care. Any Confidential Information shall be used solely for the purposes set forth in this Agreement and shall only be disclosed to those employees having a need for access to such information in order to effectuate the purposes of this Agreement and who have been informed of the confidentiality provisions contained herein. In the event that either party desires to disclose the other party's Confidential Information to third party consultants or agents solely to effectuate the purposes of this Agreement, that party shall obtain

written permission from the disclosing party and executed non-disclosure agreements from each such consultant or agent which contains provisions that are comparable to the ones contained in this Section. Both parties recognize that, as a public agency, Company may be required to provide information to the media or general public without prior written notice to, or approval by, World Wide Automotive. Both parties agree to the extent possible to provide notice to the other party prior to releasing such information. Any media release about operations will be jointly coordinated. Both parties agree to respect the other parties interests in communicating with the media.

6.2. Exceptions. Confidential information does not include any information which at the time of disclosure is generally known by the public through no fault of the receiving party, was in the receiving party's possession before receipt from the disclosing party, was independently developed by the receiving party, was disclosed under operation of law or is rightfully received by receiving party from a third party without a duty of confidentiality. Notwithstanding the termination or expiration of this Agreement, the parties shall continue to be obligated to protect the confidentiality of any information provided hereunder for a period of three (3) years after the termination or expiration of this Agreement.

7. Trademarks and Promotional Materials

A party may not use the registered trademarks, service marks, logos, name or any other proprietary designations of the other party without that party's prior written consent, and shall submit to the other party for prior approval any proposed advertising or promotional materials using such trademarks, service marks, logos or name, which approval shall not unreasonably be withheld or delayed. Neither party will issue any publicity, advertisement, promotion or other public statement concerning the subject matter of the Agreement without the prior written consent of the other party.

8. Taxes

World Wide Automotive shall be responsible for any applicable taxes for its operations, including but not limited to applicable business or sales taxes and/or employment taxes, social security taxes or unemployment insurance for its employees.

9. Alternative Dispute Resolution

The parties to this Agreement agree to attempt in good faith to resolve any conflicts, disputes, or claims arising out of this Agreement by negotiation between senior executives or officials of the parties who have the authority to bind the parties. If applicable, parties agree to consider the utilization of Alternative Dispute Resolution (ADR) procedures in situations concerning

Federal Government of the United States of America without giving effect to conflict of laws provisions.

14. Notice

Unless otherwise provided herein, any notice, tender, or delivery to be given hereunder by or to Company and World Wide Automotive, shall be effected in writing and be sent by a nationally recognized overnight delivery service to such party at the address shown below or such address as a party may designate by notice as provided herein:

To World Wide Automotive:
World Wide Automotive, Inc.
300 West Brook Road
Winchester, VA 22603
Attn: Gary Held
Director, Change Management
Phone No. (703) 631-3900

To Company:
Federal Prison Industries, Inc.
320 First Street NW
Building 400, 7th Floor
Washington, DC 20534
Attn: Tom Burkett (or his designee)
General Manager
Fleet Management and Vehicular Components
Phone No. (202) 305-3705

World Wide Automotive
300 West Brook Road
Winchester, Virginia 22603
Attn: Richard L. Keister, President
Phone No. (540) 667-9100

Delco Remy International
2902 Enterprise Drive
Anderson, IN 46013
ATTN: Susan Goldy, Esq.
Phone No. (765) 778-6799

15. Entire Agreement/Modifications

Upon acceptance of this Agreement by both parties, this Agreement shall be binding upon and inure to the benefit of the parties, shall constitute the entire agreement between the parties and shall supersede all other oral or written agreements or understandings between the parties concerning the subject of this Agreement. THIS AGREEMENT MAY NOT BE MODIFIED, CHANGED OR AMENDED EXCEPT BY A WRITTEN AMENDMENT SIGNED BY AN AUTHORIZED REPRESENTATIVE OF EACH PARTY.

16. Waiver

No action taken by either party shall be deemed to constitute a waiver of compliance with any representation, warranty or covenant contained in this Agreement unless such waiver is in writing and signed by a senior executive of the waiving party. The waiver by a party of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach.

17. Severability

If any provision of this Agreement is for any reason held invalid, illegal, void or unenforceable, all other provisions of this Agreement will remain in full force and effect and the invalid, illegal, void or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision that is closest to the original intention of the parties.

18. Headings

The headings to the various sections of this Agreement are for convenience and ease of reference only and do not define, limit, augment, or describe the scope, content, or intent of this Agreement or any part or parts of this Agreement.

19. Two Counterparts, One Agreement

This Agreement may be executed simultaneously in two (2) or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

20. Survival of Obligations.

THE PROVISIONS OF PARAGRAPHS 2.5, 3.3, 4.6, 6, 8 AND 9 SHALL SURVIVE THE TERMINATION OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

FEDERAL PRISON INDUSTRIES INC.

WORLD WIDE AUTOMOTIVE, INC.

By: J. E. Burkett

By: [Signature]

Name: J. E. Burkett

Name: Richard L. Keister

Title: General Manager
Fleet Management and
Vehicle Components

Title: President