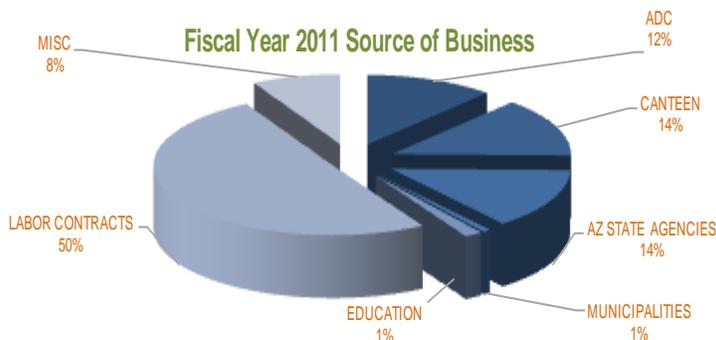


Source of Business

ACI has two revenue sources: Labor Contracts and Owned and Operated businesses. Labor Contracts accounted for 49.0% of ACI's Total Revenue, and 67.5% of ACI's Net Income. Equally important, the Labor Contracts resulted in 63.8% of the Total Inmate Hours worked. The second source of revenue is ACI's Owned and Operated businesses. Owned and Operated was 51.0% of Total Revenue, and 32.5% of ACI's Net Income. The Inmate Hours worked for the Owned and Operated businesses was 36.2% of the Total Hours worked.

Additionally, ACI tracks sales by type of customer. The seven key categories are: the Department of Corrections, Arizona State Agencies, Canteen, Municipalities, Education (Schools, Colleges, and Universities), Labor Contracts, and General/Miscellaneous (private sector, not Labor Contracts). The chart below shows the sector percentage of sales for the last fiscal year.



ACI Business Operations

The ACI Labor Contract Division (LCD) manages 21 Private Sector Contracts, one (1) Prison Industry Enhancement Certification Program (PIECP) that permits interstate commerce, and one (1) Inter-Government Agreement (IGA). The IGA program is with the Arizona Motor Vehicle Department where ACI inmates staff "level one" call centers for MVD to assist with general information calls. Other partnerships include semi-truck and trailer refurbishing, agricultural, business to business call centers, trailer manufacturing, modular building construction, auto detailing, and food processing. Prison labor is well-suited for high volume, repetitive work that requires an understanding of current quality processes and high levels of customer service. The majority of the jobs with the private sector partners are jobs that are typically outsourced to foreign countries.



ACI Runner-up for the Pioneer Institute, Better Government Competition

The Better Government Competition (BGC) seeks out and rewards the most innovative public policy ideas from government, the private sector, and individuals. Developed in 1991, the Pioneer Institute Competition provides a public forum for the very best in citizen 'know-how'. The Competition identifies promising new ideas as well as tested reforms that improve state and local government.

This year marks the **20th annual competition focused on state and local "budget busters"** — those programs that are growing unsustainably and in need of dramatic change. With more than 200 applicants, ACI was honored to be recognized as one of four runners-up. As a runner up, we have an opportunity to share *Arizona Correctional Industries Partnering with the Private Sector* program, as well as receive a \$1000 award.