



2020

ANNUAL REPORT

---

Form 10-K



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-16109

**CORECIVIC, INC.**

(Exact name of registrant as specified in its charter)

**MARYLAND**  
(State or other jurisdiction of  
incorporation or organization)

**62-1763875**  
(I.R.S. Employer  
Identification No.)

**5501 VIRGINIA WAY  
BRENTWOOD, TENNESSEE**  
(Address of principal executive offices)

**37027**  
(Zip Code)

**REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (615) 263-3000**  
**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$.01 per share	CXW	New York Stock Exchange

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the shares of the registrant's Common Stock held by non-affiliates was approximately \$1,109,062,984 as of June 30, 2020 based on the closing price of such shares on the New York Stock Exchange on that day. The number of shares of the registrant's Common Stock outstanding on February 16, 2021 was 119,637,734.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the registrant's definitive Proxy Statement for the 2021 Annual Meeting of Stockholders, currently scheduled to be held on May 13, 2021, are incorporated by reference into Part III of this Annual Report on Form 10-K.

**CORECIVIC, INC.**  
**FORM 10-K**  
**For the fiscal year ended December 31, 2020**

**TABLE OF CONTENTS**

<u>Item No.</u>		<u>Page</u>
<b>PART I</b>		
1.	Business.....	7
	Overview .....	7
	Operating Procedures and Offender Services for Correctional, Detention, and Residential Reentry Facilities .....	9
	Business Development .....	14
	2020 Accomplishments .....	17
	Facility Portfolio.....	19
	Competitive Strengths .....	29
	Human Capital.....	34
	Government Regulation.....	36
	Insurance .....	38
	Competition.....	38
1A.	Risk Factors.....	39
1B.	Unresolved Staff Comments .....	58
2.	Properties.....	58
3.	Legal Proceedings .....	58
4.	Mine Safety Disclosures.....	58
<b>PART II</b>		
5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.....	59
	Market Price of and Distributions on Capital Stock .....	59
	Dividend Policy.....	59
	Issuer Purchases of Equity Securities .....	59
6.	Reserved.....	59
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	60
	Overview .....	60
	Critical Accounting Policies.....	64
	Results of Operations .....	67
	Liquidity and Capital Resources.....	80
	Inflation .....	87
	Seasonality and Quarterly Results .....	87
7A.	Quantitative and Qualitative Disclosures about Market Risk.....	87
8.	Financial Statements and Supplementary Data .....	88
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	88
9A.	Controls and Procedures.....	88
9B.	Other Information.....	91
<b>PART III</b>		
10.	Directors, Executive Officers and Corporate Governance .....	92
11.	Executive Compensation.....	92
12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	92
13.	Certain Relationships and Related Party Transactions and Director Independence .....	93
14.	Principal Accounting Fees and Services .....	93
<b>PART IV</b>		
15.	Exhibits and Financial Statement Schedules .....	94
16.	Form 10-K Summary .....	98
	<b>SIGNATURES</b>	99

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This Annual Report on Form 10-K, or Annual Report, contains statements as to our beliefs and expectations of the outcome of future events that are forward-looking statements as defined within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. All statements other than statements of current or historical fact contained in this Annual Report, including statements regarding our future financial position, business strategy, budgets, projected costs and plans, and objectives of management for future operations, are forward-looking statements. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "projects," "will," and similar expressions, as they relate to us, are intended to identify forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made in this Annual Report. These include, but are not limited to, the risks and uncertainties associated with:

- changes in government policy (including the United States Department of Justice, or DOJ, not renewing contracts as a result of President Biden's Executive Order on Reforming Our Incarceration System to Eliminate the Use of Privately Operated Criminal Detention Facilities, or the Private Prison EO), legislation and regulations that affect utilization of the private sector for corrections, detention, and residential reentry services, in general, or our business, in particular, including, but not limited to, the continued utilization of our correctional and detention facilities by the federal government, and the impact of any changes to immigration reform and sentencing laws (we do not, under longstanding policy, lobby for or against policies or legislation that would determine the basis for, or duration of, an individual's incarceration or detention);
- our ability to obtain and maintain correctional, detention, and residential reentry facility management contracts because of reasons including, but not limited to, sufficient governmental appropriations, contract compliance, negative publicity and effects of inmate disturbances;
- changes in the privatization of the corrections and detention industry, the acceptance of our services, the timing of the opening of new facilities and the commencement of new management contracts (including the extent and pace at which new contracts are utilized), as well as our ability to utilize available beds;
- general economic and market conditions, including, but not limited to, the impact governmental budgets can have on our contract renewals and renegotiations, per diem rates, and occupancy;
- fluctuations in our operating results because of, among other things, changes in occupancy levels, competition, contract renegotiations or terminations, increases in costs of operations, fluctuations in interest rates and risks of operations;
- the duration of the federal government's denial of entry at the United States southern border to asylum-seekers and anyone crossing the southern border without proper documentation or authority in an effort to contain the spread of the novel coronavirus, or COVID-19;
- government and staff responses to staff or residents testing positive for COVID-19 within public and private correctional, detention and reentry facilities, including the facilities we operate;
- the location and duration of shelter in place orders and other restrictions associated with COVID-19 that disrupt the criminal justice system, along with government policies on prosecutions and newly ordered legal restrictions that affect the number of people placed in correctional, detention, and reentry facilities;
- whether revoking our real estate investment trust, or REIT, election, effective January 1, 2021, and our revised capital allocation strategy can be implemented in a cost effective manner that provides the expected benefits, including facilitating our planned debt reduction initiative and planned return of capital to shareholders;
- our ability to identify and consummate the sale of additional non-core assets at attractive prices;
- our ability to successfully identify and consummate future development and acquisition opportunities and our ability to successfully integrate the operations of our completed acquisitions and realize projected returns resulting therefrom;

- increases in costs to develop or expand real estate properties that exceed original estimates, or the inability to complete such projects on schedule as a result of various factors, many of which are beyond our control, such as the effects of, and delays caused by, COVID-19, weather, the availability of labor and materials, labor conditions, delays in obtaining legal approvals, unforeseen engineering, archeological or environmental problems, and cost inflation, resulting in increased construction costs;
- our ability, following our revocation of our REIT election, to identify and initiate service opportunities that were unavailable under the REIT structure;
- our ability to have met and maintained qualification for taxation as a REIT for the years we elected REIT status; and
- the availability of debt and equity financing on terms that are favorable to us, or at all.

Any or all of our forward-looking statements in this Annual Report may turn out to be inaccurate. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, and financial needs. Our statements can be affected by inaccurate assumptions we might make or by known or unknown risks, uncertainties and assumptions, including the risks, uncertainties, and assumptions described in "Risk Factors" included elsewhere in this Annual Report and in other reports, documents, and other information we file with the Securities and Exchange Commission, or the SEC, from time to time.

In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Annual Report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. When you consider these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this Annual Report, including in "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and "Risk Factors."

Our forward-looking statements speak only as of the date made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or circumstances or otherwise, except as required by law. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this Annual Report.

## RISK FACTORS SUMMARY

Our business faces significant risks and uncertainties. If any of the following risks are realized, our business, financial condition and results of operations could be materially and adversely affected. You should carefully review and consider the full discussion of our risk factors in Part I, Item 1A, "Risk Factors" of this Annual Report. Set forth below is a summary list of the principal risk factors as of the date of the filing of this Annual Report.

- Resistance to privatization of correctional, detention, and residential reentry facilities, and negative publicity regarding inmate disturbances or perceived poor operational performance, could result in our inability to obtain new contracts, the loss of existing contracts, or other unforeseen consequences.
- We are subject to fluctuations in occupancy levels, and a decrease in occupancy levels could cause a decrease in revenues and profitability.
- We are dependent on government appropriations, and our results of operations may be negatively affected by governmental budgetary challenges or government shutdowns.
- The COVID-19 pandemic has had, and we expect will continue to have, certain negative effects on our business, and such effects may have a material adverse effect on our results of operations, financial condition and cash flows.
- Competition may adversely affect the profitability of our business.
- We are subject to terminations, non-renewals, or competitive re-bids of our government contracts.
- Our ability to secure new contracts to develop and manage correctional, detention, and residential reentry facilities depends on many factors outside our control.
- We may face community opposition to facility location, which may adversely affect our ability to obtain new contracts.
- Providing family residential services increases certain unique risks and difficulties compared to operating our other facilities.
- We may incur significant start-up and operating costs on new contracts before receiving related revenues, which may impact our cash flows and not be recouped.
- Government agencies may investigate and audit our contracts and operational performance, and if any deficiencies or improprieties are found, we may be required to cure those deficiencies or improprieties, refund revenues we have received, or forego anticipated revenues, and we may be subject to penalties and sanctions, including contract termination and prohibitions on our bidding in response to Requests for Proposals.
- Failure to comply with facility contracts or with unique and increased governmental regulation could result in material penalties or non-renewal or termination of noncompliant contracts or our other contracts to provide or manage correctional, detention, and residential reentry facilities.
- We depend on a limited number of governmental customers for a significant portion of our revenues.
- We may not be able to successfully identify, consummate or integrate acquisitions.
- As a result of our acquisitions, we have recorded and will continue to record goodwill and other intangible assets. In the future, our goodwill or other intangible assets may become impaired, which could result in material non-cash charges to our results of operations.
- We are dependent upon our senior management and our ability to attract and retain sufficient qualified personnel.
- We are subject to various types of litigation.
- We are subject to necessary insurance costs.
- We may be adversely affected by inflation.
- Technological changes or negative changes in the level of acceptance of, or resistance to, the use of electronic monitoring products could cause our electronic monitoring products and other technology to become obsolete or require the redesign of our electronic monitoring products, which could have an adverse effect on our business.
- We depend on a limited number of third parties to manufacture and supply our electronic monitoring products. If our suppliers cannot provide the products or services we require in a timely manner and with such quality as we expect, our ability to market and sell our electronic monitoring products and services could be harmed.

- We may be subject to costly product liability claims from the use of our electronic monitoring products, which could damage our reputation, impair the marketability of our products and services and force us to pay costs and damages that may not be covered by adequate insurance.
- We are subject to risks associated with ownership of real estate.
- We may be adversely affected by an increase in costs or difficulty of obtaining adequate levels of surety credit on favorable terms.
- Interruption, delay or failure of the provision of our technology services or information systems, or the compromise of the security thereof, could adversely affect our business, financial condition or results of operations.
- We are subject to risks related to corporate social responsibility.
- As an owner and operator of correctional, detention, and residential reentry facilities, we are subject to risks relating to acts of God, outbreaks of epidemic or pandemic disease, terrorist activity and war.
- Our indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our debt securities.
- Our Credit Agreements, indentures related to our senior notes, and other debt instruments have restrictive covenants that could limit our financial flexibility.
- Our indebtedness is secured by a substantial portion of our assets.
- Servicing our indebtedness will require a significant amount of cash or may require us to refinance our indebtedness before it matures. Our ability to generate cash depends on many factors beyond our control and there is no assurance that we will be able to refinance our debt on acceptable terms, or at all.
- We are required to repurchase all or a portion of our senior notes upon a change of control, and our Credit Agreements are subject to acceleration upon a change of control.
- Despite current indebtedness levels, we may still incur more debt.
- Our ability to incur more secured debt has been further limited by the Term Loan B.
- Our access to capital may be affected by general macroeconomic conditions.
- Increasing activist resistance to the use of public-private partnerships for correctional, detention, and residential reentry facilities could impact our ability to obtain financing to grow our business or to refinance existing indebtedness, which could have a material adverse effect on our business, financial condition and results of operations.
- Rising interest rates would increase the cost of our variable rate debt.
- Our obligations to pay income taxes will increase beginning in 2021, which will result in a reduction to our earnings, and could have negative consequences to us.
- We may fail to realize the anticipated benefits of revoking our REIT election and becoming a taxable C Corporation effective January 1, 2021, or those benefits may take longer to realize than expected, if at all, or may not offset the costs of revoking our REIT election and becoming a taxable C Corporation.
- If we failed to remain qualified as a REIT for those years we elected REIT status, we would be subject to corporate income taxes and would not be able to deduct distributions to stockholders when computing our taxable income for those years.
- Even if we remained qualified as a REIT for those years we elected REIT status, we may owe taxes under certain circumstances.
- The market price of our equity securities may vary substantially, which may limit our stockholders' ability to liquidate their investment.
- The number of shares of our common stock available for future sale could adversely affect the market price of our common stock.
- Future offerings of debt or equity securities ranking senior to our common stock or incurrence of debt (including under our Bank Credit Facility) may adversely affect the market price of our common stock.
- Our issuance of preferred stock could adversely affect holders of our common stock and discourage a takeover.
- Our charter and bylaws and Maryland law could make it difficult for a third party to acquire our company.



## PART I.

### ITEM 1. BUSINESS.

#### Overview

We are a diversified government solutions company with the scale and experience needed to solve tough government challenges in flexible, cost-effective ways. Through three segments, CoreCivic Safety, CoreCivic Community, and CoreCivic Properties, we provide a broad range of solutions to government partners that serve the public good through corrections and detention management, a network of residential reentry centers to help address America's recidivism crisis, and government real estate solutions. We have been a flexible and dependable partner for government for more than 35 years. Our employees are driven by a deep sense of service, high standards of professionalism and a responsibility to help government better the public good.

We are the nation's largest owner of partnership correctional, detention, and residential reentry facilities and one of the largest prison operators in the United States. We also believe we are the largest private owner of real estate used by U.S. government agencies. As of December 31, 2020, through our CoreCivic Safety segment, we operated 47 correctional and detention facilities, 42 of which we owned, with a total design capacity of approximately 70,000 beds. Through our CoreCivic Community segment, we owned and operated 27 residential reentry centers with a total design capacity of approximately 5,000 beds. In addition, through our CoreCivic Properties segment, we owned 15 properties for lease to third parties and used by government agencies, totaling 2.7 million square feet.

In addition to providing fundamental residential services, our correctional, detention, and residential reentry facilities offer a variety of rehabilitation and educational programs, including basic education, faith-based services, life skills and employment training, and substance abuse treatment. These services are intended to help reduce recidivism and to prepare offenders for their successful reentry into society upon their release. We also provide or make available to offenders certain health care (including medical, dental, and mental health services), food services, and work and recreational programs.

We are a Maryland corporation formed in 1983. Our principal executive offices are located at 5501 Virginia Way, Brentwood, Tennessee, 37027, and our telephone number at that location is (615) 263-3000. Our website address is [www.corecivic.com](http://www.corecivic.com). We make our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, definitive proxy statements, and amendments to those reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, available on our website, free of charge, as soon as reasonably practicable after these reports are filed with or furnished to the SEC. Information contained on our website is not part of this Annual Report.

We have operated as a REIT from January 1, 2013 through December 31, 2020. As a REIT, we have provided services and conducted other business activities through taxable REIT subsidiaries, or TRSs. A TRS is a subsidiary of a REIT that is subject to applicable corporate income tax and certain qualification requirements. Our use of TRSs has enabled us to comply with REIT qualification requirements while providing correctional services at facilities we own and at facilities owned by our government partners and to engage in certain other business operations. A TRS is not subject to the distribution requirements applicable to REITs so it may retain income generated by its operations for reinvestment.

As a REIT, we generally have not been subject to federal income taxes on our REIT taxable income and gains that we distribute to our stockholders, including the income derived from our real estate and dividends we have earned from our TRSs. However, our TRSs have been required to pay income taxes on their earnings at regular corporate income tax rates.

As a REIT, we generally have been required to distribute annually to our stockholders at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gains). Our REIT taxable income does not typically include income earned by our TRSs except to the extent our TRSs paid dividends to the REIT.

On June 17, 2020, we announced that our Board of Directors, or BOD, was evaluating corporate structure and capital allocation alternatives. Concurrently, the BOD suspended our quarterly dividend while we assessed how best to use our free cash flow to build shareholder value, maintain service excellence, and offer and implement unique solutions for our government partners and the communities in which we serve. On August 5, 2020, we announced that the BOD concluded its analysis and unanimously approved a plan to revoke our REIT election and become a taxable C Corporation, effective January 1, 2021. The BOD also voted unanimously to discontinue our quarterly dividend and prioritize allocating our free cash flow to reduce debt levels. As a result, we will no longer be required to operate under REIT rules, including the requirement to distribute at least 90% of our taxable income to our stockholders, which will provide us with greater flexibility to use our free cash flow. Beginning January 1, 2021, we will be subject to federal and state income taxes on our taxable income at applicable tax rates, and will no longer be entitled to a tax deduction for dividends paid. However, we believe this conversion will improve our overall credit profile and lower our overall cost of capital. Following our first priority of reducing debt, we expect to allocate a substantial portion of our free cash flow to returning capital to our shareholders and pursue alternative growth opportunities. This conversion will also provide us with significantly more liquidity, which will enable us to reduce our reliance on the capital markets and reduce the size of our Second Amended and Restated Credit Agreement, or Bank Credit Facility, in the future. We continued to operate as a REIT for the 2020 tax year, and existing REIT requirements and limitations, including those established by our organizational documents, remained in place until January 1, 2021.

Our ongoing operations are organized into three principal business segments:

- CoreCivic Safety segment, consisting of the 47 correctional and detention facilities that are owned, or controlled via a long-term lease, and managed by CoreCivic, as well as those correctional and detention facilities owned by third parties but managed by CoreCivic. CoreCivic Safety also includes the operating results of our subsidiary that provides transportation services to governmental agencies, TransCor America, LLC, or TransCor.
- CoreCivic Community segment, consisting of the 27 residential reentry centers that are owned, or controlled via a long-term lease, and managed by CoreCivic. CoreCivic Community also includes the operating results of our electronic monitoring and case management services.
- CoreCivic Properties segment, consisting of the 15 real estate properties owned by CoreCivic for lease to third parties and used by government agencies.

For the years ended December 31, 2020, 2019, and 2018, our total segment net operating income, which we define as a facility's revenues (including interest income associated with finance leases) less operating expenses, was divided among our three business segments as follows:

Segment:	For the Years Ended December 31,		
	2020	2019	2018
Safety	82.2%	85.2%	87.1%
Community	3.4%	5.0%	4.8%
Properties	14.4%	9.8%	8.1%

Our customers primarily consist of federal, state, and local government agencies. Federal correctional and detention authorities primarily consist of U.S. Immigration and Customs Enforcement, or ICE, the United States Marshals Service, or the USMS, and the Federal Bureau of Prisons, or the BOP. Payments by federal correctional and detention authorities represented 52%, 51%, and 48% of our total revenue for the years ended December 31, 2020, 2019, and 2018, respectively.

Our customer contracts for providing bed capacity and correctional, detention, and residential reentry services in our CoreCivic Safety and CoreCivic Community segments typically have terms of three to five years and contain multiple renewal options. Most of our facility contracts also contain clauses that allow the government agency to terminate the contract at any time without cause, and our facility contracts are generally subject to annual or bi-annual legislative appropriations of funds. Notwithstanding these termination clauses, the contract renewal rate for properties we owned and operated in these segments was 94% over the five years ended December 31, 2020. The government lease agreements in our CoreCivic Properties segment typically have terms of five to twenty years including renewal options, and generally have more restrictive termination clauses. At December 31, 2020, the lease agreements in our CoreCivic Properties segment had a weighted average lease term of 8.6 years remaining.

In our CoreCivic Safety and CoreCivic Community segments, we are compensated for providing bed capacity and correctional, detention, and residential reentry services at a per diem rate based upon actual or minimum guaranteed occupancy levels. Occupancy rates for a particular facility are typically low when first opened or immediately following an expansion. However, beyond the start-up period, which typically ranges from 90 to 180 days, the occupancy rate tends to stabilize. Our occupancy rates have declined due to the effects of COVID-19, as further described hereafter. The average compensated occupancy of our correctional, detention, and residential reentry facilities, based on rated capacity was as follows for the years 2020, 2019, and 2018:

	2020	2019	2018
CoreCivic Safety facilities	75%	82%	81%
CoreCivic Community facilities	62%	76%	80%
Total	74%	82%	81%

The average compensated occupancy of our CoreCivic Safety and CoreCivic Community facilities, excluding idled facilities, was 82%, 93%, and 93% for the years 2020, 2019, and 2018, respectively.

In our CoreCivic Properties segment, we own properties for lease to third parties and used by government agencies where our occupancy percentage is based on leased square feet rather than bed capacity. The average occupancy of the 15 properties comprising our CoreCivic Properties segment portfolio as of December 31, 2020 was 99%, 99% and 100% for the years 2020, 2019, and 2018, respectively.

### **Operating Procedures and Offender Services for Correctional, Detention, and Residential Reentry Facilities**

Pursuant to the terms of our customer contracts, we are responsible for the overall operations of our facilities, including staff recruitment, general administration of the facilities, facility maintenance, security, and supervision of the offenders. We are required by our customer contracts to maintain certain levels of insurance coverage for general liability, workers' compensation, vehicle liability, and property loss or damage. We also are required to indemnify our customers for claims and costs arising out of our operations and, in certain cases, to maintain performance bonds and other collateral requirements.

#### *Reentry programs.*

We believe a focus on inmate reentry provides great benefits for our communities – more people living healthy and productive lives and contributing to strong families and local economies. We have committed to evolving our model with an increased focus on reentry services, and we are working hard to equip the men and women in our care with the services, support, and resources they need to be successful upon reentry.

While we remain focused on our commitment, due to COVID-19, we experienced a reduction in the number of individuals who benefited from our reentry and educational programs in 2020 when compared to prior years. As a result of our efforts to mitigate the spread of COVID-19 by inhibiting the movement and interactions of individuals in and around our facilities, our reentry programs were significantly disrupted. We intend to work with our government partners and follow national health standards in reinstating these reentry programs to their full capacity.

We provide a wide range of evidence-based reentry programs and activities in our facilities. At most of the facilities we manage, offenders have the opportunity to enhance their basic education from literacy through earning a high school equivalency certificate endorsed by their respective state. In some cases, we also provide opportunities for postsecondary educational achievements and chances to participate in college degree programs. A number of our facilities that care for non-U.S. citizens offer adult education curricula recognized by several nations to which these offenders may return, including a curriculum offered in conjunction with the Mexican government. We also provide an Adult Education in Spanish program for offenders with that specific language need.

For the offenders who are close to taking their high school equivalency exam (either the GED or the HiSET), we have invested in the equipment needed to use the GED/HiSET Academy software program, which is an offline software program providing over 200 hours of individualized lessons up to a 12<sup>th</sup> grade level. The GED/HiSET Academy incorporates teaching best practices and provides an atmosphere to engage and motivate students to learn everything they need to know to pass the GED/HiSET exam. According to a 2018 study published in the Journal of Experimental Criminology, inmates participating in correctional education programs were 28% less likely to recidivate when compared with inmates who did not participate in correctional education programs.

In addition, we offer a broad spectrum of career/technical education opportunities to help individuals learn marketable job skills. Our trade programs are certified by the National Center for Construction Education and Research, or NCCER. NCCER establishes the curriculum and certification for over 4,000 construction and trade organizations. Graduates of these programs enter the job market with certified skills that significantly enhance employability. According to research conducted by the RAND Corporation published in 2013, inmates who complete vocational training are 28% more likely to find a job after release.

We are proud of the educational programs we offer and intend to maintain and continue to develop such programs. Examples of programs we've recently offered include:

- In 2020, our Lee Adjustment Center in Kentucky implemented "Interview School," a web-based artificial intelligence software for practicing job interviews. Interview School conducts job-specific interviews and provides feedback on tone, confidence, and answer content. We plan to implement Interview School at additional facilities in 2021.
- In 2019, we partnered with Persevere, a national non-profit organization, to offer offenders at our Trousdale Turner facility in Tennessee an opportunity to learn software coding and job readiness/employability skills specific to the technology field. In 2020, the partnership with Persevere was expanded to include our Red Rock Correctional Center in Arizona. The instructor-led, self-paced program utilizes both a coding instructor and a Technology Employability Specialist to ensure students are learning the craft and how to obtain and maintain a job in the field, post-incarceration. Additionally, the program is split into two phases that allows students to become certified Front-end Developers (phase 1) and Full Stack Developers (phase 2) upon completion.
- In 2019, we increased our post-secondary educational offerings by growing our relationship with Ashland University, based in Ohio, to deliver college-level programming to offenders at our Jenkins, Wheeler, and Coffee correctional facilities in Georgia. In 2020, we also began offering the college-level programming at our Northeast Ohio facility in Ohio. This relationship with Ashland University allows enrollees to obtain an Associate's Degree in General Studies or a Bachelor's Degree in Communication Studies or Interdisciplinary Studies at no cost to them through Pell Grant funding. Students access coursework, tests, and interact with their instructors through a secure Learning Management System via a tablet computer.

- In 2018, through a relationship with Fuel Education, a company that specializes in digital learning opportunities, we began offering an online Information Support and Services computer program at our Lee Adjustment Center in Kentucky. This program allows students to enhance their computer knowledge and was developed in coordination with the Commonwealth of Kentucky Department of Corrections, or KYDOC, our government partner at the Lee facility. Students who successfully complete the approximate 10-month program will be awarded a base National Occupational Competency Testing Institute, or NOCTI, credential with the opportunity to earn an advanced NOCTI credential in the future.
- In 2016, our Coffee and Wheeler facilities in Georgia implemented state-of-the-art Diesel Maintenance and Welding programs in coordination with the Georgia Department of Corrections, or GDOC, enabling students to earn trade certificates from nearby community colleges.

For those with assessed substance abuse disorders, we offer cognitive behavioral evidence-based treatment programs with proven clinical outcomes, such as the Residential Drug Abuse Program. We offer both therapeutic community models and intensive outpatient programs. We also offer drug and alcohol use education/DWI programs at some of our locations. Our goal in providing substance abuse treatment is to stimulate internal motivation for change and progress through the stages of change so that lasting behavioral change can occur. Our drug and alcohol education programs help participants understand their relationships with drugs and alcohol and the links between drug and alcohol use and crime, as well as assisting them in making better choices that can lead to healthier relationships in their lives. According to a study by the Florida State University College of Criminology and Criminal Justice, "An Assessment of Substance Abuse Treatment Programs in Florida's Prisons Using a Random Assignment Experimental Design" submitted to the National Institute of Justice, Office of Justice Programs, U.S. Department of Justice in 2016, inmates who completed addiction treatment in prison have significantly lower recidivism levels regardless of the treatment model used.

Additional program offerings include our Victim Impact Programs, available at a number of our Safety and Community facilities, which seek to educate offenders about the negative effects their criminal conduct can have on others. All of our facility chaplains facilitate diverse and inclusive opportunities for those in our care to engage in the practice of spirituality and to exercise individual religious freedom. In several facilities, we offer faith-based programs with an emphasis on character development, spiritual growth, and successful reentry. Presently, we utilize Threshold, as an innovative, evidence-based inter-faith component of comprehensive reentry services.

Our Reentry and Life Skills programs prepare individuals for life after incarceration by teaching them how to successfully conduct a job search, how to manage their budget and financial matters, parenting skills, and relationship and family skills. Equally significant, we offer cognitive behavioral programs aimed at changing anti-social attitudes and behaviors in offenders, with a focus on altering the level of criminal thinking. In 2017, we introduced a comprehensive reentry strategy we call "Go Further," a forward thinking, process approach to reentry. "Go Further" encompasses all facility reentry programs, adds a proprietary cognitive/behavioral curriculum, and encourages staff and offenders to take a collaborative approach to assist in reentry preparation. In 2020, we expanded our offering by completing the first implementation of "Go Further" in one of our community corrections facilities.

In 2020, we developed and launched our first "Go Further Release" program in Albuquerque, New Mexico. Go Further Release is a program that provides stabilization services and reentry coaching to individuals being released from our facilities. The program provides "Reach-in" services during the returning citizen's last 90 days of incarceration which are designed to prepare individuals for release and make a connection with a reentry coach that will provide support to them after release. "Stabilization and Reentry Coaching" services are provided during an individual's first 90 days of release and an ongoing community support group is available as long as needed. All services are free of charge.

Across the country, our dedicated staff, along with the assistance of thousands of volunteers, work to provide guidance, direction, and post-incarceration services to the men and women in our care. We believe these critical reentry programs help fight the serious challenge of recidivism facing the United States.

Through our community corrections facilities, we provide an array of services to defendants and offenders who are serving their full sentence, the last portion of their sentence, waiting to be sentenced, or awaiting trial while supervised in a community environment. We offer housing and programs with a key focus on employment, job readiness, life skills and various substance abuse treatment programs, in order to help offenders successfully reenter their communities and reduce the risk of recidivism. In some of our community corrections facilities, we offer housing and program services to parolees who have completed their sentence but lack a viable reentry plan. Through a focus on employment and skill development, we provide a means for these parolees to successfully reintegrate into their communities.

In addition, we provide day-reporting and substance abuse treatment programs at some of our community corrections facilities. These programs, depending on the needs of the offender, can provide cognitive behavioral-based programs to assist in the offender's successful reentry while holding the individual accountable while living in the community.

Lastly, we also provide a number of non-residential correctional alternative services, including electronic monitoring and case management services, under our CoreCivic Community segment. Governmental customers use electronic monitoring products and services to monitor low risk offenders as a way to help reduce overcrowding in correctional facilities, as a monitoring and sanctioning tool, and to promote public safety by imposing restrictions on movement and serving as a deterrent for alcohol usage. Providing these non-residential services is a natural complement to our broad network of residential reentry facilities and can help keep individuals from going back to prison or being incarcerated in the first place.

Ultimately, the work we do is intended to give people the tools to reintegrate with their communities permanently. We are proud of the teachers, counselors, case managers, chaplains, and other offender support service professionals who provide these services to the men and women entrusted in our care.

To further underscore our long-term commitment to reducing recidivism, since October 2017, we have maintained a nationwide initiative to advocate for a range of government policies that will help former offenders successfully reenter society and stay out of prison. As part of this continued initiative, we apply government relations resources and expertise to advocate for the following policies:

- "Ban-the-Box" proposals to help improve former inmates' chances at getting a job;
- Reduced legal barriers to make it easier and less risky for companies to hire former inmates;
- Increased funding for reentry programs in areas such as education, addiction treatment, faith-based offerings, victim impact and post-release employment; and
- Social impact bond pilot programs that tie contractor payments to positive outcomes.

In 2020, we announced that we will publicly advocate at the federal and state levels for a slate of new policies that will help people succeed in their communities after being released from prison. Specifically, we pledged our support for Pell Grant Restoration, Voting Rights Restoration and Licensure Reform Policies. Also in 2020, we partnered and made an investment in Prison Fellowship, a leading advocate for criminal justice reform serving approximately 550,000 current and formerly incarcerated individuals and their family members each year. Through a network of programming and advocacy efforts, the organization seeks to effect positive change at every level of the criminal justice system. We have committed to a multi-year partnership in Prison Fellowship's Warden Exchange program, a residency and online professional development program that enables wardens to share reentry best practices and problem solve amongst a peer group. We believe that as successful as we may be with our work inside our facilities, offenders still face embedded societal barriers when they return to their communities. Supporting recidivism-reducing policies is one way we can bridge the gap and give the men and women entrusted in our care a better opportunity at never returning to prison.

*Operating guidelines.*

The American Correctional Association, or ACA, is an independent organization comprised of corrections professionals that establishes accreditation standards for correctional and detention facilities around the world. Outside agency standards, such as those established by the ACA, provide us with the industry's most widely accepted operational guidelines. ACA accredited facilities must be audited and re-accredited at least every three years. We have sought and received ACA accreditation for 36, or approximately 90%, of the eligible facilities we operated as of December 31, 2020, excluding our residential reentry facilities. During 2020, five of the facilities we manage were newly accredited or re-accredited by the ACA with an average score of 99.5%, making our portfolio average also 99.5%.

Beyond the standards provided by the ACA, our facilities are operated in accordance with a variety of company and facility-specific policies and procedures, as well as various contractual requirements. Many of these policies and procedures reflect the high standards generated by a number of sources, including the ACA, the National Commission on Correctional Healthcare, the Occupational Safety and Health Administration, as well as federal, state, and local government codes and regulations and longstanding correctional procedures.

In addition, our facilities are operated in compliance with the Prison Rape Elimination Act, or PREA, standards. All confinement facilities covered under the PREA standards must be audited at least every three years to maintain compliance with the PREA standards. We utilize DOJ certified PREA auditors to help ensure that all facilities operate in compliance with applicable PREA regulations.

Our facilities operate under these established standards, policies, and procedures, and also are subject to annual audits by our Quality Assurance Division, or QAD, which operates under, and reports directly to, our Office of General Counsel and acts independently from our Operations Division. Through the QAD, we have devoted significant resources to ensuring that our facilities meet outside agency and accrediting organization standards and guidelines.

The QAD employs a team of full-time auditors, who are subject matter experts from all major disciplines within institutional operations. Annually, QAD auditors generally conduct unannounced on-site evaluations of each CoreCivic Safety facility we operate using specialized audit tools, typically containing more than 1,000 audit indicators across all major operational areas. In most instances, these audit tools are tailored to facility and partner specific requirements. In 2020, due to the impact of COVID-19, many of the QAD's annual facility audits were announced and conducted remotely, or conducted through a combination of remote and limited onsite reviews. We expect these remote and hybrid audit practices to continue for at least the first half of 2021. In addition, audit teams provide guidance to facility staff on operational best practices and assist staff with addressing specific areas of need, such as meeting requirements of new partner contracts and providing detailed training on compliance requirements for new departmental managers.

The QAD management team coordinates overall operational auditing and compliance efforts across all correctional, detention, and residential reentry facilities we manage. In conjunction with subject matter experts and other stakeholders having risk management responsibilities, the QAD management team develops performance measurement tools used in facility audits. The QAD management team provides governance of the corrective action plan process for any items of nonconformance identified through internal and external facility reviews. Our QAD also contracts with teams of ACA certified correctional auditors to evaluate compliance with ACA standards at accredited facilities. Similarly, the QAD routinely incorporates a review of facility compliance with key ACA standards and PREA regulations during annual audits of company facilities.

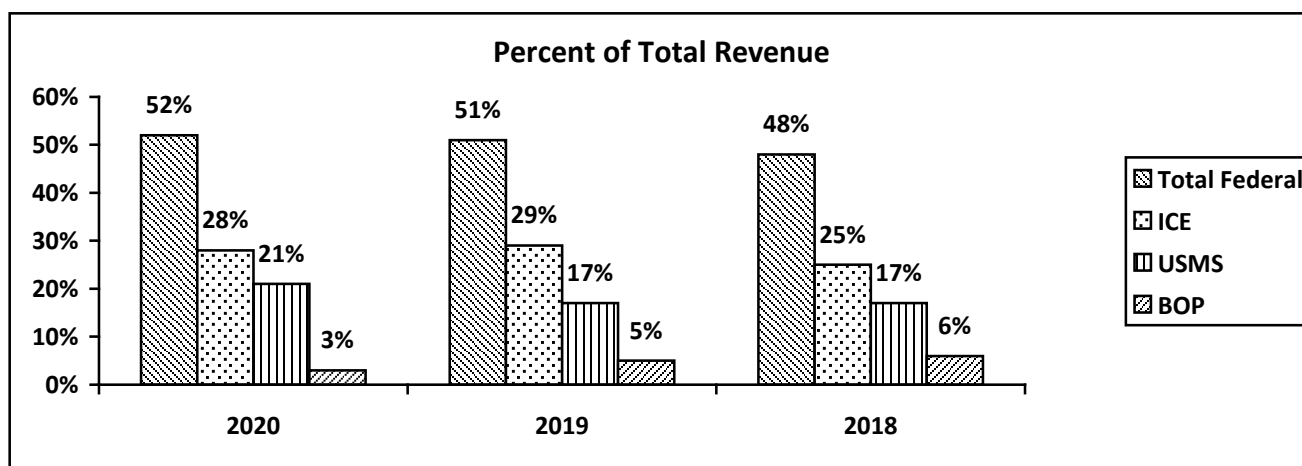
In addition to our own internal audit and contract compliance efforts, we are also subject to oversight by our government partners. As part of their standard monitoring and compliance programs, approximately 71% of our federal and state government partners typically conduct formal contract-compliance audits and inspections at least annually at CoreCivic Safety facilities. In addition to these annual audits of our facilities, many partners conduct additional area-specific operational audits and inspections on a more frequent basis, including monthly, quarterly, and semi-annually. Some of these audits and facility inspections by our partners are conducted on an unannounced basis. In 2020, our government partners conducted over 165 annual, semi-annual, quarterly, and monthly compliance audits and inspections at our CoreCivic Safety facilities. In addition, the majority of our federal and state government partners employ on-site contract monitors who monitor performance and contract compliance at our facilities on a full- or part-time basis. In 2020, approximately 93% of the CoreCivic Safety facilities we manage have an onsite contract monitor.

### Business Development

We believe we own, or control via a long-term lease, approximately 58% of all privately owned prison beds in the United States, manage nearly 39% of all privately managed prison beds in the United States, and are currently the second largest private owner and provider of community corrections services in the nation. We also believe that we are the largest private owner of real estate used by U.S. government agencies. Under the direction of our partnership development department, we market our facilities and services to government agencies responsible for federal, state, and local correctional, detention, and residential reentry facilities in the United States. Under the direction of our real estate department, we intend to continue to pursue opportunities to help our government partners meet their infrastructure needs, primarily through the development and redevelopment of criminal justice sector assets that we believe have favorable investment returns, diversify our cash flows, and increase value to our stockholders. We will also respond to customer demand and may develop or expand correctional and detention facilities when we believe potential long-term returns justify the capital deployment.

We execute cross-departmental efforts to market CoreCivic Safety solutions to government partners that seek corrections and detention management services, CoreCivic Community solutions to government partners seeking residential reentry services, and CoreCivic Properties solutions to customers that need real estate and maintenance services.

As indicated by the following chart, business from our federal customers, including primarily ICE, the USMS, and the BOP, continues to be a significant component of our business, although the source of revenue is derived from many contracts at various types of properties, i.e. correctional, detention, reentry, and leased. ICE and the USMS each accounted for 10% or more of our total revenue during the last three years.





Certain of our contracts with federal partners contain clauses that guarantee the federal partner access to a minimum bed capacity in exchange for a fixed monthly payment. However, these contracts also generally provide the government the ability to cancel the contract for non-appropriation of funds or for convenience. The solutions we provide to our federal customers continue to be a significant component of our business. We believe our ability to provide flexible solutions and fulfill emergent needs of our federal customers would be very difficult and costly to replicate in the public sector.

Additionally, on January 26, 2021, President Biden issued the Private Prison EO. The Private Prison EO directs the Attorney General to not renew DOJ contracts with privately operated criminal detention facilities. Two agencies of the DOJ, the BOP and the USMS, utilize our services. The BOP houses inmates who have been convicted, and the USMS is generally responsible for detainees who are awaiting trial. The BOP has experienced a steady decline in inmate populations over the last seven years, a trend that has been accelerated by the COVID-19 pandemic. We currently have one prison contract with the BOP, accounting for 2% (\$39.2 million) of our total revenue for the year ended December 31, 2020, which was recently renewed through November 2022.

Unlike the BOP, the USMS does not own detention capacity and relies on the private sector, along with county jails, for its detainee population. We do not believe the USMS currently has sufficient capacity that satisfies their current needs without the private sector, and we are not currently aware of an alternative solution for the USMS. We currently have eight detention facilities that have separate contracts where the USMS is the primary customer that all expire at various times over the next several years, with the exception of two contracts that have indefinite terms. Non-renewal of these contracts would have a material adverse effect on our business, financial condition, and results of operations. For the year ended December 31, 2020, USMS accounted for 21% (\$396.3 million) of our total revenue.

In February 2021, President Biden announced plans to allow certain migrants to pursue asylum in the United States while awaiting their proceedings in immigration courts, reversing a policy of the prior administration, which required these asylum seekers to wait in Mexico during the pendency of their immigration court proceedings.

Federal revenues from contracts at correctional, detention, and residential reentry facilities that we operate decreased 1.4% from \$1,013.8 million during 2019 to \$999.2 million during 2020. Partially offset by several mitigating factors, as further described in Management's Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, the decrease in federal revenues from 2019 to 2020 was primarily a result of COVID-19. At the beginning of 2020, we expected a reduction in ICE populations throughout 2020 compared with 2019 because of a dramatic rise in such populations during 2019, when southern border apprehensions reached the highest levels in over a decade, as we did not believe these high levels would be sustained. However, the decision near the end of the first quarter of 2020, which continued throughout the duration of 2020, by the federal government to deny entry at the United States southern border to asylum-seekers and anyone crossing the southern border without proper documentation or authority in an effort to contain the spread of COVID-19 amplified the reduction in people being apprehended and detained by ICE during 2020.

State revenues from contracts at correctional, detention, and residential reentry facilities that we operate constituted 33%, 34%, and 39% of our total revenue during 2020, 2019, and 2018, respectively, and decreased 5.5% from \$673.4 million during 2019 to \$636.3 million during 2020. In addition to the effect of an overall decline in state inmate populations resulting from COVID-19 during 2020, the decrease in state revenues from 2019 to 2020 was also a result of the completion of the transfer of California inmates held in our out-of-state facilities back to the state of California during the second quarter of 2019, as further described in MD&A. No state partner accounted for 10% or more of our total revenue during these years.

Prior to the COVID-19 pandemic, several of our state partners had been experiencing improvements in their budgets, which helped us secure recent per diem increases at certain facilities. Further, several of our existing state partners, as well as prospective state partners, have been experiencing growth in offender populations and overcrowded conditions, are considering alternative correctional capacity for their aged and inefficient infrastructure, or are seeking cost savings by utilizing the private sector. Since the beginning of 2018, we have completed the intake of new inmate populations as a result of new contracts with Idaho, Kansas, Kentucky, Mississippi, Ohio, Nevada, South Carolina, and Vermont.

The COVID-19 pandemic has had, and we currently expect that the COVID-19 pandemic will continue to have, a negative impact on many of our state partners' budgets, though we cannot predict the ultimate impact COVID-19 will have on our revenue and per diem rates from our state partners. We have implemented enhanced hygiene practices, suspended visitation in consultation with our government partners, separated vulnerable inmate populations for their additional protection, followed guidelines provided by the United States Centers for Disease Control and Prevention, or CDC, for Correctional and Detention Facilities, and have taken many other actions intended to limit the spread of COVID-19 among our staff and residents within our correctional, detention, and reentry facilities. However, we cannot predict government responses to an increase in staff or residents testing positive for COVID-19 within public and private correctional, detention and reentry facilities, nor can we predict COVID-19 related restrictions on individuals, businesses, and services that disrupt the criminal justice system. Certain government agencies have released, may be considering releasing, or may be experiencing pressure to release, certain inmates and detainees as a result of COVID-19, including those inmates and detainees considered vulnerable to serious illness or death in the event of COVID-19 infection, those with sentences ending in the next year, or those being held on a minor supervision violation. Further, we cannot predict government policies on prosecutions and newly ordered legal restrictions as a result of COVID-19 that affect the number of people placed in correctional, detention, and reentry facilities. We currently expect the federal government's policy of denying entry at the United States southern border to asylum-seekers and anyone crossing the southern border without proper documentation or authority, as well as the disruptions to the criminal justice system, to persist at least until a widely accepted treatment and/or vaccine for COVID-19 is widely disseminated, which could result in a further reduction in the number of offenders placed in our facilities. Such actions could, either alone or in combination, have a material effect on our financial position, results of operations and cash flows.

COVID-19 notwithstanding, we believe the long-term growth opportunities of our business remain attractive as government agencies consider their emergent needs (including capacity to help mitigate the spread of infectious disease), as well as the efficiency and offender programming opportunities we provide, as flexible solutions to satisfy our partners' needs. Further, we expect our partners, and prospective partners, to continue to face challenges in maintaining old facilities, developing new facilities, and expanding current facilities for additional capacity, which could result in increased future demand for the solutions we provide.

Following our first priorities of debt reduction, which may include the purchase of our outstanding debt in open market transactions, privately negotiated transactions or otherwise, and managing through the COVID-19 pandemic, we believe the revocation of our REIT election and conversion to a taxable C Corporation, effective January 1, 2021, will allow us to allocate a substantial portion of our free cash flow to returning capital to our shareholders and to pursuing attractive growth opportunities. We believe that we can further develop our business by, among other things:

- Maintaining and expanding our existing customer relationships and filling existing capacity within our facilities, while maintaining an adequate inventory of available capacity that we believe provides us with flexibility and a competitive advantage when bidding for new management contracts;
- Enhancing the terms of our existing contracts and expanding the services we provide under those contracts;
- Pursuing additional opportunities to lease our facilities to government and other third-party operators in need of correctional, detention, and residential reentry capacity;
- Pursuing mission-critical real estate solutions for government agencies focused on, but not limited to, corrections and detention real estate assets;
- Pursuing other asset acquisitions and business combinations through transactions with non-government third parties;
- Maintaining and expanding our focus on community corrections and reentry programming that align with the needs of our government partners;

- Pursuing additional opportunities that expand the scope of non-residential correctional alternative solutions we provide to government agencies, including those that were not available to us under the REIT structure; and
- Establishing relationships with new customers that have either previously not outsourced their correctional facility management needs or have utilized other private enterprises.

We generally receive inquiries from or on behalf of government agencies that are considering outsourcing the ownership and/or management of certain facilities or that have already decided to contract with a private enterprise. When we receive such an inquiry, we determine whether there is an existing need for our correctional, detention, and residential reentry facilities and/or services and whether the legal and political climate in which the inquiring party operates is conducive to serious consideration of outsourcing. Based on these findings, an initial cost analysis is conducted to further determine project feasibility.

Frequently, government agencies responsible for correctional, detention, and residential reentry facilities and services procure space and services through solicitations or competitive procurements. As part of our process of responding to such requests, members of our management team meet with the appropriate personnel from the agency making the request to best determine the agency's needs. If the project fits within our strategy, we submit a written response. A typical solicitation or competitive procurement requires bidders to provide detailed information, including, but not limited to, the space and services to be provided by the bidder, its experience and qualifications, and the price at which the bidder is willing to provide the facility and services (which services may include the purchase, renovation, improvement or expansion of an existing facility or the planning, design and construction of a new facility). The requesting agency selects a provider believed to be able to provide the requested bed capacity, if needed, and most qualified to provide the requested services, and then negotiates the price and terms of the contract with that provider.

## **2020 Accomplishments**

In spite of, and in some instances, as a result of, the challenges presented by COVID-19 on our business in 2020, we entered into a number of new contracts, renewed several other significant contracts, and completed numerous other transactions and milestones, including the following:

### *CoreCivic Safety:*

- Developed and launched our first "Go Further Release" program in Albuquerque, New Mexico. Go Further Release is a program that provides stabilization services and reentry coaching to individuals being released from our facilities. The program provides "Reach-in" services during the returning citizen's last 90 days of incarceration which are designed to prepare individuals for release and make a connection with a reentry coach that will provide support to them after release. "Stabilization and Reentry Coaching" services are provided during an individual's first 90 days of release and an ongoing community support group is available as long as needed. All services are free of charge.
- Implemented "Interview School," a web-based artificial intelligence software for practicing job interviews, at our Lee Adjustment Center in Kentucky. Interview School conducts job-specific interviews and provides feedback on tone, confidence, and answer content.
- Executed an emergency contract with the state of Mississippi to care for up to 375 of Mississippi's inmates at our 2,672-bed Tallahatchie County Correctional Facility in Mississippi. The contract was subsequently expanded to up to 1,000 inmates.
- Executed a new contract with the state of Idaho to care for up to 1,200 adult male offenders at our 1,896-bed Saguaro Correctional facility in Arizona, and other facilities by mutual agreement. The new management contract has an initial term of five years, with unlimited extension options thereafter upon mutual agreement.

- The USMS executed a new contract for our 1,600-bed Cimarron Correctional Facility in Oklahoma. We had previously announced our intention to idle the Cimarron facility, predominantly due to a lower number of inmate populations from the state of Oklahoma resulting from COVID-19, combined with the consequential impact of COVID-19 on the State's budget. The new management contract has an initial term of three years, with unlimited 24-month extension options thereafter upon mutual agreement.

*CoreCivic Community:*

- Executed a new contract with the BOP for residential reentry and home confinement services at our previously idled 289-bed Turley Residential Center and at our 494-bed Oklahoma Reentry Opportunity Center, both in Oklahoma. The new management contract has an effective date of February 1, 2021 and an initial term of one year, with four one-year renewal options.

*CoreCivic Properties:*

- Completed the construction and commenced the 20-year lease of the new 2,432-bed Lansing Correctional Facility in Kansas. The new Lansing facility replaced Kansas' largest correctional complex for adult male inmates, which was originally constructed in 1863.
- Commenced the lease with the KYDOC, for our previously idled 656-bed Southeast Correctional Complex in Wheelwright, Kentucky, formerly known as the Southeast Kentucky Correctional Facility. The lease has an initial term of ten years and includes five two-year renewal options.
- Completed the sale of 42 non-core government-leased properties in a single transaction to a third party for an aggregate price of \$106.5 million, generating net proceeds of \$27.8 million after the repayment of non-recourse mortgage notes associated with some of the properties and other transaction-related costs.

*Response to COVID-19:*

- Created a "COVID-19 Response Committee," including a robust group of various subject-matter-experts and chaired by one of our officers with an extensive background in emergency crisis management, including managing inmates with infectious diseases.
- Helped to promote the safety and welfare of those within our care through actions including, but not limited to:
  - Coordinating a multitude of COVID-19 testing events, in conjunction with our business partners and local health departments;
  - Providing personal protection equipment, or PPE, including masks and personal hygiene items;
  - Educating those in our care on the mitigation of COVID-19 transmission and encouraging the basics of good hygiene;
  - Providing free phone calls;
  - Waiving nominal medical co-pays; and
  - Expanding the use of computer tablets to assist with the ability to maintain contact with family and friends.
- Demonstrated support for the communities in which we operate through actions including, but not limited to:
  - Offering one of our idled facilities in Minnesota at no cost to serve as a regional health center;
  - Producing more than 61,000 masks and 1,000 protective gowns; and
  - Donating to United Way and the Second Harvest Food Bank's specific needs related to COVID-19 for the greater Nashville, Tennessee community.

- Helped to promote the safety and welfare of our employees through actions including, but not limited to:
  - Implementing entry screening measures for all of our facilities that are consistent with the CDC guidelines for correctional, detention, and residential living environments;
  - Providing PPE and other supplies;
  - Educating our staff on mitigation of COVID-19 transmission and encouraging the basics of good hygiene;
  - Expanding our Personal Time Off, or PTO, policies for sick employees or those caring for a family member, and providing an additional day of PTO;
  - Waiving in-network member-cost-share for telehealth visits with employees' own providers who deliver certain services;
  - Paying \$6.3 million in Hero Bonuses to recognize the hard work and dedication of our facility staff; and
  - Providing quarantine pay of approximately \$8.4 million to encourage employees to remain home should they experience COVID-19 symptoms or be required to be absent from work due to COVID-19 exposure.

*Corporate and Other:*

- Approved and began implementation of a plan to revoke our REIT election and become a taxable C Corporation, effective January 1, 2021, providing us with greater financial flexibility.
- Repaid approximately \$200.0 million of indebtedness, net of the change in cash.
- Publicly advocated at the federal and state levels for a slate of new policies that will help people succeed in their communities after being released from prison. Specifically, we pledged our support for Pell Grant Restoration, Voting Rights Restoration and Licensure Reform Policies.
- Issued our second Environmental, Social and Governance, or ESG, report which summarizes our impacts and aspirational goals across environmental, social, and governance topics. The report details our commitment to reducing the national recidivism crisis, and provides quantified evidence of progress being made toward company-wide reentry goals.

## **Facility Portfolio**

### ***CoreCivic Safety and Community Facilities and Facility Management Contracts***

Our correctional, detention, and residential reentry facilities can generally be classified according to the level(s) of security at such facility. Minimum security facilities have open housing within an appropriately designed and patrolled institutional perimeter. Medium security facilities have either cells, rooms or dormitories, a secure perimeter, and some form of external patrol. Maximum security facilities have cells, a secure perimeter, and external patrol. Multi-security facilities have various areas encompassing minimum, medium or maximum security.

Our CoreCivic Safety and Community facilities can also be classified according to their primary function. The primary functional categories are:

- *Correctional Facilities.* Correctional facilities care for and provide contractually agreed upon programs and services to sentenced adult prisoners, typically prisoners on whom a sentence in excess of one year has been imposed.
- *Detention Facilities.* Detention facilities care for and provide contractually agreed upon programs and services to (i) individuals being detained by ICE, (ii) individuals who are awaiting trial who have been charged with violations of federal criminal law (and are therefore in the custody of the USMS) or state criminal law, and (iii) prisoners who have been convicted of crimes and on whom a sentence of one year or less has been imposed.

- *Residential Facilities.* Residential facilities provide space and residential services in an open and safe environment to adults with children who have been detained by ICE and are awaiting the outcome of immigration hearings. As contractually agreed upon, residential facilities offer services including, but not limited to, educational programs, medical care, recreational activities, counseling, and access to religious and legal services.
- *Community Corrections.* Community corrections/residential reentry facilities offer housing and programs to offenders who are serving the last portion of their sentence or who have been assigned to the facility in lieu of a jail or prison sentence, with a key focus on employment, job readiness, and life skills.

As of December 31, 2020, through our CoreCivic Safety segment, we operated 47 correctional and detention facilities, 42 of which we owned and managed and five of which we managed, and were owned by our government partners. Through our CoreCivic Community segment, we also owned and managed 27 residential reentry centers. Owned and managed facilities include facilities placed into service that we own or control via a long-term lease and manage. The following table includes certain information regarding each facility, including the term of the primary customer contract related to such facility.

Facility Name	Primary Customer	Design Capacity (A)	Security Level	Facility Type (B)	Term	Remaining Renewal Options (C)
<b>CoreCivic Safety Facilities:</b>						
<b>Safety - Owned and Managed:</b>						
Central Arizona Florence Correctional Complex Florence, Arizona	USMS	4,128	Multi	Detention	Sep-23	(1) 5 year
Eloy Detention Center Eloy, Arizona	ICE	1,500	Medium	Detention	Indefinite	—
La Palma Correctional Center Eloy, Arizona	ICE	3,060	Multi	Detention	Indefinite	—
Red Rock Correctional Center (D) Eloy, Arizona	State of Arizona	2,024	Medium	Correctional	Jul-26	(2) 5 year
Saguaro Correctional Facility Eloy, Arizona	State of Hawaii	1,896	Multi	Correctional	Jul-21	—
Leo Chesney Correctional Center Live Oak, California	Idled 2015	240	—	—	—	—
Otay Mesa Detention Center San Diego, California	ICE	1,994	Minimum/ Medium	Detention	Dec-24	(2) 5 year
Bent County Correctional Facility Las Animas, Colorado	State of Colorado	1,420	Medium	Correctional	Jun-21	—
Crowley County Correctional Facility Olney Springs, Colorado	State of Colorado	1,794	Medium	Correctional	Jun-21	—
Huerfano County Correctional Center Walsenburg, Colorado	Idled 2010	752	Medium	Correctional	—	—
Kit Carson Correctional Center Burlington, Colorado	Idled 2016	1,488	Medium	Correctional	—	—
Coffee Correctional Facility (E) Nicholls, Georgia	State of Georgia	2,312	Medium	Correctional	Jun-21	(13) 1 year
Jenkins Correctional Center (E) Millen, Georgia	State of Georgia	1,124	Medium	Correctional	Jun-21	(14) 1 year
McRae Correctional Facility McRae, Georgia	BOP	1,978	Medium	Correctional	Nov-22	—
Stewart Detention Center Lumpkin, Georgia	ICE	1,752	Medium	Detention	Indefinite	—

Facility Name	Primary Customer	Design Capacity (A)	Security Level	Facility Type (B)	Term	Remaining Renewal Options (C)
Wheeler Correctional Facility (E) Alamo, Georgia	State of Georgia	2,312	Medium	Correctional	Jun-21	(13) 1 year
Leavenworth Detention Center Leavenworth, Kansas	USMS	1,033	Maximum	Detention	Dec-21	(1) 5 year
Lee Adjustment Center Beattyville, Kentucky	Commonwealth of Kentucky	816	Multi	Correctional	Jun-21	—
Marion Adjustment Center St. Mary, Kentucky	Idled 2013	826	Minimum/ Medium	Correctional	—	—
Prairie Correctional Facility Appleton, Minnesota	Idled 2010	1,600	Medium	Correctional	—	—
Adams County Correctional Center Adams County, Mississippi	ICE	2,232	Medium	Detention	Aug-24	Indefinite
Tallahatchie County Correctional Facility (F) Tutwiler, Mississippi	USMS	2,672	Multi	Correctional	Jun-22	Indefinite
Crossroads Correctional Center (G) Shelby, Montana	State of Montana	664	Multi	Correctional	Jun-21	(1) 2 year
Nevada Southern Detention Center Pahrump, Nevada	USMS	1,072	Medium	Detention	Sep-25	(1) 5 year
Elizabeth Detention Center Elizabeth, New Jersey	ICE	300	Minimum	Detention	Aug-21	—
Cibola County Corrections Center Milan, New Mexico	USMS	1,129	Medium	Detention	Indefinite	—
Northwest New Mexico Correctional Center Grants, New Mexico	State of New Mexico	596	Multi	Correctional	Jun-24	—
Torrance County Detention Facility Estancia, New Mexico	ICE	910	Multi	Detention	May-24	Indefinite
Lake Erie Correctional Institution (H) Conneaut, Ohio	State of Ohio	1,798	Medium	Correctional	Jun-32	Indefinite
Northeast Ohio Correctional Center Youngstown, Ohio	State of Ohio	2,016	Medium	Correctional	Jun-32	Indefinite
Cimarron Correctional Facility Cushing, Oklahoma	USMS	1,600	Multi	Correctional	Sep-23	Indefinite
Davis Correctional Facility (I) Holdenville, Oklahoma	State of Oklahoma	1,670	Multi	Correctional	Jun-21	—



Facility Name	Primary Customer	Design Capacity (A)	Security Level	Facility Type (B)	Term	Remaining Renewal Options (C)
Diamondback Correctional Facility Watonga, Oklahoma	Idled 2010	2,160	Multi	Correctional	—	—
Trousdale Turner Correctional Center Hartsville, Tennessee	State of Tennessee	2,552	Multi	Correctional	Jun-21	—
West Tennessee Detention Facility Mason, Tennessee	USMS	600	Multi	Detention	Sep-21	(4) 2 year
Whiteville Correctional Facility (J) Whiteville, Tennessee	State of Tennessee	1,536	Medium	Correctional	Jun-21	—
Eden Detention Center Eden, Texas	USMS	1,422	Medium	Correctional	Indefinite	—
Houston Processing Center Houston, Texas	ICE	1,000	Medium	Detention	Aug-21	(9) 1 year
Laredo Processing Center Laredo, Texas	ICE	258	Minimum/ Medium	Detention	Jul-23	Indefinite
South Texas Family Residential Center Dilley, Texas	ICE	2,400	—	Residential	Sep-26	—
T. Don Hutto Residential Center Taylor, Texas	ICE	512	Medium	Detention	Jul-21	(9) 1 year
Webb County Detention Center Laredo, Texas	ICE	480	Medium	Detention	Feb-23	Indefinite
<b>Safety - Managed Only:</b>						
Citrus County Detention Facility Lecanto, Florida	Citrus County, FL	760	Multi	Detention	Sep-30	(2) 5 year
Lake City Correctional Facility Lake City, Florida	State of Florida	893	Medium	Correctional	Jun-22	Indefinite
Marion County Jail Indianapolis, Indiana	Marion County, IN	1,030	Multi	Detention	Dec-27	—
Hardeman County Correctional Facility Whiteville, Tennessee	State of Tennessee	2,016	Medium	Correctional	Jun-24	—
South Central Correctional Center Clifton, Tennessee	State of Tennessee	1,676	Medium	Correctional	Jun-23	(1) 2 year

Facility Name	Primary Customer	Design Capacity (A)	Security Level	Facility Type (B)	Term	Remaining Renewal Options (C)
<b>CoreCivic Community Facilities:</b>						
CAI Boston Avenue San Diego, California	State of California	120	—	Community Corrections	Jun-24	—
CAI Ocean View San Diego, California	BOP	483	—	Community Corrections	May-21	—
Adams Transitional Center Denver, Colorado	Adams County	102	—	Community Corrections	Jun-21	—
Arapahoe Community Treatment Center Englewood, Colorado	Arapahoe County	135	—	Community Corrections	Jun-21	—
Centennial Community Transition Center Englewood, Colorado	Arapahoe County	107	—	Community Corrections	Jun-21	—
Columbine Facility Denver, Colorado	Idled 2020	60	—	Community Corrections	—	—
Commerce Transitional Center Commerce City, Colorado	Adams County	136	—	Community Corrections	Jun-21	—
Dahlia Facility Denver, Colorado	Denver County	120	—	Community Corrections	Jun-21	—
Fox Facility and Training Center Denver, Colorado	Denver County	90	—	Community Corrections	Jun-21	—
Henderson Transitional Center (K) Henderson, Colorado	Adams County	184	—	Community Corrections	Jan-21	—
Longmont Community Treatment Center Longmont, Colorado	Boulder County	69	—	Community Corrections	Jun-21	(3) 1 year
Ulster Facility Denver, Colorado	Denver County	90	—	Community Corrections	Jun-21	—
South Raleigh Reentry Center Raleigh, North Carolina	BOP	60	—	Community Corrections	Mar-21	—
Oklahoma City Transitional Center Oklahoma City, Oklahoma	Idled 2020	200	—	Community Corrections	—	—

Facility Name	Primary Customer	Design Capacity (A)	Security Level	Facility Type (B)	Term	Remaining Renewal Options (C)
Oklahoma Reentry Opportunity Center Oklahoma City, Oklahoma	State of Oklahoma	494	—	Community Corrections	Jun-21	(1) 1 year
Tulsa Transitional Center Tulsa, Oklahoma	Idled 2020	390	—	Community Corrections	—	—
Turley Residential Center Tulsa, Oklahoma	BOP	289	—	Community Corrections	Jan-22	(4) 1 year
Austin Residential Reentry Center Del Valle, Texas	BOP	116	—	Community Corrections	Aug-21	(3) 1 year
Austin Transitional Center Del Valle, Texas	State of Texas	460	—	Community Corrections	Aug-21	(3) 2 year
Corpus Christi Transitional Center Corpus Christi, Texas	State of Texas	160	—	Community Corrections	Aug-21	(3) 2 year
Dallas Transitional Center Hutchins, Texas	State of Texas	300	—	Community Corrections	Aug-22	—
El Paso Multi-Use Facility El Paso, Texas	State of Texas	360	—	Community Corrections	Aug-22	—
El Paso Transitional Center El Paso, Texas	State of Texas	224	—	Community Corrections	Aug-22	—
Fort Worth Transitional Center Fort Worth, Texas	State of Texas	248	—	Community Corrections	Aug-22	—
Ghent Residential Reentry Center Norfolk, Virginia	BOP	36	—	Community Corrections	Feb-21	(1) 1 year
James River Residential Reentry Center Newport News, Virginia	BOP	84	—	Community Corrections	Feb-21	(1) 1 year
Cheyenne Transitional Center Cheyenne, Wyoming	State of Wyoming	116	—	Community Corrections	Jun-22	(1) 3 year

- (A) Design capacity measures the number of beds, and accordingly, the number of offenders each facility is designed to accommodate. Facilities housing detainees on a short-term basis may exceed the original intended design capacity due to the lower level of services required by detainees in custody for a brief period. From time to time, we may evaluate the design capacity of our facilities based on the customers using the facilities, and the ability to reconfigure space with minimal capital outlays. We believe design capacity is an appropriate measure for evaluating the operations in our CoreCivic Safety and CoreCivic Community segments, because the revenue generated by each facility is based on a per diem or monthly rate per offender cared for at the facility paid by the corresponding contracting governmental entity.
- (B) We manage numerous facilities that have more than a single function (i.e., housing both long-term sentenced adult prisoners and pre-trial detainees). The primary functional categories into which facility types are identified were determined by the relative size of offender populations in a particular facility on December 31, 2020. If, for example, a 1,000-bed facility cared for 900 adult offenders with sentences in excess of one year and 100 pre-trial detainees, the primary functional category to which it would be assigned would be that of correctional facilities and not detention facilities. It should be understood that the primary functional category to which multi-user facilities are assigned may change from time to time.
- (C) Remaining renewal options represents the number of renewal options, if applicable, and the term of each option renewal.
- (D) Pursuant to the terms of a contract awarded by the state of Arizona in September 2012, the state of Arizona has an option to purchase the Red Rock facility at any time during the term of the contract, including extension options, based on an amortization schedule starting with the fair market value and decreasing evenly to zero over the 20-year term of the contract.
- (E) These facilities are subject to purchase options held by the GDOC, which grants the GDOC the right to purchase the facility for the lesser of the facility's depreciated book value, as defined, or fair market value at any time during the term of the contract between the GDOC and us.
- (F) The facility is subject to a purchase option held by the Tallahatchie County Correctional Authority which grants Tallahatchie County Correctional Authority the right to purchase the facility at any time during the contract at a price generally equal to the cost of the premises less an allowance for amortization that originally occurred over a 20-year period. The amortization period was extended through 2050 in connection with an expansion completed during the fourth quarter of 2007.
- (G) The state of Montana has an option to purchase the facility generally at any time during the term of the contract with us at fair market value less the sum of a pre-determined portion of per-diem payments made to us by the state of Montana.
- (H) The state of Ohio has the irrevocable right to repurchase the facility before we may resell the facility to a third party, or if we become insolvent or are unable to meet our obligations under the management contract with the state of Ohio, at a price generally equal to the fair market value.
- (I) This facility is subject to a purchase option held by the Oklahoma Department of Corrections, or ODOC, which grants the ODOC the right to purchase the facility at its fair market value at any time during the term of the contract with the ODOC.
- (J) The state of Tennessee has the option to purchase the facility in the event of our bankruptcy, or upon an operational or financial breach under the management agreement, at a price equal to the book value, as determined under such agreement.
- (K) The contract at this facility expired on January 10, 2021, and was not renewed. The facility was leased from a third-party and the lease also terminated in January 2021.

### CoreCivic Properties

Through our CoreCivic Properties segment, we owned 15 properties for lease to third parties and used by government agencies. We calculate annualized lease income as annualized contractual base rent for the last month in a specified period, plus the annualized straight line rent adjustments for the last month in such period and the annualized net expense reimbursements earned by us for the last month in such period. The following table includes certain information regarding each property.

Property Name	Primary Customer	Property Type (A)	Tenant Lease Expiration Year (B)	Leasable Square Feet	Annualized Lease Income (in thousands)	Percentage of Total Annualized Lease Income	Annualized Lease Income per Leased Square Foot
California City Correctional Center California City, California	State of California	C	2024 (C)	522,000	\$ 33,196	40.5%	\$ 64
Long Beach Community Corrections Center Long Beach, California	The GEO Group, Inc.	CC	2025	16,000	\$ 977	1.2%	\$ 62
Stockton Female Community Corrections Facility Stockton, California	WestCare California, Inc.	CC	2025 (D)	15,000	\$ 206	0.3%	\$ 13
Capital Commerce Center * Tallahassee, Florida	State of Florida - Florida Dept. of Business & Professional Regulation	GL	2028 (E)	259,000	\$ 5,907	7.2%	\$ 23
Augusta Transitional Center Augusta, Georgia	State of Georgia	CC	2021 (F)	29,000	\$ 498	0.6%	\$ 17
Lansing Correctional Facility Lansing, Kansas	State of Kansas	C	2040	401,000	\$ 2,468	3.0%	\$ 6
Southeast Correctional Complex (G) Wheelwright, Kentucky	Commonwealth of Kentucky	C	2030 (H)	127,000	\$ 4,144	5.1%	\$ 33
SSA-Baltimore * Baltimore, Maryland	GSA - Social Security Administration	GL	2034	541,000	\$ 24,050	29.4%	\$ 44
MDHHS-Detroit Detroit, Michigan	Michigan Department of Technology, Management and Budget	GL	2021 (I)	37,000	\$ 905	1.1%	\$ 25
SSA-Florissant St Louis, Missouri	GSA - Social Security Administration	GL	2021	12,000	\$ 274	0.3%	\$ 22

Property Name	Primary Customer	Property Type (A)	Tenant Lease Expiration Year (B)	Leasable Square Feet	Annualized Lease Income (in thousands)	Percentage of Total Annualized Lease Income	Annualized Lease Income per Leased Square Foot	
NARA-Dayton * Dayton, Ohio	GSA - National Archives & Records Administration	GL	2033 (J)	214,000	\$ 1,623	2.0%	\$ 8	
North Fork Correctional Facility Sayre, Oklahoma	State of Oklahoma	C	2021 (C)	466,000	\$ 7,258	8.9%	\$ 16	
Broad Street Residential Reentry Center Philadelphia, Pennsylvania	Idled 2019	CC	—	18,000	\$ —	—	\$ —	
Roth Hall Residential Reentry Center Philadelphia, Pennsylvania	City of Philadelphia, Pennsylvania	CC	2021	18,000	\$ 197	0.2%	\$ 11	
Walker Hall Residential Reentry Center Philadelphia, Pennsylvania	City of Philadelphia, Pennsylvania	CC	2021	18,000	\$ 169	0.2%	\$ 9	
Total / Weighted Average					<u>2,693,000</u>	<u>\$ 81,872</u>	<u>100.0%</u>	<u>\$ 31</u>

\*Held for Sale.

(A) GL=Government-Leased; C=Correctional; CC=Community Corrections.

(B) The year of lease expiration does not include renewal options, but does include the soft term, where applicable. All leases with renewal options are noted in the following footnotes to this table.

(C) Lease contains indefinite renewal options.

(D) Lease contains one five-year renewal option.

(E) Lease contains two five-year renewal options.

(F) Lease contains two one-year renewal options.

(G) The KYDOC has an option to purchase the facility at any time during the term of the lease with us at a price equal to the fair market value of the property.

(H) Lease contains five two-year renewal options.

(I) The Department of Technology, Management & Budget provided notice of lease cancellation effective February 5, 2021.

(J) Lease contains one ten-year renewal option.

## Competitive Strengths

Through our three segments, CoreCivic Safety, CoreCivic Community, and CoreCivic Properties, we offer multiple solutions to unique challenges, allowing government organizations to address their various needs while customizing the solution based on their unique circumstances. Accordingly, we believe that we benefit from the following competitive strengths:

*Largest Private Owner of Real Estate used by Government Agencies in the United States.* As of December 31, 2020, we owned, or controlled via a long-term lease, approximately 16.3 million square feet of real estate, all used directly or indirectly by government agencies, which we believe makes us the largest private owner of real estate used by U.S. government agencies. Our complementary set of business assets provide critical infrastructure and services under contracts with federal, state, and local government agencies that generally have credit ratings of single-A or better, which also contributes to our steady, predictable cash flows.

In our CoreCivic Safety segment, we own, or control via a long-term lease, 12.9 million square feet of real estate used to provide innovative, comprehensive, flexible, turn-key correctional and detention services to federal, state and local government agencies. As of December 31, 2020, our CoreCivic Safety segment operated 47 facilities, 42 of which we owned, with a total design capacity of 70,003 beds, making us the nation's largest private prison owner and one of the largest prison operators in the United States. Six facilities in our Safety segment were idle as of December 31, 2020, containing 7,066 beds, and are available for growth opportunities. Our CoreCivic Safety segment generated 82.2% of our total segment net operating income during 2020.

In our CoreCivic Community segment, we own, or control via a long-term lease, 0.7 million square feet of real estate representing, as of December 31, 2020, 27 residential reentry centers with a design capacity of 5,233 beds, making us the second largest community corrections owner and operator in the United States. Three of our residential reentry centers, containing 650 beds, were idle as of December 31, 2020, excluding our Turley Residential Center in Oklahoma. In the fourth quarter of 2020, we were awarded a new contract with the BOP for home confinement services to be provided in the state of Oklahoma. As a result of this award, we reactivated the Turley facility, which was idled in 2019, in the first quarter of 2021. Our CoreCivic Community segment generated 3.4% of our total segment net operating income during 2019.

In our CoreCivic Properties segment, as of December 31, 2020, we owned 2.7 million square feet of real estate representing 15 properties that are for lease to third parties and used by government agencies. Our CoreCivic Properties segment generated 14.4% of our total segment net operating income during 2020.

We believe our synergistic set of business segments, combined with our operating strategies, corrections-industry commitment to rehabilitation, extensive government relationships, and deep real estate expertise, provide us with a diversified platform for stable cash flows and sustainable growth, with multiple paths for organic expansions and acquisitions.

*First and Largest Private Prison Owner.* Through our CoreCivic Safety segment, we are the nation's largest private prison owner and one of the largest prison operators in the United States, which provides us significant credibility with our current and prospective clients. We believe we own, or control via a long-term lease, approximately 58% of all privately owned prison beds in the United States and manage nearly 39% of all privately managed prison beds in the United States. We pioneered modern-day private prisons with a list of notable accomplishments, such as:

- the first company to design, build, and operate a private prison;
- the first company to manage a private maximum-security facility under a direct contract with the federal government;
- the first company to purchase a government-owned correctional facility from a government agency in the United States and to manage the facility for the government agency;
- the first company to lease a private prison to a state government; and
- the first company to develop a privately-owned, build-to-suit correctional facility to be operated by a government agency through a long-term lease agreement.

In addition to providing us with extensive experience and institutional knowledge, our size also helps us deliver value to our customers by providing purchasing power and allowing us to achieve certain economies of scale.

*Available Beds within Our Existing Facilities.* As of December 31, 2020, we had 6,826 beds at five prison facilities that are vacant and immediately available to use. We are actively engaged in marketing this available capacity as solutions to meet the needs of potential customers. Historically, we have been successful in substantially filling our inventory of available beds. For example, in the second quarter of 2019, we announced that we entered into new contracts under inter-governmental service agreements, or IGSA's, with ICE at our previously idled 910-bed Torrance County Detention Facility in New Mexico and with the USMS at our previously idled 1,422-bed Eden Detention Center in Texas. The activations of these two facilities were both completed in the third quarter of 2019.

More recently, in the third quarter of 2020, we entered into a new contract under an IGSA between the city of Cushing, Oklahoma and the USMS, to utilize our 1,600-bed Cimarron Correctional Facility in Oklahoma. We had previously announced our intention to idle the Cimarron facility during the third quarter of 2020, predominantly due to a lower number of inmate populations from the state of Oklahoma resulting from COVID-19, combined with the consequential impact of COVID-19 on the State's budget. The new management contract commenced on September 15, 2020.

Available bed capacity can also be used for emergent needs. For example, during January 2020, we entered into an emergency ninety-day contract with the state of Mississippi to care for up to 375 inmates at our Tallahatchie County Correctional Facility, as the state of Mississippi was experiencing significant challenges in its correctional system. This emergency contract exemplifies how critically important it is for state and federal partners to have access to our real estate assets and associated service offerings to meet their unexpected needs. Our Tallahatchie facility provided immediate capacity for the state of Mississippi to move a portion of its close-custody inmate population, which we believe quickly improved the safety and security of their correctional system.

*Well-Established Community Corrections Platform.* Through our CoreCivic Community segment, as of December 31, 2020, we had a network of 27 residential reentry centers containing a total of 5,233 beds. We offer housing and programs, with a key focus on employment, job readiness and life skills in order to help offenders successfully re-enter the community and reduce the risk of recidivism. We also provide non-residential correctional alternatives, including electronic monitoring and case management services, to municipal, county and state governments in multiple states. We expect to continue to pursue opportunities that expand the scope of non-residential correctional alternative solutions available to government agencies.

We are the second largest community corrections owner and operator in the United States. We believe this recognition, along with our track record of successful acquisitions and the relationships we have established with owners and potential sellers of reentry facilities, provides us with a platform for further growth and allows us to continue to be an industry consolidator in a fragmented market. COVID-19 notwithstanding, we believe the demand for the housing and programs that community corrections facilities offer will grow as offenders are released from prison and due to an increased awareness of the important role these programs play in an offender's successful transition from prison to society, especially following the COVID-19 pandemic when the judicial system resumes normal operations. We expect to continue to pursue opportunities to provide these services to parolees, defendants, and offenders who are serving their full sentence, the last portion of their sentence, waiting to be sentenced, awaiting trial while supervised in a community environment, or as an alternative to incarceration. We believe we have the opportunity to maximize utilization of available beds within our community corrections portfolio that would further increase the number of individuals benefiting from the services we provide in such facilities. For example, in the fourth quarter of 2020, we executed a new contract with the BOP for residential reentry and home confinement services at our previously idled 289-bed Turley Residential Center and at our 494-bed Oklahoma Reentry Opportunity Center, both in Oklahoma. The new contract commenced in the first quarter of 2021 and supplements the existing utilization by the state of Oklahoma at the Oklahoma Reentry Opportunity Center.



*Flexible Real Estate Solutions.* Through our CoreCivic Properties segment, as of December 31, 2020, we owned 15 properties for lease to third parties and used by government agencies, totaling 2.7 million square feet. We have an extensive network of government relationships and the capability to manage and maintain complex properties, built over our 35-year history. In addition, we offer our customers an attractive portfolio of correctional, detention, and reentry facilities that can be leased for various needs as an alternative to providing "turn-key" correctional, detention, and residential reentry bed space and services to our government partners. In December 2019, we entered into a lease with the KYDOC for our previously idled 656-bed Southeast Correctional Complex in Wheelwright, Kentucky. The lease commenced July 1, 2020 and has an initial term of ten years and includes five two-year renewal options. The lease of this facility, along with the lease of our 2,400-bed North Fork Correctional Facility to the ODOC originating in 2016 and the lease of our California City Correctional Center to the California Department of Corrections and Rehabilitation originating in 2013, exemplify our ability to react quickly to our partners' needs with innovative and flexible solutions that make the best use of taxpayer dollars. We previously operated these three correctional facilities for various state and federal partners. We intend to pursue additional opportunities to lease prison facilities to government and other third-party operators in need of correctional capacity.

On January 24, 2018, we entered into a 20-year lease agreement with the KDOC for a 2,432-bed correctional facility to be constructed in Lansing, Kansas. We commenced construction of the facility in the first quarter of 2018. In December 2019, the Lansing facility began accepting offenders into the 512-bed minimum security complex ahead of schedule, with the remaining 1,920-bed medium/maximum security complex completed in January 2020. The new facility replaces the Lansing Correctional Facility, Kansas' largest correctional complex for adult male inmates, originally constructed in 1863. This transaction represents the first development of a privately owned, build-to-suit correctional facility to be operated by a government agency through a long-term lease agreement. We are responsible for facility maintenance throughout the 20-year term of the lease, at which time ownership will revert to the state of Kansas.

*Attractive Real Estate Portfolio.* For the year ended December 31, 2020, the properties we owned or controlled generated 97% of our facility net operating income. The weighted average age of our portfolio of facilities in our CoreCivic Safety, CoreCivic Community, and CoreCivic Properties segments is 21, 28, and 18 years, respectively. These valuable assets are located in areas with high barriers to entry, particularly due to the unique permitting and zoning requirements for these facilities. Further, the majority of our assets are constructed primarily of concrete and steel, generally requiring lower maintenance capital expenditures than other types of commercial properties.

We believe we are the largest developer of mission-critical, criminal justice center real estate projects over the past 15 years. We also believe we are the largest private owner of real estate used by government agencies. We provide space and services under contracts with federal, state, and local government agencies that generally have credit ratings of single-A or better. In addition, a majority of our contracts have terms between one and five years, and we have experienced customer retention of approximately 94% at facilities we owned and operated during the previous five years, which contributes to our relatively predictable and stable revenue base. This stream of revenue combined with our low maintenance capital expenditure requirement translates into steady, predictable cash flow.

We intend to pursue the sale of non-core assets in the Properties segment. These properties have performed well through the COVID-19 pandemic and are leased to federal and state government agencies with strong credit profiles, creating an opportune time to redeploy this capital into projects generating higher returns, like those we plan to develop in Alabama, or to pay-down debt. In December 2020, we completed the sale of 42 non-core government leased properties in a single transaction to a third party for an aggregate price of \$106.5 million, generating approximate net proceeds of \$27.8 million, following repayment of non-recourse mortgage notes associated with some of the properties and other transaction-related costs.

As of December 31, 2020, we had three additional non-core real estate assets held for sale with a net book value of \$279.4 million. Although we can provide no assurance, based on interest expressed to-date, we are hopeful to consummate the sale of these assets during the first half of 2021. If we are successful in consummating the sale of these assets, combined with the sale completed in the fourth quarter of 2020, we expect the net proceeds from our sale of non-core assets will be consistent with our original estimate of up to \$150 million.

*Acquisitions, Development and Expansion Opportunities.* Although disrupted by the COVID-19 pandemic, several of our existing federal and state partners, as well as prospective state partners, had been experiencing growth in offender populations and overcrowded conditions. Governments are now assessing their need for correctional space in light of COVID-19, and several are considering alternative correctional capacity for their aged or inefficient infrastructure, or are seeking cost savings by utilizing the private sector. Competing budget priorities, which will likely become more challenging because of COVID-19, often impede our customers' ability to construct new prison beds of their own or update older facilities, which we believe could result in further need for private sector prison capacity solutions in the long-term. Over the long-term, we would like to see meaningful utilization of our available capacity and better visibility from our customers into their potential future needs before we develop new prison capacity on a speculative basis. We will, however, respond to customer demand and may develop or expand correctional and detention facilities when we believe potential long-term returns justify the capital deployment, such as the 2019 expansion of our Otay Mesa Detention Center. We expanded the Otay Mesa facility by 512 beds as a result of long-standing demand from the USMS and ICE and limited detention capacity in the Southwest region of the United States. Both the USMS and ICE currently utilize the Otay Mesa Detention Center under an existing contract that enables both agencies to utilize the additional capacity.

In February 2021, we entered into two 30-year lease agreements with the Alabama Department of Corrections, or ADOC, for the development of two correctional facilities in Alabama. Final lease costs for both properties will become available when project financing is completed. Construction of both facilities, which will contain an aggregate of approximately 7,000 beds, is expected to commence later in 2021 or the beginning of 2022. The two facilities are expected to be ready for occupancy once construction is completed in approximately three years. Both facilities will be leased, operated, and staffed by the ADOC. We will retain ownership and be responsible for facility maintenance throughout the term of the leases. With the extensively aged criminal justice infrastructure in the U.S. today, and contract awards from the KDOC and the ADOC demonstrating our ability to bring important flexible solutions to government agencies, we believe we can bring solutions like these to other government agencies.

Over the previous three years, through multiple acquisitions, we acquired approximately 1.6 million square feet of real estate assets leased to third parties and used by government agencies, including the acquisition in January 2020 of a portfolio of 28 properties, all of which were built-to-suit and leased to the federal government through the General Services Administration, or GSA. The 445,000 square foot portfolio acquired in 2020 serves numerous federal agencies, including primarily the Social Security Administration, the Department of Homeland Security, or DHS, and the Office of Hearings Operations. As previously described, we sold this 445,000 square foot portfolio in December 2020, along with fourteen other properties, in a single transaction.

*Increasing Financial Flexibility.* On August 5, 2020, we announced that our BOD unanimously approved a plan to revoke our REIT election and become a taxable C Corporation, effective January 1, 2021. As a result, we will no longer be required to operate under REIT rules, including the requirement to distribute at least 90% of our taxable income to our stockholders, which will provide us with greater flexibility to use our free cash flow. Beginning January 1, 2021, we will be subject to federal and state income taxes on our taxable income at applicable tax rates, and will no longer be entitled to a tax deduction for dividends paid. However, we believe this conversion will improve our overall credit profile and lower our overall cost of capital, as we will be able to allocate our free cash flow toward the repayment of debt, which may include the purchase of our outstanding debt in open market transactions, privately negotiated transactions or otherwise. Any such debt repurchases will depend upon prevailing market conditions, our liquidity requirements, contractual requirements, applicable securities laws requirements, and other factors. Following our first priority of reducing debt, we expect to utilize a substantial portion of our free cash flow to returning capital to our shareholders, which could include share repurchases and future dividends. We have not been able to implement a meaningful share repurchase program under the REIT structure without increasing our debt because a substantial portion of our free cash flow was required to satisfy the distribution requirements under the REIT structure. We will also pursue attractive growth opportunities, including new development opportunities in our Properties segment to meet the need to modernize outdated correctional infrastructure across the country, and evaluate additional opportunities to provide services in our Community segment that have not been available under the REIT structure. As a REIT, we depended on the capital markets to provide resources we could deploy toward acquisition and development opportunities. This capital was not always available to us and came at an increasing cost. The revocation of our REIT election provides us with significantly more liquidity and financial flexibility, which will enable us to reduce our reliance on the capital markets and reduce the size of our Bank Credit Facility in the future.

As of December 31, 2020, we had cash on hand of \$113.2 million and \$566.2 million available under our revolving credit facility, which has borrowing capacity under our Bank Credit Facility of up to \$800.0 million, or our Revolving Credit Facility. Our total weighted average effective interest rate on all outstanding debt was 4.5%, while our total weighted average maturity on all outstanding debt was 5.6 years. For the year ended December 31, 2020, our fixed charge coverage ratio was 3.9x and our debt leverage was 3.7x. During the year ended December 31, 2020, we generated \$355.5 million in cash through operating activities.

*Offer Compelling Value to Correctional Agencies.* We believe our government partners seek a compelling value and service offering when selecting an outsourced correctional services provider. We believe we offer a cost-effective alternative to our government partners by reducing their correctional services costs, including the avoidance of long-term pension obligations and large capital investments in new prison beds. We endeavor to improve operating performance and efficiency through the following key operating initiatives: (1) standardizing supply and service purchasing practices and usage; (2) implementing a standard approach to staffing and business practices; (3) improving offender management, resource consumption, and reporting procedures through the utilization of numerous technological initiatives; (4) reconfiguring facility bed space to optimize capacity utilization; and (5) improving productivity. Through ongoing company-wide initiatives, we continue to focus on efforts to contain costs and improve operating efficiencies.

Since 2017, we have maintained a nationwide initiative to advocate for a range of government policies that will help former offenders successfully reenter society and stay out of prison. In 2020, we announced that we will publicly advocate at the federal and state levels for a slate of new policies that will help people succeed in their communities after being released from prison. Specifically, we pledged our support for Pell Grant Restoration, Voting Rights Restoration and Licensure Reform Policies. Also in 2020, we partnered with, and made an investment in, Prison Fellowship, a leading advocate for criminal justice reform serving approximately 550,000 current and formerly incarcerated individuals and their family members each year. Through a network of programming and advocacy efforts, the organization seeks to effect positive change at every level of the criminal justice system. We have committed to a multi-year partnership in Prison Fellowship's Warden Exchange program, a residency and online professional development program that enables wardens to share reentry best practices and problem solve amongst a peer group. We believe that as successful as we may be with our work inside our facilities, offenders still face embedded societal barriers when they return to their communities. Through our strong commitment to community corrections and reentry programs, we offer our government partners additional long-term value. Our evidence-based reentry programs, including academic education, vocational training, substance abuse treatment, life skills training, and faith-based programming, are customizable based on partner needs and are applied utilizing best practices and/or industry standards. Our proprietary reentry process and cognitive/behavioral curriculum, "Go Further," promotes a comprehensive approach to addressing the barriers to a successful return to society. Through our efforts in community corrections and reentry programs, we can provide consistency and common standards across facilities. We can also serve multiple levels of government on an as-needed basis, all toward reaching the goal we share with our government partners of providing offenders with the opportunity to succeed when they are released, making our communities safer, and, ultimately, reducing recidivism.

We also offer a wide variety of specialized services that address the unique needs of various segments of the offender population. Because the offenders in the facilities we operate differ with respect to security levels, ages, genders, and cultures, we focus on the particular needs of an offender population and tailor our services based on local conditions and our ability to provide services on a cost-effective basis.

We believe our government partners and other agencies in the criminal justice sector also seek a compelling value and service offering when pursuing solutions to their unique real estate needs. We believe our track record of constructing quality assets on time and within budget, our design and construction methods, unique financing alternatives, and our expertise and experience enable us to provide a compelling value proposition for the construction of mission-critical government real estate assets. We also offer utility management services using environmentally-friendly, state-of-the-art technology and believe our robust preventive maintenance program included in our service offering significantly reduces the risk of real estate neglect.

*Proven Senior Management Team.* Our senior management team has applied their prior experience and diverse industry expertise to improve our operations, related financial results, and capital structure. Under our senior management team's leadership, we have successfully executed strategies to diversify our business and offer a broader range of solutions to government partners over the past several years resulting in the Company being renamed and rebranded as CoreCivic, created new business opportunities with customers that have not previously utilized the private corrections sector, completed several business combination transactions and corporate structure changes adapting to dynamic environments, and successfully completed numerous financing transactions.

*ESG Accountability.* In May 2020, we issued our second ESG report, which summarizes our impacts and aspirational goals across environmental, social, and governance topics. The report covers the year ended December 31, 2019, and details our commitment to reducing the national recidivism crisis, and provides quantified evidence of progress being made toward company-wide reentry goals. The report showcases our performance against long-term and annual goals in five key reentry programming areas: Educational Services, Treatment and Behavioral Programs, Reentry Services, Chaplaincy and Religious Services, and Victim Impact Programs. In addition, the report covers the human rights risk assessment conducted by the company in collaboration with an external consultant with expertise in international human rights matters. The report also updates our stakeholders on the implementation of a strategic energy management program, and highlights "green" design elements in new and existing facilities. Additionally, the report summarizes our management approach and activities in topics like political activity and contributions; supplier diversity; charitable giving; veterans hiring programs; PREA compliance; ethics; workforce rights, compensation, benefits, training and diversity.

The ESG report was prepared with reference to selected Global Reporting Initiative, or GRI, standards issued by the Global Sustainability Standards Board. GRI is an international independent standards organization created to help business, government and other organizations understand and communicate how their operations affect issues of global importance, such as human rights, corruption and climate change. In conducting the ESG materiality assessment contained in the report, we also considered the relevance and impact of our actions toward the United Nations Sustainable Development Goals, or UN SDGs, which were established in 2015 as a blueprint for addressing global societal challenges with measures that promote good health and well-being, clean and affordable energy, decent work and economic growth, climate action, and peace and justice

The ESG report may be accessed on our website under "Social Responsibility." The information included in the ESG report is not incorporated by reference into this Annual Report.

## Human Capital

In order to fulfill our mission of providing high quality, compassionate treatment to all those in our care, we strive to attract, develop and retain a diverse workforce of individuals who are driven by a deep sense of service, high standards of professionalism and a responsibility to help government better the public good. The following information outlines the strategies and initiatives designed to address the twin challenge of turnover and retention.

### Demographics

<b>Employees</b>	<b>2020</b>	<b>Hiring</b>	<b>2020</b>
Total Employees	12,415	Total Hires	4,530
% Female	51.5%	% Female	50.3%
% People of Color or Under-represented Minorities (URM)	56.0%	% People of Color or Under-represented Minorities (URM)	54.9%
% Veterans	10.1%	% Veterans	11.6%
% Facility-level employees	95.6%	% Facility-level employees	98.8%

## ***Leadership & Learning***

CoreCivic facilitates annual performance and career development discussions with all employees. These discussions consist of a continuous cycle of goal alignment, individual development planning and performance and career reviews. In 2020, 100% of management and 99% of all other employees completed annual performance and career development reviews.

Every year, CoreCivic facilitates talent review discussions to help identify development opportunities within our leadership pipeline. In 2020, we expanded the talent review process to better assess and develop our people for leadership positions. Through these discussions, we continue to see opportunities for advancement within our existing workforce, with 55% of our employees in leadership positions assessed "ready now" for advanced leadership responsibilities. For the 45% who are not "ready now," programs like the CoreCivic Leadership Experiences and Rotations program, or CLEAR, are designed to assist us in their development. CLEAR is a two-year rotational development program designed to provide the individuals identified during our talent management discussions an accelerated development opportunity to advance their careers through multiple short-term experiences. The breadth of roles can vary across different career paths and are intended to develop the rising leader's readiness for targeted, more complex roles following the program's successful completion.

We recognize the importance of investing in our people. CoreCivic's management approach to training and development is overseen by our Chief Human Resources Officer and Managing Director, Enterprise Learning and Development, and is implemented by leaders at our headquarters as well as a network of learning and development managers across our facilities. Our training activity and records are managed according to our learning and development policy, and our BOD receives periodic updates on the delivery of strategic training programs.

All CoreCivic employees are eligible to participate in various leadership and operational offerings. For example, through CoreCivic University, our employees can refine their current skills and learn new valuable skills, as well. To date, over 4,000 employees have completed programs within CoreCivic University. For new and existing employees alike, we provide training that meets or exceeds ACA and government partner standards, including 200 hours of pre-service and on-the-job training for new employees as well as a minimum of 40 hours of annual in-service and specialty training for employees in our Safety and Community segments.

## ***Diversity, Equity, and Inclusion (DEI)***

We are proud of our diverse workforce, and we recognize that employees come from many different backgrounds and that these differences are integral in how we view and experience the world. We believe that diversity, equity and inclusion, or DEI, improves safety and security, drives quality, increases employee engagement and provides greater accountability, which allows us to better serve our government partners' needs.

Our Vice President of Talent and Organizational Development leads our strategic approach to DEI. Our DEI policies prohibit harassment and promote proactive efforts on DEI. In accordance with federal contract requirements, we maintain affirmative action plans designed to recruit and advance underrepresented groups, including but not limited to, qualified minorities, women, persons with disabilities and covered veterans.

We believe there are opportunities to further advance underrepresented groups at CoreCivic. We have recently established a Diversity, Equity and Inclusion Advisory Council, or DEI Advisory Council, to drive future advancement of underrepresented groups, and to help better understand how our DEI practices can be improved in the future. This DEI Advisory Council includes a select team of CoreCivic employees representing our organization's diversity by gender, race, ethnicity, tenure and geography. We equipped our DEI Advisory Council, executive leadership team, and senior leaders with training and strategic planning on unconscious bias.

## ***Hiring and Sustaining our Workforce***

CoreCivic is the largest employer in many of the areas where our facilities are located, and as such, we commit to support and grow the local communities through our hiring and outreach efforts. Our long-term tenure in many of the communities we serve has provided stable careers and career growth opportunities to workforces in many communities. The Company provides equal opportunity employment to all candidates and follows the United States Department of Labor Office of Federal Contract Compliance Programs equal employment opportunity guidelines for hiring.

- In 2020, CoreCivic invested \$6.6 million in advertising and outreach to prospective candidates.
- Our average annual number of applications received is 78,000.
- CoreCivic has also been named a GI Jobs Military Friendly employer for ten (10) consecutive years.

CoreCivic offers multiple medical and wellness benefit plans, dental, vision, and disability income insurance, flexible spending accounts, and life and accidental death and dismemberment insurance. In addition, CoreCivic provides its employees with paid time off and paid holidays. CoreCivic also provides retirement benefits to its employees through a 401(k) retirement plan. To be eligible for most benefit plans, employees must be in a full-time position. Certain exceptions apply, such as eligibility for the 401(k) retirement plan if the 401(k) retirement plan's service and hour requirements are met, and at locations where the Service Contract Act applies.

## **Government Regulation**

### ***Business Regulations***

The industry in which we operate is subject to extensive federal, state, and local regulations, including educational, health care, data privacy, transportation, telecommunications, and safety regulations, which are administered by many governmental and regulatory authorities. Some of the regulations are unique to the corrections industry, and some target private, for-profit entities by imposing location requirements, compliance requirements, elevated litigation risk and financial penalties only on private, for-profit correction and detention providers. Facility management contracts typically include specific staffing requirements, reporting requirements, supervision, and on-site monitoring by representatives of the contracting governmental agencies. Corrections and reentry personnel are customarily required to meet certain training standards and, in some instances, facility personnel are required to be licensed and subject to background investigation. Certain jurisdictions also require us to award subcontracts on a competitive basis or to subcontract with certain types of businesses, such as small businesses and businesses owned by members of minority groups. Our facilities are also subject to operational and financial audits by the governmental agencies with which we have contracts. Failure to comply with these regulations and contract requirements can result in material penalties or non-renewal or termination of facility management contracts which could have a material effect on our financial position, results of operations and cash flows, or on our competitive position as a dependable government partner.

### ***Environmental Matters***

Under various federal, state, and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under, or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. As an owner of real estate assets and as the result of our operation and management of correctional, detention, and residential reentry facilities, we have been, and continue to be, subject to these laws, ordinances, and regulations. Phase I environmental assessments have been obtained on substantially all of the properties we currently own or are under an option to purchase. We are not aware of any environmental matters that are expected to materially affect our financial condition or results of operations; however, if such matters are detected in the future, the costs of complying with environmental laws could have a material effect on our financial position, results of operations and cash flows, or on our competitive position as a dependable government partner.

### ***Privacy and Security Requirements***

The Health Insurance Portability and Accountability Act of 1996, as amended, or HIPAA, and implementing regulations, require covered entities, which include health plans, most health care providers, and health clearinghouses, to protect the privacy and security of individually identifiable health information, known as “protected health information.” The regulations also provide for individual rights related to understanding and controlling how health information is used or disclosed. Certain provisions of the privacy and security regulations apply directly to entities that handle protected health information on behalf of covered entities, known as business associates. Covered entities may be subject to penalties as a result of a business associate violating HIPAA, if the business associate is found to be an agent of a covered entity.

Covered entities must notify affected individuals of breaches of unsecured protected health information without unreasonable delay, and such delay is not to exceed 60 days from discovery of the breach by the covered entity or its agents. They must also notify the U.S. Department of Health and Human Services, or DHHS, and, in certain situations involving large breaches, the media. All non-permitted uses or disclosures of unsecured protected health information are presumed to be breaches unless the covered entity or business associate establishes that there is a low probability the information has been compromised.

The DHHS may impose significant civil and criminal penalties for violations of the HIPAA regulations. The civil penalties are adjusted annually based on updates to the consumer price index. In addition, state attorneys general are authorized to bring civil actions for injunctions or damages in response to violations that threaten the privacy of state residents. The costs associated with compliance and defending against privacy and security related claims or enforcement actions may be substantial.

Additionally, we are subject to complex and evolving U.S. federal and state privacy laws and regulations, including those pertaining to the processing of personal data that may not be preempted by the HIPAA privacy and security standards, such as the California Consumer Privacy Act, or CCPA, which was recently significantly modified by the California Privacy Rights Act, or CPRA. Many of these privacy laws and regulations and related interpretations are subject to uncertain application, interpretation or enforcement standards that could result in claims against us, extensive changes to our business practices, systems and operational processes, including our data processing and security systems, penalties, increased operating costs or other impacts on our businesses. Many of the recently enacted laws often provide for civil penalties for violations, as well as a private right of action for data breaches and non-compliance with such laws that may increase data breach litigation and/or our susceptibility to fines or penalties from a regulator. Further, while we are using internal and external resources to monitor compliance with and to continue to modify our data processing practices and policies in order to comply with evolving privacy laws, relevant regulatory authorities could disagree with our interpretation of these laws and determine that our data processing practices fail to address all the requirements of certain new laws, which could subject us to penalties and/or litigation. In addition, there is no assurance that our security controls over personal data, the training of employees and vendors on data privacy and data security, and the policies, procedures and practices we implemented or may implement in the future will prevent the improper disclosure of personal data. Improper use or disclosure of personal data in violation of HIPAA, the CCPA, CPRA and/or of other personal data protection laws could harm our reputation, cause loss of consumer confidence, subject us to government enforcement actions (including fines), or result in private litigation against us, which could result in loss of revenue, increased costs, liability for monetary damages, fines and/or criminal prosecution, all of which could have a material effect on our financial position, results of operations and cash flows, or on our competitive position as a dependable government partner.

Healthcare providers and certain other industry participants are also subject to a growing number of requirements intended to promote the interoperability and exchange of patient health information. For example, beginning April 5, 2021, health care providers and certain other entities will be subject to information blocking restrictions pursuant to the 21<sup>st</sup> Century Cures Act that prohibit practices that are likely to interfere with the access, exchange or use of electronic health information, except as required by law or specified by DHHS as a reasonable and necessary activity. Violations may result in penalties or other disincentives.

## **Insurance**

We maintain general liability insurance for all the facilities we operate, as well as insurance in amounts we deem adequate to cover property and casualty risks, workers' compensation, and directors and officers liability. In addition, each of our leases with third parties provides that the lessee will maintain insurance on each leased property under the lessee's insurance policies providing for the following coverages: (i) fire, vandalism, and malicious mischief, extended coverage perils, and all physical loss perils; (ii) comprehensive general public liability (including personal injury and property damage); and (iii) workers' compensation. Under each of these leases, we have the right to periodically review our lessees' insurance coverage and provide input with respect thereto.

Each of our management contracts and the statutes of certain states require the maintenance of insurance. We maintain various insurance policies including employee health, workers' compensation, automobile liability, and general liability insurance. Because we are significantly self-insured for employee health, workers' compensation, automobile liability, and general liability insurance, the amount of our insurance expense is dependent on claims experience, and our ability to control our claims experience. Our insurance policies contain various deductibles and stop-loss amounts intended to limit our exposure for individually significant occurrences. However, the nature of our self-insurance policies provides little protection for deterioration in overall claims experience or an increase in medical costs. We are continually developing strategies to improve the management of our future loss claims but can provide no assurance that these strategies will be successful. However, unanticipated additional insurance expenses resulting from adverse claims experience or an increasing cost environment for general liability and other types of insurance could adversely impact our results of operations and cash flows.

## **Competition**

The correctional, detention, and residential reentry facilities we own, operate, or manage, as well as those facilities we own but are managed by other operators, are subject to competition for offenders and residents from other private operators. We compete primarily on the basis of bed availability, cost, the quality and range of services offered, our experience in the design, construction, and management of correctional and detention facilities, and our reputation. We compete with government agencies that are responsible for correctional, detention, and residential reentry facilities and a number of companies, including, but not limited to, The GEO Group, Inc. and Management and Training Corporation. We also compete in some markets with small local companies that may have a better knowledge of the local conditions and may be better able to gain political and public acceptance. Other potential competitors may in the future enter into businesses competitive with us without a substantial capital investment or prior experience. We may also compete in the future for acquisitions and new development projects with companies that have more financial resources than we have or those willing to accept lower returns than we are willing to accept. Competition by other companies may adversely affect occupancy at our facilities, which could have an adverse impact on the operating revenue of our facilities. In addition, revenue derived from our facilities will be affected by a number of factors, including the demand for beds, general economic conditions, and the age of the general population.



## ITEM 1A. RISK FACTORS.

As the owner and operator of correctional, detention, and residential reentry facilities, we are subject to certain risks and uncertainties associated with, among other things, the corrections and detention industry and pending or threatened litigation in which we are involved. In addition, we are also currently subject to risks associated with real estate ownership, our indebtedness, as well as our qualification as a REIT for federal income tax purposes for those years we elected REIT status. The risks and uncertainties set forth below could cause our actual results to differ materially from those indicated in the forward-looking statements contained herein and elsewhere. The risks described below are not the only risks we face. Additional risks and uncertainties not currently known to us or those we currently deem to be immaterial may also materially and adversely affect our business operations. Any of the following risks could materially adversely affect our business, financial condition, or results of operations.

### Risks Related to Our Business and Industry

***Resistance to privatization of correctional, detention, and residential reentry facilities, and negative publicity regarding inmate disturbances or perceived poor operational performance, could result in our inability to obtain new contracts, the loss of existing contracts, or other unforeseen consequences.***

Privatization of correctional, detention, and residential reentry facilities has not achieved complete acceptance by either government agencies or the public at large. The operation of correctional, detention, and residential reentry facilities by private entities has encountered resistance from certain groups, such as labor unions, prison reform organizations, activists and others that believe that correctional, detention, and residential reentry facilities should only be operated by governmental agencies. Any political platform or promise, governmental agency report, investigation or inquiry, public statement by any governmental agency, policy or legislative change, or other similar occurrence or action, that seeks to, or purports to, prohibit, eliminate, or otherwise restrict or limit in any way, the federal government's (or any state or local government's) ability to contract with private operators of correctional, detention, and residential reentry facilities, could negatively impact our growth and our ability to renew or maintain existing contracts or to obtain new contracts and could have a material adverse effect on our business, financial condition, results of operations or the market price of our common stock.

On January 26, 2021, President Biden issued the Private Prison EO. The Private Prison EO directs the Attorney General to not renew DOJ contracts with privately operated criminal detention facilities. Two agencies of the DOJ, the BOP and the USMS, utilize our services. The BOP houses inmates who have been convicted, and the USMS is generally responsible for detainees who are awaiting trial. The BOP has experienced a steady decline in inmate populations over the last seven years, a trend that has been accelerated by the COVID-19 pandemic. We currently have one prison contract with the BOP, accounting for 2% (\$39.2 million) of our total revenue for the year ended December 31, 2020, which was recently renewed through November 2022.

Unlike the BOP, the USMS does not own detention capacity and relies on the private sector, along with county jails, for their detainee population. We do not believe the USMS currently has sufficient detention capacity that satisfies their needs without the private sector, and we are not currently aware of an alternative solution for the USMS. We currently have eight detention facilities that have separate contracts where the USMS is the primary customer that all expire at various times over the next several years, with the exception of two contracts that have indefinite terms. Non-renewal of these contracts, or the expansion of such a similar order to ICE, an agency of the DHS, would have a material adverse effect on our business, financial condition, and results of operations. For the year ended December 31, 2020, USMS and ICE accounted for 21% (\$396.3 million) and 28% (\$541.9 million), respectively, of our total revenue.

In addition, negative publicity regarding offenders escaping, rioting or any other disturbances at our facilities or any public perception of poor operational performance at our facilities, contract non-compliance, or other conditions (including COVID-19 infections at the facilities we own and manage) at a privately managed facility may result in adverse publicity to us and the private corrections industry in general and could negatively impact our growth and our ability to renew or maintain existing contracts or to obtain new contracts, which could have an adverse impact on our business, financial condition, results of operations or the market price of our common stock.

***We are subject to fluctuations in occupancy levels, and a decrease in occupancy levels could cause a decrease in revenues and profitability.***

While a substantial portion of our cost structure is fixed, a substantial portion of our revenue is generated under facility ownership and management contracts that specify per diem payments based upon daily or minimum guaranteed occupancy levels. We are dependent upon the governmental agencies with which we have contracts to provide offenders for facilities we operate. We cannot control occupancy levels at the facilities we operate. We do not lobby or advocate for any policies that determine the basis for or duration of an individual's incarceration or detention. Under a per diem rate structure, a decrease in our occupancy rates could cause a decrease in revenue and profitability. For the years 2020, 2019, and 2018, the average compensated occupancy of our facilities, based on rated capacity, was 74%, 82%, and 81%, respectively, for all of the facilities we operated, exclusive of facilities that are leased to third-party operators where our revenue is generally not based on daily occupancy. Occupancy rates may, however, decrease below these levels in the future, including as a result of COVID-19. When combined with relatively fixed costs for operating each facility, a decrease in occupancy levels could have an adverse impact on our profitability.

***We are dependent on government appropriations, and our results of operations may be negatively affected by governmental budgetary challenges or government shutdowns.***

Our cash flow is subject to the receipt of sufficient funding of, and timely payment by, contracting governmental entities. If the appropriate governmental agency does not receive sufficient appropriations to cover its contractual obligations, it may terminate our contract or delay or reduce payment to us. While we have historically been required to continue to perform under our government contracts during government shutdowns, we are generally not paid until the government reopens. Any delays in payment, or the termination of a contract, could have an adverse effect on our cash flow and financial condition. In addition, federal, state and local governments are constantly under pressure to control additional spending or reduce current levels of spending. In prior years, these pressures have been compounded by economic downturns. Beginning in 2020, these pressures were further exacerbated by the economic impact of COVID-19, and the extent to which COVID-19 will impact our government partners' future appropriations and budgetary constraints is unknown. Accordingly, we have been requested and may be requested in the future to reduce our existing per diem contract rates or forego prospective increases to those rates. Further, our government partners could reduce offender population levels in facilities we own or manage to contain their correctional costs. In addition, it may become more difficult to renew our existing contracts on favorable terms or otherwise.

***The COVID-19 pandemic has had, and we expect will continue to have, certain negative effects on our business, and such effects may have a material adverse effect on our results of operations, financial condition and cash flows.***

The public health crisis caused by the COVID-19 pandemic and the unprecedented measures taken by United States federal, state and local government authorities in an effort to contain and mitigate the spread of COVID-19, have had, and we expect will continue to have, certain negative effects on our business, including, without limitation, the following:

- The decision imposed by the federal government to deny entry at the United States southern border to asylum-seekers and anyone crossing the United States southern border without proper documentation or authority in an effort to contain the spread of COVID-19 has resulted in a reduction in ICE populations, including in our facilities. The duration of the closure of the United States southern border to asylum-seekers and anyone crossing the southern boarder without proper documentation or authority is unknown, and such closure will continue to effect the utilization of our facilities by ICE. In February 2021, President Biden announced plans to allow certain migrants to pursue asylum in the United States while awaiting their proceedings in immigration courts, reversing a policy of the prior administration, which required these asylum seekers to wait in Mexico during the pendency of their immigration court proceedings. We are compensated under several of our contracts with ICE based on minimum guaranteed occupancy levels, which provides the agency with the certainty of available beds. ICE may be more likely to renegotiate per diem rates or terminate contracts where occupancy has declined below the minimum guaranteed occupancy levels.

- Disruptions to the criminal justice system as a result of COVID-19 have contributed to a reduction in the number of USMS populations and state populations in our correctional and detention facilities, as the number of courts in session, arrests, and prosecutions have declined. Disruptions to the criminal justice system have also resulted in fewer referrals to both our residential reentry facilities and programs in our non-residential criminal justice services business. As long as COVID-19 related restrictions on individuals, businesses, and services, along with government policies on prosecutions, and newly ordered legal restrictions associated with COVID-19 that affect the number of people placed in correctional, detention, and reentry facilities, remain in effect, we expect the disruption in the criminal justice system to continue.
- We have had positive COVID-19 cases at our facilities. While we are taking measures to protect our employees and those entrusted to our care, which include, but are not limited to, enhanced hygiene practices, the suspension of visitation (after consultation with our government partners), following guidance provided by the CDC for Correctional and Detention Facilities, and the separation of vulnerable inmate populations from the rest of the inmate population for their protection, these measures may not be sufficient to prevent or mitigate the spread of COVID-19 among our employees and those entrusted to our care and, as a result, we may face disruptions at our facilities. For example, an inability to fully staff our correctional, detention, and reentry facilities could result in negative consequences, including fines, other penalties, or contract cancellations.
- Certain government agencies have released, may be considering releasing, or may be experiencing pressure to release, certain inmates and detainees as a result of COVID-19. It is possible that government agencies, which may include our government partners, could release certain inmates and detainees from correctional, detention, and residential reentry facilities, which could reduce the utilization of our facilities and our services, and could occur as a result of legal decisions. In addition, our government partners could require us to transfer inmates or detainees to other facilities in the event of a COVID-19 outbreak at one of our facilities.
- Longer-term budget challenges our government partners face as a result of a reduction in revenues resulting from COVID-19 could negatively impact per diem rates and the utilization of our facilities and our services.
- Our personnel costs and expenses at our facilities have increased as a result of COVID-19. In response to the COVID-19 pandemic, we have, among other things, increased compensation and provided additional benefits to staff at our correctional, detention, and residential reentry facilities, and implemented enhanced hygiene practices at our facilities.
- Government agencies and referring boards have decided, and may continue to decide, to refer residents to home confinement or otherwise reduce the utilization of community facilities, such as our residential reentry facilities.
- We rely on third-party service providers and business partners, such as suppliers, distributors, contractors and other external businesses, for certain functions or for services in support of our operations. These third-party service providers are subject to risks and uncertainties related to COVID-19, which may interfere with their ability to fulfill their respective commitments and responsibilities to us in a timely manner and in accordance with the agreed-upon terms.
- Actions we have taken or may take, or decisions we have made or may make, as a consequence of COVID-19, may result in legal claims or litigation against us.

The full extent to which the COVID-19 pandemic will negatively affect our results of operations, financial condition and cash flows will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by federal, state and local government authorities and other third parties in response to COVID-19. Any of the negative impacts of the COVID-19 pandemic, including those described above, alone or in combination with others, may have a material adverse effect on our results of operations, financial condition and cash flows.

***Competition may adversely affect the profitability of our business.***

We compete with government entities and other private operators on the basis of bed availability, cost, quality and range of services offered, experience in designing, constructing, and managing facilities, and reputation of management and personnel. While there are barriers to entering the market for the ownership and management of correctional, detention, and residential reentry facilities, these barriers may not be sufficient to limit additional competition. In addition, our government customers may assume the management of a facility that they own and we currently manage for them upon the termination of the corresponding management contract or, if such customers have capacity at their facilities, may take offenders and residents currently cared for in our facilities and transfer them to government-run facilities. Since we are paid on a per diem basis with no minimum guaranteed occupancy under most of our contracts, the loss of such offenders and residents, and the resulting decrease in occupancy, would cause a decrease in our revenues and profitability.

***We are subject to terminations, non-renewals, or competitive re-bids of our government contracts.***

We typically enter into facility contracts with governmental entities for terms of up to five years, with additional renewal periods at the option of the contracting governmental agency. Notwithstanding any contractual renewal option of a contracting governmental agency, 39 of our facility contracts with the customers listed under "Business – Facility Portfolio" are currently scheduled to expire on or before December 31, 2021 but have renewal options (22), or are currently scheduled to expire on or before December 31, 2021 and have no renewal options (17). Although we generally expect these customers to exercise renewal options or negotiate new contracts with us, one or more of these contracts may not be renewed and we may not be able to negotiate a new contract on favorable terms or at all with the corresponding governmental agency. In addition, these and any other contracting agencies may determine not to exercise renewal options with respect to any of our contracts in the future. Our government partners can also re-bid contracts in a competitive procurement process upon termination or non-renewal of our contract. Competitive re-bids may result from the expiration of the term of a contract, including the initial term and any renewal periods, or the early termination of a contract. Competitive re-bids are often required by applicable federal or state procurement laws periodically in order to further competitive pricing and other terms for the government agency. The aggregate revenue earned during the year ended December 31, 2020 for the 39 contracts with scheduled maturity dates, notwithstanding contractual renewal options, on or before December 31, 2021 was \$541.1 million, or 28% of total revenue.

Additionally, the Private Prison EO issued by President Biden on January 26, 2021, directs the Attorney General to not renew DOJ contracts with privately operated criminal detention facilities. Two agencies of the DOJ, the BOP and the USMS, utilize our services. The BOP houses inmates who have been convicted, and the USMS is generally responsible for detainees who are awaiting trial. The BOP has experienced a steady decline in inmate populations over the last seven years, a trend that has been accelerated by the COVID-19 pandemic. We currently have one prison contract with the BOP, accounting for 2% (\$39.2 million) of our total revenue for the year ended December 31, 2020, which was recently renewed through November 2022.

Unlike the BOP, the USMS does not own detention capacity and relies on the private sector, along with county jails, for its detainee population. We do not believe the USMS currently has sufficient capacity that satisfies their current needs without the private sector, and we are not currently aware of an alternative solution for the USMS. We currently have eight detention facilities that have separate contracts where the USMS is the primary customer that all expire at various times over the next several years, with the exception of two contracts that have indefinite terms. Non-renewal of these contracts, or the expansion of such a similar order to ICE, an agency of the DHS, would have a material adverse effect on our business, financial condition, and results of operations. For the year ended December 31, 2020, USMS and ICE accounted for 21% (\$396.3 million) and 28% (\$541.9 million), respectively, of our total revenue.

Governmental agencies typically may terminate a facility contract at any time without cause or use the possibility of termination to negotiate a lower per diem rate. In the event any of our contracts are terminated or are not renewed on favorable terms or otherwise, we may not be able to obtain additional replacement contracts. The non-renewal, termination, renegotiation or competitive re-bid of any of our contracts with governmental agencies could materially adversely affect our financial condition, results of operations and liquidity, including our ability to secure new facility contracts from others.

Based on information available as of the date of this Annual Report, we believe we will renew all contracts with our government partners that have expired or are scheduled to expire within the next twelve months that could have a material adverse impact on our financial statements. We believe our renewal rate on existing contracts remains high due to a variety of reasons including, but not limited to, the constrained supply of available beds within the U.S. correctional system, our ownership of the majority of the beds we operate, and the cost effectiveness of the services we provide. However, we cannot assure we will continue to achieve such renewal rates in the future.

***Our ability to secure new contracts to develop and manage correctional, detention, and residential reentry facilities depends on many factors outside our control.***

Our growth is generally dependent upon our ability to obtain new contracts to develop and manage correctional, detention, and residential reentry facilities. This possible growth depends on a number of factors we cannot control, including crime rates and sentencing patterns in various jurisdictions, governmental budgetary constraints, governmental responses to COVID-19, and governmental and public acceptance of privatization. The demand for our facilities and services could be adversely affected by the relaxation of enforcement efforts, the expansion of alternatives to incarceration and detention, leniency in conviction or parole standards and sentencing practices through the decriminalization of certain activities that are currently proscribed by criminal laws, disruptions to the criminal justice system, including as a result of COVID-19, or as a result of COVID-19 related responses by governmental entities intended to address and/or mitigate the spread of COVID-19, including the decision to release persons entrusted to our care. For instance, any changes with respect to drugs and controlled substances or illegal immigration could affect the number of persons arrested, convicted, and sentenced, thereby potentially reducing demand for correctional or detention facilities to house them. Immigration reform laws are currently a focus for legislators and politicians at the federal, state, and local level. Legislation has also been proposed in numerous jurisdictions that could lower minimum sentences for some non-violent crimes and make more inmates eligible for early release based on good behavior. On December 21, 2018, President Trump signed legislation, known as The First Step Act, that reduces sentences for first-time offenders in possession of a gun when committing a crime, eliminates mandating life-time sentences for three-time offenders, provides judges more discretion in crafting sentences for some drug-related offenses, and allows offenders to seek a retroactive reduction in sentences affected by the disparity in the sentences for crack and powder cocaine cases narrowed by the Fair Sentencing Act of 2010. (Although, under long-standing policy, CoreCivic does not draft, lobby for, promote, or in any way take a position on policies that determine the basis or duration of an individual's incarceration or detention, CoreCivic supported adoption of The First Step Act because the legislation aligns with our publicly stated commitment to advocate for a range of recidivism-reducing policies by providing additional resources to help ensure that incarcerated individuals are given the best possible chance to successfully return to their communities and stay out of prison.) Also, the expansion of alternatives to incarceration and detention, the utilization of which may increase in response to COVID-19, such as electronic monitoring, may reduce the number of offenders who would otherwise be incarcerated or detained. Similarly, reductions in crime rates, increases in resources dedicated to prevent crime, reduced funding for law enforcement, or strained law enforcement resources could lead to a reduction in arrests, which could lead to a decrease in convictions and sentences requiring incarceration at correctional facilities.

Moreover, certain jurisdictions recently have required successful bidders to make a significant capital investment in connection with the financing of a particular project, a trend that could significantly burden our capital resources to remain competitive. We may compete for such projects with companies that have more financial resources than we have. Further, we may not be able to obtain the capital resources when needed. A prolonged downturn in the financial capital markets or in our stock price could make it more difficult to obtain capital resources at favorable rates of return or obtain capital resources at all.

***We may face community opposition to facility location, which may adversely affect our ability to obtain new contracts.***

Our success in obtaining new awards and contracts sometimes depends, in part, upon our ability to locate land that can be leased or acquired, on economically favorable terms, by us or other entities working with us in conjunction with our proposal to construct and/or manage a facility. Some locations may be in or near populous areas and, therefore, may generate legal action or other forms of opposition from residents in areas surrounding a proposed site. When selecting project sites, we attempt to conduct business in communities where local leaders and residents generally support the establishment of a privatized correctional, detention, or residential reentry facility. Future efforts to find suitable host communities may not be successful. We may incur substantial costs in evaluating the feasibility of the development of a correctional or detention facility. As a result, we may report significant charges if we decide to abandon efforts to develop a correctional or detention facility on a particular site. Further, in many cases, the site selection is made by the contracting governmental entity. In such cases, site selection may be made for reasons related to political and/or economic development interests and may lead to the selection of sites that have less favorable environments.

***Providing family residential services increases certain unique risks and difficulties compared to operating our other facilities.***

In September 2014, we signed an amended agreement to provide at the South Texas Family Residential Center safe and humane residential housing, as well as educational opportunities, to women and children (but no unaccompanied children) under the custody of ICE, who are awaiting their due process before immigration courts. In October 2016, we entered into an amended agreement that extended the term of the 2014 agreement through September 2021. The term of the amended agreement was further extended in September 2020, from September 2021 to September 2026. This is an important service to our federal government partner. At the same time, providing this type of residential service subjects us to unique risks such as unanticipated increased costs and litigation that could materially adversely affect our business, financial condition, or results of operations. For example, the contract mandates resident-to-staff ratios that are higher than our typical contract, requires services unique to this contract (e.g. child care and primary education services), and limits the use of security protocols and techniques typically utilized in correctional and detention settings. These operational risks and others, including risks relating to COVID-19, associated with privately managing this type of residential facility could result in higher costs associated with staffing and lead to increased litigation.

Numerous lawsuits, to which we are not a party, have challenged the government's policy of detaining migrant families, and government policies with respect to family immigration may impact the demand for the South Texas Family Residential Center. Any court decision or government action that impacts our existing contract for the South Texas Family Residential Center could materially affect our cash flows, financial condition, and results of operations.

***We may incur significant start-up and operating costs on new contracts before receiving related revenues, which may impact our cash flows and not be recouped.***

When we are awarded a contract to provide or manage a facility, we may incur significant start-up and operating expenses, including the cost of constructing the facility, purchasing equipment and staffing the facility, before we receive any payments under the contract. These expenditures could result in a significant reduction in our cash reserves and may make it more difficult for us to meet other cash obligations. In addition, a contract may be terminated prior to its scheduled expiration, and as a result, we may not recover these expenditures or realize any return on our investment.

***Government agencies may investigate and audit our contracts and operational performance, and if any deficiencies or improprieties are found, we may be required to cure those deficiencies or improprieties, refund revenues we have received, or forego anticipated revenues, and we may be subject to penalties and sanctions, including contract termination and prohibitions on our bidding in response to Requests for Proposals.***

Governmental agencies with which we contract have the authority to audit and investigate our contracts with them. As part of that process, government agencies may review our performance of the contract, our pricing practices, our cost structure and our compliance with applicable performance requirements, laws, regulations and standards, including those related to COVID-19. The regulatory and contractual environment in which we operate is complex and many aspects of our operations remain subject to manual processes and oversight that make compliance monitoring difficult and resource intensive. A governmental agency audit, review or investigation could result in a request to cure a performance or compliance issue, and if we are unable to, or otherwise fail to do so, the failure could lead to the imposition of monetary penalties or revenue deductions, or the termination of the contract in question and/or other contracts that we have with that governmental agency. Similarly, for contracts that actually or effectively provide for certain reimbursement of expenses, if an agency determines that we have improperly allocated costs to a specific contract, we may not be reimbursed for those expenses, and we could be required to refund the amount of any such expenses that have been reimbursed. If a government audit asserts improper or illegal activities by us, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or disqualification from doing business with certain government entities. In addition to the potential civil and criminal penalties and administrative sanctions, any adverse determination with respect to contractual or regulatory violations could negatively impact our ability to bid in response to Requests for Proposals, or RFPs, in one or more jurisdictions.

***Failure to comply with facility contracts or with unique and increased governmental regulation could result in material penalties or non-renewal or termination of noncompliant contracts or our other contracts to provide or manage correctional, detention, and residential reentry facilities.***

The industry in which we operate is subject to extensive federal, state, and local regulations, including educational, environmental, health care, data privacy, transportation, telecommunications, and safety regulations, which are administered by many regulatory authorities. Some of the regulations are unique to the corrections industry, some target private, for-profit entities by imposing location requirements, compliance requirements, elevated litigation risk and financial penalties only on private, for-profit correction and detention providers, some are unique to government contractors, and the combination of regulations we face is unique and complex. Facility management contracts typically include reporting requirements, supervision, and on-site monitoring by representatives of the contracting governmental agencies. Corrections and reentry personnel are customarily required to meet certain training standards and, in some instances, facility personnel are required to be licensed and subject to background investigation. Certain jurisdictions also require us to award subcontracts on a competitive basis or to subcontract with certain types of businesses, such as small businesses and businesses owned by members of minority groups. Our facilities are also subject to operational and financial audits by the governmental agencies with which we have contracts. Federal regulations also require federal government contractors like us to self-report evidence of certain forms of misconduct. We may not always successfully comply with these regulations and contract requirements, and failure to comply can result in material penalties, including financial penalties, non-renewal or termination of noncompliant contracts and/or our other facility contracts, exclusion from new contract procurement or RFP bidding, and suspension or debarment from contracting with certain government entities.

In addition, private prison managers are subject to government legislation and regulation attempting to restrict the ability of private prison managers to house certain types of inmates, such as inmates from other jurisdictions or inmates at medium or higher security levels. Legislation has been enacted in several states, and has previously been proposed in the United States Congress, containing such restrictions. Such legislation, if enacted, could have an adverse effect on us.

Our inmate transportation subsidiary, TransCor, is subject to regulations promulgated by the Departments of Transportation and Justice. TransCor must also comply with the Interstate Transportation of Dangerous Criminals Act of 2000, which covers operational aspects of transporting prisoners, including, but not limited to, background checks and drug testing of employees; employee training; employee hours; staff-to-inmate ratios; prisoner restraints; communication with local law enforcement; and standards to help ensure the safety of prisoners during transport. Any changes in such regulations could result in an increase in the cost of our transportation operations.

From time to time, we enter into agreements with telecommunications providers to provide telephone services to residents in our facilities. Although we are not a telecommunications provider, these services are subject to regulations which may change from time to time. We are subject to the direct and indirect effects of these regulations. Non-compliance with these regulations, either by us or by our telecommunications providers, subjects us to risks which could result in increases to our costs or decreases in our revenue. The impact to our revenue is limited because a significant amount of commissions paid by our telecommunications providers is passed along to our customers or is reserved and must be used for the benefit of offenders in our care.

***We depend on a limited number of governmental customers for a significant portion of our revenues.***

We currently derive, and expect to continue to derive, a significant portion of our revenues from a limited number of governmental agencies. The three primary federal governmental agencies with correctional and detention responsibilities, ICE, the USMS, and the BOP accounted for 52% of our total revenues for the year ended December 31, 2020 (\$998.9 million). For the year ended December 31, 2020, ICE, USMS, and the BOP accounted for 28% (\$541.9 million), 21% (\$396.3 million), and 3% (\$60.7 million), respectively, of our total revenue. Although the revenue generated from each of these agencies is derived from numerous management contracts and various types of properties, i.e. correctional, detention, reentry, and leased, the loss or substantial reduction in value of one or more of such contracts could have a material adverse impact on our financial condition, results of operations, and cash flows. We expect to continue to depend upon these federal agencies and a relatively small group of other governmental customers for a significant percentage of our revenues.

Additionally, the Private Prison EO issued by President Biden on January 26, 2021, directs the Attorney General to not renew DOJ contracts with privately operated criminal detention facilities. Two agencies of the DOJ, the BOP and the USMS, utilize our services. The BOP houses inmates who have been convicted, and the USMS is generally responsible for detainees who are awaiting trial. The BOP has experienced a steady decline in inmate populations over the last seven years, a trend that has been accelerated by the COVID-19 pandemic. We currently have one prison contract with the BOP, accounting for 2% (\$39.2 million) of our total revenue for the year ended December 31, 2020, which was recently renewed through November 2022.

Unlike the BOP, the USMS does not own detention capacity and relies on the private sector, along with county jails, for its detainee population. We do not believe the USMS currently has sufficient capacity that satisfies their current needs without the private sector, and we are not currently aware of an alternative solution for the USMS. We currently have eight detention facilities that have separate contracts where the USMS is the primary customer that all expire at various times over the next several years, with the exception of two contracts that have indefinite terms. Non-renewal of these contracts, or the expansion of such a similar order to ICE, an agency of the DHS, would have a material adverse effect on our business, financial condition, and results of operations. For the year ended December 31, 2020, USMS and ICE accounted for 21% (\$396.3 million) and 28% (\$541.9 million), respectively, of our total revenue.

Revenue from our South Texas Family Residential Center was \$168.0 million in 2020, \$171.1 million in 2019, and \$171.3 million in 2018. The loss or reduction in value of this contract would have an adverse impact on our financial condition, results of operations, and cash flows.

***We may not be able to successfully identify, consummate or integrate acquisitions.***

Although the primary focus of our capital strategy is on debt reduction, we continue to evaluate suitable acquisition targets intended to enhance our growth and diversify our cash flows. The pursuit of acquisitions may pose certain risks to us. We may not be able to identify acquisition candidates that fit our criteria for growth, profitability and capital allocation strategy. Even if we are able to identify such candidates, we may not be able to acquire them on terms satisfactory to us. We may incur expenses and dedicate attention and resources associated with the review and pursuit of acquisition opportunities, whether or not we consummate such acquisitions.



Additionally, even if we are able to identify and acquire suitable targets on agreeable terms, we may not be able to successfully integrate their operations with ours. Achieving the anticipated benefits of any acquisition will depend in significant part upon whether we integrate such acquired businesses in an efficient and effective manner. We may not be able to achieve the anticipated operating and cost synergies or long-term strategic benefits of our acquisitions within our anticipated timing, or at all. We may also assume liabilities in connection with acquisitions to which we would otherwise not be exposed. An inability to realize the full extent of, or any of, the anticipated synergies or other benefits of an acquisition, as well as any delays that may be encountered in the integration process, which may delay the timing of such synergies or other benefits, could have an adverse effect on our business and results of operations.

***As a result of our acquisitions, we have recorded and will continue to record goodwill and other intangible assets. In the future, our goodwill or other intangible assets may become impaired, which could result in material non-cash charges to our results of operations.***

We have goodwill and other intangible assets resulting from business acquisitions. We evaluate the carrying value of goodwill annually, and whenever circumstances indicate the carrying value of goodwill may be impaired, as defined by U.S. generally accepted accounting principles. In conjunction with our annual assessment in the fourth quarter of 2020, we recognized an impairment charge of \$42.6 million, representing the full balance of goodwill allocated to our Community reporting unit, primarily because of the significant decline in the equity market valuation of the Company, as well as the reduction in cash flows from the COVID-19 pandemic and the anticipated change in tax structure effective January 1, 2021. We will continue to evaluate the remaining goodwill in our Safety reporting unit for impairment by performing a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Estimated fair values could change if there are changes in assumptions related to our capital structure and cost of debt and equity and operating cash flows, as well as considerations related to our equity valuation. Impairments of goodwill or other intangible assets could require material non-cash charges to our results of operations.

***We are dependent upon our senior management and our ability to attract and retain sufficient qualified personnel.***

The success of our business depends in large part on the ability and experience of our senior management. The unexpected loss of any of these persons could materially adversely affect our business and operations.

In addition, the services we provide are labor-intensive. The success of our business, and our ability to satisfy the staffing and operational performance requirements of our contracts, require that we attract, hire, develop and retain sufficient qualified personnel. When we are awarded a facility management contract or open a new facility, we must hire operating management, correctional officers, and other personnel. Our inability to hire sufficient qualified personnel on a timely basis, or experiencing excessive turnover or the loss of significant personnel at existing facilities, could adversely affect our business and operations. Many of our contracts include specific staffing requirements, and our failure to satisfy such requirements may result in the imposition of financial penalties or loss of contract.

***We are subject to various types of litigation.***

*We are subject to certain stockholder litigation.* In a memorandum to the BOP dated August 18, 2016, the DOJ directed that, as each contract with privately operated prisons reaches the end of its term, the BOP should either decline to renew that contract or substantially reduce its scope in a manner consistent with law and the overall decline of the BOP's inmate population. In addition to the decline in the BOP's inmate population, the DOJ memorandum cites purported operational, programming, and cost efficiency factors as reasons for the DOJ directive. On February 21, 2017, the newly appointed U.S. Attorney General issued a memorandum rescinding the DOJ's prior directive stating the memorandum changed long-standing policy and practice and impaired the BOP's ability to meet the future needs of the federal correctional system.

Following the release of the August 18, 2016 DOJ memorandum, a purported securities class action lawsuit was filed on August 23, 2016 against us and certain of our current and former officers in the United States District Court

for the Middle District of Tennessee, or the District Court, captioned *Grae v. Corrections Corporation of America et al.*, Case No. 3:16-cv-02267. The lawsuit is brought on behalf of a putative class of shareholders who purchased or acquired our securities between February 27, 2012 and August 17, 2016. The Plaintiffs seek compensatory damages and costs incurred in connection with the lawsuit. In general, the lawsuit alleges that, during this timeframe, our public statements were false and/or misleading regarding the purported operational, programming, and cost efficiency factors cited in the DOJ memorandum and, as a result, our stock price was artificially inflated. The lawsuit alleges that the publication of the DOJ memorandum on August 18, 2016 revealed the alleged fraud, causing the per share price of our stock to decline, thereby causing harm to the putative class of shareholders.

On December 18, 2017, the District Court denied our motion to dismiss. On March 26, 2019, the District Court certified the class proposed by the plaintiff. The United States Court of Appeals for the Sixth Circuit denied our appeal of the class certification order on August 23, 2019. A trial before United States District Judge Aleta Trauger is scheduled for May 2021 in the Middle District of Tennessee. We believe the lawsuit is entirely without merit and intend to vigorously defend against it.

*Legal proceedings related to, and adverse developments in our relationship with, our employees could adversely affect our business, financial condition or results of operations.* We and our subsidiaries are party to a variety of claims and legal proceedings in the ordinary course of business, including but not limited to claims and legal proceedings related to employment matters. Because the resolution of claims and legal proceedings is inherently uncertain, there can be no assurance we will be successful in defending against such claims or legal proceedings, or that management's assessment of the materiality of these matters, including the reserves taken in connection therewith, will be consistent with the ultimate outcome of such claims or legal proceedings. In the event management's assessment of materiality of current claims and legal proceedings proves inaccurate or litigation that is material arises in the future, the resolution of such matters may have an adverse impact on our business, financial condition or results of operations.

As of December 31, 2020, we employed 12,415 full- and part-time employees. Approximately 1,260 of our employees at six of our facilities, or approximately 10.1% of our workforce, are represented by labor unions. We have not experienced a strike or work stoppage at any of our facilities and, in the opinion of management, overall employee relations are good. New executive orders, administrative rules and changes in National Labor Relations could increase organizing activity at locations where employees are currently not represented by a labor organization. Increases in organizational activity or any future work stoppages could have an adverse impact on our business, financial condition, or results of operations.

*We are subject to legal proceedings associated with owning and managing correctional, detention, and residential reentry facilities.* Our ownership and management of correctional, detention, and residential reentry facilities, and the provision of inmate transportation services by a subsidiary, expose us to potential third-party claims or litigation by prisoners or other persons relating to personal injury, illness, or other damages resulting from contact with a facility, its managers, personnel or other prisoners, including damages arising from a prisoner's escape from, or a disturbance or riot at, a facility we own or manage, or from the misconduct of our employees. To the extent the events serving as a basis for any potential claims are alleged or determined to constitute illegal or criminal activity, we could also be subject to criminal liability. Such liability could result in significant monetary fines and could affect our ability to bid on future contracts and retain our existing contracts. In addition, as an owner of real property, we may be subject to a variety of proceedings relating to personal injuries of persons at such facilities. The claims against our facilities may be significant and may not be covered by insurance. Even in cases covered by insurance, our deductible (or self-insured retention) may be significant.

***We are subject to necessary insurance costs.***

Workers' compensation, auto liability, employee health, and general liability insurance represent significant costs to us. Because we are significantly self-insured for workers' compensation, auto liability, employee health, and general liability risks, the amount of our insurance expense is dependent on claims experience, our ability to control our claims experience, and in the case of workers' compensation and employee health, rising health care costs in general. Unanticipated additional insurance costs could adversely impact our results of operations and cash flows, and the failure to obtain or maintain any necessary insurance coverage could have an adverse impact on us.

***We may be adversely affected by inflation.***

Many of our facility contracts provide for fixed fees or fees that increase by only small amounts during their terms. If, due to inflation or other causes, our operating expenses, such as wages and salaries of our employees, insurance, medical, and food costs, increase at rates faster than increases, if any, in our revenues, then our profitability would be adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Inflation."

***Technological changes or negative changes in the level of acceptance of, or resistance to, the use of electronic monitoring products could cause our electronic monitoring products and other technology to become obsolete or require the redesign of our electronic monitoring products, which could have an adverse effect on our business.***

Technological changes within our electronic monitoring business may require us to expend resources in an effort to acquire, maintain and/or utilize new electronic monitoring products and technology. We may not be able to anticipate or respond to technological changes in a timely manner, and our response may not result in successful electronic monitoring product offerings. If we are unable to anticipate or timely respond to technological changes, our business could be adversely affected. Further, our business could be adversely affected if the level of acceptance of or resistance to the use of electronic monitoring products and services by governmental customers were to change over time in a negative manner so that governmental customers decide to decrease their usage levels and contracting for electronic monitoring products and services.

***We depend on a limited number of third parties to manufacture and supply our electronic monitoring products. If our suppliers cannot provide the products or services we require in a timely manner and with such quality as we expect, our ability to market and sell our electronic monitoring products and services could be harmed.***

If our suppliers fail to supply, in a timely manner, electronic monitoring products that meet our quantity, quality, cost requirements, or technical specifications, we may not be able to access alternative sources of these products within a reasonable period of time or at commercially reasonable rates. A reduction or interruption in the supply of such products, or a significant increase in the price of such products, could have an adverse impact on our marketing and sales initiatives, which could adversely affect our financial condition and results of operations. In addition, contracts with such suppliers may not continue to be available on acceptable terms or at all.

***We may be subject to costly product liability claims from the use of our electronic monitoring products, which could damage our reputation, impair the marketability of our products and services and force us to pay costs and damages that may not be covered by adequate insurance.***

The operation of our electronic monitoring products and services entails a risk of product liability. We could be subject to product liability claims to the extent these electronic monitoring products fail to perform as intended. Even unsuccessful claims against us could result in the expenditure of funds in litigation, the diversion of management time and resources, damage to our reputation and impairment of the marketability of our electronic monitoring products and services. While we maintain liability insurance, it is possible that a successful claim could be made against us, that the amount of our insurance coverage would not be adequate to cover the costs of defending against or paying such a claim, and that damages payable by us would harm our business.

***We are subject to risks associated with ownership of real estate.***

Our ownership of correctional, detention, and residential reentry facilities and other government-leased assets subjects us to risks typically associated with investments in real estate. Investments in real estate and, in particular, correctional and detention facilities have limited or no alternative use and thus are relatively illiquid. Therefore, our ability to divest ourselves of one or more of our facilities promptly in response to changing conditions is limited. Investments in real estate properties subject us to risks involving potential exposure to environmental liability and uninsured loss. Our operating costs may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of complying with future legislation. In addition, although we maintain insurance for many types of losses, there are certain types of losses, such as losses from earthquakes and acts of terrorism, which may be either uninsurable or for which it may not be economically feasible to obtain insurance coverage in light of the substantial costs associated with such insurance. As a result, we could

lose both our capital invested in, and anticipated profits from, one or more of the properties we own. Further, it is possible to experience losses that may exceed the limits of insurance coverage.

The primary risk we face for asset impairment charges, excluding goodwill, is associated with real estate that we own. As of December 31, 2020, we had \$2.6 billion in property and equipment, including \$132.7 million in long-lived assets, excluding equipment, at five idled CoreCivic Safety correctional facilities. We can provide no assurance that we will be able to secure agreements to utilize our idle properties, or that we will not incur impairment charges in the future.

In addition, facility development and expansion projects pose additional risks, including cost overruns caused by various factors, many of which are beyond our control, such as the effects of, and delays caused by, COVID-19, weather, the availability of labor and materials, labor conditions, delays in obtaining legal approvals, unforeseen engineering, archeological or environmental problems, and cost inflation, resulting in increased construction costs. Further, if we are unable to utilize the new bed capacity, our financial results could deteriorate.

*Certain of our facilities are subject to options to purchase and reversions.* Ten of our facilities are subject to an option to purchase by certain governmental agencies. Such options are exercisable by the corresponding contracting governmental entity generally at any time during the term of the respective facility contract. Certain of these purchase options are based on the depreciated book value of the facility, which essentially could result in the transfer of ownership of the facility to the governmental agency at the end of the life used for accounting purposes, while other options to purchase are exercisable at prices below fair market value. See "Business – Facility Portfolio." If any of these options are exercised, there exists the risk that we will be unable to invest the proceeds from the sale of the facility in one or more properties that yield as much cash flow as the property acquired by the government entity. In addition, in the event any of these options is exercised, there exists the risk that the contracting governmental agency will terminate the management contract associated with such facility. For the year ended December 31, 2020, the ten facilities currently subject to these options generated \$323.8 million in revenue (17.2% of total revenue) and incurred \$259.8 million in operating expenses.

*Risks related to facility construction and development activities may increase our costs related to such activities.* When we are engaged to perform construction and design services for a facility, we typically act as the primary contractor and subcontract with other companies that act as the general contractors. As primary contractor, we are subject to the various risks associated with construction (including, without limitation, shortages of labor and materials, work stoppages, labor disputes, and weather interference which could cause construction delays). In addition, we are subject to the risk that the general contractor will be unable to complete construction at the budgeted costs or be unable to fund any excess construction costs, even though we require general contractors to post construction bonds and insurance. Under such contracts, we are ultimately liable for all late delivery penalties and cost overruns.

***We may be adversely affected by an increase in costs or difficulty of obtaining adequate levels of surety credit on favorable terms.***

We are often required to post bid or performance bonds issued by a surety company as a condition to bidding on or being awarded a contract. Availability and pricing of these surety commitments are subject to general market and industry conditions, among other factors. Increases in surety costs could adversely affect our operating results if we are unable to effectively pass along such increases to our customers. We cannot assure you that we will have continued access to surety credit or that we will be able to secure bonds economically, without additional collateral, or at the levels required for any potential facility development or contract bids. If we are unable to obtain adequate levels of surety credit on favorable terms, we would have to rely upon letters of credit under our Revolving Credit Facility which could entail higher costs if such borrowing capacity was even available when desired, and our ability to bid for or obtain new contracts could be impaired.

***Interruption, delay or failure of the provision of our technology services or information systems, or the compromise of the security thereof, could adversely affect our business, financial condition or results of operations.***

Components of our business depend significantly on effective information systems and technologies, some of which are provided and/or maintained by third parties. As with all companies that utilize information systems, we are vulnerable to negative impacts to our business if the operation of those systems malfunctions or experiences errors, interruptions or delays, or certain information contained therein is compromised. As a matter of course, we may store or process the personal information of offenders, employees and other persons as required to provide our services and such personal information or other data may be hosted or exchanged with our government partners and other third-party providers. While we employ commercially reasonable, industry standard administrative, technical and physical safeguards designed to protect the integrity and security of any personal data we collect or process, despite the security measures we have in place, and any additional measures we may implement in the future, our facilities and systems, and those of our third-party service providers, could be vulnerable to security breaches, computer viruses, lost or misplaced data, programming errors, human errors, acts of vandalism, or other events. For example, several well-known companies have recently disclosed high-profile security breaches involving sophisticated and highly targeted attacks on their company's infrastructure or their customers' data, which were not recognized or detected until after such companies had been affected notwithstanding the preventive measures they had in place. Any security breach or event resulting in the interruption, delay or failure of our services or information systems, or the misappropriation, loss, or other unauthorized disclosure of personal data or confidential information, including confidential information about our employees, whether by us directly or our third-party service providers, could damage our reputation, expose us to the risks of litigation and liability, result in significant monetary penalties and/or regulatory actions for violation of applicable laws or regulations, disrupt our business and result in significant costs for remedial measures to prevent future occurrences and mitigate past violations, result in lost business, or otherwise adversely affect our results of operations. Although we maintain insurance covering certain security and privacy damages and claim expenses, we may not carry insurance or maintain coverage sufficient to compensate for all liability and in any event, insurance coverage would not address the reputational damage that could result from a security incident. We did not log any such incidents in 2020, nor were we informed by law enforcement of any such incidents.

***We are subject to risks related to corporate social responsibility.***

The growing integration of ESG factors in making investment decisions is relatively new, and frameworks and methods used by investors for assessing ESG policies are not fully developed and vary considerably among the investment community. During 2020, we issued our second ESG report to detail how we attempt to deliver on our service commitment to our government partners and manage our operations responsibly and ethically. These policies and practices, whether it be the standards we set for ourselves or ESG criteria established by third parties, and whether or not we meet such standards, may influence our reputation. For example, the perception held by the general public, our governmental partners, vendors, suppliers, other stakeholders, or the communities in which we do business may depend, in part, on the standards we have chosen to aspire to meet, whether or not we meet these standards on a timely basis or at all, and whether or not we meet external ESG factors they deem relevant. Nonetheless, the subjective nature and wide variety of methods and processes used by various stakeholders, including investors, to assess a company with respect to ESG criteria can result in the perception of negative ESG factors or a misrepresentation of our ESG policies and practices. Our failure to achieve progress on our ESG policies and practices on a timely basis, or at all, or to meet ESG criteria set by third parties, could adversely affect our business, financial performance, or growth.

By electing to set and publicly share these ESG standards, our business may also face increased scrutiny related to ESG activities. As a result, our reputation could be harmed if we fail to act responsibly in the areas in which we report, such as safety and security, human rights, diversity, quality assurance and facility oversight, community development, and environmental sustainability. Any harm to our reputation resulting from setting these standards or our failure or perceived failure to meet such standards could impact: employee retention; the willingness of our governmental partners, vendors and suppliers to do business with us; investors willingness or ability to purchase or hold our securities; or our ability to access capital, any of which could adversely affect our business, financial performance, and growth. Our ESG report is not a part of this Annual Report.

***As an owner and operator of correctional, detention, and residential reentry facilities, we are subject to risks relating to acts of God, outbreaks of epidemic or pandemic disease, terrorist activity and war.***

We may encounter staffing constraints as well as costs and expenses associated with owning and/or operating our correctional, detention, and residential reentry facilities as a result of acts of God, outbreaks of epidemic or pandemic disease (such as the COVID-19 pandemic), war (including the potential for war), terrorist activity (including threats of terrorist activity), political unrest, geopolitical uncertainty and other forms of civil strife, in or around locations where we own and/or operate significant properties. These events could have an adverse impact on our business, financial condition, results of operations or the market price of our common stock.

### **Risks Related to Our Indebtedness**

***Our indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our debt securities.***

We have a significant amount of indebtedness. As of December 31, 2020, we had total indebtedness of \$1,809.5 million. Our indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, dividends, and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from pursuing strategic acquisitions or certain other business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds or refinance existing indebtedness on favorable terms, or at all.

If we are unable to meet our debt service obligations, we may need to reduce capital expenditures, restructure or refinance our indebtedness, obtain additional equity financing or sell assets. We may be unable to restructure or refinance our indebtedness, obtain additional equity financing or sell assets on satisfactory terms or at all.

***Our Credit Agreements, indentures related to our senior notes, and other debt instruments have restrictive covenants that could limit our financial flexibility.***

The indentures related to our aggregate original principal amount of \$350.0 million 4.625% senior notes due 2023, \$250.0 million 5.0% senior notes due 2022, and \$250.0 million 4.75% senior notes due 2027, collectively referred to herein as our senior notes, the \$200.0 million term loan under our Bank Credit Facility, or Term Loan A, the Revolving Credit Facility, and the credit agreement governing our outstanding \$250.0 million Senior Secured Term Loan B, or our Term Loan B, and, together with the Bank Credit Facility, our Credit Agreements, contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our Bank Credit Facility requires us to comply with certain financial covenants, including leverage and fixed charge coverage ratios. Our Term Loan B requires us to comply with certain financial covenants, including a secured leverage ratio and, under specified circumstances, a loan-to-value requirement. Our Credit Agreements include other restrictions that, among other things, limit our ability to incur indebtedness; grant liens; engage in mergers, consolidations and liquidations; make asset dispositions, make restricted payments and investments; issue disqualified stock; enter into transactions with affiliates; and amend, modify or prepay certain indebtedness. The indentures related to our senior notes contain limitations on our ability to effect mergers and change of control events, as well as other limitations on our ability to create liens on our assets.

Our failure to comply with these covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all or a substantial portion of our debt. We do not have sufficient working capital to satisfy our debt obligations in the event of an acceleration of all or a significant portion of our outstanding indebtedness.

***Our indebtedness is secured by a substantial portion of our assets.***

Subject to applicable laws and certain agreed-upon exceptions, our Revolving Credit Facility and Term Loan A are secured by a pledge of all of the capital stock of CoreCivic's domestic subsidiaries, 65% of the capital stock of CoreCivic's foreign subsidiaries, all of CoreCivic's accounts receivable and all of CoreCivic's deposit accounts. Our Term Loan B is secured by a first lien on certain specified real property assets, representing a loan-to-value of no greater than 80%. Subject to compliance with the restrictive covenants under our existing indebtedness, we may incur additional indebtedness secured by existing or future assets of CoreCivic or our subsidiaries. In the event of a default under our Credit Agreements or any other secured indebtedness, or if we experience insolvency, liquidation, dissolution or reorganization, the holders of our secured debt instruments would first be entitled to payment from their collateral security, and only after that would holders of our unsecured debt be entitled to payment from our remaining assets. In such an event, there can be no assurance that we would have sufficient assets to pay amounts due to holders of our unsecured debt, and such holders may receive less than the full amount to which they are entitled.

***Servicing our indebtedness will require a significant amount of cash or may require us to refinance our indebtedness before it matures. Our ability to generate cash depends on many factors beyond our control and there is no assurance that we will be able to refinance our debt on acceptable terms, or at all.***

Currently, our Term Loan A and Revolving Credit Facility both mature in April 2023. Our Term Loan B matures in December 2024. We also have outstanding \$350.0 million in aggregate principal amount of our 4.625% senior notes due 2023, \$250.0 million in aggregate principal amount of our 5.0% senior notes due 2022, and \$250.0 million in aggregate principal amount of our 4.75% senior notes due 2027. In addition, we have \$323.0 million outstanding under three non-recourse mortgage notes with interest rates ranging from 4.43% to 4.5% maturing in 2033, 2034, and 2040. Our ability to make payments on our indebtedness, to refinance our indebtedness, and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control.

The risk exists that our business will be unable to generate sufficient cash flow from operations or that future borrowings will not be available to us in an amount sufficient to enable us to pay our indebtedness, including our existing senior notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including our senior notes, on or before maturity. Our ability to refinance all or a portion of our indebtedness on acceptable terms, or at all, will be dependent upon a number of factors, including our degree of leverage, the amount of our cash flows, the value of our assets, borrowing and other financial restrictions imposed by lenders and conditions in the credit markets at the time we refinance. If we are unable to refinance our indebtedness on acceptable terms, we may be forced to agree to otherwise unfavorable financing terms or to sell one or more properties at unattractive prices or on disadvantageous terms. Any one of these options could have a material adverse effect on our business, financial condition, results of operations and our cash flows.

***We are required to repurchase all or a portion of our senior notes upon a change of control, and our Credit Agreements are subject to acceleration upon a change of control.***

Upon certain change of control events, as that term is defined in the indentures for our senior notes, including a change of control caused by an unsolicited third party, we are required to make an offer in cash to repurchase all or any part of each holder's notes at a repurchase price equal to 101% of the principal thereof, plus accrued interest. The source of funds for any such repurchase would be our available cash or cash generated from operations or other sources, including borrowings, sales of equity or funds provided by a new controlling person or entity. Sufficient funds may not be available to us, however, at the time of any change of control event to repurchase all or a portion of the tendered notes pursuant to this requirement. Our failure to offer to repurchase notes, or to repurchase notes tendered, following a change of control will result in a default under the respective indentures, which could lead to a cross-default under our Credit Agreements and under the terms of our other indebtedness. In addition, terms of our Credit Agreements, which are subject to acceleration upon the occurrence of a change in control (as described therein), may prohibit us from making any such required repurchases. Prior to repurchasing the notes upon a change of control event, we must either repay outstanding indebtedness under our Credit Agreements or obtain the consent of the lenders under our Credit Agreements. If we do not obtain the required consents or repay our outstanding indebtedness under our Credit Agreements, we would remain effectively prohibited from offering to repurchase the notes, which would cause a default under the indentures governing the notes.

***Despite current indebtedness levels, we may still incur more debt.***

The terms of the indentures for our senior notes and our Credit Agreements restrict our ability to incur indebtedness; however, we may nevertheless incur additional indebtedness in the future, and in the future, we may refinance all or a portion of our indebtedness, including our Credit Agreements, and may incur additional indebtedness as a result so long as we comply with the limitations in our senior notes and Credit Agreements while they are in effect. As of December 31, 2020, we had \$566.2 million of additional borrowing capacity available under our Revolving Credit Facility. The Bank Credit Facility also contains an "accordion" feature that provides for uncommitted incremental extensions of credit in the form of increases in the revolving commitments or incremental term loans of up to \$350.0 million. In addition, so long as we comply with the limitations in our senior notes and Credit Agreements while they are in effect, we may issue an indeterminate amount of debt securities from time to time when we determine that market conditions and the opportunity to utilize the proceeds from the issuance of such debt securities are favorable. If new debt is added to our and our subsidiaries' current debt levels, the related risks that we and they now face could intensify.

***Our ability to incur more secured debt has been further limited by the Term Loan B.***

The Term Loan B required us to place liens on mortgaged properties representing a loan-to-value of no greater than 80%. Our Credit Agreements limit the amount of liens we can place on existing assets, further restricting the amount of additional secured debt we are able to obtain. This limitation restricts our ability to obtain financing for future needs and opportunities.

***Our access to capital may be affected by general macroeconomic conditions.***

Credit markets may tighten significantly for various reasons that may or may not result from company-specific activities such that our ability to obtain new capital could be more challenging and more expensive. Further, we can provide no assurance that the banks that have made commitments under our Bank Credit Facility will continue to operate as going concerns in the future or will agree to extend commitments beyond the maturity date. If any of the banks in the lending group were to fail, or fail to renew their commitments, it is possible that the capacity under our Bank Credit Facility would be reduced. In the event that the availability under our Bank Credit Facility was reduced significantly, we could be required to obtain capital from alternate sources in order to continue with our business and capital strategies. Our options for addressing such capital constraints would include, but not be limited to (i) delaying certain capital expenditure projects, (ii) obtaining commitments from the remaining banks in the lending group or from new banks to fund increased or new amounts under the terms of our Bank Credit Facility, (iii) accessing the public capital markets, or (iv) retaining more of our cash flow. Such alternatives could be on terms less favorable than under existing terms, which could have a material effect on our consolidated financial position, results of operations, or cash flows.



***Increasing activist resistance to the use of public-private partnerships for correctional, detention, and residential reentry facilities could impact our ability to obtain financing to grow our business or to refinance existing indebtedness, which could have a material adverse effect on our business, financial condition and results of operations.***

Our company does not, under longstanding policy, lobby for or against policies or legislation that would determine the basis for, or duration of, an individual's incarceration or detention. This strict policy also applies to external government relations professionals working on our behalf at all levels of government. Nonetheless, contracting for correctional, detention, and residential reentry facilities and related services has not achieved complete acceptance by certain governments or the public at large. The operation of correctional, detention, and residential reentry facilities by private entities has encountered resistance from certain groups, such as immigration advocates, labor unions, prison reform organizations and other special interest groups that believe correctional, detention, and residential reentry facilities should only be operated by governmental agencies, or that alternatives to immigrant detention should be utilized to enforce the nation's border policies. Further, opposition to immigration policies and the association of private companies with the enforcement of such policies have caused some banks, including several that are currently parties to the Bank Credit Facility, to announce that they do not expect to continue providing credit or financial services to private entities that operate correctional, and detention facilities, including CoreCivic. The banks that are currently parties to the Bank Credit Facility are obligated to honor their commitments under the Bank Credit Facility, which expire in April 2023. These decisions have currently affected the capital markets for our securities, and we can provide no assurance that additional banks that are party to our Bank Credit Facility will not make similar decisions, or that new banks will be willing to become party to our Bank Credit Facility, or that the capital markets for our securities will improve. While we believe we will continue to have access to capital, restrictions on our access to capital, or increases in the cost of capital, could have a material adverse effect on our business, financial condition and results of operations.

***Rising interest rates would increase the cost of our variable rate debt.***

We have incurred and expect in the future to incur indebtedness that bears interest at variable rates, including indebtedness under our Credit Agreements. Accordingly, increases in interest rates would increase our interest costs, which could have an adverse impact on us and our ability to pay-down our debt, return capital to our stockholders and pay maturing debt or cause us to be in default under certain debt instruments.

### **Risks Related to our Corporate Tax Structure**

***Our obligations to pay income taxes will increase beginning in 2021, which will result in a reduction to our earnings, and could have negative consequences to us.***

We expect to revoke our REIT election and become a taxable C Corporation effective January 1, 2021, which will result in a higher provision for federal and state income taxes, which could impair our ability to satisfy our financial obligations and negatively impact the price of our securities. Further, federal and state income tax rates could increase in the future, exacerbating these risks. President Biden has advocated for an increase in the federal corporate income tax rate from 21% to 28%. We can provide no assurance that federal or state income tax rates will not increase in the future.

***We may fail to realize the anticipated benefits of revoking our REIT election and becoming a taxable C Corporation effective January 1, 2021, or those benefits may take longer to realize than expected, if at all, or may not offset the costs of revoking our REIT election and becoming a taxable C Corporation.***

We believe that revoking our REIT election and becoming a taxable C Corporation will, among other things, provide us with greater flexibility to use our free cash flows as we will no longer be required to operate under the REIT rules, including the requirement to distribute at least 90% of our taxable income to our stockholders. However, the amount of our free cash flows may not meet our expectations, which may reduce, or eliminate, the anticipated benefits of the transition from a REIT to a taxable C Corporation. For example, if our cash flows do not meet our expectations, our ability to implement our new capital allocation strategy may be delayed, and we may not be able to reduce our debt as quickly as we desire. Moreover, there can be no assurance that the anticipated benefits of the transition from a REIT to a taxable C Corporation will offset its costs, which could be greater than we expect. Our failure to achieve the anticipated benefits of the transition from a REIT to a taxable C

Corporation at all, or in a timely manner, or a failure of any benefits realized to offset its costs, could negatively affect our business, financial condition, results of operations or the market price of our common stock.

***If we failed to remain qualified as a REIT for those years we elected REIT status, we would be subject to corporate income taxes and would not be able to deduct distributions to stockholders when computing our taxable income for those years.***

We operated in a manner that was intended to allow us to qualify as a REIT for federal income tax purposes during those years we elected REIT status, 2013 through 2020. However, we cannot assure you that we qualified as a REIT during those years. Qualification as a REIT required us to satisfy numerous requirements established under highly technical and complex sections of the Internal Revenue Code of 1986, as amended, or the Code, which may change from time to time and for which there are only limited judicial and administrative interpretations, and involves the determination of various factual matters and circumstances not entirely within our control. For example, in order to qualify as a REIT, the REIT must derive at least 95% of its gross income in any year from qualifying sources. In addition, a REIT is required to distribute annually to its stockholders at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and by excluding capital gains) and must satisfy specified asset tests on a quarterly basis.

If we failed to qualify as a REIT in any taxable year we elected REIT status, we would be subject to federal income tax (including any applicable alternative minimum tax for years before 2018) on our taxable income computed in the usual manner for corporate taxpayers without deduction for distributions to our stockholders, and we may need to borrow additional funds or issue securities to pay such additional tax liability. Any such corporate income tax liability could be substantial and would reduce the amount of cash available for other purposes, because, unless we are entitled to relief under certain statutory provisions, we would be taxable as a C Corporation, beginning in the year in which the failure occurred, and we would not be allowed to re-elect to be taxed as a REIT for the following four years.

***Even if we remained qualified as a REIT for those years we elected REIT status, we may owe taxes under certain circumstances.***

Even if we qualify as a REIT for those years we elected REIT status, we will be subject to certain U.S. federal, state and local taxes on our income and property, including on taxable income that we did not distribute to our stockholders, and on net income from certain "prohibited transactions". In addition, the REIT provisions of the Code are complex and are not always subject to clear interpretation. For example, a REIT must derive at least 95% of its gross income in any year from qualifying sources, including rents from real property. Rents from real property include amounts received for the use of limited amounts of personal property and for certain services. Whether amounts constitute rents from real property or other qualifying income may not be entirely clear in all cases. We may fail to qualify as a REIT for those years we elected REIT status if we exceed the permissible amounts of non-qualifying income unless such failures qualify for relief under certain statutory relief provisions. Even if we qualify for statutory relief, we may be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more such relief provisions under the Code to maintain our qualification as a REIT for those years we elected REIT status. Furthermore, we conducted substantial activities through TRSs, and the income of those subsidiaries is subject to U.S. federal income tax at regular corporate rates.

*Performing services through our TRSs during those years we elected REIT status may increase our overall tax liability or subject us to certain excise taxes.* A TRS may hold assets and earn income, including income earned from the performance of correctional services, that would not be qualifying assets or income if held or earned directly by a REIT. During those years we elected REIT status, we conducted a significant portion of our business activities through our TRSs. Our TRSs are subject to federal, foreign, state and local income tax on their taxable income, and their after-tax net income generally is available for distribution to us but is not required to be distributed to us. The TRS rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. We believe our arrangements with our TRSs were on arm's-length terms. If it is determined that our arrangements with our TRSs were not on an arm's-length terms, we would be subject to the 100% excise tax.

*The value of the securities we owned in our TRSs during those years we elected REIT status was limited under the REIT asset tests. Under the Code, no more than 20% of the value of the gross assets of a REIT may be represented by securities of one or more TRSs. This limitation affected our ability to increase the size of our TRSs' operations and assets during those years that we elected REIT status, and there can be no assurance that we were able to comply with this limitation. If it is determined that we were unable to comply with this limitation, we would fail to qualify as a REIT for those years we elected REIT status.*

*The tax imposed on REITs engaging in "prohibited transactions" limited our ability to engage in transactions during those years we elected REIT status which would be treated as sales for federal income tax purposes. A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not believe that we held any properties that would be characterized as held for sale to customers in the ordinary course of our business during those years we elected REIT status, unless the sale or disposition qualified under certain statutory safe harbors, such characterization is a factual determination and no guarantee can be given that the Internal Revenue Service, or IRS, would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors.*

## **General Risk Factors**

***The market price of our equity securities may vary substantially, which may limit our stockholders' ability to liquidate their investment.***

Factors that could affect the market price of our equity securities include, but are not limited to, the following:

- actual or anticipated variations in our quarterly results of operations;
- changes in market valuations of companies in the corrections, detention, or residential reentry industries;
- changes in expectations of future financial performance or changes in estimates of securities analysts;
- fluctuations in stock market prices and volumes;
- issuances of common shares or other securities in the future; and
- announcements by us or our competitors of acquisitions, investments or strategic actions.

***The number of shares of our common stock available for future sale could adversely affect the market price of our common stock.***

We cannot predict the effect, if any, of future sales of common stock, or the availability of common stock for future sale, on the market price of our common stock. Sales of substantial amounts of common stock (including stock issued under equity compensation plans or stock issued pursuant to our Amended and Restated ATM Equity Offering Sales Agreement), or the perception that these sales could occur, may adversely affect prevailing market prices for our common stock.

***Future offerings of debt or equity securities ranking senior to our common stock or incurrence of debt (including under our Bank Credit Facility) may adversely affect the market price of our common stock.***

If we decide to issue debt or equity securities in the future ranking senior to our common stock or otherwise incur indebtedness (including under our Bank Credit Facility), it is possible that these securities or indebtedness will be governed by an indenture or other instrument containing covenants restricting our operating flexibility and limiting our ability to make distributions to our stockholders. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges, including with respect to distributions, more favorable than those of our common stock and may result in dilution to owners of our common stock. Because our decision to issue debt or equity securities in any future offering or otherwise incur indebtedness will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or financings, any of which could reduce the market price of our common stock and dilute the value of our common stock.

***Our issuance of preferred stock could adversely affect holders of our common stock and discourage a takeover.***

Our Board of Directors has the authority to issue up to 50.0 million shares of preferred stock without any action on the part of our stockholders. Our Board of Directors also has the authority, without stockholder approval, to set the terms of any new series of preferred stock that may be issued, including voting rights, dividend rights, liquidation rights and other preferences superior to our common stock. In the event that we issue shares of preferred stock in the future that have preferences superior to our common stock, the rights of the holders of our common stock or the market price of our common stock could be adversely affected. In addition, the ability of our Board of Directors to issue shares of preferred stock without any action on the part of our stockholders may impede a takeover of us and discourage or prevent a transaction that may be favorable to our stockholders.

***Our charter and bylaws and Maryland law could make it difficult for a third party to acquire our company.***

The Maryland General Corporation Law and our charter and bylaws contain provisions that could delay, deter, or prevent a change in control of our company or our management. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions. These provisions:

- authorize us to issue "blank check" preferred stock, which is preferred stock that can be created and issued by our Board of Directors, without stockholder approval, with rights senior to those of common stock;
- provide that directors may be removed with or without cause only by the affirmative vote of at least a majority of the votes of shares entitled to vote thereon; and
- establish advance notice requirements for submitting nominations for election to the Board of Directors and for proposing matters that can be acted upon by stockholders at a meeting.

We are also subject to anti-takeover provisions under Maryland law, which could delay or prevent a change of control. Together, these provisions of our charter and bylaws and Maryland law may discourage transactions that otherwise could provide for the payment of a premium over prevailing market prices for our common stock, and also could limit the price that investors are willing to pay in the future for shares of our common stock.

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

**ITEM 2. PROPERTIES.**

The properties we owned at December 31, 2020 are described under Item 1 and in Note 4 of the Notes to the Consolidated Financial Statements contained in this Annual Report, as well as in Schedule III in Part IV of this Annual Report.

**ITEM 3. LEGAL PROCEEDINGS.**

The information required under this item can be found in Note 16 of the Notes to the Consolidated Financial Statements contained in this Annual Report and is incorporated by reference in this Part I, Item 3.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

## PART II.

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

#### Market Price of and Distributions on Capital Stock

Our common stock is traded on the New York Stock Exchange, or NYSE, under the symbol "CXW." On February 16, 2021, the last reported sale price of our common stock was \$7.62 per share and there were approximately 2,500 registered holders and approximately 33,000 beneficial holders, respectively, of our common stock.

#### Dividend Policy

During 2019 and 2020, CoreCivic's Board of Directors declared the following quarterly dividends on its common stock:

Declaration Date	Record Date	Payable Date	Per Share
February 21, 2019	April 1, 2019	April 15, 2019	\$ 0.44
May 16, 2019	July 1, 2019	July 16, 2019	\$ 0.44
August 15, 2019	October 1, 2019	October 15, 2019	\$ 0.44
December 12, 2019	January 6, 2020	January 15, 2020	\$ 0.44
February 20, 2020	April 1, 2020	April 15, 2020	\$ 0.44

In order to qualify as a REIT for the years we elected REIT status, we were generally required to distribute to our stockholders at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and excluding net capital gains), and we were subject to tax to the extent our net taxable income (including net capital gains) was not fully distributed. We announced on June 17, 2020 that our BOD suspended our quarterly dividend while it evaluated corporate structure and capital allocation alternatives. On August 5, 2020, our BOD voted unanimously to approve a plan to revoke our REIT election and become a taxable C Corporation, effective January 1, 2021; our BOD also voted unanimously to discontinue the quarterly dividend and prioritize allocating our free cash flow to reduce debt levels.

#### Issuer Purchases of Equity Securities

None.

### ITEM 6. [Reserved]

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K, or this Annual Report. In this Annual Report, we use the term, the "Company," "CoreCivic," "we," "us," and "our" to refer to CoreCivic, Inc. and its subsidiaries unless context indicates otherwise. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those described under Item 1A, "Risk Factors" and included in other portions of this report.*

### **OVERVIEW**

We are a diversified government solutions company with the scale and experience needed to solve tough government challenges in flexible, cost-effective ways. Through three segments, CoreCivic Safety, CoreCivic Community, and CoreCivic Properties, we provide a broad range of solutions to government partners that serve the public good through corrections and detention management, a network of residential reentry centers to help address America's recidivism crisis, and government real estate solutions. We have been a flexible and dependable partner for government for more than 35 years. Our employees are driven by a deep sense of service, high standards of professionalism and a responsibility to help government better the public good.

As of December 31, 2020, through our CoreCivic Safety segment, we operated 47 correctional and detention facilities, 42 of which we owned, with a total design capacity of approximately 70,000 beds. Through our CoreCivic Community segment, we owned and operated 27 residential reentry centers with a total design capacity of approximately 5,000 beds. In addition, through our CoreCivic Properties segment, we owned 15 properties for lease to third parties and used by government agencies, totaling 2.7 million square feet. We are the nation's largest owner of partnership correctional, detention, and residential reentry facilities and one of the largest prison operators in the United States. We also believe we are the largest private owner of real estate used by U.S. government agencies. Our size and experience provide us with significant credibility with our current and prospective customers, and enable us to generate economies of scale in purchasing power for food services, health care and other supplies and services we offer to our government partners.

See Item 1, "Business – Overview" for a description of how we were organized as a real estate investment trust, or REIT, as of December 31, 2020, and our plans to revoke our REIT election and convert to a taxable C Corporation effective January 1, 2021.

### ***Our Business***

Through our CoreCivic Safety and CoreCivic Community segments, we are compensated for providing bed capacity and correctional, detention, and residential reentry services at a per diem rate based upon actual or minimum guaranteed occupancy levels. Federal, state, and local governments are constantly under budgetary constraints putting pressure on governments to control correctional budgets, including per diem rates our customers pay to us as well as pressure on appropriations for building new prison capacity.

The solutions we provide to our federal customers continue to be a significant component of our business. We believe our ability to provide flexible solutions and fulfill emergent needs of our federal customers would be very difficult and costly to replicate in the public sector.

In February 2021, President Biden announced plans to allow certain migrants to pursue asylum in the United States while awaiting their proceedings in immigration courts, reversing a policy of the prior administration, which required these asylum seekers to wait in Mexico during the pendency of their immigration court proceedings.

On January 26, 2021, President Biden issued the Executive Order on Reforming Our Incarceration System to Eliminate the Use of Privately Operated Criminal Detention Facilities, or the Private Prison EO. The Private Prison EO directs the Attorney General to not renew United States Department of Justice, or DOJ, contracts with privately operated criminal detention facilities. Two agencies of the DOJ, the Federal Bureau of Prisons, or the BOP, and the United States Marshals Service, or the USMS, utilize our services. The BOP houses inmates who have been convicted, and the USMS is generally responsible for detainees who are awaiting trial. The BOP has experienced a steady decline in inmate populations over the last seven years, a trend that has been accelerated by the novel coronavirus, or COVID-19, pandemic. We currently have one prison contract with the BOP, accounting for 2% (\$39.2 million) of our total revenue for the year ended December 31, 2020, which was recently renewed through November 2022.

Unlike the BOP, the USMS does not own detention capacity and relies on the private sector, along with county jails, for its detainee population. We do not believe the USMS currently has sufficient capacity that satisfies their current needs without the private sector, and we are not currently aware of an alternative solution for the USMS. We currently have eight detention facilities that have separate contracts where the USMS is the primary customer that all expire at various times over the next several years, with the exception of two contracts that have indefinite terms. Non-renewal of these contracts would have a material adverse effect on our business, financial condition, and results of operations. For the year ended December 31, 2020, USMS accounted for 21% (\$396.3 million) of our total revenue.

Additionally, at the beginning of 2020, we expected a reduction in Immigration and Customs Enforcement, or ICE, populations throughout 2020 compared with 2019 because of a dramatic rise in such populations during 2019, when southern border apprehensions reached the highest levels in over a decade, as we did not believe these high levels would be sustained. However, the decision near the end of the first quarter of 2020, which continued throughout the duration of 2020, by the federal government to deny entry at the United States southern border to asylum-seekers and anyone crossing the southern border without proper documentation or authority in an effort to contain the spread of COVID-19, amplified the reduction in people being apprehended and detained by ICE during 2020. A protracted denial in United States southern border entries of asylum-seekers and undocumented immigrants, or continued disruptions in the criminal justice system could have a material effect on our financial position, results of operations and cash flows.

Prior to the COVID-19 pandemic, several of our state partners had been experiencing improvements in their budgets, which helped us secure recent per diem increases at certain facilities. Further, several of our existing state partners, as well as prospective state partners, have been experiencing growth in offender populations and overcrowded conditions, are considering alternative correctional capacity for their aged and inefficient infrastructure, or are seeking cost savings by utilizing the private sector. Since the beginning of 2018, we have completed the intake of new inmate populations as a result of new contracts with Kansas, Kentucky, Mississippi, Ohio, Nevada, South Carolina, and Vermont, and during the third quarter of 2020, we entered into a new contract with Idaho.

The COVID-19 pandemic has had, and we currently expect that the COVID-19 pandemic will continue to have, a negative impact on many of our state partners' budgets, though we cannot predict the ultimate impact COVID-19 will have on our revenue and per diem rates from our state partners.

We have implemented enhanced hygiene practices, suspended visitation in consultation with our government partners, separated vulnerable inmate populations for their additional protection, followed guidelines provided by the United States Centers for Disease Control and Prevention, or CDC, for Correctional and Detention Facilities, and have taken many other actions intended to limit the spread of COVID-19 among our staff and residents within our correctional, detention, and reentry facilities. However, we cannot predict government responses to an increase in staff or residents testing positive for COVID-19 within public and private correctional, detention and reentry facilities, nor can we predict COVID-19 related restrictions on individuals, businesses, and services that disrupt the criminal justice system. Certain government agencies have released, may be considering releasing, or may be experiencing pressure to release, certain inmates and detainees as a result of COVID-19, including those inmates and detainees considered vulnerable to serious illness or death in the event of COVID-19 infection, those with sentences ending in the next year, or those being held on a minor supervision violation. Further, we cannot predict government policies on prosecutions and newly ordered legal restrictions as a result of COVID-19 that affect the

number of people placed in correctional, detention, and reentry facilities. We currently expect the federal government's policy of denying entry at the United States southern border to asylum-seekers and anyone crossing the southern border without proper documentation or authority, as well as the disruptions to the criminal justice system, to persist at least until a widely accepted treatment and/or vaccine for COVID-19 is widely disseminated, which could result in a further reduction in the number of offenders placed in our facilities. Such actions could, either alone or in combination, have a material effect on our financial position, results of operations and cash flows.

COVID-19 notwithstanding, we believe the long-term growth opportunities of our business remain attractive as government agencies consider their emergent needs (including capacity to help mitigate the spread of infectious disease), as well as the efficiency and offender programming opportunities we provide, as flexible solutions to satisfy our partners' needs. Further, we expect our partners, and prospective partners, to continue to face challenges in maintaining old facilities, developing new facilities, and expanding current facilities for additional capacity, which could result in increased future demand for the solutions we provide.

Governments continue to experience many significant spending demands which have constrained correctional budgets limiting their ability to expand existing facilities or construct new facilities. We believe the outsourcing of corrections and detention management services to private operators allows governments to manage increasing inmate populations while simultaneously controlling costs. We believe our customers discover that partnering with private operators to provide residential services to their offenders introduces competition to their correctional system, resulting in improvements to the quality and cost of services throughout their correctional system. Further, the use of facilities owned and managed by private operators allows governments to expand correctional capacity without incurring large capital commitments and allows them to avoid long-term pension obligations for their employees.

We also believe that having beds immediately available to our partners provides us with a distinct competitive advantage when bidding on new contracts. We believe the most significant opportunities for growth are in providing our government partners with available beds within facilities we currently own or that we will develop. Over the long-term, we would like to see meaningful utilization of our available capacity and better visibility from our customers into their potential future needs before we develop new correctional or detention capacity on a speculative basis. We will, however, respond to customer demand and may develop or expand correctional and detention facilities when we believe potential long-term returns justify the capital deployment, like the 2019 expansion of our Otay Mesa Detention Center in San Diego, California. We expanded the Otay Mesa facility by 512 beds as a result of long-standing demand from the USMS and ICE and limited detention capacity in the Southwest region of the United States. Both the USMS and ICE currently utilize the Otay Mesa Detention Center under an existing contract that enables both agencies to utilize the additional capacity. We also believe that owning the facilities in which we provide management services enables us to more rapidly replace business lost compared with managed-only facilities, since we can offer the same beds to new and existing customers and, with customer consent, may have more flexibility in moving our existing populations to facilities with available capacity. Our management contracts generally provide our customers with the right to terminate our management contracts at any time without cause.

We are actively engaged in marketing our available capacity as solutions to meet the needs of potential customers. Historically, we have been successful in substantially filling our inventory of available beds and the beds that we have constructed. For example, in the second quarter of 2019, we announced that we entered into new contracts under inter-governmental service agreements, or IGSAs, with ICE at our previously idled 910-bed Tarrant County Detention Facility in New Mexico and with the USMS at our previously idled 1,422-bed Eden Detention Center in Texas. More recently, in the third quarter of 2020, we entered into a new contract under an IGSA between the city of Cushing, Oklahoma and the USMS, to utilize our 1,600-bed Cimarron Correctional Facility in Oklahoma. We had previously announced our intention to idle the Cimarron facility during the third quarter of 2020, predominantly due to a lower number of inmate populations from the state of Oklahoma resulting from COVID-19, combined with the consequential impact of COVID-19 on the State's budget. The new management contract commenced on September 15, 2020. Filling these available beds could provide substantial growth in revenues, cash flow, and earnings per share. However, we can provide no assurance that we will be able to fill our available beds.



We also offer our customers an attractive portfolio of correctional, detention, and reentry facilities that can be leased for various needs as an alternative to providing "turn-key" correctional, detention, and residential reentry bed space and services to our government partners. In December 2019, we entered into a lease with the Kentucky Department of Corrections, or KYDOC, for our previously idled 656-bed Southeast Correctional Complex in Wheelwright, Kentucky. The lease commenced in mid-2020 and has an initial term of ten years and includes five two-year renewal options. The lease of this facility, along with the lease of our 2,400-bed North Fork Correctional Facility to the Oklahoma Department of Corrections, or ODOC, originating in 2016 and the lease of our 2,560-bed California City Correctional Center to the California Department of Corrections and Rehabilitation originating in 2013, exemplify our ability to react quickly to our partners' needs with innovative and flexible solutions that make the best use of taxpayer dollars. We previously operated these three correctional facilities for various state and federal partners. We intend to pursue additional opportunities to lease prison facilities to government and other third-party operators in need of correctional capacity.

On January 24, 2018, we entered into a 20-year lease agreement with the Kansas Department of Corrections, or KDOC, for a 2,432-bed correctional facility to be constructed in Lansing, Kansas. We commenced construction of the facility in the first quarter of 2018. In December 2019, the Lansing facility began accepting offenders into the 512-bed minimum security complex ahead of schedule, with the remaining 1,920-bed medium/maximum security complex completed in January 2020. The new facility replaces the Lansing Correctional Facility, Kansas' largest correctional complex for adult male inmates, originally constructed in 1863. This transaction represents the first development of a privately owned, build-to-suit correctional facility to be operated by a government agency through a long-term lease agreement. We are responsible for facility maintenance throughout the 20-year term of the lease, at which time ownership will revert to the state of Kansas.

In February 2021, we entered into two 30-year lease agreements with the Alabama Department of Corrections, or ADOC, for the development of two correctional facilities in Alabama. Final lease costs for both properties will become available when project financing is completed. Construction of both facilities, which will contain an aggregate of approximately 7,000 beds, is expected to commence later in 2021 or the beginning of 2022. The two facilities are expected to be ready for occupancy once construction is completed in approximately three years. Both facilities will be leased, operated, and staffed by the ADOC. We will retain ownership and be responsible for facility maintenance throughout the term of the leases. With the extensively aged criminal justice infrastructure in the U.S. today, and contract awards from the KDOC and the ADOC demonstrating our ability to bring important flexible solutions to government agencies, we believe we can bring solutions like these to other government agencies.

We also remain steadfast in our efforts to contain costs. Approximately 61% of our operating expenses consist of salaries and benefits. The turnover rate for correctional officers for our company, and for the corrections industry in general, remains high. We are making investments in systems and processes intended to help manage our workforce more efficiently and effectively, especially with respect to overtime and costs of turnover. We are also focused on workers' compensation and medical benefits costs for our employees due to continued rising healthcare costs throughout the country. Effectively managing these staffing costs requires a long-term strategy to control such costs, and we continue to dedicate resources to enhance our benefits, provide specialized training and career development opportunities to our staff in order to attract and retain quality personnel. Finally, we are evaluating cost savings opportunities in areas such as inmate medical, utilities, and maintenance, among others. Through ongoing company-wide initiatives, we continue to focus on efforts to manage costs and improve operating efficiencies.

Through the combination of our initiatives to (i) increase our revenues by increasing the utilization of our available beds, (ii) deliver new bed capacity through new facility construction and expansion opportunities, (iii) invest in real estate-only solutions, (iv) grow the utilization of our community corrections facilities, (v) acquire other businesses that expand the range of solutions we provide to government partners and diversify our cash flows, and (vi) contain our operating expenses, we believe we will be able to maintain our competitive advantage and continue to diversify the range of services we provide to our customers at an attractive price, thereby producing value for our stockholders.

## CRITICAL ACCOUNTING POLICIES

The consolidated financial statements in this report are prepared in conformity with U.S. generally accepted accounting principles, or GAAP. As such, we are required to make certain estimates, judgments, and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. A summary of our significant accounting policies is described in Note 2 of the Notes to the Consolidated Financial Statements contained in this Annual Report. The significant accounting policies and estimates which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

*Asset impairments.* The primary risk we face for asset impairment charges, excluding goodwill, is associated with facilities we own. As of December 31, 2020, we had \$2.6 billion in property and equipment, including \$132.7 million in long-lived assets, excluding equipment, at five idled CoreCivic Safety correctional facilities. The carrying values of the five idled facilities as of December 31, 2020 were as follows (in thousands):

Prairie Correctional Facility	\$ 14,646
Huerfano County Correctional Center	15,895
Diamondback Correctional Facility	38,346
Marion Adjustment Center	11,047
Kit Carson Correctional Center	52,757
	<u>\$ 132,691</u>

As of December 31, 2020, we also had one idled non-core facility in our Safety segment containing 240 beds with a total net book value of \$3.1 million; three facilities in our Community segment, all of which became idle during 2020, containing an aggregate of 650 beds with an aggregate net book value of \$9.2 million; and two previously leased properties in our Properties segment containing 55,000 square feet with an aggregate net book value of \$9.5 million. We incurred operating expenses at these idled facilities of approximately \$7.6 million, \$7.1 million, and \$7.7 million during the period they were idle for the years ended December 31, 2020, 2019, and 2018, respectively.

Two of the three idled facilities in our Community segment are located in Oklahoma. As a result of the lower resident populations from the state of Oklahoma and the impact of COVID-19, we also transferred the remaining resident populations at our 390-bed Tulsa Transitional Center to Oklahoma's system, idling the Tulsa facility during the third quarter of 2020. Closure of the Tulsa facility followed the closure of the 200-bed Oklahoma City Transitional Center during the second quarter of 2020, and the 289-bed Turley Residential Center in Oklahoma in 2019. During the fourth quarter of 2020, the BOP awarded a new contract to us for residential reentry and home confinement services pursuant to a solicitation for capacity and services to be provided in the state of Oklahoma. As a result, we reactivated the Turley Residential Center during the first quarter of 2021, and provide the BOP additional reentry services at our owned and operated Oklahoma Reentry Opportunity Center (formerly known as the Carver Transitional Center), which supplements the existing utilization by the state of Oklahoma.

During the third quarter of 2020, Adams County, Colorado, notified us that, pursuant to a re-bid of the managed-only contract at the 184-bed Henderson Transitional Center, a facility in the Community segment we leased from Adams County, it awarded the contract to another operator. We transitioned operations to the other operator upon expiration of the contract in January 2021.

On April 15, 2020, we sold an idled facility in our Community segment, containing 92 beds, for a gross sales price of \$1.6 million. In anticipation of the sale, we reported an impairment charge of \$0.5 million in the first quarter of 2020 based on the realizable value resulting from the sale. On May 26, 2020, we sold an idled non-core facility in our Safety segment, containing 200 beds with a net book value of \$0.5 million at the time of the sale, for net proceeds of \$3.3 million. The gain on the sale of \$2.8 million was recognized in the second quarter of 2020.

On September 15, 2020, we announced that we entered into a new contract under an IGSA between the city of Cushing, Oklahoma and the USMS to utilize our 1,600-bed Cimarron Correctional Facility in our CoreCivic Safety segment. We had previously announced our intention to idle the Cimarron facility during the third quarter of 2020, predominantly due to a lower number of inmate populations from the state of Oklahoma resulting from COVID-19,

combined with the consequential impact of COVID-19 on the State's budget. The new management contract commenced on September 15, 2020, and has an initial term of three years, with unlimited 24-month extension options thereafter upon mutual agreement. As of December 31, 2020, the net book value of the Cimarron facility was \$72.7 million.

We evaluate the recoverability of the carrying values of our long-lived assets, other than goodwill, when events suggest that an impairment may have occurred. Such events primarily include, but are not limited to, the termination of a management contract, a significant decrease in populations within a facility we own in our Safety and Community segments that we believe will be longer than short-term, and the expiration and non-renewal of lease agreements in our Properties segment.

We perform the impairment analyses for each of the idle facilities as well as any other properties with indicators of impairment. Our estimates of recoverability are initially based on projected undiscounted cash flows that are comparable to historical cash flows from management contracts or lease agreements at facilities similar to the idled facilities, including historical operations for the idled facilities when such facilities were operating. Our impairment evaluations also take into consideration our historical experience in securing new management contracts to utilize correctional facilities that had been previously idled for substantial periods of time. Such previously idled correctional facilities are currently being operated under contracts that continue to generate cash flows resulting in the recoverability of the net book value of the previously idled facilities by material amounts. We also perform sensitivity analyses that consider reductions to such cash flows. Our sensitivity analyses include reductions in projected cash flows by as much as half of the historical cash flows generated by the respective facility as well as prolonged periods of vacancies. As a result of our analyses, we reported an impairment charge of \$9.8 million on one of the residential reentry facilities in the Community segment in Oklahoma, based on its anticipated use as a commercial real estate property rather than a reentry facility. The fair value measurement for these assets was estimated using unobservable Level 3 inputs, as defined in Accounting Standards Codification, or ASC, 820, "Fair Value Measurement," using market comparable data for similar properties in the local markets.

We also evaluate on a quarterly basis market developments for the potential utilization of each of these facilities in order to identify events that may cause us to reconsider our most recent assumptions. Such events could include negotiations with a prospective customer for the utilization of an idle facility at terms significantly less favorable than those used in our most recent impairment analysis, or changes in legislation surrounding a particular facility that could impact our ability to care for certain types of populations at such facility, or a demolition or substantial renovation of a facility. Further, a substantial increase in the number of available beds at other facilities we own could lead to a deterioration in market conditions and cash flows that we might be able to obtain under a new contract at our idle facilities. Although they are not frequently received, an unsolicited offer to purchase any of our idle facilities at amounts that are less than the carrying value could also cause us to reconsider the assumptions used in our most recent impairment analysis.

We can provide no assurance that we will be able to secure agreements to utilize our idle properties, or that we will not incur impairment charges in the future. By their nature, these estimates contain uncertainties with respect to the extent and timing of the respective cash flows due to potential delays or material changes to historical terms and conditions in contracts with prospective customers that could impact the estimate of cash flows. With respect to idle correctional facilities, we believe the long-term trends favor an increase in the utilization of our correctional facilities and management services. This belief is based on our experience in working with governmental agencies faced with significant budgetary challenges, which is a primary contributing factor to the lack of appropriated funding over the past decade to build new bed capacity by the federal and state governments with which we partner. Due to a variety of factors, the lead time to negotiate contracts with our federal and state partners to utilize idle bed capacity at correctional facilities is generally lengthy.

*Goodwill impairments.* As of December 31, 2020 and 2019, we had \$5.9 million and \$50.5 million, respectively, of goodwill, established in connection with multiple business combination transactions. Under the provisions of Accounting Standards Update, or ASU, 2017-04, "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test of Goodwill Impairment," we perform a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then we perform a quantitative impairment test. If a quantitative test is required, we perform an assessment to identify the existence of impairment and to measure the excess of a reporting unit's carrying amount over its fair value by using a combination of various common valuation techniques, including market multiples and discounted cash flows under valuation methodologies that include an income approach and a market approach. Goodwill impairment tests are required to be performed at least annually. We perform our impairment tests during the fourth quarter, in connection with our budgeting process, and whenever circumstances indicate the carrying value of goodwill may not be recoverable. By their nature, valuation techniques are subject to considerable judgment and require estimates of future cash flows as well as other factors, which are often difficult to predict. Estimated fair values could change if there are changes in assumptions related to our capital structure and cost of debt and equity and operating cash flows, as well as considerations related to our equity valuation.

In connection with our annual impairment test for the goodwill associated with the Community reporting unit, during the fourth quarter of 2020, we performed a quantitative goodwill impairment test and concluded to record an impairment charge of \$42.6 million, representing the full value of goodwill allocated to this reporting unit. Our analysis considered numerous factors, with the impairment predominantly driven by our consideration of the broad-based declines in the market capitalization of publicly-traded companies in our industry, primarily during the second half of 2020, as well as the reduction in cash flows from the COVID-19 pandemic and the anticipated change in tax structure effective January 1, 2021. We believe the cash flows in this segment will improve once effects of the pandemic subside, and intend to continue to pursue investments in this segment, which focuses on helping those entrusted to our care successfully transition to local communities and become productive citizens. This segment serves a critical need to parolees, defendants, and offenders who are serving their full sentence, the last portion of their sentence, waiting to be sentenced, awaiting trial while supervised in a community environment, or as an alternative to incarceration. We could generate additional goodwill from business combinations transacted in this segment in the future, which could result in additional charges if the goodwill becomes impaired under the requirements of ASU 2017-04.

We also performed qualitative assessments of goodwill recorded in our Safety reporting units in the fourth quarter of 2020, concluding there was no impairment for such goodwill. We recorded certain interim event-driven impairment charges in 2020. During the third quarter of 2020, we provided notice to the local county customers at two managed-only facilities in our CoreCivic Safety segment of our intent to terminate the contracts. We transitioned operations of the 1,046-bed Silverdale Detention Center in December of 2020 and transitioned operations at the 1,348-bed Metro-Davidson County Detention Facility in October 2020. As a result of these expected contract terminations, during the second quarter of 2020, we recognized goodwill impairment charges of \$2.0 million associated with these two managed-only facilities' reporting units.

*Self-funded insurance reserves.* As of December 31, 2020 and 2019, we had \$46.3 million and \$41.9 million, respectively, in accrued liabilities for employee health, workers' compensation, and automobile insurance claims. We are significantly self-insured for employee health, workers' compensation, and automobile liability insurance claims. As such, our insurance expense is largely dependent on claims experience and our ability to control our claims. We have consistently accrued the estimated liability for employee health insurance claims based on our history of claims experience and the estimated time lag between the incident date and the date we pay the claims. We have accrued the estimated liability for workers' compensation claims based on an actuarial valuation of the outstanding liabilities, discounted to the net present value of the outstanding liabilities, using a combination of actuarial methods used to project ultimate losses, and our automobile insurance claims based on estimated development factors on claims incurred. The liability for employee health, workers' compensation, and automobile insurance includes estimates for both claims incurred and for claims incurred but not reported. These estimates could change in the future. It is possible that future cash flows and results of operations could be materially affected by changes in our assumptions, new developments, or by the effectiveness of our strategies.

*Legal reserves.* As of December 31, 2020 and 2019, we had \$5.9 million and \$14.1 million, respectively, in accrued liabilities under the provisions of ASC Subtopic 450-20, "Loss Contingencies," related to certain claims and legal proceedings in which we are involved. We have accrued our best estimate of the probable costs for the resolution of these claims, if estimable. In addition, we are subject to current and potential future claims and legal proceedings for which little or no accrual has been reflected because our current assessment of the potential exposure is nominal. These estimates have been developed in consultation with our General Counsel's office and, as appropriate, outside counsel handling these matters, and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible that future cash flows and results of operations could be materially affected by changes in our assumptions, new developments, or by the effectiveness of our litigation and settlement strategies.

## RESULTS OF OPERATIONS

Our results of operations are impacted by the number of correctional and detention facilities we operated, including 42 we owned and five owned by our government partners (CoreCivic Safety), the number of residential reentry centers we owned and operated (CoreCivic Community), the number of facilities we leased to other operators (CoreCivic Properties), and the facilities we owned that were not in operation. The following table sets forth the changes in the number of facilities operated for the years ended December 31, 2020 and 2019.

	Effective Date	Safety	CoreCivic Community	Properties	Total
Facilities as of December 31, 2018		51	26	27	104
Acquisition of the South Raleigh Reentry Center in North Carolina	February 2019	—	1	—	1
Acquisition of a leased property in Michigan	May 2019	—	—	1	1
Sale of a leased property in Pennsylvania	June 2019	—	—	(1)	(1)
Acquisition of certain assets of Rehabilitation Services, Inc.	December 2019	—	2	—	2
Lease of the Southeast Correctional Complex	December 2019	(1)	—	1	—
Facilities as of December 31, 2019		50	29	28	107
Acquisition of a portfolio of government-leased properties	January 2020	—	—	28	28
Commencement of the Lansing Correctional Facility lease	January 2020	—	—	1	1
Termination of contract and lease of a Colorado reentry center	January 2020	—	(1)	—	(1)
Sale of an idled residential reentry center in Arizona	April 2020	—	(1)	—	(1)
Sale of an idled non-core facility in Tennessee	May 2020	(1)	—	—	(1)
Expiration of a managed-only contract in Tennessee	October 2020	(1)	—	—	(1)
Expiration of a managed-only contract in Tennessee	December 2020	(1)	—	—	(1)
Sale of a portfolio of government-leased properties	December 2020	—	—	(42)	(42)
<b>Facilities as of December 31, 2020</b>		<b>47</b>	<b>27</b>	<b>15</b>	<b>89</b>

## Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

During the year ended December 31, 2020, net income attributable to common stockholders was \$54.2 million, or \$0.45 per diluted share, compared with net income attributable to common stockholders of \$188.9 million, or \$1.59 per diluted share, for the previous year. Financial results in 2020 included \$13.8 million of incremental expenses directly associated with COVID-19 (reflected in operating expenses), and \$5.2 million of expenses associated with changes in our corporate tax structure (reflected in general and administrative expenses). In addition, financial results in 2020 reflected several special items, including \$60.6 million of asset impairments, a net loss of \$13.0 million on sale of real estate assets, \$7.1 million of expenses associated with debt repayments, and a charge of \$0.6 million for contingent consideration associated with an acquisition of a business, each as more fully discussed herein. Financial results in 2020 also reflected non-recurring deferred tax expense of \$3.1 million reported during the first quarter of 2020. Financial results in 2019 were impacted by several non-routine transactions, including a \$4.1 million gain, net of taxes, for the settlement of a contractual dispute with respect to revenues that would have been recognized during the previous several years, \$4.7 million of asset impairments, and \$0.6 million of expenses associated with debt refinancing transactions. Financial results in 2019 also included \$9.5 million of start-up expenses associated with the activation of two previously idled facilities, as further described hereafter.

### Our Current Operations

Our ongoing operations are organized into three principal business segments:

- CoreCivic Safety segment, consisting of the 47 correctional and detention facilities that are owned, or controlled via a long-term lease, and managed by CoreCivic, as well as those correctional and detention facilities owned by third parties but managed by CoreCivic. CoreCivic Safety also includes the operating results of our subsidiary that provides transportation services to governmental agencies, TransCor America, LLC, or TransCor.
- CoreCivic Community segment, consisting of the 27 residential reentry centers that are owned, or controlled via a long-term lease, and managed by CoreCivic. CoreCivic Community also includes the operating results of our electronic monitoring and case management service.
- CoreCivic Properties segment, consisting of the 15 real estate properties owned by CoreCivic for lease to third parties and used by government agencies.

For the years ended December 31, 2020 and 2019, our total segment net operating income, which we define as facility revenue (including interest income associated with finance leases) less operating expenses, was divided among our three business segments as follows:

Segment:	For the Years Ended December 31,	
	2020	2019
Safety	82.2%	85.2%
Community	3.4%	5.0%
Properties	14.4%	9.8%

### Facility Operations

A key performance indicator we use to measure the revenue and expenses associated with the operation of the correctional, detention, and residential reentry facilities we own or manage is expressed in terms of a compensated man-day, which represents the revenue we generate and expenses we incur for one offender for one calendar day. Revenue and expenses per compensated man-day are computed by dividing facility revenue and expenses by the total number of compensated man-days during the period. A compensated man-day represents a calendar day for which we are paid for the occupancy of an offender. We believe the measurement is useful because we are compensated for operating and managing facilities at an offender per diem rate based upon actual or minimum guaranteed occupancy levels. We also measure our costs on a per compensated man-day basis, which is largely dependent upon the number of offenders we accommodate. Further, per compensated man-day measurements are also used to estimate our potential profitability based on certain occupancy levels relative to design capacity. Revenue and expenses per compensated man-day for all of the correctional, detention, and residential reentry facilities placed into service that we owned or managed, exclusive of those held for lease, and for TransCor were as follows for the years ended December 31, 2020 and 2019:

	For the Years Ended December 31,	
	2020	2019
Revenue per compensated man-day	\$ 84.71	\$ 79.72
Operating expenses per compensated man-day:		
Fixed expense	47.20	42.20
Variable expense	16.86	16.11
Total	64.06	58.31
Operating income per compensated man-day	\$ 20.65	\$ 21.41
Operating margin	24.4%	26.9%
Average compensated occupancy	74.1%	81.9%
Average available beds	77,462	78,236
Average compensated population	57,392	64,107

### Revenue

Total revenue consists of management revenue we generate through CoreCivic Safety and CoreCivic Community in the operation of correctional, detention, and residential reentry facilities, as well as the revenue we generate from TransCor and our electronic monitoring and case management services. Total revenue also consists of lease revenue we generate through CoreCivic Properties from facilities we lease to third-party operators. The following table reflects the components of revenue for the years ended December 31, 2020 and 2019 (in millions):

	For the Years Ended December 31,		\$ Change	% Change
	2020	2019		
Management revenue:				
Federal	\$ 999.2	\$ 1,013.8	\$ (14.6)	(1.4%)
State	636.3	673.4	(37.1)	(5.5%)
Local	81.7	102.9	(21.2)	(20.6%)
Other	95.0	113.1	(18.1)	(16.0%)
Total management revenue	1,812.2	1,903.2	(91.0)	(4.8%)
Lease revenue	93.1	77.3	15.8	20.4%
Other revenue	0.2	0.2	—	—
Total revenue	\$ 1,905.5	\$ 1,980.7	\$ (75.2)	(3.8%)

The \$91.0 million, or 4.8%, decrease in total management revenue was primarily a result of a decrease in revenue of approximately \$190.8 million caused primarily by a decrease in the average daily compensated population from 2019 to 2020, net of the revenue generated by one additional day of operations due to a leap year in 2020. In addition, revenue generated from our electronic monitoring and case management services decreased \$5.0 million in 2020 when compared to 2019, primarily as a result of fewer court hearings and referrals due to COVID-19. The decrease in total management revenue was partially offset by an increase in revenue of approximately \$104.8 million driven primarily by an increase of 6.3% in average revenue per compensated man-day. The increase in average revenue per compensated man-day was primarily the result of the effect of per diem increases at several of our facilities as well as a higher mix of federal populations at higher per diem rates.

Average daily compensated population decreased 6,715, or 10.5%, to 57,392 in 2020 compared to 64,107 in 2019. Average daily compensated population decreased primarily as a result of COVID-19, as further described hereafter, and the expiration of the contract with the BOP at our Adams County Correctional Center in the third quarter of 2019, which had an average daily compensated population of 1,997 inmates during the first three quarters of 2019 compared with 1,101 detainees during the first three quarters of 2020 under a new contract with ICE, as further described hereafter. Further, the completion of the transfer of California inmates held in our out-of-state facilities back to the state of California during the second quarter of 2019, also contributed to the decline in average daily compensated population during 2020. The decrease in average daily compensated population was also a result of a reduction in ICE populations, as previously described herein, net of additional populations resulting from the new IGSA with ICE at the Adams County Correctional Center, which promptly transitioned from the BOP contract to the new IGSA with ICE during the third quarter of 2019, and at our previously idled Torrance facility during the second quarter of 2019. The decrease in average daily compensated population was partially offset by population increases from the USMS, including at our previously idled Eden facility due to a new contract executed in the second quarter of 2019, and from the state of Mississippi due to a new contract executed in the first quarter of 2020.

Average daily compensated populations also decreased at our 1,600-bed Cimarron Correctional Facility due to an agreement with the state of Oklahoma to idle the facility as a result of lower inmate populations in the State, combined with the impact of COVID-19 on the State's budget. The Oklahoma populations were removed from this facility during the third quarter of 2020. However, on September 15, 2020, we announced that we entered into a new contract under an IGSA between the city of Cushing, Oklahoma and the USMS to utilize the facility. As of December 31, 2020, the USMS occupied approximately 1,000 beds at the Cimarron facility.

The solutions we provide to our federal customers, including primarily ICE, the USMS, and the BOP, continue to be a significant component of our business. The federal customers in our Safety and Community segments generated approximately 52% and 51% of our total revenue in 2020 and 2019, respectively, decreasing \$14.6 million, or 1.4%. As previously described herein, the reduction in federal revenue in 2020 was primarily a result of a reduction in ICE populations throughout 2020 compared with 2019 due to a dramatic rise in such populations during 2019, when southern border apprehensions reached the highest levels in over a decade. The reduction of people being apprehended and detained by ICE during 2020 was amplified by the decision near the end of the first quarter of 2020 by the federal government to deny entry at the United States southern border to asylum-seekers and anyone crossing the southern border without proper documentation or authority in an effort to contain the spread of COVID-19.

State revenues from contracts at correctional, detention, and residential reentry facilities that we operate decreased \$37.1 million, or 5.5%, from 2019 to 2020. In addition to the effect of an overall decline in state inmate populations resulting from COVID-19 during 2020, as previously described herein, the decrease in state revenues was also a result of the completion of the transfer back to the state of California of all of the California inmates held in our out-of-state facilities during the second quarter of 2019. This decline in population from California inmates resulted in a decrease in revenue of \$13.3 million from 2019 to 2020. The decrease in state revenues was partially offset by the revenue generated by new contracts with the state of Mississippi at our Tallahatchie County Correctional Facility, and the states of Kansas and Idaho at our Saguaro Correctional Facility in Arizona, each as further described hereafter, as well as per diem increases under numerous other state contracts. State revenues in 2020 also benefited from one additional day of operations due to a leap year in 2020.

During the third quarter of 2020, largely due to a lower number of inmate populations in the state of Oklahoma resulting from COVID-19, combined with the consequential impact of COVID-19 on the State's budget, we agreed



with the State to idle our 1,600-bed Cimarron Correctional Facility during the third quarter of 2020. We also transferred the remaining resident populations at our 390-bed Tulsa Transitional Center to Oklahoma's system, idling the Tulsa facility during the third quarter of 2020. As previously described herein, we did not idle the Cimarron facility because we subsequently entered into a new contract under an IGSA between the city of Cushing, Oklahoma and the USMS to quickly repurpose the facility to serve a federal need. From the end of the first quarter of 2020 to December 31, 2020, excluding the closure of our Cimarron facility to Oklahoma inmate populations, our state populations declined by approximately 4,700 inmates, or 14.5%, predominantly due to government actions to help prevent the spread of COVID-19.

The \$18.1 million, or 16.0%, decrease in other management revenue from 2019 to 2020 included the gain for the settlement of a contractual dispute recognized in the third quarter of 2019, as previously discussed herein. The decrease in other management revenue was also a result of the reduction in revenue generated from our electronic monitoring and case management services, also as previously discussed herein.

The \$15.8 million, or 20.4%, increase in lease revenue from 2019 to 2020 was primarily a result of acquisitions in 2019 and 2020 of multiple properties leased to third parties and the commencement of the leases of the 656-bed Southeast Correctional Complex in Wheelwright, Kentucky, and the 2,432-bed correctional facility we constructed in Lansing, Kansas, all as further described hereafter.

### *Operating Expenses*

Operating expenses totaled \$1,406.4 million and \$1,422.8 million in 2020 and 2019, respectively. Operating expenses consist of those expenses incurred in the operation and management of correctional, detention, and residential reentry facilities, as well as those expenses incurred in the operations of TransCor and our electronic monitoring and case management services. Operating expenses also consist of those expenses incurred in the operation of facilities we lease to third-party operators.

Expenses incurred by CoreCivic Safety and CoreCivic Community in connection with the operation and management of our correctional, detention, and residential reentry facilities, as well as those incurred in the operations of TransCor and our electronic monitoring and case management services, decreased \$21.4 million, or 1.5%, during 2020 compared with 2019. Similar to our management revenue, there were several factors that contributed to the decrease in operating expenses incurred in these segments. Operating expenses decreased primarily as a result of lower staffing and service levels that were consistent with the lower occupancy levels during the COVID-19 pandemic. In addition, consistent with the reduction in revenue from our electronic monitoring and case management services, operating expenses from these services also decreased due to fewer court hearings and referrals due to COVID-19. The decrease in operating expenses during 2020 when compared to 2019 was partially offset by expenses associated with COVID-19, by the aforementioned activations of our previously idled Torrance and Eden facilities in the second quarter of 2019, and as a result of the additional day of operations due to a leap year in 2020.

Total expenses per compensated man-day increased to \$64.06 during 2020 from \$58.31 during 2019. Fixed expenses per compensated man-day increased to \$47.20 during 2020 from \$42.20 during 2019. Recent increases in the unemployment rate caused by COVID-19 notwithstanding, as the economy improved and the nation's unemployment rate declined, we experienced wage pressures in certain markets across the country, and provided wage increases to remain competitive. Further, the COVID-19 pandemic presents unique employment circumstances, as the unemployment rate has recently increased dramatically as many businesses curtailed or even ceased operations. While a higher unemployment rate in the longer-term could provide a more robust talent acquisition pipeline than we have recently experienced, we have incurred, and expect to continue to incur, incremental expenses in the short-term to help ensure sufficient staffing levels under unique and challenging working conditions. Further, recruiting has been particularly challenging during the pandemic due to the front-line nature of the services we provide. Incremental expenses include, but may not be limited to, incentive payments to our line and field staff, additional paid time off, as well as expenses to procure personal protective equipment and other supplies. During April 2020, we announced that we would provide incentive payments to our line and field staff, known as "hero bonuses", through the end of the second quarter of 2020. During 2020, we incurred \$13.8 million of incremental expenses associated with COVID-19, including \$6.3 million of hero bonuses paid in the second quarter of 2020. These incremental expenses contributed to the increase in fixed expenses per compensated

man-day during 2020 compared to 2019. We also provided wage increases to most of our facility staff during the third quarter of 2020. We continually monitor compensation levels very closely along with overall economic conditions and will set wage levels necessary to help ensure the long-term success of our business. Further, we continually evaluate the structure of our employee benefits package and training programs to ensure we are better able to attract and retain our employees. Salaries and benefits represent the most significant component of our operating expenses, representing approximately 61% and 60% of our total operating expenses during 2020 and 2019, respectively.

Operating expenses incurred by CoreCivic Properties in connection with facilities we lease to third-party operators increased \$5.3 million, or 23.4%, during 2020 when compared to 2019. The increase in expenses in this segment during 2020 was primarily the result of acquisitions in 2019 and 2020 of multiple properties leased to third parties and the commencement of the leases of the 656-bed Southeast Correctional Complex in Wheelwright, Kentucky, and the 2,432-bed correctional facility we constructed in Lansing, Kansas.

### *Facility Management Contracts*

We enter into facility management contracts to provide bed capacity and management services to governmental entities in our CoreCivic Safety and CoreCivic Community segments for terms typically ranging from three to five years, with additional renewal periods at the option of the contracting governmental agency. Accordingly, a substantial portion of our facility contracts are scheduled to expire each year, notwithstanding contractual renewal options that a government agency may exercise. Although we generally expect these customers to exercise renewal options or negotiate new contracts with us, one or more of these contracts may not be renewed by the corresponding governmental agency. Further, our government partners can generally terminate our management contracts for non-appropriation of funds or for convenience.

Additionally, the Private Prison EO issued by President Biden on January 26, 2021, directs the Attorney General to not renew DOJ contracts with privately operated criminal detention facilities. Two agencies of the DOJ, the BOP and the USMS, utilize our services. The BOP houses inmates who have been convicted, and the USMS is generally responsible for detainees who are awaiting trial. The BOP has experienced a steady decline in inmate populations over the last seven years, a trend that has been accelerated by the COVID-19 pandemic. We currently have one prison contract with the BOP, accounting for 2% (\$39.2 million) of our total revenue for the year ended December 31, 2020, which was recently renewed through November 2022.

Unlike the BOP, the USMS does not own detention capacity and relies on the private sector, along with county jails, for its detainee population. We do not believe the USMS currently has sufficient capacity that satisfies their current needs without the private sector, and we are not currently aware of an alternative solution for the USMS. We currently have eight detention facilities that have separate contracts where the USMS is the primary customer that all expire at various times over the next several years, with the exception of two contracts that have indefinite terms. Non-renewal of these contracts, or the expansion of such a similar order to ICE, an agency of the DHS, would have a material adverse effect on our business, financial condition, and results of operations. For the year ended December 31, 2020, USMS and ICE accounted for 21% (\$396.3 million) and 28% (\$541.9 million), respectively, of our total revenue

Based on information available as of the date of this Annual Report, we believe we will renew all contracts with our government partners that have expired or are scheduled to expire within the next twelve months that could have a material adverse impact on our financial statements. We believe our renewal rate on existing contracts remains high due to a variety of reasons including, but not limited to, the constrained supply of available beds within the U.S. correctional system, our ownership of the majority of the beds we operate, and the cost effectiveness of the services we provide. However, we cannot assure we will continue to achieve such renewal rates in the future.

### CoreCivic Safety

CoreCivic Safety includes the operating results of the correctional and detention facilities that we operated during each period. Total revenue generated by CoreCivic Safety decreased \$73.7 million, or 4.1%, from \$1,780.0 million during 2019 to \$1,706.2 million during 2020. CoreCivic Safety's facility net operating income, or facility revenues less operating expenses, decreased \$58.5 million, or 12.3%, from \$475.8 million during 2019 to \$417.3 million during 2020. During 2020 and 2019, CoreCivic Safety generated 82.2% and 85.2%, respectively, of our total segment net operating income.

The following table displays the revenue and expenses per compensated man-day for CoreCivic Safety's correctional and detention facilities placed into service that we own and manage and for the facilities we manage but do not own, inclusive of the transportation services provided by TransCor:

	For the Years Ended December 31,	
	2020	2019
<b>CoreCivic Safety Facilities:</b>		
Revenue per compensated man-day	\$ 86.09	\$ 81.16
Operating expenses per compensated man-day:		
Fixed expense	47.68	42.84
Variable expense	17.35	16.63
Total	65.03	59.47
Operating income per compensated man-day	<u>\$ 21.06</u>	<u>\$ 21.69</u>
Operating margin	<u>24.5%</u>	<u>26.7%</u>
Average compensated occupancy	<u>75.0%</u>	<u>82.4%</u>
Average available beds	<u>72,201</u>	<u>72,962</u>
Average compensated population	<u>54,153</u>	<u>60,085</u>

Operating margins within the CoreCivic Safety facilities during 2020 were negatively impacted primarily by reduced populations and increased operating expenses, which was driven by increases in salaries and benefits expenses, as previously described herein. Also as previously mentioned, COVID-19 has had an adverse impact on operating margins, and was the primary factor in the reduction of average compensated populations and operating margins of the CoreCivic Safety segment. The expected return of all remaining inmate populations from the state of California from our La Palma Correctional Center during the first half of 2019 also contributed to the reduction in compensated populations during 2020.

California Assembly Bill 32, or AB32, became effective January 1, 2020. AB32 generally prohibits new contracts and renewals of existing contracts between private, for-profit entities and government agencies for the operation of detention facilities within the state of California, and prohibits the utilization of detention centers operated by private, for-profit entities by the state of California effective January 1, 2028. AB32 does not apply to facilities leased from private, for-profit entities, such as our California City Correctional Center. The U.S. Government and The GEO Group, Inc. both filed lawsuits against the state of California challenging the enforceability of AB32 under applicable law. On October 8, 2020, US District Judge Janis Sammartino allowed AB32 to block future BOP and ICE contracts and renewals, while determining that AB32 could not block future USMS contracts and renewals. Judge Sammartino also acknowledged that the State has agreed it will not use AB32 to block federal, state, or local residential reentry center contracts. Both the U.S. Government and The GEO Group, Inc. have appealed Judge Sammartino's ruling to the Ninth Circuit Court of Appeals.

In the event AB32 is implemented so as to prohibit ICE-contracted private detention facilities, the federal government could be prohibited from renewing its contract for us to operate our Otay Mesa Detention Center, which is currently scheduled to expire in December 2024. A potential non-renewal of our contract to operate the Otay Mesa Detention Center, which we recently expanded from 1,482 beds to 1,994 beds, could have a significant impact on our results of operations and cash flows at the time of non-renewal.

On May 16, 2019, we announced that we entered into a new contract under an IGSA between Torrance County, New Mexico and ICE to activate our 910-bed Torrance County Detention Facility in Estancia, New Mexico. The new agreement also permits the USMS to utilize capacity at the facility, which had previously been idle since 2017. The new management contract commenced on May 15, 2019, and has an initial term of 60 months, with unlimited extension options thereafter upon mutual agreement. Either party may terminate the contract with 120 days' written notice. We began accepting ICE detainee populations into the Torrance facility in the third quarter of 2019. Activation of the Torrance facility contributed to an increase in total revenue of \$18.6 million during 2020 when compared to 2019.

On May 23, 2019, we announced that we entered into a new contract under an IGSA between the City of Eden, Texas and the USMS, to activate our 1,422-bed Eden Detention Center in Eden, Texas. The new agreement also permits ICE to utilize capacity at the facility, which had previously been idle since 2017. The new management contract commenced on June 1, 2019, and has an indefinite term. Either party may terminate the contract with 30 days' written notice. We began accepting populations into the Eden facility in the third quarter of 2019. Activation of the Eden facility contributed to an increase in total revenue of \$17.6 million during 2020 when compared to 2019.

On January 9, 2020, we announced that we entered into a new emergency contract with the state of Mississippi to care for up to 375 of Mississippi's inmates at the Tallahatchie facility, to assist the State with significant challenges in its correctional system. The contract had a term of ninety days, which the State could extend for up to two additional ninety-day terms. The State subsequently expanded the contract to 1,000 inmates during the second quarter of 2020, and extended the contract through April 2021, but no longer needed the capacity and transferred the inmates back to the State during the first quarter of 2021. During 2020, management revenue from this new contract was \$12.8 million.

On May 1, 2019, the BOP announced that it elected not to renew the contract at our Adams County Correctional Center in Adams County, Mississippi. On June 28, 2019, the BOP executed an amendment to the existing contract to allow ICE to use up to 660 beds to care for adult male detainees. On July 18, 2019, the BOP contract, which was originally scheduled to expire on July 31, 2019, was extended to August 30, 2019. On September 3, 2019, we announced that we had entered into a new contract under an IGSA between Adams County, Mississippi and ICE for up to 2,348 adult detainees at the Adams facility. The new management agreement commenced on August 31, 2019, and has an initial term of 60 months, with unlimited extension options thereafter upon mutual agreement. Either party may terminate the contract with 120 days' written notice. The average compensated occupancy of the Adams County facility was 80% during 2019 compared with 49% during 2020, when occupancy was also impacted by COVID-19. Facility net operating income declined by \$1.6 million from the prior year, which included \$2.0 million for a performance bonus earned under the contract with the BOP. More favorable contract terms under the new IGSA mitigated the impact of lower occupancy at this facility.

Effective August 1, 2019, we were awarded a new contract with the Kansas Department of Corrections, or KDOC, to care for offenders at our 1,896-bed Saguaro Correctional Facility in Arizona, where we also care for inmates from Hawaii and Nevada. We accepted 120 offenders from the KDOC in October 2019. During the second quarter of 2020, this contract was extended through July 2021. However, due to available capacity in the state of Kansas, partially as a result of the completion of construction of our Lansing Correctional Facility, these inmates were returned to the State in December 2020. During the third quarter of 2020, we were also awarded a new contract with the Idaho Department of Correction, or IDOC, to care for up to 1,200 adult male offenders at the Saguaro facility. Subject to available capacity, we may also care for IDOC offenders at our 4,128-bed Central Arizona Florence Correctional Complex under terms of the contract. The new management contract with the IDOC commenced on August 18, 2020, and has an initial term of five years, with unlimited extension options thereafter upon mutual agreement. As of December 31, 2020, we cared for 436 IDOC offenders at our Saguaro facility.

On September 15, 2020, we announced that we entered into a new contract under an IGSA between the city of Cushing, Oklahoma and the USMS to utilize our 1,600-bed Cimarron Correctional Facility. We had previously announced our intention to idle the Cimarron facility during the third quarter of 2020, predominantly due to a lower number of inmate populations from the state of Oklahoma resulting from COVID-19, combined with the consequential impact of COVID-19 on the State's budget. The new management contract commenced on September 15, 2020, and has an initial term of three years, with unlimited 24-month extension options thereafter upon mutual agreement. As of December 31, 2020, we cared for 1,036 USMS detainees at the Cimarron facility. During 2019

and 2020, this facility generated facility net operating income of \$2.4 million and incurred an operating loss of \$1.4 million, respectively. We expect an improvement in facility net operating income at this facility as a result of the new contract with annual revenues increasing to approximately \$30.0 million at current utilization levels and an operating margin that approximates the average CoreCivic Safety operating margin percentage.

In September 2020, the term of the amended IGSA between the city of Dilley, Texas and ICE to care for up to 2,400 individuals at our South Texas Family Residential Center, a facility we lease in Dilley, Texas, was extended from September 2021 to September 2026. ICE's termination rights, which permit ICE to terminate the agreement for convenience or non-appropriation of funds, without penalty, by providing us with at least a 60-day notice, were unchanged under the extension. As a result of extending the amortization period for the deferred revenue associated with the amended IGSA over the extended term of the agreement, the non-cash revenue associated with the amended IGSA decreased by approximately \$2.7 million per quarter, from \$3.4 million to \$0.7 million, effective beginning in the fourth quarter of 2020. Concurrent with the extension of the amended IGSA, the lease with the third-party lessor for the site was also extended through September 2026. Other terms of the extended lease agreement were unchanged and provide us with the ability to terminate the lease if ICE terminates the amended IGSA associated with the facility.

As previously described, during the third quarter of 2020, we provided notice to the local counties utilizing the Silverdale Detention Center and the Metro-Davidson County Detention Facility, both in Tennessee, of our intent to terminate the contracts at these managed-only facilities. We transitioned operations of the Metro facility in October 2020, and transitioned operations of the Silverdale facility in December 2020. During 2019, and during the time we operated these two facilities in 2020, they generated total facility net operating income of \$0.8 million and incurred an operating loss of \$4.7 million, respectively. As a result of these expected contract terminations, during the second quarter of 2020, we also recognized goodwill impairments of \$2.0 million associated with these two managed-only facilities' reporting units.

#### *CoreCivic Community*

CoreCivic Community includes the operating results of the residential reentry centers that we operated during each period, along with the operating results of our electronic monitoring and case management services from the acquisition dates of the subsidiaries providing those services. Total revenue generated by CoreCivic Community decreased \$17.3 million, or 14.0%, from \$123.3 million during 2019 to \$106.0 million during 2020. CoreCivic Community's facility net operating income decreased \$11.0 million, or 39.2%, from \$28.1 million during 2019 to \$17.1 million during 2020. During 2020 and 2019, CoreCivic Community generated 3.4% and 5.0%, respectively, of our total segment net operating income.

The following table displays the revenue and expenses per compensated man-day for CoreCivic Community's residential reentry facilities placed into service that we own and manage, but exclusive of the electronic monitoring and case management services given that revenue is not generated on a per compensated man-day basis for these services:

	For the Years Ended December 31,	
	2020	2019
<b>CoreCivic Community Facilities:</b>		
Revenue per compensated man-day	\$ 61.67	\$ 58.14
Operating expenses per compensated man-day:		
Fixed expense	39.11	32.66
Variable expense	8.64	8.37
Total	47.75	41.03
Operating income per compensated man-day	<u>\$ 13.92</u>	<u>\$ 17.11</u>
Operating margin	<u>22.6%</u>	<u>29.4%</u>
Average compensated occupancy	<u>61.6%</u>	<u>76.3%</u>
Average available beds	<u>5,261</u>	<u>5,274</u>
Average compensated population	<u>3,239</u>	<u>4,022</u>

Operating margins in the CoreCivic Community segment during 2020 were negatively impacted by the reduction in average compensated population. The average compensated population reduction was primarily driven by COVID-19, and a decline in utilization from the states of Oklahoma and Colorado, which led to the consolidation of residents located in the respective states, and the closure of several of our residential reentry facilities. The 289-bed Turley Residential Center in Oklahoma closed in the second quarter of 2019, the 200-bed Oklahoma City Transitional Center in Oklahoma and the 60-bed Columbine Facility in Colorado closed in the second quarter of 2020, and the 390-bed Tulsa Transitional Center in Oklahoma closed in the third quarter of 2020. Operating margins were also negatively impacted during 2020 by an increase in operating expenses, which was driven primarily by increases in salaries and benefits expenses across the portfolio, as previously described herein.

During the fourth quarter of 2020, the BOP awarded a new contract to us for residential reentry and home confinement services pursuant to a solicitation for capacity and services to be provided in the state of Oklahoma. As a result, we reactivated the Turley Residential Center during the first quarter of 2021 and provide the BOP additional reentry services at our owned and operated Oklahoma Reentry Opportunity Center (formerly known as the Carver Transitional Center), which supplements the existing utilization by the state of Oklahoma.

During the third quarter of 2020, Adams County, Colorado, notified us that, pursuant to a re-bid of the contract at the 184-bed Henderson Transitional Center, a facility we lease from the County, it awarded the contract to another operator. We transitioned operations to the other operator upon expiration of the contract in January 2021. During 2020, this facility generated net operating income of \$0.7 million.

On December 7, 2019, we completed the acquisition of certain assets of Rehabilitation Services, Inc., or RSI. The acquisition resulted in the addition of two residential reentry centers in Virginia. The Ghent Residential Reentry Center, a 36-bed residential reentry center in Norfolk, Virginia and the James River Residential Reentry Center, an 84-bed residential reentry center in Newport News, Virginia provide reentry services for residents under custody of the BOP. The residential reentry facilities can also serve an additional 34 home confinement clients on behalf of the BOP. During 2020, these facilities generated net operating income of \$1.2 million.

Like the CoreCivic Safety segment, our CoreCivic Community segment has been impacted by the COVID-19 pandemic. Some of our government partners have transferred certain residents assigned to our reentry facilities to non-residential status, home confinement or early releases, to create additional space for enhanced social distancing within our reentry facilities. Additionally, similar to our CoreCivic Safety segment, the CoreCivic Community segment has been adversely impacted by the disruption in court hearings, resulting in a reduction in the number of referrals to our community facilities. The impact of COVID-19 on our cash flows, in part, contributed to a goodwill impairment charge of \$42.6 million, as further described herein. Additionally, at some locations, residents are responsible for a portion of the subsistence payments, which could be impacted by a curtailment in work programs available to them, negatively impacting our revenue to the extent that the government agency does not supplement such payments. However, it is possible that in the future, government agencies will increase the utilization of our community facilities or home confinement services, as an alternative to incarceration.

### *CoreCivic Properties*

CoreCivic Properties includes the operating results of the properties we leased to third parties and that were used by government agencies during each period. Total revenue generated by CoreCivic Properties increased \$15.8 million, or 20.4%, from \$77.3 million during 2019 to \$93.1 million during 2020. CoreCivic Properties' facility net operating income increased \$10.5 million, or 19.2%, from \$54.5 million during 2019 to \$65.0 million during 2020. During 2020 and 2019, CoreCivic Properties generated 14.4% and 9.8%, respectively, of our total segment net operating income.

On January 24, 2018, we entered into a 20-year lease agreement with the KDOC for a 2,432-bed correctional facility to be constructed by the Company in Lansing, Kansas. The new facility replaces the Lansing Correctional Facility, Kansas' largest correctional complex for adult male inmates, originally constructed in 1863. CoreCivic is responsible for facility maintenance throughout the 20-year term of the lease, at which time ownership will revert to the state of Kansas. Construction of the facility commenced in the first quarter of 2018, and construction was completed in January 2020, at which time the lease commenced. During 2020, the Lansing Correctional Facility generated \$2.6 million of revenue associated with the non-lease services components of the arrangement, and \$8.4 million of interest income, as further described hereafter.

On December 9, 2019, we entered into a lease with the Commonwealth of Kentucky Department of Corrections, or KYDOC, for our previously idled 656-bed Southeast Correctional Complex in Wheelwright, Kentucky, formerly known as the Southeast Kentucky Correctional Facility. The lease commenced July 1, 2020, has an initial term of ten years and includes five two-year renewal options. The KYDOC has the option to purchase the facility at its fair market value at any time during the term of the lease. During 2020, this facility generated \$2.1 million of lease revenue. The Southeast Correctional facility had previously been idle since 2012.

On May 6, 2019, we completed the acquisition of a 37,000 square-foot office building in Detroit, Michigan, for \$7.2 million, excluding transaction related expenses, that was built-to-suit for the state of Michigan's Department of Health and Human Services, or MDHHS, in 2002. This property was acquired through our wholly-owned subsidiary, Government Real Estate Solutions, LLC, or GRES. The property was 100% leased to the Michigan Department of Technology, Management and Budget, or MDTMB, on behalf of MDHHS through June 2028 and included one six-year renewal option at the sole discretion of the MDTMB. During the fourth quarter of 2020, the MDTMB provided notice of its intent to exercise its executive cancellation provision to terminate the lease effective December 31, 2020, which was subsequently extended through February 5, 2021.

On January 2, 2020, we completed the acquisition of a portfolio of 28 properties, all of which were built-to-suit and leased to the federal government through the General Services Administration, or GSA, 24 of which the counterparty contributed to GRES. The 445,000 square foot portfolio serves numerous federal agencies, including primarily the Social Security Administration, or SSA, the Department of Homeland Security, and the Office of Hearings Operations. During 2020, the portfolio of 28 properties generated \$10.6 million of lease revenue. On December 23, 2020, we completed the sale of 42 non-core government-leased properties, including this portfolio of 28 properties, in a single transaction to a third party for an aggregate price of \$106.5 million, generating net proceeds of \$27.8 million after the repayment of non-recourse mortgage notes associated with some of the properties and other transaction-related costs. After considering tax protection payments required to be paid to the contributing partners of GRES in connection with the sale, we reported a net loss on this sale of \$17.9 million. We intend to dissolve GRES in 2021, and extinguish the operating partnership units for no consideration, which will result in a gain upon dissolution of the partnership of \$15.0 million to \$20.0 million, assuming we take no further actions that impact the partnership, that would be reflected as an increase to stockholders' equity.

We intend to pursue the sale of additional non-core assets in the Properties segment, reinvesting the net proceeds into new opportunities in the Properties segment and to repay debt. As of December 31, 2020, we had three additional non-core real estate assets held for sale with a net book value of \$279.4 million. Although we can provide no assurance, based on interest expressed to-date, we are hopeful to consummate the sale of these assets during the first half of 2021. If we are successful in consummating the sale of these assets, combined with the sale completed in the fourth quarter of 2020, we expect the net proceeds from our sale of non-core assets will be consistent with our original estimate of up to \$150 million. These three properties performed well through the COVID-19 pandemic and are leased to federal and state government agencies with strong credit profiles, creating an opportune time to redeploy this capital into projects generating higher returns like those we plan to develop in Alabama, as previously described herein, or to pay-down debt.

During the third quarter of 2019, leases at three residential reentry centers located in Pennsylvania leased to the same tenant expired and were not renewed. The three properties, which total approximately 54,000 square feet and contain an aggregate of 430 beds, were subsequently idled. We executed new leases at two of these facilities to the city of Philadelphia effective July 1, 2020, which are scheduled to expire in June 2021.

### ***General and administrative expense***

For the years ended December 31, 2020 and 2019, general and administrative expenses totaled \$124.3 million and \$127.1 million, respectively. General and administrative expenses consist primarily of corporate management salaries and benefits, professional fees, including those associated with mergers and acquisitions, or M&A, and expenses associated with changes in our corporate tax structure, as well as other administrative expenses. General and administrative expenses decreased from the prior year primarily as a result of a decrease in incentive compensation by \$8.9 million, partially offset by professional fees associated with changes in our corporate tax structure amounting to \$5.2 million during 2020.

### ***Depreciation and Amortization***

For the years ended December 31, 2020 and 2019, depreciation and amortization expense totaled \$150.9 million and \$144.6 million, respectively. The increase in depreciation and amortization expense from the prior year is primarily due to the additional depreciation and amortization resulting from our M&A activities during 2019 and 2020.

### ***Contingent consideration for acquisition of businesses***

As a result of better than estimated financial performance of two residential reentry centers acquired in 2019, during the third quarter of 2020, we recognized a charge of \$0.6 million for the maximum contingent consideration estimated as owed to the seller associated with the acquisition. The contingent consideration is expected to be paid during the first quarter of 2021.

### ***Asset impairments***

As further described under "critical accounting policies", asset impairment charges in 2020 include the impairment of \$44.6 million of goodwill related to our Community segment and two managed-only facilities in our Safety segment, \$11.1 million for the impairment of real estate and other intangible assets for three facilities in our Community segment, \$4.2 million of impairment charges for the abandonment of certain development costs and \$0.7 million of other intangible assets associated with the cancellation of a lease in our Properties segment. During the second quarter of 2019, we incurred real estate asset impairment charges of \$4.7 million primarily related to a residential reentry center in Arizona that became idle in the third quarter of 2019 and was ultimately sold in 2020.

### ***Expenses associated with debt repayments and refinancing transactions***

As previously described herein, on December 23, 2020, we completed the sale of 42 non-core government-leased properties in a single transaction to a third party for an aggregate price of \$106.5 million, generating net proceeds of \$27.8 million after the repayment of non-recourse mortgage notes associated with some of the properties and other transaction-related costs. In connection with the sale, we incurred a debt defeasance cost of \$10.5 million associated with the prepayment of the non-recourse mortgage notes. This defeasance charge was partially offset by the reversal of a corresponding intangible debt liability, which was recorded upon acquiring the debt in January 2020, and was derecognized upon the repayment of the debt in December 2020 upon sale of the properties.

Expenses associated with debt repayments and refinancing transactions during 2019 included \$0.6 million associated with the early redemption in December 2019 of our \$325.0 million in aggregate principal amount of 4.125% senior notes originally due in April 2020.

### ***Interest expense, net***

Interest expense was reported net of interest income and capitalized interest for the years ended December 31, 2020 and 2019. Gross interest expense, net of capitalized interest, was \$93.5 million and \$86.7 million in 2020 and 2019, respectively. Gross interest expense is based on outstanding borrowings under our revolving credit facility, our outstanding Incremental Term Loan A, or Term Loan A, our outstanding \$250.00 million Senior Secured Term Loan B, or Term Loan B, as further described hereafter, our outstanding senior notes, and our outstanding non-recourse mortgage notes, as well as the amortization of loan costs and unused facility fees. The increase in gross interest expense primarily resulted from an increase in the average outstanding balance on our revolving credit facility, and the interest expense associated with the Term Loan B and the new non-recourse mortgage note assumed during 2020, as further described hereafter, net of lower capitalized interest in 2020.

We have benefited from relatively low interest rates on our revolving credit facility, which is largely based on the London Interbank Offered Rate, or LIBOR. Based on our total leverage ratio, borrowings under our revolving credit facility during 2019 and 2020 were at the base rate plus a margin of 0.50% or at LIBOR plus a margin of 1.50%, and a commitment fee equal to 0.35% of the unfunded balance. Interest rates under the Term Loan A are the same as the interest rates under our revolving credit facility.



On April 20, 2018, CoreCivic of Kansas, LLC, a wholly-owned unrestricted subsidiary of ours, priced \$159.5 million in aggregate principal amount of non-recourse senior secured notes, or the Kansas Notes, in a private placement pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, or the Securities Act. The private placement closed on June 1, 2018. We used the proceeds of the private placement, which were drawn on quarterly funding dates beginning in the second quarter of 2018, to fund construction of the Lansing Correctional Facility, along with costs and expenses of the project. The Kansas Notes have a yield to maturity of 4.43% and are scheduled to mature in January 2040, 20 years following completion of the project, which occurred in January 2020. We capitalized \$5.1 million of interest during 2019 and \$0.5 million in 2020 through the date construction was complete in January 2020, associated with this construction project. During 2020, we incurred \$6.5 million of interest expense on the Kansas Notes, net of capitalized interest.

On December 18, 2019, we entered into a new Term Loan B which bears interest at a rate of LIBOR plus 4.50%, with a 1.00% LIBOR floor (or, at our option, a base rate plus 3.50%), and has a five-year maturity with scheduled quarterly principal payments through December 2024. The Term Loan B is secured by a first lien on certain specified real property assets, representing a loan-to-value of no greater than 80%. We can prepay the Term Loan B at any time and from time to time, without premium or penalty. Proceeds from the issuance of the Term Loan B were used to partially fund the early redemption of our \$325.0 million in aggregate principal amount of 4.125% senior notes originally due in April 2020.

On January 2, 2020, we completed the acquisition of a portfolio of 28 properties, 24 of which the counter-party contributed to GRES, for total consideration of \$83.2 million. In connection with the acquisition, a wholly-owned subsidiary of GRES, an unrestricted subsidiary we control, assumed \$52.2 million of in-place financing. The assumed non-recourse mortgage notes, or collectively, the GRES Note, carried a fixed interest rate of 4.91% and required monthly principal and interest payments, with a balloon payment of \$46.2 million due at maturity in November 2025. The GRES Note was fully-secured by the same 24 properties originally pledged as collateral at the time the debt was issued. The GRES Note was fully repaid as part of the sale of 42 non-core government-leased properties, including this portfolio of 28 properties, in December 2020, as previously described herein.

Gross interest income was \$10.2 million and \$2.3 million in 2020 and 2019, respectively. Gross interest income is earned on notes receivable, investments, cash and cash equivalents, and restricted cash. Interest income also includes interest income associated with the 20-year finance receivable associated with the Lansing Correctional Facility lease to the KDOC, which commenced in January 2020, and amounted to \$8.4 million in 2020. Total capitalized interest was \$0.5 million and \$6.0 million during 2020 and 2019, respectively, and was primarily associated with the construction of the Lansing Correctional Facility.

### ***Income tax expense***

During the years we elected REIT status, we were entitled to a deduction for dividends paid, resulting in a substantial reduction in the amount of federal income tax expense we recognize. Substantially all of our income tax expense during the years we elected REIT status was incurred based on the earnings generated by our TRSs. Our overall effective tax rate was based on the taxable income primarily generated by our TRSs.

During the years ended December 31, 2020 and 2019, our financial statements reflected an income tax expense of \$4.4 million and \$7.8 million, respectively. Our effective tax rate was 7.3% and 4.0% during 2020 and 2019, respectively. Income tax expense during 2020 included \$3.1 million, recorded in the first quarter of 2020, that had been deferred during the construction period of our Lansing Correctional Facility, which was owned by a TRS of ours until it converted to a qualified REIT subsidiary, or QRS, upon completion of construction in the first quarter of 2020. Because ownership of this facility reverts to the state of Kansas upon expiration of the twenty-year lease, the construction and subsequent lease of the facility to the State was a deemed sale for federal and state income tax purposes. The gain on sale was reported as a deferred tax asset based on the percentage of completion method over the construction period. This deferred tax asset was revalued to zero upon conversion of the TRS to a QRS. Aside from this charge, income tax expense during 2020 decreased due to lower occupancy levels at several facilities resulting from COVID-19, and as a result of certain tax benefits that became available under provisions of the Coronavirus Aid, Relief and Economic Security Act.

On August 5, 2020, we announced that our Board of Directors, or BOD, unanimously approved a plan to revoke our REIT election and become a taxable C Corporation, effective January 1, 2021. As a result, we will no longer be required to operate under REIT rules, including the requirement to distribute at least 90% of our taxable income to our stockholders, which will provide us with greater flexibility to use our free cash flow. Beginning January 1, 2021, we will be subject to federal and state income taxes on our taxable income at applicable tax rates, and will no longer be entitled to a tax deduction for dividends paid. The revocation of our REIT election will also result in a revaluation of our net deferred tax liabilities, resulting in a material income tax charge in the period we complete all significant actions necessary to revoke our REIT election, currently anticipated to occur in the first quarter of 2021. We currently estimate such charge to be \$100.0 million to \$135.0 million. We continued to operate as a REIT for the remainder of the 2020 tax year, and existing REIT requirements and limitations, including those established by our organizational documents, remained in place until January 1, 2021.

Our consolidated effective tax rate could fluctuate in the future based on changes in estimates of taxable income, the implementation of additional tax planning strategies, changes in federal or state tax rates or laws affecting tax credits available to us, changes in other tax laws, changes in estimates related to uncertain tax positions, or changes in state apportionment factors, as well as changes in the valuation allowance applied to our deferred tax assets that are based primarily on the amount of state net operating losses and tax credits that could expire unused.

### **Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018**

Pursuant to Regulation S-K item 303, a detailed review of our performance for the year ended December 31, 2019 compared to our performance for the year ended December 31, 2018 is set forth in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission, or SEC, on February 20, 2020.

### **LIQUIDITY AND CAPITAL RESOURCES**

Our principal capital requirements are for working capital, capital expenditures, and debt service payments, as well as outstanding commitments and contingencies, as further discussed in the notes to our financial statements.

On June 17, 2020, we announced that our BOD was evaluating corporate structure and capital allocation alternatives. Concurrently, our BOD suspended our quarterly dividend while we assessed how best to use our free cash flow to build shareholder value, maintain service excellence, and offer and implement unique solutions for our government partners and the communities in which we serve. On August 5, 2020, we announced that our BOD concluded its analysis and unanimously approved a plan to revoke our REIT election and become a taxable C Corporation, effective January 1, 2021. Additionally, our BOD voted unanimously to discontinue the quarterly dividend and prioritize allocating our free cash flow to reduce debt levels. As a result, we will no longer be required to operate under REIT rules, including the requirement to distribute at least 90% of our taxable income to our stockholders, which will provide us with greater flexibility to use our free cash flow.

Beginning January 1, 2021, we will be subject to federal and state income taxes on our taxable income at applicable tax rates, and will no longer be entitled to a tax deduction for dividends paid. However, we believe this conversion will improve our overall credit profile and lower our overall cost of capital, as we will be able to allocate our free cash flow toward the repayment of debt, which may include the purchase of our outstanding debt in open market transactions, privately negotiated transactions or otherwise. Any such debt repurchases will depend upon prevailing market conditions, our liquidity requirements, contractual requirements, applicable securities laws requirements, and other factors. Following our first priority of reducing debt, we expect to allocate a substantial portion of our free cash flow to returning capital to our shareholders, which could include share repurchases and future dividends. We have not been able to implement a meaningful share repurchase program under the REIT structure without increasing our debt because a substantial portion of our free cash flow was required to satisfy the distribution requirements under the REIT structure. We will also pursue attractive growth opportunities, including new development opportunities in our Properties segment to meet the need to modernize outdated correctional infrastructure across the country, and evaluate additional opportunities to provide services in our Community segment that have not been available under the REIT structure. As a REIT we depended on the capital markets to

provide resources we could deploy toward acquisition and development opportunities. This capital was not always available to us and came at an increasing cost. The revocation of our REIT election provides us with significantly more liquidity and financial flexibility, which will enable us to reduce our reliance on the capital markets and reduce the size of our Bank Credit Facility in the future.

Beyond the operating cash flow we generate from our business, we intend to pursue the sale of additional non-core assets in the Properties segment, reinvesting the net proceeds into new opportunities in the Properties segment and to repay debt. As of December 31, 2020, we had three additional non-core real estate assets held for sale with a net book value of \$279.4 million. Although we can provide no assurance, based on interest expressed to-date, we are hopeful to consummate the sale of these assets during the first half of 2021. If we are successful in consummating the sale of these assets, combined with the sale of the portfolio of 42 properties completed in the fourth quarter of 2020, we expect the net proceeds from our sale of non-core assets will be consistent with our original estimate of up to \$150 million. These three properties performed well through the COVID-19 pandemic and are leased to federal and state government agencies with strong credit profiles, creating an opportune time to redeploy this capital into projects generating higher returns like those we plan to develop in Alabama, as previously described herein, or to pay-down debt.

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the United States. As a result, in the first quarter of 2020, the federal government decided to deny entry at the United States southern border to asylum-seekers and anyone crossing the southern border without proper documentation or authority in an effort to contain the spread of COVID-19. This action has resulted in the reduction in the number of people being apprehended and detained by ICE. Further, disruptions to the criminal justice system have also contributed to a reduction in the number of USMS detainee populations, as the number of courts in session and prosecutions have declined. We currently expect the federal government's policy of denying entry at the United States southern border to asylum-seekers and anyone crossing the southern border without proper documentation or authority, as well as the disruptions in the criminal justice system, to persist until a widely accepted treatment and/or vaccine for COVID-19 is widely disseminated. In addition, many state and local government agencies have released, may be considering releasing, or may be experiencing pressure to release, certain inmates and detainees to help ensure social distancing within their facilities and prevent excessive interactions among inmate populations. A protracted denial in southern border entries of asylum-seekers and undocumented immigrants, or continued disruptions in the criminal justice system could have a material effect on our financial position, results of operations and cash flows. As a result of uncertainties in the near-term outlook for the business caused by COVID-19, we are monitoring and reducing discretionary spending (except to help ensure the safety of our employees and residents entrusted to our care), reviewing capital projects to ensure we are only spending on projects that are deemed essential in the current environment, and limiting travel and other operating expenses.

As of December 31, 2020, our liquidity was provided by cash on hand of \$113.2 million, and \$566.2 million available under our revolving credit facility. During the years ended December 31, 2020 and 2019, we generated \$355.5 million and \$354.4 million, respectively, in cash through operating activities. We currently expect to be able to meet our cash expenditure requirements for the next year utilizing cash on hand and availability under our revolving credit facility. Some banks that are party to our Bank Credit Facility have announced that they do not expect to continue to provide credit or financial services to private entities that operate correctional and detention facilities, including CoreCivic. The banks that are currently parties to the Bank Credit Facility are obligated to honor their commitments under our Bank Credit Facility, which expires in April 2023. These decisions have currently affected the capital markets for our securities, and we can provide no assurance that additional banks that are party to our Bank Credit Facility will not make similar decisions, or that new banks will be willing to become party to our Bank Credit Facility, or that the capital markets for our securities will improve. As previously mentioned, upon our planned revocation of our REIT election, we believe we will not be as reliant on the revolving credit facility under the Bank Credit Facility, as we will be able to retain our cash flows to use at our general discretion and, therefore, believe we can operate with a smaller revolving credit facility. We have no debt maturities until October 2022, and do not currently anticipate a need to access the capital markets in the short-term.

Our cash flow is subject to the receipt of sufficient funding of and timely payment by contracting governmental entities. If the appropriate governmental agency does not receive sufficient appropriations to cover its contractual obligations, it may terminate our contract or delay or reduce payment to us. Delays in payment from our major customers or the termination of contracts from our major customers could have an adverse effect on our cash flow and financial condition. Although our revenue has been negatively impacted by COVID-19, we have not experienced any unusual delays in payments from our major customers.

### ***Debt and equity***

As of December 31, 2020, we had \$350.0 million principal amount of unsecured notes outstanding with a fixed stated interest rate of 4.625%, \$250.0 million principal amount of unsecured notes outstanding with a fixed stated interest rate of 5.0%, and \$250.0 million principal amount of unsecured notes outstanding with a fixed stated interest rate of 4.75%. In addition, we had \$20.9 million outstanding under the Capital Commerce Note with a fixed stated interest rate of 4.5%, \$157.6 million outstanding under the Kansas Notes with a fixed stated interest rate of 4.43%, and \$144.5 million outstanding under the SSA-Baltimore Note with a fixed stated interest rate of 4.5%. We also had \$180.0 million outstanding under our Term Loan A with a variable interest rate of 1.6%, \$237.5 million outstanding under our new Term Loan B with a variable interest rate of 5.5%, and \$219.0 million outstanding under our revolving credit facility with a variable weighted average interest rate of 1.7%. As of December 31, 2020, our total weighted average effective interest rate was 4.5%, while our total weighted average maturity was 5.6 years. We may also seek to issue debt or equity securities from time to time when we determine that market conditions and the opportunity to utilize the proceeds from the issuance of such securities are favorable.

On August 28, 2018, we entered into an Amended and Restated ATM Equity Offering Sales Agreement, or ATM Agreement, with multiple sales agents, pursuant to which we may offer and sell to or through the agents, from time to time, shares of our common stock, par value \$0.01 per share, having an aggregate gross sales price of up to \$200.0 million. Sales, if any, of our shares of common stock will be made primarily in "at-the-market" offerings, as defined in Rule 415 under the Securities Act. The shares of common stock will be offered and sold pursuant to our registration statement on Form S-3 and a related prospectus supplement, both filed with the SEC on August 28, 2018. We intend to use substantially all of the net proceeds from any sale of shares of our common stock to repay outstanding borrowings or for working capital and other general corporate purposes, which may include investments. There were no shares of our common stock sold under the ATM Agreement during 2019 and 2020.

### ***Facility transactions, development, and capital expenditures***

On January 2, 2020, we completed the acquisition of a portfolio of 28 properties, 24 of which the counter-party contributed to GRES, for total consideration of \$83.2 million, excluding transaction-related expenses. All of the properties are leased to the federal government through the GSA. We financed the acquisition with \$7.7 million of cash, assumed debt of \$52.2 million and the balance with the issuance of 1.3 million shares of Class A Common Interests in GRES that are convertible into cash or, at our option, shares of our common stock following a two-year holding period on a one-for-one basis, or Operating Partnership Units, using a partnership structure. The assumed debt carried a fixed interest rate of 4.91%, with fixed monthly payments extending through November 2025, and a balloon payment of \$46.2 million due at maturity.

On December 23, 2020, we completed the sale of 42 non-core government-leased properties, including the portfolio of 28 properties discussed above, in a single transaction to a third party for an aggregate price of \$106.5 million, generating net proceeds of \$27.8 million after the repayment of the GRES Note, which was associated with some of the properties, and other transaction-related costs. Net cash proceeds were used to pay-down our revolving credit facility and are available to recycle into projects generating higher returns, such as the Alabama transaction previously described herein.

On January 24, 2018, we entered into a 20-year lease agreement with the KDOC for a 2,432-bed correctional facility to be constructed in Lansing, Kansas. We commenced construction of the facility in the first quarter of 2018 and, as of December 31, 2019, we had capitalized \$137.7 million associated with the construction project. In December 2019, the Lansing facility began accepting offenders into the 512-bed minimum security complex ahead of schedule, with the remaining 1,920-bed medium/maximum security complex completed in January 2020, for a total project cost of approximately \$155.0 million. Construction of the facility was 100% funded with proceeds from the private

placement of the Kansas Notes, as previously described herein. This transaction represents the first development of a privately owned, build-to-suit correctional facility operated by a government agency through a long-term lease agreement. We are responsible for facility maintenance throughout the 20-year term of the lease, at which time ownership will revert to the state of Kansas. With the extensively aged criminal justice infrastructure in the United States today, we believe we can bring our flexible solutions like this to other government agencies.

Although disrupted by the COVID-19 pandemic, several of our existing federal and state partners, as well as prospective state partners, had been experiencing growth in offender populations and overcrowded conditions. Governments are now assessing their need for correctional space in light of COVID-19, and several are considering alternative correctional capacity for their aged or inefficient infrastructure, or are seeking cost savings by utilizing the private sector. Competing budget priorities, which will likely become more challenging because of COVID-19, often impede our customers' ability to construct new prison beds of their own or update older facilities, which we believe could result in further need for private sector prison capacity solutions in the long-term. Over the long-term, we would like to see meaningful utilization of our available capacity and better visibility from our customers into their potential future needs before we develop new prison capacity on a speculative basis. We will, however, respond to customer demand and may develop or expand correctional and detention facilities when we believe potential long-term returns justify the capital deployment.

### **Operating Activities**

Our net cash provided by operating activities for the year ended December 31, 2020 was \$355.5 million compared with \$354.4 million in 2019. Our net cash provided by operating activities was \$74.0 million during the fourth quarter of 2020 compared with \$75.4 million during the first quarter of 2020, before our operations were impacted by COVID-19, and compared with \$50.3 million during the fourth quarter of 2019. Cash provided by operating activities represents our net income plus depreciation and amortization, changes in various components of working capital, and various non-cash charges.

### **Investing Activities**

Our cash flow provided by investing activities was \$13.0 million for the year ended December 31, 2020 and was primarily attributable to \$113.6 million in net proceeds from the sale of assets, partially offset by capital expenditures for facility development and expansions of \$27.6 million and \$56.2 million for facility maintenance and information technology capital expenditures. Our cash flow provided by investing activities was also net of \$8.8 million primarily attributable to the acquisition of the aforementioned portfolio of 28 properties in January 2020.

Our cash flow used in investing activities was \$244.6 million for the year ended December 31, 2019 and was attributable to payments totaling \$48.4 million, including payments of \$34.1 million to the state of Montana in connection with an agreement with the state of Montana to extend our ownership of the Crossroads Correctional Center for the estimated duration of its useful life, and acquisitions completed in 2019, net of cash acquired. Our cash flow used in investing activities for the year ended December 31, 2019 also included capital expenditures of \$193.3 million, including expenditures for facility development and expansions of \$136.1 million and \$57.2 million for facility maintenance and information technology capital expenditures.

### **Financing Activities**

Cash flow used in financing activities was \$350.8 million for the year ended December 31, 2020 and was primarily attributable to net repayments under our revolving credit facility of \$146.0 million, dividend payments of \$106.0 million and \$3.6 million for the purchase and retirement of common stock that was issued in connection with equity-based compensation. In addition, cash flow used in financing activities included \$32.3 million of scheduled principal repayments under our Term Loan A, Term Loan B, and non-recourse mortgage notes, as well as \$51.3 million for the defeasance of non-recourse mortgage notes in connection with the aforementioned sale of assets and other refinancing related costs.

Cash flow used in financing activities was \$64.8 million for the year ended December 31, 2019 and was primarily attributable to dividend payments of \$209.5 million and \$3.5 million for the purchase and retirement of common stock that was issued in connection with equity-based compensation. In addition, cash flow used in financing activities included \$325.0 million related to the aforementioned satisfaction and discharge of our 4.125% Senior Notes. Cash flow used in financing activities also included \$7.4 million of contingent consideration associated with the acquisition of a business and \$14.1 million of scheduled principal repayments under our Term Loan A and non-recourse mortgage notes. These payments were partially offset by \$164.0 million of net borrowings under our revolving credit facility, \$237.5 million of net proceeds from the issuance of the Term Loan B, and \$97.2 million of proceeds from the quarterly borrowings under the Kansas Notes during the construction period of the Lansing Correctional Facility.

### Supplemental Guarantor Information

On March 2, 2020, the SEC adopted final rules that amend and simplify the financial disclosure requirements for subsidiary issuers and guarantors of registered debt securities under Rules 3-10 and 3-16 of SEC Regulation S-X. The new rules permit registrants to provide certain alternative financial disclosures and non-financial disclosures in lieu of separate consolidating financial statements for subsidiary issuers and guarantors of registered debt securities (which we previously included within the notes to our financial statements included in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q) if certain conditions are met. Although the disclosures required by the amendments do not become mandatory until January 4, 2021, voluntary early compliance is permitted. We elected to voluntarily comply beginning with the quarterly period ended June 30, 2020.

All of the domestic subsidiaries of CoreCivic (as the parent corporation) that guarantee the Credit Agreements have provided full and unconditional guarantees of the Senior Notes. All of CoreCivic's subsidiaries guaranteeing the Senior Notes are 100% owned direct or indirect subsidiaries of CoreCivic; and the subsidiary guarantees are full and unconditional and are joint and several obligations of the guarantors.

As of December 31, 2020, neither CoreCivic nor any of its subsidiary guarantors had any material or significant restrictions on CoreCivic's ability to obtain funds from its subsidiaries by dividend or loan or to transfer assets from such subsidiaries.

The indentures governing our Senior Notes contain certain customary covenants that, subject to certain exceptions and qualifications, restrict CoreCivic's ability to, among other things, create or permit to exist certain liens and consolidate, merge or transfer all or substantially all of CoreCivic's assets. In addition, if CoreCivic experiences specific kinds of changes in control, CoreCivic must offer to repurchase all or a portion of the Senior Notes. The offer price for the Senior Notes in connection with a change in control would be 101% of the aggregate principal amount of the notes repurchased plus accrued and unpaid interest and liquidated damages, if any, on the notes repurchased to the date of purchase.

The following tables present summarized information for CoreCivic and the subsidiary guarantors, on a combined basis after elimination of (i) intercompany transactions and balances among CoreCivic and the subsidiary guarantors and (ii) equity in earnings from, and any investments in, any subsidiary that is a non-guarantor (in thousands).

	December 31,	
	2020	2019
Current assets	\$ 469,331	\$ 402,983
Real estate and related assets	2,572,112	2,738,347
Other assets	266,126	241,823
Total non-current assets	2,838,238	2,980,170
Current liabilities	188,023	258,834
Long-term debt, net	1,457,913	1,629,427
Other liabilities	234,806	118,048
Total long-term liabilities	1,692,719	1,747,475

	For the Years Ended December 31,	
	2020	2019
Revenues	\$ 1,869,689	\$ 1,957,143
Operating expenses	1,393,795	1,413,627
Other expenses	323,788	268,590
Total expenses	1,717,583	1,682,217
Operating income	152,106	274,926
Net income	118,425	189,357
Net income attributable to common stockholders	118,425	189,357

### Funds from Operations

Funds From Operations, or FFO, is a widely accepted supplemental non-GAAP measure utilized to evaluate the operating performance of real estate companies. The National Association of Real Estate Investment Trusts, or NAREIT, defines FFO as net income computed in accordance with GAAP, excluding gains or losses from sales of property and extraordinary items, plus depreciation and amortization of real estate and impairment of depreciable real estate and after adjustments for unconsolidated partnerships and joint ventures calculated to reflect funds from operations on the same basis. We believe FFO is an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs and other real estate companies, many of which present FFO when reporting results.

We also present Normalized FFO as an additional supplemental measure as we believe it is more reflective of our core operating performance. We may make adjustments to FFO from time to time for certain other income and expenses that we consider non-recurring, infrequent or unusual, even though such items may require cash settlement, because such items do not reflect a necessary or ordinary component of our ongoing operations. Even though expenses associated with M&A may be recurring, the magnitude and timing fluctuate based on the timing and scope of M&A activity, and therefore, such expenses, which are not a necessary component of our ongoing operations, may not be comparable from period to period. Start-up expenses represent the incremental operating losses incurred during the period we were activating idle correctional facilities. Normalized FFO excludes the effects of such items.

FFO and Normalized FFO are supplemental non-GAAP financial measures of real estate companies' operating performance, which do not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative for net income or as a measure of liquidity. Our method of calculating FFO and Normalized FFO may be different from methods used by other REITs and, accordingly, may not be comparable to such other REITs.

Our reconciliation of net income to FFO and Normalized FFO for the years ended December 31, 2020, 2019, and 2018 is as follows (in thousands):

	For the Years Ended December 31,		
	2020	2019	2018
<b>FUNDS FROM OPERATIONS:</b>			
Net income	\$ 55,338	\$ 188,886	\$ 159,207
Depreciation and amortization of real estate assets	112,046	107,402	101,771
Impairment of real estate assets	14,380	4,428	1,580
Loss (gain) on sale of real estate assets, net of taxes	13,555	(287)	—
Funds From Operations	195,319	300,429	262,558
Expenses associated with debt repayments and refinancing transactions	7,141	602	1,016
Charges associated with adoption of tax reform	—	—	1,024
Expenses associated with mergers and acquisitions	338	1,132	3,096
Contingent consideration for acquisition of businesses	620	—	6,085
Expenses associated with COVID-19	13,777	—	—
Expenses associated with changes in corporate tax structure	5,240	—	—
Deferred tax expense on Kansas lease structure	3,085	—	—
Start-up expenses	—	9,480	—
Goodwill and other impairments	46,248	278	—
Normalized Funds From Operations	\$ 271,768	\$ 311,921	\$ 273,779

### Contractual Obligations

The following schedule summarizes our contractual obligations by the indicated period as of December 31, 2020 (in thousands):

	Payments Due By Year Ending December 31,							Total
	2021	2022	2023	2024	2025	Thereafter		
Long-term debt	\$ 39,087	\$292,981	\$758,110	\$194,937	\$14,556	\$509,846	\$1,809,517	
Interest on senior and mortgage notes	54,784	54,308	33,164	24,479	23,851	103,666	294,252	
Contractual facility developments and other commitments	750	—	—	—	—	—	750	
South Texas Family Residential Center	51,421	51,421	51,421	51,562	51,421	38,460	295,706	
Leases	5,122	4,056	3,186	3,184	3,167	21,080	39,795	
Total contractual cash obligations	\$151,164	\$402,766	\$845,881	\$274,162	\$92,995	\$673,052	\$2,440,020	

The cash obligations in the table above do not include future cash obligations for variable interest expense associated with our Term Loan A, Term Loan B or the balance on our outstanding revolving credit facility as projections would be based on future outstanding balances as well as future variable interest rates, and we are unable to make reliable estimates of either. The contractual facility developments included in the table above represent development projects for which we have already entered into a contract with a customer that obligates us to complete the development project. The table excludes two renovation projects, totaling approximately \$23.0 million, with \$21.8 million remaining to be incurred as of December 31, 2020, that the federal government has agreed to reimburse over a twelve-month period. Certain of our other ongoing construction projects are not currently under contract and thus are not included as a contractual obligation above as we may generally suspend or terminate such projects without substantial penalty. With respect to the South Texas Family Residential Center, the cash obligations included in the table above reflect the full contractual obligations of the lease of the site, excluding contingent payments, even though the lease agreement provides us with the ability to terminate if ICE terminates the amended IGSA associated with the facility.



We had \$14.8 million of letters of credit outstanding at December 31, 2020 primarily to support our requirement to repay fees and claims under our self-insured workers' compensation plan in the event we do not repay the fees and claims due in accordance with the terms of the plan. The letters of credit are renewable annually. We did not have any draws under any outstanding letters of credit during 2020, 2019, or 2018.

## **INFLATION**

Many of our contracts include provisions for inflationary indexing, which mitigates an adverse impact of inflation on net income. However, a substantial increase in personnel costs, workers' compensation or food and medical expenses could have an adverse impact on our results of operations in the future to the extent that these expenses increase at a faster pace than the per diem or fixed rates we receive for our management services. We outsource our food service operations to a third party. The contract with our outsourced food service vendor contains certain protections against increases in food costs.

## **SEASONALITY AND QUARTERLY RESULTS**

Certain aspects of our business are subject to seasonal fluctuations. Because we are generally compensated for operating and managing correctional, detention, and reentry facilities at a per diem rate, our financial results are impacted by the number of calendar days in a fiscal quarter. Our fiscal year follows the calendar year and therefore, our daily profits for the third and fourth quarters include two more days than the first quarter (except in leap years) and one more day than the second quarter. Further, salaries and benefits represent the most significant component of operating expenses. Significant portions of our unemployment taxes are recognized during the first quarter, when base wage rates reset for unemployment tax purposes. Quarterly results are also affected by government funding initiatives, acquisitions, the timing of the opening of new facilities, or the commencement of new management contracts and related start-up expenses which may mitigate or exacerbate the impact of other seasonal influences. Because of seasonality factors, and other factors described herein, results for any quarter are not necessarily indicative of the results that may be achieved for the full fiscal year.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Our primary market risk exposure is to changes in U.S. interest rates. We are exposed to market risk related to our revolving credit facility, Term Loan A and Term Loan B because the interest rates on these loans are subject to fluctuations in the market. If the interest rate for our outstanding indebtedness under the revolving credit facility, the Term Loan A, and the Term Loan B was 100 basis points higher or lower during the years ended December 31, 2020, 2019, and 2018, our interest expense, net of amounts capitalized, would have been increased by \$8.0 million, \$5.0 million, and \$3.6 million, respectively, and would have been decreased by \$3.4 million, \$5.0 million, and \$3.6 million, respectively.

As of December 31, 2020, we had outstanding \$350.0 million of senior notes due 2023 with a fixed interest rate of 4.625%, \$250.0 million of senior notes due 2022 with a fixed interest rate of 5.0%, and \$250.0 million of senior notes due 2027 with a fixed interest rate of 4.75%. We also had \$20.9 million outstanding under the Capital Commerce Note with a fixed interest rate of 4.5%, \$157.6 million outstanding under the Kansas Notes with a fixed interest rate of 4.43%, and \$144.5 million outstanding under the SSA-Baltimore Note with a fixed interest rate of 4.5%. Because the interest rates with respect to these instruments are fixed, a hypothetical 100 basis point increase or decrease in market interest rates would not have a material impact on our financial statements.

We may, from time to time, invest our cash in a variety of short-term financial instruments. These instruments generally consist of highly liquid investments with original maturities at the date of purchase of three months or less. While these investments are subject to interest rate risk and will decline in value if market interest rates increase, a hypothetical 100 basis point increase or decrease in market interest rates would not materially affect the value of these instruments. See the risk factor discussion captioned "*Rising interest rates would increase the cost of our variable rate debt*" under Item 1A of this Annual Report on Form 10-K for more discussion on interest rate risks that may affect our financial condition.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The financial statements and supplementary data required by Regulation S-X are included in this Annual Report on Form 10-K commencing on Page F-1.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES.**

### **Management's Evaluation of Disclosure Controls and Procedures**

An evaluation was performed under the supervision and with the participation of our senior management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act as of the end of the period covered by this Annual Report. Based on that evaluation, our officers, including our Chief Executive Officer and Chief Financial Officer, concluded that as of the end of the period covered by this Annual Report our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

### **Management's Report on Internal Control over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework released in 2013. Based on this assessment, management believes that, as of December 31, 2020, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the Company's internal control over financial reporting. That report begins on page 90.

**Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting that occurred during the fourth fiscal quarter of 2020 that have materially affected, or are likely to materially affect, our internal control over financial reporting.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of CoreCivic, Inc.

### Opinion on Internal Control Over Financial Reporting

We have audited CoreCivic, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, CoreCivic, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2020 consolidated financial statements of the Company and our report dated February 22, 2021 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP  
Nashville, Tennessee  
February 22, 2021

**ITEM 9B. OTHER INFORMATION**

None.

### PART III.

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item 10 will appear in, and is hereby incorporated by reference from, the information under the headings "Proposal 1 – Election of Directors-Nominees Standing for Election," "Executive Officers" "Corporate Governance – Board Meetings and Committees," "Corporate Governance – Director Independence," "Corporate Governance – Certain Relationships and Related Party Transactions," and "Security Ownership of Certain Beneficial Owners and Management – Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement for the 2021 Annual Meeting of Stockholders.

Our Board of Directors has adopted a Code of Ethics and Business Conduct applicable to the members of our Board of Directors and our officers, including our Chief Executive Officer and Chief Financial Officer. In addition, the Board of Directors has adopted Corporate Governance Guidelines and charters for our Audit Committee, Risk Committee, Compensation Committee, Nominating and Governance Committee and Executive Committee. You can access our Code of Ethics and Business Conduct, Corporate Governance Guidelines and current committee charters under the "Investor Relations" tab on our website at [www.corecivic.com](http://www.corecivic.com).

#### ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item 11 will appear in, and is hereby incorporated by reference from, the information under the headings "Executive and Director Compensation" in our definitive proxy statement for the 2021 Annual Meeting of Stockholders.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item 12 will appear in, and is hereby incorporated by reference from, the information under the heading "Security Ownership of Certain Beneficial Owners and Management – Ownership of Common Stock – Directors and Executive Officers," and "Security Ownership of Certain Beneficial Owners and Management – Ownership of Common Stock – Principal Stockholders" in our definitive proxy statement for the 2021 Annual Meeting of Stockholders.

#### *Securities Authorized for Issuance Under Equity Compensation Plans*

The following table sets forth certain information as of December 31, 2020 regarding compensation plans under which our equity securities are authorized for issuance.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options	(b) Weighted – Average Exercise Price of Outstanding Options	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by stockholders	471,828	\$ 22.13	4,734,016 <sup>(1)</sup>
Equity compensation plans not approved by stockholders	—	—	—
<b>Total</b>	<b>471,828</b>	<b>\$ 22.13</b>	<b>4,734,016</b>

- (1) Reflects shares of common stock available for issuance under our 2020 Stock Incentive Plan, the only equity compensation plan approved by our stockholders under which we continue to grant awards.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The information required by this Item 13 will appear in, and is hereby incorporated by reference from, the information under the heading "Corporate Governance – Certain Relationships and Related Party Transactions" and "Corporate Governance – Director Independence" in our definitive proxy statement for the 2021 Annual Meeting of Stockholders.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

The information required by this Item 14 will appear in, and is hereby incorporated by reference from, the information under the heading "Proposal 2 – Non-Binding Ratification of Appointment of Independent Registered Public Accounting Firm" in our definitive proxy statement for the 2021 Annual Meeting of Stockholders.

## PART IV.

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following documents are filed as part of this Annual Report:

- (1) Financial Statements:

The financial statements as set forth under Item 8 of this Annual Report on Form 10-K have been filed herewith, beginning on page F-1 of this Annual Report.
- (2) Financial Statement Schedules:

Schedule III-Real Estate Assets and Accumulated Depreciation.

Information with respect to this item begins on page F-45 of this Annual Report on Form 10-K. Other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.
- (3) Exhibits:

The following exhibits marked with an \* are filed herewith. Exhibits marked with \*\* are furnished herewith. Other exhibits have previously been filed with the Securities and Exchange Commission (the "Commission") and are incorporated herein by reference:

  - 3.1 Articles of Amendment and Restatement of the Company (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on May 20, 2013 and incorporated herein by this reference).
  - 3.2 Articles of Amendment of the Company (previously filed as Exhibit 3.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on November 10, 2016 and incorporated herein by this reference).
  - 3.3 Ninth Amended and Restated Bylaws of the Company (previously filed as Exhibit 3.3 to the Company's Annual Report on Form 10-K (Commission File no. 001-16109), filed with the Commission on February 22, 2018 and incorporated herein by this reference).
  - 4.1 Specimen of certificate representing shares of the Company's Common Stock (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on November 10, 2016 and incorporated herein by this reference).
  - 4.2 Indenture (2023 Notes), dated as of April 4, 2013, by and among the Company, certain of its subsidiaries, and U.S. Bank National Association, as Trustee (previously filed as Exhibit 4.3 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on April 8, 2013 and incorporated herein by this reference).
  - 4.3 Indenture (2022 Notes and 2027 Notes), dated as of September 25, 2015, by and between the Company and U.S. Bank National Association, as Trustee (previously filed as Exhibit 4.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on September 25, 2015 and incorporated herein by this reference).
  - 4.4 Form of 4.625% Senior Note due 2023 (incorporated by reference to Exhibit A to Exhibit 4.2 hereof).
  - 4.5 Form of 5.00% Senior Note due 2022 (incorporated by reference to Exhibit A to Exhibit 4.8 hereof).
  - 4.6 Form of 4.75% Senior Note due 2027 (incorporated by reference to Exhibit A to Exhibit 4.9 hereof).
  - 4.7 Supplemental Indenture (2023 Notes), dated as of September 4, 2013, by and among the Company, certain of its subsidiaries, and U.S. Bank National Association, as Trustee (previously filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q (Commission File no. 001-16109), filed with the Commission on November 7, 2013 and incorporated herein by this reference).



- 4.8 First Supplemental Indenture (2022 Notes), dated as of September 25, 2015, by and among the Company, certain of its subsidiaries, and U.S. Bank National Association, as Trustee (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on September 25, 2015 and incorporated herein by this reference).
- 4.9 Second Supplemental Indenture (2027 Notes), dated as of October 13, 2017, by and among the Company, the Guarantors, and U.S. Bank National Association, as Trustee (previously filed as Exhibit 4.2 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on October 13, 2017 and incorporated herein by this reference).
- 4.10 Schedule of additional Supplemental Indentures (2023 Notes), relating to the Supplemental Indenture in Exhibit 4.7 hereof (previously filed as Exhibit 4.12 to the Company's Annual Report on Form 10-K (Commission File no. 001-16109), filed with the Commission on February 25, 2016 and incorporated herein by this reference).
- 4.11 Schedule of additional Supplemental Indentures (2022 Notes), relating to the Supplemental Indenture in Exhibit 4.8 hereof (previously filed as Exhibit 4.13 to the Company's Annual Report on Form 10-K (Commission File no. 001-16109), filed with the Commission on February 25, 2016 and incorporated herein by this reference).
- 4.12 Supplemental Indenture (2023 Notes), dated as of January 7, 2019, by and among the Company, certain of its subsidiaries, and Regions Bank, successor-in-interest to U.S. Bank National Association, as Trustee (previously filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q (Commission File No. 001-16109), filed with the Commission on May 9, 2019 and incorporated herein by this reference).
- 4.13 Supplemental Indenture (2022 Notes), dated as of January 7, 2019, by and among the Company, certain of its subsidiaries, and Regions Bank, successor-in-interest to U.S. Bank National Association, as Trustee (previously filed as Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q (Commission File No. 001-16109), filed with the Commission on May 9, 2019 and incorporated herein by this reference).
- 4.14 Supplemental Indenture (2027 Notes), dated as of January 7, 2019, by and among the Company, certain of its subsidiaries, and Regions Bank, successor-in-interest to U.S. Bank National Association, as Trustee (previously filed as Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q (Commission File No. 001-16109), filed with the Commission on May 9, 2019 and incorporated herein by this reference).
- 4.15 Supplemental Indenture (2023 Notes), dated as of February 3, 2020, by and among the Company, certain of its subsidiaries, and Regions Bank, successor-in-interest to U.S. Bank National Association, as Trustee (previously filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q (Commission File No. 001-16109), filed with the Commission on May 7, 2020 and incorporated herein by this reference).
- 4.16 Supplemental Indenture (2022 Notes), dated as of February 3, 2020, by and among the Company, certain of its subsidiaries, and Regions Bank, successor-in-interest to U.S. Bank National Association, as Trustee (previously filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q (Commission File No. 001-16109), filed with the Commission on May 7, 2020 and incorporated herein by this reference).
- 4.17 Supplemental Indenture (2027 Notes), dated as of February 3, 2020, by and among the Company, certain of its subsidiaries, and Regions Bank, successor-in-interest to U.S. Bank National Association, as Trustee (previously filed as Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q (Commission File No. 001-16109), filed with the Commission on May 7, 2020 and incorporated herein by this reference).
- 4.18 Description of Securities of CoreCivic, Inc. (previously filed as Exhibit 4.15 to the Company's Annual Report on Form 10-K (Commission File no. 001-16109), filed with the Commission on February 20, 2020 and incorporated herein by this reference).

- 10.1 Second Amended and Restated Credit Agreement, dated as of April 17, 2018 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on April 18, 2018 and incorporated herein by this reference).
- 10.2 First Amendment to Second Amended and Restated Credit Agreement, dated August 4, 2020, to the Second Amended and Restated Credit Agreement, dated as of April 17, 2018 (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on August 5, 2020 and incorporated herein by this reference).
- 10.3 The Company's Non-Employee Directors' Compensation Plan (previously filed as Appendix C to the Company's definitive Proxy Statement relating to its Annual Meeting of Stockholders (Commission File no. 001-16109), filed with the Commission on April 11, 2003 and incorporated herein by this reference).
- 10.4 Form of Executive Non-qualified Stock Option Agreement for the Company's 2008 Stock Incentive Plan (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on February 21, 2008 and incorporated herein by this reference).
- 10.5 Amended Form of Executive Non-qualified Stock Option Agreement for the Company's 2008 Stock Incentive Plan (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on February 23, 2009 and incorporated herein by this reference).
- 10.6 Form of Director Non-qualified Stock Option Agreement for the Company's 2008 Stock Incentive Plan (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on February 21, 2008 and incorporated herein by this reference).
- 10.7 The Company's Amended and Restated 2008 Stock Incentive Plan (previously filed as Exhibit 10.1 of the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on May 17, 2011 and incorporated herein by this reference).
- 10.8 Form of Executive Restricted Stock Unit Award Agreement for the Company's Amended and Restated 2008 Stock Incentive Plan (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on March 21, 2012 and incorporated herein by this reference).
- 10.9 Form of Non-Employee Directors Restricted Stock Unit Award Agreement with deferral provisions for the Company's Amended and Restated 2008 Stock Incentive Plan (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on March 21, 2012 and incorporated herein by this reference).
- 10.10 Form of Non-Employee Directors Restricted Stock Unit Award Agreement for the Company's Amended and Restated 2008 Stock Incentive Plan (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on March 21, 2012 and incorporated herein by this reference).
- 10.11 Form of Restricted Stock Unit Award Agreement for the Company's Amended and Restated 2008 Stock Incentive Plan (Time-Vesting Form for Executive Officers) (previously filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K (Commission File no. 001-16109), filed with the Commission on February 27, 2013 and incorporated herein by this reference).
- 10.12 Amended and Restated Non-Employee Director Deferred Compensation Plan (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on August 16, 2007 and incorporated herein by this reference).
- 10.13 Amendment to the Amended and Restated Non-Employee Director Deferred Compensation Plan (previously filed as Exhibit 10.35 to the Company's Annual Report on Form 10-K (Commission File no. 001-16109), filed with the Commission on February 24, 2010 and incorporated herein by this reference).

- 10.14 Amended and Restated Executive Deferred Compensation Plan (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on August 16, 2007 and incorporated herein by this reference).
- 10.15 Form of Indemnification Agreement (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on August 18, 2009 and incorporated herein by this reference).
- 10.16 Restricted Stock Unit Award Cancellation Agreement, dated as of September 27, 2016, with Damon T. Hininger (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on September 27, 2016 and incorporated herein by this reference).
- 10.17\* Form of Executive Employment Agreement, effective as of January 1, 2021.
- 10.18 Letter Agreement, dated as of December 31, 2017, with Harley G. Lappin (previously filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K (Commission File no. 001-16109), filed with the Commission on February 22, 2018 and incorporated herein by this reference).
- 10.19 Amended and Restated ATM Equity Offering<sup>SM</sup> Sales Agreement, dated August 28, 2018 (previously filed as Exhibit 1.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on August 28, 2018 and incorporated herein by this reference).
- 10.20 Term Loan Credit Agreement, dated as of December 18, 2019, by and among the Company, Nomura Corporate Funding Americas, LLC, as Administrative Agent and Nomura Securities International, Inc., as a Lead Arranger and Bookrunner (previously filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K (Commission File no. 001-16109), filed with the Commission on February 20, 2020 and incorporated herein by this reference).
- 10.21 First Amendment to Term Loan Credit Agreement, dated August 4, 2020, to the Term Loan Credit Agreement, dated as of December 18, 2019 (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on August 5, 2020 and incorporated herein by this reference).
- 10.22 The Company's Second Amended and Restated 2008 Stock Incentive Plan (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on May 12, 2017 and incorporated herein by this reference).
- 10.23 The Company's 2020 Stock Incentive Plan (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 001-16109), filed with the Commission on May 18, 2020 and incorporated herein by this reference).
- 10.24 Form of Executive Time-Based Restricted Share Unit Award Agreement for the Company's 2020 Stock Incentive Plan (previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (Commission File no. 001-16109), filed with the Commission on August 6, 2020 and incorporated herein by this reference).
- 10.25 Form of Executive Performance-Based Restricted Share Unit Award Agreement for the Company's 2020 Stock Incentive Plan (previously filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q (Commission File no. 001-16109), filed with the Commission on August 6, 2020 and incorporated herein by this reference).
- 10.26 Form of Non-Employee Director Restricted Share Unit Agreement for the Company's 2020 Stock Incentive Plan (previously filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q (Commission File no. 001-16109), filed with the Commission on August 6, 2020 and incorporated herein by this reference).

- 10.27 Form of Non-Employee Director Restricted Share Unit Agreement with deferral provisions for the Company's 2020 Stock Incentive Plan (previously filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q (Commission File no. 001-16109), filed with the Commission on August 6, 2020 and incorporated herein by this reference).
- 21.1\* Subsidiaries of the Company.
- 22.1\* List of Guarantor Subsidiaries.
- 23.1\* Consent of Independent Registered Public Accounting Firm.
- 31.1\* Certification of the Company's Chief Executive Officer pursuant to Securities and Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Certification of the Company's Chief Financial Officer pursuant to Securities and Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1\*\* Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2\*\* Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101\* The following financial information from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Stockholders' Equity, and (v) the Notes to Consolidated Financial Statements. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
- 104\* The cover page from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, formatted in Inline XBRL (included in Exhibit 101).

**ITEM 16. FORM 10-K SUMMARY**

None.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORECIVIC, INC.

Date: February 22, 2021

By: /s/ Damon T. Hininger  
Damon T. Hininger, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Damon T. Hininger February 22, 2021  
Damon T. Hininger, President and Chief Executive Officer  
(Principal Executive Officer and Director)

/s/ David M. Garfinkle February 22, 2021  
David M. Garfinkle, Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

/s/ Mark A. Emkes February 22, 2021  
Mark A. Emkes, Chairman of the Board of Directors

/s/ Donna M. Alvarado February 22, 2021  
Donna M. Alvarado, Director

/s/ Robert J. Dennis February 22, 2021  
Robert J. Dennis, Director

/s/ Stacia A. Hylton February 22, 2021  
Stacia A. Hylton, Director

/s/ Harley G. Lappin February 22, 2021  
Harley G. Lappin, Director

/s/ Anne L. Mariucci February 22, 2021  
Anne L. Mariucci, Director

/s/ Thurgood Marshall, Jr. February 22, 2021  
Thurgood Marshall, Jr., Director

/s/ Devin I. Murphy February 22, 2021  
Devin I. Murphy, Director

/s/ Charles L. Overby February 22, 2021  
Charles L. Overby, Director

/s/ John R. Prann, Jr. February 22, 2021  
John R. Prann, Jr., Director

[This page intentionally left blank]

## INDEX TO FINANCIAL STATEMENTS AND SCHEDULE

### Consolidated Financial Statements of CoreCivic, Inc. and Subsidiaries

Report of Independent Registered Public Accounting Firm .....	F-2
Consolidated Balance Sheets as of December 31, 2020 and 2019 .....	F-4
Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018.....	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018.....	F-6
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018 .....	F-7
Notes to Consolidated Financial Statements.....	F-8
Schedule III .....	F-45

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of CoreCivic, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of CoreCivic, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 22, 2021 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of this critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.



### ***Impairment of Long-Lived Assets***

*Description of the Matter* At December 31, 2020, the Company's property and equipment, net of accumulated depreciation, was \$2.6 billion, which includes \$132.7 million related to five idled facilities and \$21.8 million related to other idle facilities. As discussed in Note 2 and Note 6 to the consolidated financial statements, long-lived assets other than goodwill are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. When the estimated undiscounted cash flows associated with the asset or group of assets are less than their carrying value, an impairment is recognized as the difference between the carrying value of the asset and its fair value.

Auditing management's evaluation of long-lived assets for impairment was subjective due to the estimation uncertainty in determining the future undiscounted cash flows of facilities where indicators of impairment are determined to be present. These estimates are particularly sensitive to the assumption as to whether the Company will obtain contracts to utilize idle facilities in the future, which can be affected by expectations about market developments and public policy as well as management's intent to hold and operate each facility over the term and in the manner assumed in the analysis.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's long-lived asset impairment review process, including controls over management's review of evidence supporting the projected utilization of idle facilities and the recoverability of net book values based on estimated cash flows.

To test the Company's long-lived asset impairment analysis, we performed audit procedures that included, among others, evaluating evidence to support the projected utilization of facilities and to support recoverability of net book values based on anticipated cash flows. We also performed sensitivity analyses to evaluate the impact of changes in future undiscounted cash flows.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Nashville, Tennessee

February 22, 2021

**CORECIVIC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except per share data)

<b>ASSETS</b>	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 113,219	\$ 92,120
Restricted cash	23,549	26,973
Accounts receivable, net of credit loss reserve of \$6,103 and \$3,217, respectively	267,705	280,785
Prepaid expenses and other current assets	33,243	35,507
Assets held for sale	279,406	—
Total current assets	717,122	435,385
Real estate and related assets:		
Property and equipment, net of accumulated depreciation of \$1,559,388 and \$1,510,117, respectively	2,350,272	2,700,107
Other real estate assets	228,243	238,637
Goodwill	5,902	50,537
Non-current deferred tax assets	11,113	16,058
Other assets	396,663	350,907
Total assets	<u>\$ 3,709,315</u>	<u>\$ 3,791,631</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable and accrued expenses	\$ 274,318	\$ 337,462
Current portion of long-term debt	39,087	31,349
Total current liabilities	313,405	368,811
Long-term debt, net	1,747,664	1,928,023
Deferred revenue	18,336	12,469
Other liabilities	216,468	105,579
Total liabilities	2,295,873	2,414,882
Commitments and contingencies		
Preferred stock – \$0.01 par value; 50,000 shares authorized; none issued and outstanding at December 31, 2020 and 2019, respectively	—	—
Common stock – \$0.01 par value; 300,000 shares authorized; 119,638 and 119,096 shares issued and outstanding at December 31, 2020 and 2019, respectively	1,196	1,191
Additional paid-in capital	1,835,494	1,821,810
Accumulated deficit	(446,519)	(446,252)
Total stockholders' equity	1,390,171	1,376,749
Non-controlling interest - operating partnership	23,271	—
Total equity	1,413,442	1,376,749
Total liabilities and stockholders' equity	<u>\$ 3,709,315</u>	<u>\$ 3,791,631</u>

The accompanying notes are an integral part of these consolidated financial statements.

**CORECIVIC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)

	For the Years Ended December 31,		
	2020	2019	2018
<b>REVENUES</b>	\$ 1,905,485	\$ 1,980,689	\$ 1,835,766
<b>EXPENSES:</b>			
Operating	1,406,376	1,422,769	1,315,250
General and administrative	124,338	127,078	106,865
Depreciation and amortization	150,861	144,572	156,501
Contingent consideration for acquisition of businesses	620	—	6,085
Asset impairments	60,628	4,706	1,580
	<u>1,742,823</u>	<u>1,699,125</u>	<u>1,586,281</u>
<b>OPERATING INCOME</b>	<b>162,662</b>	<b>281,564</b>	<b>249,485</b>
<b>OTHER (INCOME) EXPENSE:</b>			
Interest expense, net	83,299	84,401	80,753
Expenses associated with debt repayments and refinancing transactions	7,141	602	1,016
Loss (gain) on sale of real estate assets	13,023	(287)	—
Other (income) expense	(525)	123	156
	<u>102,938</u>	<u>84,839</u>	<u>81,925</u>
<b>INCOME BEFORE INCOME TAXES</b>	<b>59,724</b>	<b>196,725</b>	<b>167,560</b>
Income tax expense	(4,386)	(7,839)	(8,353)
<b>NET INCOME</b>	<b>55,338</b>	<b>188,886</b>	<b>159,207</b>
Net income attributable to non-controlling interest	(1,181)	—	—
<b>NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 54,157</b>	<b>\$ 188,886</b>	<b>\$ 159,207</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 0.45</b>	<b>\$ 1.59</b>	<b>\$ 1.34</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 0.45</b>	<b>\$ 1.59</b>	<b>\$ 1.34</b>
<b>DIVIDENDS DECLARED PER SHARE</b>	<b>\$ 0.44</b>	<b>\$ 1.76</b>	<b>\$ 1.72</b>

The accompanying notes are an integral part of these consolidated financial statements.

**CORECIVIC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	For the Years Ended December 31,		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 55,338	\$ 188,886	\$ 159,207
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	150,861	144,572	156,501
Asset impairments	60,628	4,706	1,580
Amortization of debt issuance costs and other non-cash interest	5,519	3,351	3,419
Expenses associated with debt repayments and refinancing transactions	7,141	602	1,016
Deferred income taxes	4,945	(1,162)	(4,436)
Loss (gain) on sale of real estate	13,023	(287)	—
Other expenses and non-cash items	13,616	13,320	7,909
Non-cash revenue and other income	(7,301)	(11,292)	(14,509)
Non-cash equity compensation	17,264	17,267	13,132
Changes in assets and liabilities, net:			
Accounts receivable, prepaid expenses and other assets	16,769	(16,938)	(19,470)
Accounts payable, accrued expenses and other liabilities	17,727	11,359	18,531
Net cash provided by operating activities	355,530	354,384	322,880
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Expenditures for facility development and expansions	(27,591)	(136,128)	(58,239)
Expenditures for other capital improvements	(56,196)	(57,192)	(63,438)
Acquisitions, net of cash acquired	(8,849)	(48,396)	(175,588)
Net proceeds from sale of assets	113,602	4,295	12,911
Increase in other assets	(7,998)	(7,168)	(6,703)
Net cash provided by (used in) investing activities	12,968	(244,589)	(291,057)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of debt and borrowings from credit facility	374,000	1,146,691	809,831
Scheduled principal repayments	(32,254)	(14,121)	(7,816)
Principal repayments of credit facility	(520,000)	(648,000)	(603,500)
Defeasance of non-recourse mortgage notes	(51,311)	—	—
Satisfaction and discharge of senior notes	—	(325,000)	—
Payment of debt defeasance, issuance and other refinancing and related costs	(11,162)	(4,296)	(6,087)
Payment of lease obligations for financing leases	(543)	(538)	(3,744)
Contingent consideration for acquisition of businesses	—	(7,398)	(1,500)
Proceeds from exercise of stock options	—	876	2,367
Proceeds from sale/leaseback	—	—	7,783
Purchase and retirement of common stock	(3,575)	(3,531)	(3,005)
Dividends paid	(105,978)	(209,522)	(204,198)
Net cash used in financing activities	(350,823)	(64,839)	(9,869)
<b>NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>17,675</b>	<b>44,956</b>	<b>21,954</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period</b>	<b>119,093</b>	<b>74,137</b>	<b>52,183</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period</b>	<b>\$ 136,768</b>	<b>\$ 119,093</b>	<b>\$ 74,137</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>			
Debt assumed on acquisition of property	\$ 52,217	\$ —	\$ 157,280
Establishment of right of use assets and lease liabilities	\$ 116,263	\$ 137,946	\$ —
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Cash paid during the period for:			
Interest (net of amounts capitalized of \$0.5 million, \$6.0 million, and \$1.0 million in 2020, 2019, and 2018, respectively)	\$ 88,132	\$ 85,698	\$ 71,787
Income taxes paid	\$ 1,322	\$ 16,437	\$ 13,303

The accompanying notes are an integral part of these consolidated financial statements.

**CORECIVIC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**  
(in thousands)

	Stockholders' Equity				Total Stockholders' Equity	Non- controlling Interest - Operating Partnership	Total Equity
	Common Shares	Stock Par Value	Additional Paid-in Capital	Accumulated Deficit			
Balance as of December 31, 2017	118,204	\$1,182	\$1,794,713	\$ (344,287)	\$ 1,451,608	\$ —	\$ 1,451,608
Net income	—	—	—	159,207	159,207	—	159,207
Retirement of common stock	(139)	(1)	(3,004)	—	(3,005)	—	(3,005)
Dividends declared on common stock (\$1.72 per share)	—	—	—	(205,675)	(205,675)	—	(205,675)
Restricted stock compensation, net of forfeitures	—	—	13,132	—	13,132	—	13,132
Restricted stock grants	462	5	(5)	—	—	—	—
Stock options exercised	147	1	2,366	—	2,367	—	2,367
Cumulative effect of adoption of new accounting standard	—	—	—	(2,575)	(2,575)	—	(2,575)
Balance as of December 31, 2018	118,674	\$1,187	\$1,807,202	\$ (393,330)	\$ 1,415,059	\$ —	\$ 1,415,059
Net income	—	—	—	188,886	188,886	—	188,886
Retirement of common stock	(164)	(2)	(3,529)	—	(3,531)	—	(3,531)
Dividends declared on common stock (\$1.76 per share)	—	—	—	(211,868)	(211,868)	—	(211,868)
Restricted stock compensation, net of forfeitures	—	—	17,267	—	17,267	—	17,267
Restricted stock grants	524	5	(5)	—	—	—	—
Stock options exercised	62	1	875	—	876	—	876
Cumulative effect of adoption of new accounting standard	—	—	—	(29,940)	(29,940)	—	(29,940)
Balance as of December 31, 2019	119,096	\$1,191	\$1,821,810	\$ (446,252)	\$ 1,376,749	\$ —	\$ 1,376,749
Net income	—	—	—	54,157	54,157	1,181	55,338
Retirement of common stock	(209)	(2)	(3,573)	—	(3,575)	—	(3,575)
Dividends declared on common stock (\$0.44 per share)	—	—	—	(53,415)	(53,415)	—	(53,415)
Reductions in dividends on RSUs	—	—	—	27	27	—	27
Restricted stock compensation, net of forfeitures	—	—	17,264	—	17,264	—	17,264
Restricted stock grants	751	7	(7)	—	—	—	—
Cumulative effect of adoption of new accounting standard	—	—	—	(1,036)	(1,036)	—	(1,036)
Contributions to operating partnership	—	—	—	—	—	23,271	23,271
Distributions to non-controlling interest	—	—	—	—	—	(1,181)	(1,181)
<b>Balance as of December 31, 2020</b>	<b>119,638</b>	<b>\$1,196</b>	<b>\$1,835,494</b>	<b>\$ (446,519)</b>	<b>\$ 1,390,171</b>	<b>\$ 23,271</b>	<b>\$ 1,413,442</b>

The accompanying notes are an integral part of these consolidated financial statements.

**CORECIVIC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020, 2019 AND 2018**

**1. ORGANIZATION AND OPERATIONS**

CoreCivic, Inc. (together with its subsidiaries, the "Company" or "CoreCivic") is the nation's largest owner of partnership correctional, detention, and residential reentry facilities and one of the largest prison operators in the United States. The Company also believes it is the largest private owner of real estate used by U.S. government agencies. Through three segments, CoreCivic Safety, CoreCivic Community, and CoreCivic Properties, the Company provides a broad range of solutions to government partners that serve the public good through corrections and detention management, a network of residential reentry centers to help address America's recidivism crisis, and government real estate solutions. As of December 31, 2020, through its CoreCivic Safety segment, the Company operated 47 correctional and detention facilities, 42 of which the Company owned, with a total design capacity of approximately 70,000 beds. Through its CoreCivic Community segment, the Company owned and operated 27 residential reentry centers with a total design capacity of approximately 5,000 beds. In addition, through its CoreCivic Properties segment, the Company owned 15 properties for lease to third parties and used by government agencies, totaling 2.7 million square feet.

In addition to providing fundamental residential services, CoreCivic's correctional, detention, and reentry facilities offer a variety of rehabilitation and educational programs, including basic education, faith-based services, life skills and employment training, and substance abuse treatment. These services are intended to help reduce recidivism and to prepare offenders for their successful reentry into society upon their release. CoreCivic also provides or makes available to offenders certain health care (including medical, dental, and mental health services), food services, and work and recreational programs.

CoreCivic has operated as a real estate investment trust ("REIT") from January 1, 2013 through December 31, 2020. As a REIT, the Company has provided services and conducted other business activities through taxable REIT subsidiaries ("TRSs"). A TRS is a subsidiary of a REIT that is subject to applicable corporate income tax and certain qualification requirements. The Company's use of TRSs has permitted CoreCivic to engage in certain business activities in which the REIT may not engage directly, so long as these activities are conducted in entities that elect to be treated as TRSs under the Internal Revenue Code of 1986, as amended, and has enabled CoreCivic to, among other things, provide correctional services at facilities it owns and at facilities owned by its government partners. A TRS is not subject to the distribution requirements applicable to REITs so it may retain income generated by its operations for reinvestment.

On June 17, 2020, the Company announced that its Board of Directors ("BOD") was evaluating corporate structure and capital allocation alternatives. Concurrently, the BOD suspended the Company's quarterly dividend while it assessed how best to use its free cash flow to build shareholder value, maintain service excellence, and offer and implement unique solutions for its government partners and the communities in which it serves. On August 5, 2020, the Company announced that the BOD concluded its analysis and unanimously approved a plan to revoke the Company's REIT election and become a taxable C Corporation, effective January 1, 2021. As a result, the Company will no longer be required to operate under REIT rules, including the requirement to distribute at least 90% of its taxable income to its stockholders, which will provide the Company with greater flexibility to use its free cash flow. Beginning January 1, 2021, the Company will be subject to federal and state income taxes on its taxable income at applicable tax rates, and will no longer be entitled to a tax deduction for dividends paid. The Company continued to operate as a REIT for the 2020 tax year, and existing REIT requirements and limitations, including those established by the Company's organizational documents, remained in place until January 1, 2021. The BOD also voted unanimously to discontinue the Company's quarterly dividend and prioritize allocating the Company's free cash flow to reduce debt.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Presentation**

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and include the accounts of CoreCivic on a consolidated basis with its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

Certain reclassifications have been made to the consolidated statement of operations and the consolidated statement of cash flows in 2019 to conform to the current year presentation.

### **Cash and Cash Equivalents**

CoreCivic considers all liquid deposits and investments with a maturity of three months or less at the time of purchase to be cash equivalents.

### **Restricted Cash**

Restricted cash at December 31, 2020 and 2019 included deposit accounts totaling \$10.3 million and \$27.0 million, respectively, to ensure the timely payment of certain operating expenses, capital expenditures and debt service associated with the SSA-Baltimore property and the Lansing Correctional Facility, as further discussed in Notes 6 and 11. The restricted cash accounts are required under the terms of the indebtedness securing such properties. Restricted cash at December 31, 2020 also included \$13.2 million for deposits primarily associated with Government Real Estate Solutions, LLC ("GRES") as further discussed in Note 6.

### **Accounts Receivable and Credit Loss Reserve**

At December 31, 2020 and 2019, accounts receivable of \$267.7 million and \$280.8 million, respectively, were net of credit loss reserve totaling \$6.1 million and \$3.2 million, respectively. Accounts receivable consist primarily of amounts due from federal, state, and local government agencies for the utilization of CoreCivic's properties. Accounts receivable also consist of amounts due for operating and managing the Company's correctional, detention, and residential reentry facilities, as well as its electronic monitoring and case management services operations.

Accounts receivable are stated at estimated net realizable value. CoreCivic recognizes allowances for doubtful accounts to ensure receivables are not overstated due to uncollectibility. Bad debt reserves are maintained for customers using an expected loss model based on a variety of factors, including the nature of the accounts receivable, risks of loss, length of time receivables are past due, and historical experience. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted.

### **Property and Equipment**

Property and equipment are carried at cost. Assets acquired by CoreCivic in conjunction with acquisitions are recorded at estimated fair market value at the time of purchase. Betterments, renewals and significant repairs that extend the life of an asset are capitalized; other repair and maintenance costs are expensed. Interest is capitalized to the asset to which it relates in connection with the construction or expansion of real estate properties. Construction costs directly associated with the development of a property are capitalized as part of the cost of the development project. Such costs are written-off to expense whenever a project is abandoned. The cost and accumulated depreciation applicable to assets retired are removed from the accounts and the gain or loss on disposition is recognized in income. Depreciation is computed over the estimated useful lives of depreciable assets using the straight-line method. Useful lives for property and equipment are as follows:

Land improvements	5 – 20 years
Buildings and improvements	5 – 50 years
Equipment and software	3 – 10 years
Office furniture and fixtures	5 years

### **Other Real Estate Assets**

Other real estate assets are accounted for in accordance with Accounting Standards Codification ("ASC") 853, "Service Concession Arrangements". ASC 853 stipulates that the facilities subject to the standard may not be accounted for as a lease, nor should the infrastructure used in the service concession arrangement be recognized as property and equipment by the operating entity. Instead, the contracts should be accounted for under the applicable revenue standards. The Company owns four facilities that are accounted for as service concession arrangements. The facilities accounted for under ASC 853 were constructed in periods prior to 2013.

On January 1, 2018, the Company adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" and its subsequent corresponding update, ASC 606. For facilities which CoreCivic constructed for the public entity, two separate and distinct performance obligations exist. Service revenue is recognized as provided. All revenues and costs related to the construction of the facilities were recognized upon adoption of ASC 606. Revenue recognized related to the construction of the facilities for which cash has not yet been received is recorded as a contract asset and is amortized and evaluated for impairment on an on-going basis. For facilities contributed to a service contract, the cost of the facility is accounted for as costs to fulfill the service contract and the cost is recognized over the term of the service contract. The costs related to contract assets and costs to fulfill the service contracts are recoverable if the contract is terminated or not renewed due to the existence of residual interest options.

Prior to the adoption of ASC 606, other real estate assets were stated at cost, net of accumulated amortization. These assets represent the cost of all infrastructure to be transferred to the public entity grantors should the grantors exercise their residual interest. The costs related to the facilities constructed for a governmental entity were deferred as an other real estate asset, and the deferred costs were amortized in proportion to revenue recognized over the term of the related services arrangement. The costs related to the facilities that were constructed before entering into the service concession arrangement were amortized in proportion to revenue recognized over the term of the related service contract as an investment in the service contract.

### **Accounting for the Impairment of Long-Lived Assets Other Than Goodwill**

Long-lived assets other than goodwill are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. When circumstances indicate an asset may not be recoverable, impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, comparable sales data, discounted cash flows or internal and external appraisals, as applicable.

### **Goodwill**

Goodwill represents the cost in excess of the net assets of businesses acquired. As further discussed in Note 3, goodwill is tested for impairment at least annually using a fair-value based approach.

### **Investment in Affiliates**

Investments in affiliates that are equal to or less than 50%-owned over which CoreCivic can exercise significant influence are accounted for using the equity method of accounting. Investments under the equity method are recorded at cost and subsequently adjusted for contributions, distributions, and net income attributable to the Company's ownership based on the governing agreement.



### **Debt Issuance Costs**

Debt issuance costs, excluding those costs incurred related to CoreCivic's revolving credit facility, are presented as a direct deduction from the face amount of the related liability on the consolidated balance sheets. Debt issuance costs related to the Company's revolving credit facility are included in other assets on the consolidated balance sheets. Generally, debt issuance costs are capitalized and amortized into interest expense using the interest method, or on a straight-line basis over the term of the related debt, if not materially different than the interest method. However, certain debt issuance costs incurred in connection with debt refinancings are charged to expense in accordance with ASC 470-50, "Modifications and Extinguishments".

### **Revenue Recognition**

CoreCivic maintains contracts with certain governmental entities to manage their facilities for fixed per diem rates. CoreCivic also maintains contracts with various federal, state, and local governmental entities for the housing of offenders in company-owned facilities at fixed per diem rates or monthly fixed rates. These contracts usually contain expiration dates with renewal options ranging from annual to multi-year renewals. Most of these contracts have current terms that require renewal every two to five years. Additionally, most facility management contracts contain clauses that allow the government agency to terminate a contract without cause, and are generally subject to legislative appropriations. CoreCivic generally expects to renew these contracts for periods consistent with the remaining renewal options allowed by the contracts or other reasonable extensions; however, no assurance can be given that such renewals will be obtained. Fixed monthly rate revenue is recorded in the month earned and fixed per diem revenue, including revenue under those contracts that include guaranteed minimum populations, is recorded based on the per diem rate multiplied by the number of offenders housed or guaranteed during the respective period.

CoreCivic recognizes any additional management service revenues upon completion of services provided to the customer. Certain of the government agencies also have the authority to audit and investigate CoreCivic's contracts with them. If the agency determines that CoreCivic has improperly allocated costs to a specific contract or otherwise was unable to perform certain contractual services, CoreCivic may not be reimbursed for those costs and could be required to refund the amount of any such costs that have been reimbursed, or to pay liquidated damages. In these instances, the amounts required to be returned to the customer are classified as reductions to revenue.

Lease revenue is recognized in accordance with ASC 842, "Leases". In accordance with ASC 842, minimum lease revenue is recognized on a straight-line basis over the term of the related lease. Leasehold incentives are recognized as a reduction to lease revenue on a straight-line basis over the term of the related lease. Lease revenue associated with expense reimbursements from tenants is recognized in the period that the related expenses are incurred based upon the tenant lease provision.

Other revenue consists primarily of ancillary revenues associated with operating correctional, detention and residential reentry facilities, such as commissary, phone, and vending sales, and is recorded in the period the goods and services are provided. Revenues generated from prisoner transportation services for governmental agencies are recorded in the period the inmates have been transported to their destination.

## **Self-Funded Insurance and Litigation Reserves**

CoreCivic is significantly self-insured for employee health, workers' compensation, automobile liability claims, and general liability claims. As such, CoreCivic's insurance expense is largely dependent on claims experience and CoreCivic's ability to control its claims experience. CoreCivic has consistently accrued the estimated liability for employee health insurance based on its history of claims experience and time lag between the incident date and the date the cost is paid by CoreCivic. CoreCivic has accrued the estimated liability for workers' compensation claims based on an actuarially determined liability, discounted to the net present value of the outstanding liabilities, using a combination of actuarial methods used to project ultimate losses, and the Company's automobile insurance claims based on estimated development factors on claims incurred. The liability for employee health, workers' compensation, and automobile insurance includes estimates for both claims incurred and for claims incurred but not reported. CoreCivic records its best estimate of the probable costs for the resolution of certain claims and legal proceedings in which it is involved, if estimable. In addition, the Company is subject to current and potential future claims and legal proceedings for which little or no accrual has been reflected because the Company's current assessment of the potential exposure is nominal. These estimates have been developed in consultation with CoreCivic's General Counsel's office and, as appropriate, outside counsel handling these matters, and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. These estimates could change in the future.

## **Income Taxes**

CoreCivic operated in compliance with REIT requirements for federal income tax purposes from January 1, 2013 through December 31, 2020. As a REIT, the Company generally has not been subject to corporate level federal income tax on taxable income it distributes to its stockholders as long as it meets the organizational and operational requirements under the REIT rules. However, certain subsidiaries have made an election to be treated as TRSs in conjunction with the Company's REIT election. The TRS elections have permitted CoreCivic to engage in certain business activities in which the REIT may not engage directly, so long as these activities are conducted in entities that elect to be treated as TRSs under the Internal Revenue Code of 1986, as amended. A TRS is subject to federal and state income taxes on the income from these activities and therefore, CoreCivic includes a provision for taxes in its consolidated financial statements.

Income taxes are accounted for under the provisions of ASC 740, "Income Taxes". ASC 740 generally requires CoreCivic to record deferred income taxes for the tax effect of differences between book and tax bases of its assets and liabilities. Deferred income taxes reflect the available net operating losses and the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the statement of operations in the period that includes the enactment date. Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including CoreCivic's past earnings history, expected future earnings, the character and jurisdiction of such earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect utilization of its deferred tax assets, carryback and carryforward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

CoreCivic's deferred tax assets and liabilities are classified as non-current on the consolidated balance sheets. See Note 13 for further discussion of the significant components of CoreCivic's deferred tax assets and liabilities and the impact on deferred tax assets and liabilities that resulted from the lower corporate tax rates enacted under the Tax Cuts and Jobs Act ("the TCJA") in December 2017.

Income tax contingencies are accounted for under the provisions of ASC 740. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance prescribed in ASC 740 establishes a recognition threshold of more likely than not that a tax position will be sustained upon examination. The measurement attribute requires that a tax position be measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

### Foreign Currency Transactions

CoreCivic has extended a working capital loan to Agecroft Prison Management, Ltd. ("APM"), the operator of a correctional facility in Salford, England previously owned by a subsidiary of CoreCivic. The working capital loan is denominated in British pounds; consequently, CoreCivic adjusts this receivable to the current exchange rate at each balance sheet date and recognizes the unrealized currency gain or loss in current period earnings. See Note 8 for further discussion of CoreCivic's relationship with APM.

### Fair Value of Financial Instruments

To meet the reporting requirements of ASC 825, "Financial Instruments", regarding fair value of financial instruments, CoreCivic calculates the estimated fair value of financial instruments using market interest rates, quoted market prices of similar instruments, or discounted cash flow techniques with observable Level 1 inputs for publicly traded debt and Level 2 inputs for all other financial instruments, as defined in ASC 820, "Fair Value Measurement". At December 31, 2020 and 2019, there were no material differences between the carrying amounts and the estimated fair values of CoreCivic's financial instruments, other than as follows (in thousands):

	December 31,			
	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Note receivable from APM	\$ 3,094	\$ 3,896	\$ 2,989	\$ 3,949
Debt	\$(1,809,517)	\$(1,774,016)	\$(1,986,865)	\$(1,964,366)

### Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### Concentration of Credit Risks

CoreCivic's credit risks relate primarily to cash and cash equivalents, restricted cash, and accounts receivable. Cash and cash equivalents and restricted cash are primarily held in bank accounts and overnight investments. CoreCivic maintains deposits of cash in excess of federally insured limits with certain financial institutions. CoreCivic's accounts receivable represents amounts due primarily from governmental agencies. CoreCivic's financial instruments are subject to the possibility of loss in carrying value as a result of either the failure of other parties to perform according to their contractual obligations or changes in market prices that make the instruments less valuable.

CoreCivic derives its revenues primarily from amounts earned under federal, state, and local government contracts. For each of the years ended December 31, 2020, 2019, and 2018, federal correctional and detention authorities represented 52%, 51%, and 48%, respectively, of CoreCivic's total revenue. Federal correctional and detention authorities consist primarily of U.S. Immigration and Customs Enforcement ("ICE"), the United States Marshals Service ("USMS"), and the Federal Bureau of Prisons ("BOP"). ICE accounted for 28%, 29%, and 25% of total revenue for 2020, 2019, and 2018, respectively. The USMS accounted for 21%, 17%, and 17% of total revenue for 2020, 2019, and 2018, respectively. The BOP accounted for 3%, 5%, and 6% of total revenue for 2020, 2019, and 2018, respectively. These federal customers have management contracts at facilities CoreCivic owns and at facilities CoreCivic manages but does not own. State revenues from contracts at correctional, detention, and residential reentry facilities that CoreCivic operates represented 33%, 34%, and 39% of total revenue during the years ended December 31, 2020, 2019, and 2018, respectively. ICE and the USMS each generated 10% or more of total revenue during 2020, 2019, and 2018. Although the revenue generated from each of these agencies is derived from numerous management contracts and various types of properties, i.e. correctional, detention, reentry, and leased, the loss of one or more of such contracts could have a material impact on CoreCivic's financial condition and results of operations.

### **Accounting for Stock-Based Compensation**

CoreCivic accounts for restricted stock-based compensation under the recognition and measurement principles of ASC 718, "Compensation-Stock Compensation". CoreCivic amortizes the fair market value as of the grant date of restricted stock unit ("RSU") awards over the vesting period using the straight-line method. The fair market value of performance-based restricted stock units is amortized over the vesting period as long as CoreCivic expects to meet the performance criteria. To the extent performance-based RSUs are expected to increase or decrease based on revised estimates of performance, the related expense is adjusted accordingly. If achievement of the performance criteria becomes improbable, an adjustment is made to reverse the expense previously recognized. The Company estimates the number of awards expected to be forfeited and adjusts the estimate when it is likely to change.

### **Leases**

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, "Leases (Topic 842)", which requires lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to previous accounting requirements. ASU 2016-02 also eliminated previous real estate-specific provisions for all entities. For lessors, the ASU modifies the classification criteria and the accounting for sales-type and direct financing leases. For finance leases and operating leases, a lessee should recognize on the balance sheet a liability to make lease payments and a right-of-use ("ROU") asset representing its right to use the underlying asset for the lease term, with each initially measured at the present value of the lease payments. In July 2018, the FASB issued ASU 2018-11, "Targeted Improvements – Leases (Topic 842)", which permits entities to adopt a new transition method whereby the modified retrospective transition method would allow companies to recognize the cumulative-effect adjustment in the period of adoption rather than the earliest period presented and continue to apply the legacy guidance in ASC 840, "Leases", in the comparative periods presented. Further, ASU 2018-11 also allows entities to elect, by class of underlying asset, to not separate non-lease components from the associated lease components when certain criteria are met. Adoption results in an increase in long-term assets and liabilities for leases where the Company is the lessee.

CoreCivic adopted ASU 2016-02 and ASU 2018-11, cumulatively ("ASC 842"), on January 1, 2019. The Company elected the modified retrospective transition method and recognized the cumulative-effect adjustment resulting from adoption of ASC 842 in the first quarter of 2019. CoreCivic also elected to adopt the package of available practical expedients that permits lessees and lessors to not reassess certain items, including whether any expired or existing contracts are or contain leases, lease classification of any expired or existing leases, and initial direct costs for any expired or existing leases. In addition, the Company made an accounting policy election to apply the "short-term lease exception" permitted by ASC 842 for all classes of underlying assets. With the exception of the South Texas Family Residential Center lease, as further described in Note 5, the Company also elected the practical expedient that permits lessees to make an accounting policy election to account for each separate lease component of a contract and its associated non-lease components as a single lease component. Prior to the adoption of ASC 842, a portion of the rental payments for the South Texas Family Residential Center was classified as depreciation and interest expense in accordance with ASC 840-40-55, formerly Emerging Issues Task Force No. 97-10, "The Effect of Lessee Involvement in Asset Construction." Upon adoption of ASC 842, all rental payments associated with this lease are classified as operating expenses.

Upon adoption of ASC 842, CoreCivic recognized a ROU asset of \$115.6 million and a lease liability of \$82.9 million for all operating leases identified by the Company as applicable under the guidance of ASC 842, including the lease for the South Texas Family Residential Center. For those operating leases that contain renewal options, the Company included the renewal period in the lease terms, and the related payments are reflected in the ROU asset and lease liability, when it is reasonably certain that a renewal option will be exercised. The ROU asset is included in other assets on the consolidated balance sheets, while the current portion of the lease liability is included in accounts payable and accrued expenses, and the long-term portion of the liability is included in other liabilities on the consolidated balance sheets. The Company also recognized a net charge of approximately \$29.9 million to accumulated deficit upon adoption of ASC 842. Because CoreCivic does not generally have access to the interest rates implicit in its leases, the Company utilized its incremental borrowing rate, based upon the terms and tenure of each base lease, as the discount rate when calculating the present value of future minimum lease payments for each lease arrangement. The weighted average discount rate associated with the operating leases at adoption of ASC 842 was 5.3%.

For leases where the Company is the lessor, upon adoption of ASC 842, the Company elected to also apply the practical expedient to not separate non-lease components from the associated lease component if certain criteria are met for each class of underlying assets. Lease components are elements of an arrangement that provide the customer with the right to use an identified asset. Non-lease components are distinct elements of a contract that are not related to securing the use of the leased asset and revenue is recognized in accordance with ASC 606. The Company considers common area maintenance ("CAM") and service income associated with tenant work orders to be non-lease components because they represent delivery of a separate service but are not considered a cost of securing the identified asset. In the case of the Company's business, the identified asset would be the leased real estate. The Company assessed and concluded that the timing and pattern of transfer for non-lease components and the associated lease component are the same. The Company determined that the predominant component was the lease component and as such its leases continue to qualify as operating leases. The Company made a policy election to account for and present the lease component and the non-lease component as a single component in revenue.

### **Recent Accounting Pronouncements**

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses – Measurement of Credit Losses on Financial Instruments," which changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The ASU replaces the "incurred loss" approach with an "expected loss" model for instruments measured at amortized cost. For trade and other receivables, held-to-maturity debt securities, contract assets, loans and other instruments, entities are now required to use a new forward-looking "expected loss" model that generally will result in the earlier recognition of allowances for losses. Upon its effective date, CoreCivic adopted the ASU in the first quarter of 2020. The Company recognized a charge of \$1.0 million to accumulated deficit upon adoption of ASU 2016-13. Based principally on the fact that the largest portion of the Company's accounts receivable is with governmental agencies with high credit ratings, the adoption of ASU 2016-13 did not have a material impact on its financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants and the Securities and Exchange Commission ("SEC") did not, or are not expected to, have a material effect on the Company's results of operations or financial position.

### **3. GOODWILL**

ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test of Goodwill Impairment", establishes accounting and reporting requirements for goodwill and other intangible assets. Goodwill was \$5.9 million and \$50.5 million as of December 31, 2020 and 2019, respectively. Of these amounts, goodwill was \$5.9 million and \$7.9 million as of December 31, 2020 and 2019, respectively, for the Company's CoreCivic Safety segment, and was \$42.6 million as of December 31, 2019, for its CoreCivic Community segment. This goodwill was established in connection with multiple business combination transactions.

Under the provisions of ASU 2017-04, CoreCivic performs a qualitative assessment to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the Company performs a quantitative impairment test. If a quantitative test is required, CoreCivic performs an assessment to identify the existence of impairment and to measure the excess of a reporting unit's carrying amount over its fair value by using a combination of various common valuation techniques, including market multiples and discounted cash flows under valuation methodologies that include an income approach and a market approach. The income valuation approach includes certain significant assumptions impacting projected future cash flows, such as projected revenue, projected operating costs, and the weighted average cost of capital, which are affected by expectations about future market or economic conditions. These impairment tests are required to be performed at least annually. CoreCivic performs its impairment tests during the fourth quarter, in connection with its annual budgeting process, and whenever circumstances indicate the carrying value of goodwill may not be recoverable.

In connection with the Company's annual impairment test for the goodwill associated with the Community reporting unit, during the fourth quarter of 2020, the Company performed a quantitative goodwill impairment test and concluded to record an impairment charge of \$42.6 million, representing the full value of goodwill allocated to this reporting unit. The Company's analysis considered numerous factors, with the impairment predominantly driven by the Company's consideration of the broad-based declines in the market capitalization of publicly-traded companies in the Company's industry, primarily during the second half of 2020, as well as the reduction in cash flows from the COVID-19 pandemic and the anticipated change in tax structure effective January 1, 2021. The Company intends to continue to pursue investments in this segment, which could generate additional goodwill from business combinations transacted in this segment in the future, which could result in additional charges if the goodwill becomes impaired under the requirements of ASU 2017-04.

The Company also performed qualitative assessments of goodwill recorded in its Safety reporting units in the fourth quarter of 2020, concluding there was no impairment for such goodwill. The Company recorded certain interim event-driven impairment charges in 2020. During the third quarter of 2020, the Company provided notice to the local county customers at two managed-only facilities of its intent to terminate the contracts. The Company transitioned operations of the 1,046-bed Silverdale Detention Center in December 2020 and transitioned operations at the 1,348-bed Metro-Davidson County Detention Facility in October 2020. As a result of these expected contract terminations, during the second quarter of 2020, the Company recognized goodwill impairments of \$2.0 million associated with these two managed-only facilities' reporting units.

#### 4. REAL ESTATE AND RELATED ASSETS

At December 31, 2020, CoreCivic owned 69 correctional, detention, and residential reentry real estate properties, and 15 properties for lease to third parties. At December 31, 2020, CoreCivic also managed five correctional and detention facilities owned by governmental agencies.

Property and equipment, at cost, consists of the following (in thousands):

	December 31,	
	2020	2019
Land and improvements	\$ 253,289	\$ 295,214
Buildings and improvements	3,171,307	3,411,583
Equipment and software	420,894	435,628
Office furniture and fixtures	37,704	38,278
Construction in progress	26,466	29,521
	<u>3,909,660</u>	<u>4,210,224</u>
Less: Accumulated depreciation	(1,559,388)	(1,510,117)
	<u>\$ 2,350,272</u>	<u>\$ 2,700,107</u>

Construction in progress primarily consists of property improvements in process. Interest is capitalized on construction in progress and amounted to \$0.5 million, \$6.0 million, and \$1.0 million in 2020, 2019, and 2018, respectively.

Depreciation expense was \$141.7 million, \$137.7 million, and \$152.0 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Ten of the facilities owned by CoreCivic are subject to options that allow various governmental agencies to purchase those facilities. Certain of these options to purchase are based on a depreciated book value while others are based on a fair market value calculation. Four of the facilities that are subject to options are accounted for in accordance with ASC 853 and are recorded in other real estate assets on the consolidated balance sheets, as further described in Note 2. As of December 31, 2020, CoreCivic had \$228.2 million in other real estate assets, including \$143.6 million accounted for as a contract cost and \$84.6 million accounted for as costs of fulfilling the related service contract. As of December 31, 2019, CoreCivic had \$238.6 million in other real estate assets, including \$147.8 million accounted for as a contract cost and \$90.8 million accounted for as costs of fulfilling the related service contract.

In June 2013, CoreCivic entered into an Economic Development Agreement ("EDA") with the Development Authority of Telfair County ("Telfair County") in Telfair County, Georgia to implement a tax abatement plan related to CoreCivic's bed expansion project at its McRae Correctional Facility. The tax abatement plan provides for 90% abatement of real property taxes in the first year, decreasing by 10% over the subsequent nine years. In June 2013, Telfair County issued bonds in a maximum principal amount of \$15.0 million. According to the EDA, legal title of CoreCivic's real property was transferred to Telfair County. Pursuant to the EDA, the bonds were issued to CoreCivic, so no cash exchanged hands. Telfair County then leased the real property back to CoreCivic. The lease payments are equal to the amount of the payments on the bonds. At any time, CoreCivic has the option to purchase the real property by paying off the bonds, plus \$100. Due to the form of the transactions, CoreCivic has not recorded the bonds or the capital lease associated with the sale lease-back transaction. The original cost of CoreCivic's property and equipment is recorded on the balance sheet and is being depreciated over its estimated useful life.

## 5. LEASES

As further described in Note 2, CoreCivic accounts for leases in accordance with ASC 842. CoreCivic leases land and buildings from third-party lessors for multiple properties under operating leases that expire over varying dates through 2032. The ROU asset related to these leases amounted to \$194.1 million and \$108.1 million at December 31, 2020 and 2019, respectively, while the current portion of the lease liability amounted to \$21.6 million and \$26.9 million and the long-term portion of the liability amounted to \$144.8 million and \$51.2 million at December 31, 2020 and 2019, respectively. As of December 31, 2020, the weighted-average lease term of the operating leases was 6.3 years and the weighted average discount rate associated with the operating leases was 6.2%.

CoreCivic leases the South Texas Family Residential Center and the site upon which it was constructed from a third-party lessor. CoreCivic's lease agreement with the lessor is over a base period concurrent with an inter-governmental service agreement ("IGSA") with ICE, which was amended in September 2020 to extend the term of the agreement through September 2026. ICE's termination rights, which permit ICE to terminate the agreement for convenience or non-appropriation of funds, without penalty, by providing CoreCivic with at least a 60-day notice, were unchanged under the extension. Concurrent with the extension of the amended IGSA, the lease with the third-party lessor for the site was also extended through September 2026. Other terms of the extended lease agreement were unchanged and provide us with the ability to terminate the lease if ICE terminates the amended IGSA associated with the facility. As a result of the lease modification, the Company re-measured the lease liability at the effective date of the modification, and recognized a corresponding adjustment to increase the ROU asset amounting to \$116.0 million. Under provisions of ASC 842, CoreCivic determined that the South Texas Family Residential Center lease with the third-party lessor includes a non-lease component for food services representing approximately 44% of the consideration paid under the lease.



The expense incurred for all operating leases, inclusive of short-term and variable leases, but exclusive of the non-lease food services component of the South Texas Family Residential Center lease, was \$34.9 million, \$34.8 million, and \$30.7 million for the years ended December 31, 2020, 2019, and 2018, respectively. The cash payments for operating leases are reflected as cash flows from operating activities on the accompanying consolidated statements of cash flows and cash payments for financing leases are reflected as cash flows from financing activities. Future minimum lease payments as of December 31, 2020 for the Company's operating lease liabilities, inclusive of \$165.3 million of payments expected to be made under the cancelable lease at the South Texas facility (excluding the non-lease food services component), are as follows (in thousands):

2021	\$ 33,220
2022	32,476
2023	32,068
2024	31,994
2025	31,967
Thereafter	39,290
Total future minimum lease payments	201,015
Less amount representing interest	(34,600)
Total present value of minimum lease payments	<u>\$ 166,415</u>

In addition, through its CoreCivic Properties segment, as of December 31, 2020, the Company owned \$449.6 million in property and equipment at 15 properties for lease to third parties and used by government agencies under operating and finance leases that expire over varying dates through 2040, some of which contain renewal options. In accordance with ASC 842, minimum lease revenue is recognized on a straight-line basis over the term of the related lease. Leasehold incentives are recognized as a reduction to lease revenue on a straight-line basis over the term of the related lease. Lease revenue associated with expense reimbursements from tenants is recognized in the period that the related expenses are incurred based upon the tenant lease provision. See Note 6 for further discussion regarding a 20-year lease agreement with the Kansas Department of Corrections ("KDOC"). Future undiscounted cash flows to be received from third-party lessees as of December 31, 2020 for the Company's operating and finance leases, including those associated with the three properties held for sale at December 31, 2020, as further described in Note 6, are as follows (in thousands):

2021	\$ 85,783
2022	80,306
2023	80,734
2024	81,235
2025	81,262
Thereafter	588,364

## 6. REAL ESTATE TRANSACTIONS

### Acquisitions, Dispositions, and Assets Held for Sale

*2018 Acquisitions and Dispositions.* On January 19, 2018, CoreCivic acquired the 261,000 square-foot Capital Commerce Center, located in Tallahassee, Florida for a purchase price of \$44.7 million, excluding transaction-related costs and certain closing credits. Capital Commerce Center is 98% leased, including 87% leased to the state of Florida on behalf of the Florida Department of Business and Professional Regulation. In allocating the purchase price of this transaction, CoreCivic recorded \$40.6 million of net tangible assets and \$3.2 million of identifiable intangible assets.

On July 17, 2018, CoreCivic acquired a portfolio of twelve properties for \$12.0 million, excluding transaction-related costs, 100% leased to the U.S. Federal Government through the General Services Administration ("GSA"), an independent agency of the United States government, on behalf of the Social Security Administration ("SSA"), the Department of Homeland Security, and ICE. In allocating the purchase price of this transaction, CoreCivic recorded \$11.1 million of net tangible assets and \$1.9 million of identifiable intangible assets.

On August 23, 2018, CoreCivic acquired a 541,000 square-foot SSA office building in Baltimore, Maryland ("SSA-Baltimore") for a purchase price of \$242.0 million, excluding transaction-related costs and certain closing credits. The office building was purpose built to SSA specifications in 2014 under a 20-year firm term lease expiring in January 2034, and is backed by the full faith and credit of the U.S. Federal Government through the GSA. In connection with the acquisition and as further described in Note 11, CoreCivic assumed \$157.3 million of in-place financing that was used to fund the initial construction of the property in 2014. In allocating the purchase price of this transaction, CoreCivic recorded \$207.4 million of net tangible assets and \$38.9 million of identifiable intangible assets.

On September 21, 2018, CoreCivic acquired a 217,000 square-foot, steel frame property in Dayton, Ohio for \$6.9 million, excluding transaction-related costs and certain closing credits, that was built-to-suit for the National Archives and Records Administration ("NARA") in 2002. The building is 100% leased to the GSA on behalf of NARA through January 2023 and includes two additional 10-year renewal options. The building provides 1.2 million cubic feet of storage space, approximately 90% of which is dedicated to archives of the IRS. In allocating the purchase price of this transaction, CoreCivic recorded \$6.9 million of net tangible assets and \$0.7 million of identifiable intangible assets.

CoreCivic acquired the 15 properties in 2018 as strategic investments that further diversify the Company's cash flows through government-leased properties and broaden the solutions it provides to its government partners.

In the second quarter of 2018, CoreCivic entered into an agreement to sell its former corporate headquarters for \$12.6 million. In connection with the agreement, the Company wrote-down the value of the property to its net realizable value, recognizing an asset impairment charge of \$1.6 million in the second quarter of 2018. CoreCivic closed on the sale during the third quarter of 2018 and used the net proceeds from the sale to pay-down a portion of the amounts outstanding under the Company's revolving credit facility.

*2019 Acquisitions and Dispositions.* On February 20, 2019, CoreCivic acquired the South Raleigh Reentry Center, a 60-bed residential reentry center in Raleigh, North Carolina, for \$0.9 million, excluding transaction-related expenses. In connection with the acquisition, CoreCivic provides reentry services for both male and female residents under custody of the BOP.

On May 6, 2019, CoreCivic acquired a 36,520-square foot office building in Detroit, Michigan, for \$7.2 million, excluding transaction-related expenses, that was built-to-suit for the state of Michigan's Department of Health and Human Services ("MDHHS") in 2002. This property was acquired through GRES. The property was 100% leased to the Michigan Department of Technology, Management and Budget ("MDTMB") on behalf of MDHHS through June 2028 and included one six-year renewal option at the sole discretion of the MDTMB. During the fourth quarter of 2020, the MDTMB provided notice of its intent to exercise its executive cancellation provision to terminate the lease effective December 31, 2020.

In allocating the purchase price of the acquisitions in 2019, CoreCivic recorded \$7.4 million of net tangible assets and \$0.8 million of identifiable intangible assets. CoreCivic acquired the properties as strategic investments that further expand the Company's network of residential reentry centers and enable the continued delivery of critical services that help people reintegrate into the community, and also further diversify the Company's cash flows through the acquisition of a government-leased property.

On June 24, 2019, CoreCivic sold a property which was leased to a third-party and located in Chester, Pennsylvania for \$3.4 million. The property had a net carrying value of \$3.1 million at the time of the sale, with the gain on the sale of \$0.3 million recognized in the second quarter of 2019 and reflected in loss (gain) on sale of real estate assets on the consolidated statement of operations.

*2020 Acquisitions and Dispositions.* On January 2, 2020, CoreCivic completed the acquisition of a portfolio of 28 properties, 24 of which the counter-party contributed to GRES, for total consideration of \$83.2 million, excluding transaction-related expenses. All of the properties are leased to the federal government through the GSA. CoreCivic financed the acquisition with \$7.7 million of cash, assumed debt of \$52.2 million, as further described in Note 11, and the balance with the issuance of 1.3 million shares of Class A Common Interests in GRES, an unrestricted subsidiary controlled by the Company, that are convertible into cash or, at the Company's option, shares of the Company's common stock following a two-year holding period on a one-for-one basis (the "Operating Partnership Units"), using a partnership structure. In allocating the purchase price of the acquisition, CoreCivic recorded \$77.4 million of net tangible assets, \$7.5 million of identifiable intangible assets, and \$4.9 million of tenant improvements.

On December 23, 2020, CoreCivic completed the sale of 42 government-leased properties, including the portfolio of 28 properties acquired in 2020 and 11 of the 12 properties acquired July 17, 2018 described above, in a single transaction to a third party for an aggregate price of \$106.5 million, generating net proceeds of \$27.8 million after the repayment of the debt related to GRES, and other transaction-related costs. Net cash proceeds were used to pay-down the Company's revolving credit facility and are available to recycle into projects generating higher returns. In accordance with a Tax Protection Agreement, the Company agreed to provide certain tax protection payments to the contributing partners of GRES, limited to the cash and certain other resources held by GRES. After considering the tax protection payments in connection with this sale, the Company reported a net loss on sale of \$17.9 million.

*Assets Held for Sale.* The Company intends to pursue the sale of additional assets in the Properties segment, utilizing any net proceeds, after the repayment of non-recourse mortgage notes associated with such properties, in furtherance of the Company's revised capital allocation strategy. As of December 31, 2020, CoreCivic had three real estate assets held for sale. The aggregate net book value of the property and equipment of these three properties, amounting to \$241.8 million, and the other assets associated with the properties, consisting of deferred leasing costs and other assets amounting to \$37.6 million, are reflected as assets held for sale on the Company's consolidated balance sheet as of December 31, 2020. Although the Company can provide no assurance, based on interest expressed to-date, CoreCivic expects to close on the sale of these assets during 2021.

### **Financing Leasing Transactions**

On January 24, 2018, CoreCivic entered into a 20-year lease agreement with the KDOC for a 2,432-bed correctional facility to be constructed by the Company in Lansing, Kansas. The new facility replaces the Lansing Correctional Facility, Kansas' largest correctional complex for adult male inmates, originally constructed in 1863. CoreCivic will be responsible for facility maintenance throughout the 20-year term of the lease, at which time ownership will revert to the state of Kansas. Construction of the facility commenced in the first quarter of 2018, and construction was completed in January 2020, at which time the lease commenced. CoreCivic accounts for the lease with the KDOC partially as a financing receivable under ASU 2016-02, "Leases (Topic 842)", with the remaining portion of the lease payments attributable to maintenance services and capital expenditures as revenue streams under ASC 606, "Revenue from Contracts with Customers". As of December 31, 2020, the financing receivable was \$147.5 million recognized in Other Assets on the consolidated balance sheet. Prior to commencement of the lease, the costs incurred to construct the facility were reflected as a construction receivable and, as of December 31, 2019, \$137.7 million was recognized in Other Assets on the consolidated balance sheet. The cash payments associated with the construction of the project were reported as expenditures for facility development and expansions on the consolidated statements of cash flows. During 2020, the Lansing Correctional Facility generated \$2.6 million of revenue associated with the non-lease services components of the arrangement, and \$8.4 million of interest income.

## Idle Facilities

As of December 31, 2020, CoreCivic had five idled CoreCivic Safety correctional facilities that are currently available and being actively marketed as solutions to meet the needs of potential customers. The following table summarizes each of the idled facilities and their respective carrying values, excluding equipment and other assets that could generally be transferred and used at other facilities CoreCivic owns without significant cost (dollars in thousands):

Facility	Net Carrying Values at December 31,	
	2020	2019
Prairie Correctional Facility	\$ 14,646	\$ 14,863
Huerfano County Correctional Center	15,895	16,266
Diamondback Correctional Facility	38,346	39,729
Marion Adjustment Center	11,047	11,351
Kit Carson Correctional Center	52,757	54,041
	<u>\$ 132,691</u>	<u>\$ 136,250</u>

As of December 31, 2020, CoreCivic also had one idled non-core facility in its Safety segment containing 240 beds with an aggregate net book value of \$3.1 million; three facilities in its Community segment, all of which became idle during 2020, containing an aggregate of 650 beds with an aggregate net book value of \$9.2 million; and two previously leased properties in its Properties segment containing 55,000 square feet with an aggregate net book value of \$9.5 million. CoreCivic incurred operating expenses at these idled facilities of approximately \$7.6 million, \$7.1 million, and \$7.7 million during the period they were idle for the years ended December 31, 2020, 2019, and 2018, respectively.

Two of the three idled facilities in the CoreCivic Community segment are located in Oklahoma. As a result of the lower resident populations from the state of Oklahoma and the impact of COVID-19, CoreCivic Community transferred the remaining resident populations at its 390-bed Tulsa Transitional Center to Oklahoma's system, idling the Tulsa facility during the third quarter of 2020. Closure of the Tulsa facility followed the closure of the 200-bed Oklahoma City Transitional Center during the second quarter of 2020, and the 289-bed Turley Residential Center in Oklahoma in 2019. During the fourth quarter of 2020, the BOP awarded a new contract to CoreCivic for residential reentry and home confinement services pursuant to a solicitation for capacity and services to be provided in the state of Oklahoma. As a result, CoreCivic reactivated the Turley Residential Center during the first quarter of 2021, and provides the BOP additional reentry services at its owned and operated Oklahoma Reentry Opportunity Center (formerly known as the Carver Transitional Center), which supplements the existing utilization by the state of Oklahoma.

During the third quarter of 2020, Adams County, Colorado, notified the Company that, pursuant to a re-bid of the managed-only contract at the 184-bed Henderson Transitional Center, a facility in the Community segment the Company leased from Adams County, it awarded the contract to another operator. CoreCivic transitioned operations to the other operator upon expiration of the contract in January 2021.

On April 15, 2020, CoreCivic sold an idled facility in its Community segment, containing 92 beds, for a gross sales price of \$1.6 million. In anticipation of the sale, CoreCivic reported an impairment charge of \$0.5 million in the first quarter of 2020 based on the realizable value resulting from the sale. On May 26, 2020, CoreCivic sold an idled non-core facility in its Safety segment, containing 200 beds with a net book value of \$0.5 million at the time of the sale, for net proceeds of \$3.3 million. The gain on the sale of \$2.8 million was recognized in the second quarter of 2020.

On September 15, 2020, CoreCivic announced that it had entered into a new contract under an IGSA between the city of Cushing, Oklahoma and the USMS to utilize the Company's 1,600-bed Cimarron Correctional Facility in the CoreCivic Safety segment. The Company had previously announced its intention to idle the Cimarron facility during the third quarter of 2020, predominantly due to a lower number of inmate populations from the state of Oklahoma resulting from COVID-19, combined with the consequential impact of COVID-19 on the State's budget. The new management contract commenced on September 15, 2020, and has an initial term of three years, with unlimited 24-month extension options thereafter upon mutual agreement.

CoreCivic considers the cancellation of a contract or an expiration and non-renewal of a lease agreement in its CoreCivic Properties segment as an indicator of impairment, and tested each of the idled properties for impairment when it was notified by the respective customers or tenants that they would no longer be utilizing such property. CoreCivic evaluates on a quarterly basis market developments for the potential utilization of each of these properties in order to identify events that may cause CoreCivic to reconsider its most recent assumptions, such as the agreement to sell a property at less than its carrying value. As a result of CoreCivic's analyses, in the second quarter of 2020, CoreCivic reported an impairment charge of \$9.8 million on one of the residential reentry facilities in the Community segment in Oklahoma, based on its anticipated use as a commercial real estate property rather than a residential reentry facility. The fair value measurement for the Oklahoma residential reentry facility was estimated using unobservable Level 3 inputs, as defined in ASC 820, using market comparable data for similar properties in the local markets.

## 7. BUSINESS COMBINATIONS

Effective January 1, 2018, CoreCivic closed on the acquisition of Rocky Mountain Offender Management Systems, LLC ("RMOMS"), which provides non-residential correctional alternatives, including electronic monitoring and case management services, to municipal, county, and state governments in seven states. The aggregate purchase price was \$7.0 million, excluding transaction-related expenses.

Effective December 1, 2018, CoreCivic closed on the acquisition of Recovery Monitoring Solutions Corporation ("RMSC"), which provides non-residential correctional alternatives, including electronic monitoring and case management services, to municipal, county, and state governments in four states. The aggregate purchase price was \$15.9 million, excluding transaction-related expenses.

In allocating the purchase price for the two transactions in 2018, CoreCivic recorded the following (in millions):

Property and equipment	\$ 6.1
Intangible assets	12.4
Tangible assets and liabilities, net	<u>(2.8)</u>
Total identifiable assets, net	15.7
Goodwill	<u>7.2</u>
Total consideration	<u><u>\$ 22.9</u></u>

On December 7, 2019, CoreCivic completed the acquisition of certain assets of Rehabilitation Services, Inc. ("RSI") for \$4.4 million, excluding transaction related expenses. As a result of better than estimated financial performance of the acquisition, during the third quarter of 2020, the Company recognized a loss of \$0.6 million for additional contingent consideration associated with the acquisition. The acquisition resulted in the addition of two residential reentry centers in Virginia. The Ghent Residential Reentry Center, a 36-bed residential reentry center in Norfolk, Virginia and the James River Residential Reentry Center, an 84-bed residential reentry center in Newport News, Virginia provide reentry services for residents under custody of the BOP. The residential reentry facilities can also serve an additional 34 home confinement clients on behalf of the BOP.

In allocating the purchase price for the acquisition of certain assets of RSI in 2019, CoreCivic recorded the following (in millions):

Property and equipment	\$	1.3
Intangible assets		0.7
Total identifiable assets		<u>2.0</u>
Goodwill		2.4
Total consideration	\$	<u><u>4.4</u></u>

The results of operations for these business combinations have been included in the Company's consolidated financial statements from the dates of the acquisitions.

## 8. INVESTMENT IN AFFILIATE

CoreCivic has a 50% ownership interest in APM, an entity holding the management contract for a correctional facility, HM Prison Forest Bank, under a 25-year prison management contract with an agency of the United Kingdom government. CoreCivic has determined that its joint venture investment in APM represents a variable interest entity ("VIE") in accordance with ASC 810, "Consolidation" of which CoreCivic is not the primary beneficiary. The Forest Bank facility, located in Salford, England, was previously constructed and owned by a wholly-owned subsidiary of CoreCivic, which was sold in April 2001. All gains and losses under the joint venture are accounted for using the equity method of accounting. During 2000, CoreCivic extended a working capital loan to APM, which has an outstanding balance of \$3.1 million as of December 31, 2020.

For the years ended December 31, 2020, 2019, and 2018, equity in losses of the joint venture was \$192,000, \$128,000, and \$100,000, respectively. The equity in losses of the joint venture is included in other (income) expense in the consolidated statements of operations. As of December 31, 2020, the equity in the net deficit of APM was \$0.2 million and is applied as a reduction in the carrying value of the outstanding working capital loan of \$3.1 million, which is reported in other assets on the accompanying consolidated balance sheets. The outstanding working capital loan of \$3.1 million, net of the \$0.2 million equity in the net deficit of APM, represents CoreCivic's maximum exposure to loss in connection with APM.

CoreCivic has determined that its joint venture investment in GRES also represents a VIE. CoreCivic has 100% voting control in GRES. Accordingly, CoreCivic concluded that it is the primary beneficiary of GRES and consolidates the VIE. The primary beneficiary is the entity that has (i) the power to direct the activities that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE.

## 9. OTHER ASSETS

Other assets consist of the following (in thousands):

	December 31,	
	2020	2019
Intangible assets:		
Deferred leasing assets, less accumulated amortization of \$1,132 and \$5,647, respectively	\$ 146	\$ 41,129
Other intangible assets, less accumulated amortization of \$9,219 and \$8,182, respectively	10,720	14,517
Construction receivable - Kansas lease	—	137,665
Financing receivable - Kansas lease	147,481	—
ROU lease assets	194,080	108,118
Lease incentive assets	4,813	5,454
Debt issuance costs, less accumulated amortization of \$2,332 and \$1,475, respectively	1,855	2,628
Cash equivalents and cash surrender value of life insurance held in Rabbi trust	14,940	14,448
Straight-line rent receivable	2,196	7,836
Insurance receivable	14,353	13,179
Other	6,079	5,933
	<u>\$ 396,663</u>	<u>\$ 350,907</u>

The gross carrying amount of intangible assets amounted to \$21.2 million and \$69.5 million at December 31, 2020 and 2019, respectively. Amortization expense related to intangible assets, including those associated with the three properties held for sale at December 31, 2020, as previously described in Note 6, was \$9.1 million, \$6.8 million, and \$6.5 million for 2020, 2019, and 2018, respectively, and depending upon the nature of the asset, was either reported as operating expense or depreciation and amortization in the accompanying statement of operations for the respective periods.

As of December 31, 2020, the estimated amortization expense related to intangible assets, including the expense associated with the three properties held for sale at December 31, 2020, for each of the next five years is as follows (in thousands):

2021	\$ 4,853
2022	4,253
2023	3,308
2024	3,272
2025	3,268

## 10. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LONG-TERM LIABILITIES

Accounts payable and accrued expenses consist of the following (in thousands):

	December 31,	
	2020	2019
Trade accounts payable	\$ 85,359	\$ 75,152
Accrued salaries and wages	43,564	51,845
Accrued dividends	3,148	54,843
Accrued workers' compensation and auto liability	7,379	7,062
Accrued litigation	5,861	14,134
Accrued employee medical insurance	7,035	6,110
Accrued property taxes	27,780	27,900
Accrued interest	9,516	10,142
ROU lease liability	21,646	26,914
Deferred revenue	8,693	15,387
Construction payable	1,821	7,504
Lease obligation	4,400	8,603
Deferred employer payroll taxes	14,795	—
Other	33,321	31,866
	<u>\$ 274,318</u>	<u>\$ 337,462</u>

Other long-term liabilities consist of the following (in thousands):

	December 31,	
	2020	2019
Intangible contract liability	\$ 5,030	\$ 5,417
Accrued workers' compensation	31,868	28,769
Accrued deferred compensation	11,802	10,919
Lease financing obligation	7,508	7,634
ROU lease liability	144,769	51,247
Deferred employer payroll taxes	14,795	—
Other	696	1,593
	<u>\$ 216,468</u>	<u>\$ 105,579</u>



## 11. DEBT

Debt outstanding consists of the following (in thousands):

	December 31,	
	2020	2019
Revolving Credit Facility maturing April 2023. Interest payable periodically at variable interest rates. The weighted average rate at December 31, 2020 and 2019 was 1.7% and 3.3%, respectively.	\$ 219,000	\$ 365,000
Term Loan A maturing April 2023. Interest payable periodically at variable interest rates. The rate at December 31, 2020 and 2019 was 1.6% and 3.3%, respectively. Unamortized debt issuance costs amounted to \$0.1 million at both December 31, 2020 and 2019.	180,000	190,000
Term Loan B maturing December 2024. Interest payable periodically at variable interest rates. The rate at December 31, 2020 and 2019 was 5.5% and 6.3%, respectively. Unamortized debt issuance costs amounted to \$4.1 million and \$4.6 million at December 31, 2020 and 2019, respectively.	237,500	250,000
4.625% Senior Notes maturing May 2023. Unamortized debt issuance costs amounted to \$1.5 million and \$2.1 million at December 31, 2020 and 2019, respectively.	350,000	350,000
5.0% Senior Notes maturing October 2022. Unamortized debt issuance costs amounted to \$0.8 million and \$1.3 million at December 31, 2020 and 2019, respectively.	250,000	250,000
4.75% Senior Notes maturing October 2027. Unamortized debt issuance costs amounted to \$2.7 million and \$3.1 million at December 31, 2020 and 2019, respectively.	250,000	250,000
4.5% Capital Commerce Center Non-Recourse Mortgage Note maturing January 2033. Unamortized debt issuance costs amounted to \$0.3 million at both December 31, 2020 and 2019.	20,934	22,209
4.43% Lansing Correctional Center Non-Recourse Mortgage Note maturing January 2040. Unamortized debt issuance costs amounted to \$3.1 million and \$3.3 million at December 31, 2020 and 2019, respectively.	157,607	159,522
4.5% SSA- Baltimore Non-Recourse Mortgage Note maturing February 2034. Unamortized debt issuance costs amounted to \$0.2 million at both December 31, 2020 and 2019.	144,476	150,134
Total debt	1,809,517	1,986,865
Unamortized debt issuance costs	(12,766)	(14,993)
Unamortized original issue discount	(10,000)	(12,500)
Current portion of long-term debt	(39,087)	(31,349)
Long-term debt, net	<u>\$ 1,747,664</u>	<u>\$ 1,928,023</u>

*Revolving Credit Facility.* On April 17, 2018, CoreCivic entered into the Second Amended and Restated Credit Agreement (referred to herein as the "Bank Credit Facility") in an aggregate principal amount of up to \$1.0 billion. The Bank Credit Facility provides for a term loan of \$200.0 million (the "Term Loan A") and a revolving credit facility in an aggregate principal amount of up to \$800.0 million (the "Revolving Credit Facility"). The Bank Credit Facility has a maturity of April 2023. The Bank Credit Facility also contains an "accordion" feature that provides for uncommitted incremental extensions of credit in the form of increases in the revolving commitments or incremental term loans of up to \$350.0 million. At CoreCivic's option, interest on outstanding borrowings under the Revolving Credit Facility is based on either a base rate plus a margin ranging from 0.00% to 1.00% or at the London Interbank Offered Rate ("LIBOR") plus a margin ranging from 1.00% to 2.00% based on CoreCivic's then-current leverage ratio. The Revolving Credit Facility includes a \$30.0 million sublimit for swing line loans that enables CoreCivic to borrow at the base rate from the Administrative Agent on same-day notice.

Based on CoreCivic's total leverage ratio, loans under the Revolving Credit Facility currently bear interest at the base rate plus a margin of 0.50% or at LIBOR plus a margin of 1.50%, and a commitment fee equal to 0.35% of the unfunded balance. The Revolving Credit Facility also has a \$50.0 million sublimit for the issuance of standby letters of credit. As of December 31, 2020, CoreCivic had \$219.0 million in borrowings outstanding under the Revolving Credit Facility as well as \$14.8 million in letters of credit outstanding resulting in \$566.2 million available under the Revolving Credit Facility.

The Bank Credit Facility is secured by a pledge of all of the capital stock of CoreCivic's domestic restricted subsidiaries, 65% of the capital stock of CoreCivic's foreign subsidiaries, all of CoreCivic's accounts receivable, and all of CoreCivic's deposit accounts. The Bank Credit Facility requires CoreCivic to meet certain financial covenants, including, without limitation, a maximum total leverage ratio, a maximum secured leverage ratio, and a minimum fixed charge coverage ratio. As of December 31, 2020, CoreCivic was in compliance with all such covenants. In addition, the Bank Credit Facility contains certain covenants that, among other things, limit the incurrence of additional indebtedness, payment of dividends and other customary restricted payments, permitted investments, transactions with affiliates, asset sales, mergers and consolidations, liquidations, prepayments and modifications of other indebtedness, liens and other encumbrances and other matters customarily restricted in such agreements. In addition, the Bank Credit Facility is subject to certain cross-default provisions with terms of CoreCivic's other unsecured indebtedness, and is subject to acceleration upon the occurrence of a change of control.

As a result of opposition to immigration policies and the association of private companies with the enforcement of such policies, some banks, including several that are currently parties to the Bank Credit Facility, have announced that they do not expect to continue providing credit or financial services to private entities that operate correctional and detention facilities, including CoreCivic. The banks that are currently parties to the Bank Credit Facility are obligated to honor their commitments under the Bank Credit Facility, which expire in April 2023.

*Incremental Term Loan A.* Interest rate margins under the Term Loan A are the same as the interest rate margins under the Revolving Credit Facility. The Term Loan A also has the same collateral requirements, financial and certain other covenants, and cross-default provisions as the Revolving Credit Facility. The Term Loan A, which is pre-payable without penalty, also has a maturity concurrent with the Revolving Credit Facility due April 2023, with scheduled quarterly principal payments through April 2023. As of December 31, 2020, the outstanding balance of the Term Loan A was \$180.0 million.

*Senior Secured Term Loan B.* On December 18, 2019, CoreCivic entered into a new \$250.0 million Senior Secured Term Loan B ("Term Loan B" and, together with the Bank Credit Facility, the "Credit Agreements"). The Term Loan B bears interest at a rate of LIBOR plus 4.50%, with a 1.00% LIBOR floor (or, at CoreCivic's option, a base rate plus 3.50%), and has a five-year maturity with scheduled quarterly principal payments through December 2024. The Term Loan B is secured by a first lien on certain specified real property assets, representing a loan-to-value of no greater than 80%. CoreCivic can prepay the Term Loan B at any time and from time to time, without premium or penalty. The Term Loan B was issued at a price of 95% of the principal amount of the Term Loan B, resulting in a discount of \$12.5 million, which is amortized into interest expense over the term of the Term Loan B. Proceeds from the issuance of the Term Loan B were used to partially fund the early redemption of \$325.0 million in aggregate principal amount of 4.125% senior notes originally due 2020, transaction fees and expenses, and to provide for general corporate purposes. CoreCivic capitalized approximately \$5.1 million of costs associated with the issuance of the Term Loan B. As of December 31, 2020, the outstanding balance of the Term Loan B was \$237.5 million.

*Senior Notes.* Interest on the \$350.0 million aggregate principal amount of CoreCivic's 4.625% senior notes issued in April 2013 (the "4.625% Senior Notes") accrues at the stated rate and is payable in May and November of each year. The 4.625% Senior Notes are scheduled to mature on May 1, 2023. Interest on the \$250.0 million aggregate principal amount of CoreCivic's 5.0% senior notes issued in September 2015 (the "5.0% Senior Notes") accrues at the stated rate and is payable in April and October of each year. The 5.0% Senior Notes are scheduled to mature on October 15, 2022. Interest on the \$250.0 million aggregate principal amount of CoreCivic's 4.75% senior notes issued in October 2017 (the "4.75% Senior Notes") accrues at the stated rate and is payable in April and October of each year. The 4.75% Senior Notes are scheduled to mature on October 15, 2027.

The 4.625% Senior Notes, the 5.0% Senior Notes, and the 4.75% Senior Notes, collectively referred to herein as the "Senior Notes", are senior unsecured obligations of the Company and are guaranteed by all of the Company's subsidiaries that guarantee the Bank Credit Facility. CoreCivic may redeem all or part of the Senior Notes at any time prior to three months before their respective maturity date at a "make-whole" redemption price, plus accrued and unpaid interest thereon to, but not including, the redemption date. Thereafter, the Senior Notes are redeemable at CoreCivic's option, in whole or in part, at a redemption price equal to 100% of the aggregate principal amount of the notes to be redeemed plus accrued and unpaid interest thereon to, but not including, the redemption date.

***Non-Recourse Mortgage Notes:***

*Capital Commerce Center.* As previously discussed in Note 6, on January 19, 2018, CoreCivic acquired the 261,000 square-foot Capital Commerce Center, located in Tallahassee, Florida, for a purchase price of \$44.7 million. The acquisition was partially financed with a \$24.5 million non-recourse mortgage note (the "Capital Commerce Note"), which is fully-secured by the Capital Commerce Center property, with an interest rate of 4.5%, maturing in January 2033. Principal and interest on the Capital Commerce Note are payable in equal monthly payments over the 15-year term of the note. The Capital Commerce Note is pre-payable at any time with a prepayment charge, if any, equal to an amount so as to maintain the same yield on the Capital Commerce Note as if it had been carried through to its full term using Treasury instruments having a term equal to the remaining term of the Capital Commerce Note as of the prepayment date. CoreCivic capitalized approximately \$0.4 million of costs associated with the Capital Commerce Note. As of December 31, 2020, the outstanding balance of the mortgage note was \$20.9 million.

*Lansing Correctional Facility.* On April 20, 2018, CoreCivic of Kansas, LLC (the "Issuer"), a wholly-owned unrestricted subsidiary of the Company, priced \$159.5 million in aggregate principal amount of non-recourse senior secured notes of the Issuer (the "Kansas Notes"), in a private placement pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. The private placement closed on June 1, 2018. The Company used the proceeds of the private placement, which were drawn on quarterly funding dates beginning in the second quarter of 2018, to fund construction of the Lansing Correctional Facility, along with costs and expenses of the project. The Kansas Notes have a yield to maturity of 4.43% and are scheduled to mature in January 2040, 20 years following completion of the project, which occurred in January 2020. Principal and interest on the Kansas Notes will be payable in quarterly payments beginning in July 2020 until maturity. CoreCivic may redeem all or part of the Kansas Notes at any time upon written notice of not less than 30 days and not more than 60 days prior to the date fixed for such prepayment, with a "make-whole" amount, together with interest on the Kansas Notes accrued to, but not including, the redemption date. CoreCivic capitalized approximately \$3.4 million of costs associated with the private placement. Because the Issuer has been designated as an unrestricted subsidiary of the Company under terms of the Company's Credit Agreements, the issuance and service of the Kansas Notes, and the revenues and expenses associated with the facility lease, do not impact the financial covenants associated with the Company's Credit Agreements. As of December 31, 2020, the outstanding balance of the Kansas Notes was \$157.6 million.

*SSA-Baltimore.* As previously discussed in Note 6, on August 23, 2018, CoreCivic acquired the 541,000 square-foot SSA-Baltimore office building for a purchase price of \$242.0 million. In connection with the acquisition, a wholly-owned unrestricted subsidiary of the Company assumed \$157.3 million of in-place financing that was used to fund the initial construction of the property in 2014. The assumed non-recourse mortgage note (the "SSA-Baltimore Note") carries a fixed interest rate of 4.5% and requires monthly principal and interest payments, with a balloon payment of \$40.0 million due at maturity in February 2034. The SSA-Baltimore Note is fully-secured by the SSA-Baltimore property. CoreCivic may pre-pay the SSA-Baltimore Note in whole or in part upon not less than 30 days' and not more than 60 days' prior written notice and such pre-payment shall include a "make-whole" amount. During the last 90 days of the permanent loan term and upon 30 days' prior written notice, CoreCivic may prepay the note in full, including any accrued and outstanding interest on any permanent loan payment date, without the payment of the "make-whole" amount. CoreCivic capitalized approximately \$0.2 million of costs associated with the assumption of the SSA-Baltimore Note. As of December 31, 2020, the outstanding balance of the SSA-Baltimore Note was \$144.5 million.

*Government Real Estate Solutions.* As previously described in Note 6, on January 2, 2020, CoreCivic acquired a portfolio of 28 properties, 24 of which the counter-party contributed to GRES, for total consideration of \$83.2 million. In connection with the acquisition, a wholly-owned subsidiary of GRES assumed \$52.2 million of in-place financing. The assumed non-recourse mortgage notes (collectively the "GRES Note") carried a fixed interest rate of 4.91% and required monthly principal and interest payments, with a balloon payment of \$46.2 million due at maturity in November 2025. The GRES Note continued to be fully-secured by the same 24 properties originally pledged as collateral at the time the debt was issued. On December 23, 2020, we completed the sale of 42 non-core government-leased properties, including the 24 properties originally pledged as collateral at the time the GRES Note was issued, in a single transaction to a third party for an aggregate price of \$106.5 million, generating net proceeds of \$27.8 million after the repayment of the GRES Note and other transaction-related costs. In connection with the sale, we incurred a debt defeasance cost of \$10.5 million associated with the prepayment of the GRES Note.

CoreCivic may also seek to issue additional debt or equity securities from time to time when the Company determines that market conditions and the opportunity to utilize the proceeds from the issuance of such securities are favorable.

*Guarantees and Covenants.* All of the restricted domestic subsidiaries of CoreCivic (as the parent corporation) have provided full and unconditional guarantees of the Senior Notes. All of CoreCivic's subsidiaries guaranteeing the Senior Notes are 100% owned subsidiaries of CoreCivic; and the subsidiary guarantees are full and unconditional and are joint and several obligations of the guarantors.

As of December 31, 2020, neither CoreCivic nor any of its subsidiary guarantors had any material or significant restrictions on CoreCivic's ability to obtain funds from its subsidiaries by dividend or loan or to transfer assets from such subsidiaries.

The indentures governing the Senior Notes contain certain customary covenants that, subject to certain exceptions and qualifications, restrict CoreCivic's ability to, among other things, make restricted payments; incur additional debt or issue certain types of preferred stock; create or permit to exist certain liens; consolidate, merge or transfer all or substantially all of CoreCivic's assets; and enter into transactions with affiliates. In addition, if CoreCivic sells certain assets (and generally does not use the proceeds of such sales for certain specified purposes) or experiences specific kinds of changes in control, CoreCivic must offer to repurchase all or a portion of the Senior Notes. The offer price for the Senior Notes in connection with an asset sale would be equal to 100% of the aggregate principal amount of the notes repurchased plus accrued and unpaid interest and liquidated damages, if any, on the notes repurchased to the date of purchase. The offer price for the Senior Notes in connection with a change in control would be 101% of the aggregate principal amount of the notes repurchased plus accrued and unpaid interest and liquidated damages, if any, on the notes repurchased to the date of purchase. The Senior Notes are also subject to certain cross-default provisions with the terms of CoreCivic's Bank Credit Facility, as well as the credit agreement governing the Term Loan B.

### **Other Debt Transactions**

*Letters of Credit.* At December 31, 2020 and 2019, CoreCivic had \$14.8 million and \$22.3 million, respectively, in outstanding letters of credit. The letters of credit were issued to secure CoreCivic's workers' compensation and general liability insurance policies, performance bonds, and utility deposits.

### **Debt Maturities**

Scheduled principal payments as of December 31, 2020 for the next five years and thereafter were as follows (in thousands):

2021	\$ 39,087
2022	292,981
2023	758,110
2024	194,937
2025	14,556
Thereafter	509,846
Total debt	<u>\$ 1,809,517</u>

### **Cross-Default Provisions**

The provisions of CoreCivic's debt agreements relating to the Credit Agreements and the Senior Notes contain certain cross-default provisions. Any events of default under the Credit Agreements that result in the lenders' actual acceleration of amounts outstanding thereunder also result in an event of default under the Senior Notes. Additionally, any events of default under the Senior Notes that give rise to the ability of the holders of such indebtedness to exercise their acceleration rights also result in an event of default under the Credit Agreements.

If CoreCivic were to be in default under the Credit Agreements, and if the lenders under the Credit Agreements elected to exercise their rights to accelerate CoreCivic's obligations under the Credit Agreements, such events could result in the acceleration of all or a portion of CoreCivic's Senior Notes, which would have a material impact on CoreCivic's liquidity and financial position. CoreCivic does not have sufficient working capital to satisfy its debt obligations in the event of an acceleration of all or a substantial portion of CoreCivic's outstanding indebtedness.

## 12. DEFERRED REVENUE

In September 2014, CoreCivic announced that it had agreed under an expansion of an existing IGSA between the city of Eloy, Arizona and ICE to care for up to 2,400 individuals at the South Texas Family Residential Center, a facility leased by CoreCivic in Dilley, Texas. In September 2018, the city of Dilley, Texas assumed the amended IGSA with ICE. Services provided under the original amended IGSA commenced in the fourth quarter of 2014 and had an original term of up to four years. The agreement provided for a fixed monthly payment in accordance with a graduated schedule. In October 2016, CoreCivic entered into an amended IGSA that provided for a new, lower fixed monthly payment commencing in November 2016, and extended the term of the contract through September 2021. In September 2020, the term of the amended IGSA was extended from September 2021 to September 2026. The agreement can be further extended by bi-lateral modification. ICE's termination rights, which permit ICE to terminate the agreement for convenience or non-appropriation of funds, without penalty, by providing CoreCivic with at least a 60-day notice, were unchanged under the extension. ICE began housing the first residents at the facility in December 2014, and the site was completed during the second quarter of 2015.

Under the fixed monthly payment schedule of the original amended IGSA, ICE agreed to pay CoreCivic \$70.0 million in two \$35.0 million installments during the fourth quarter of 2014 and graduated fixed monthly payments over the remaining months of the contract. As a result of extending the amortization period for the deferred revenue associated with the 2020 amended IGSA over the extended term of the agreement, CoreCivic's non-cash revenue associated with the amended IGSA decreased by approximately \$2.7 million per quarter, from \$3.4 million to \$0.7 million, effective beginning in the fourth quarter of 2020. During the years ended December 31, 2020, 2019, and 2018, CoreCivic recognized \$167.7 million, \$170.6 million, and \$170.6 million, respectively, in revenue associated with the amended IGSA with the unrecognized balance of the fixed monthly payments reported in deferred revenue. The current portion of deferred revenue is reflected within accounts payable and accrued expenses while the long-term portion is reflected in deferred revenue on the accompanying consolidated balance sheets. As of December 31, 2020 and 2019, total deferred revenue associated with this agreement amounted to \$15.2 million and \$26.1 million, respectively.

## 13. INCOME TAXES

As discussed in Note 1, the Company has operated in compliance with REIT requirements for federal income tax purposes from January 1, 2013 through December 31, 2020. During the years the Company elected REIT status, the Company was required to distribute at least 90 percent of its taxable income (including dividends paid to it by its TRSs) and did not pay federal income taxes on the amount distributed to its stockholders. In addition, the Company was required to meet a number of other organizational and operational requirements, which the Company continued to meet through the year ending December 31, 2020. Most states where CoreCivic holds investments in real estate conform to the federal rules recognizing REITs. Certain subsidiaries have made an election with the Company to be treated as TRSs in conjunction with the Company's REIT election; the TRS elections permit CoreCivic to engage in certain business activities in which the REIT may not engage directly. A TRS is subject to federal and state income taxes on the income from these activities and therefore, CoreCivic has included a provision for taxes in its consolidated financial statements.

The TCJA was enacted on December 22, 2017. The TCJA reduced the U.S. federal corporate tax rate from 35% to 21%, required companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, and created new taxes on certain foreign-sourced earnings. However, the TCJA did not change the dividends paid deduction applicable to REITs and, therefore, CoreCivic generally was not subject to federal income taxes on the Company's REIT taxable income and gains that it distributed to its stockholders. In the fourth quarter of 2017, the Company recorded, in accordance with ASC 740, the tax effects of enactment of the TCJA on existing deferred tax balances and there was no one-time transition tax on foreign earnings. The Company re-measured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. In the fourth quarter of 2017, the Company recognized a charge of \$4.5 million, which was included as a component of income tax expense, for the revaluation of deferred tax assets and liabilities and other taxes associated with the TCJA. CoreCivic applied the guidance in the SEC Staff Accounting Bulletin 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" when accounting for the enactment-date effects of the TCJA in 2017 and throughout 2018. During the third quarter of 2018, the Company completed its accounting for the TCJA and revised its estimates of the revaluation of deferred tax assets and liabilities resulting in the recognition of an additional charge of \$1.0 million, which was also included as a component of income tax expense.

Income tax expense (benefit) is comprised of the following components (in thousands):

	For the Years Ended December 31,		
	2020	2019	2018
<b>Current income tax expense (benefit)</b>			
Federal	\$ (1,928)	\$ 5,324	\$ 10,481
State	1,369	3,677	2,308
	(559)	9,001	12,789
<b>Deferred income tax expense (benefit)</b>			
Federal	3,878	(489)	(3,422)
State	1,067	(673)	(1,014)
	4,945	(1,162)	(4,436)
<b>Income tax expense</b>	<u>\$ 4,386</u>	<u>\$ 7,839</u>	<u>\$ 8,353</u>

Income tax expense during 2020 included \$3.1 million, recorded in the first quarter of 2020, that had been deferred during the construction period of the Lansing Correctional Facility, which was owned by a TRS of the Company until it converted to a qualified REIT subsidiary ("QRS") upon completion of construction in the first quarter of 2020. Because ownership of this facility reverts to the state of Kansas upon expiration of the twenty-year lease, the construction and subsequent lease of the facility to the State was a deemed sale for federal and state income tax purposes. The gain on sale was reported as a deferred tax asset based on the percentage of completion method over the construction period. This deferred tax asset was revalued to zero upon conversion of the TRS to a QRS.

Significant components of CoreCivic's deferred tax assets and liabilities as of December 31, 2020 and 2019, are as follows (in thousands):

	December 31,	
	2020	2019
<b>Noncurrent deferred tax assets:</b>		
Asset reserves and liabilities not yet deductible for tax	\$ 21,482	\$ 28,247
Tax over book basis of certain assets	1,001	1,451
Net operating loss and tax credit carryforwards	3,782	5,130
Intangible contract value	699	262
Other	68	103
Total noncurrent deferred tax assets	27,032	35,193
Less valuation allowance	(848)	(3,865)
Total noncurrent deferred tax assets	26,184	31,328
<b>Noncurrent deferred tax liabilities:</b>		
Book over tax basis of certain assets	(11,305)	(11,478)
Intangible value	(2,149)	(2,264)
Other	(1,617)	(1,528)
Total noncurrent deferred tax liabilities	(15,071)	(15,270)
Net total noncurrent deferred tax assets	<u>\$ 11,113</u>	<u>\$ 16,058</u>

A reconciliation of the income tax provision at the statutory income tax rate and the effective tax rate as a percentage of income from continuing operations before income taxes for the years ended December 31, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
Statutory federal rate	21.0%	21.0%	21.0%
Dividends paid deduction	(24.9)	(18.9)	(18.6)
State taxes, net of federal tax benefit	1.9	1.2	1.0
Permanent differences	2.2	1.2	1.0
Charges associated with adoption of tax reform	—	—	0.6
Deferred tax expense on Kansas lease structure	5.2	—	—
Tax benefit of equity-based compensation	1.1	0.1	0.5
Other items, net	0.8	(0.6)	(0.5)
	<u>7.3%</u>	<u>4.0%</u>	<u>5.0%</u>

CoreCivic's effective tax rate was 7.3%, 4.0%, and 5.0% during 2020, 2019, and 2018, respectively. During the years the Company elected REIT status, CoreCivic was entitled to a deduction for dividends paid, resulting in a substantial reduction in the amount of federal income tax expense it recognizes. Substantially all of CoreCivic's income tax expense during the years the Company elected REIT status was incurred based on the earnings generated by its TRSs.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferral of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The accelerated depreciation methods for qualified improvement property significantly reduced the Company's taxable income and, therefore, its distribution requirement as a REIT for 2020. Additionally, as of December 31, 2020, the Company has deferred payment of \$29.6 million of employer-side social security payments. Half of these deferrals will be due December 31, 2021, with the other half due December 31, 2022.

On August 5, 2020, the Company announced that the BOD unanimously approved a plan to revoke its REIT election and become a taxable C Corporation, effective January 1, 2021. As a result, the Company will no longer be required to operate under REIT rules, including the requirement to distribute at least 90% of its taxable income to its stockholders, which will provide the Company with greater flexibility to use its free cash flow. Beginning January 1, 2021, the Company will be subject to federal and state income taxes on its taxable income at applicable tax rates, and will no longer be entitled to a tax deduction for dividends paid. The revocation of the Company's REIT election will also result in a revaluation of its net deferred tax liabilities, resulting in a material income tax charge in the period the Company has completed all significant actions necessary to revoke its REIT election, currently expected to occur in the first quarter of 2021. The Company currently estimates the charge to be \$100.0 million to \$135.0 million. The Company continued to operate as a REIT for the 2020 tax year, and existing REIT requirements and limitations, including those established by the Company's organizational documents, remained in place until January 1, 2021.

The Company's consolidated effective tax rate could fluctuate in the future based on changes in estimates of taxable income, the implementation of additional tax planning strategies, changes in federal or state tax rates or laws affecting tax credits available to the Company, changes in other tax laws, changes in estimates related to uncertain tax positions, or changes in state apportionment factors, as well as changes in the valuation allowance applied to the Company's deferred tax assets that are based primarily on the amount of state net operating losses and tax credits that could expire unused.



CoreCivic had no liabilities for uncertain tax positions as of December 31, 2020 and 2019. CoreCivic recognizes interest and penalties related to unrecognized tax positions in income tax expense. CoreCivic does not currently anticipate that the total amount of unrecognized tax positions will significantly change in the next twelve months.

CoreCivic's U.S. federal income tax returns for tax years 2017 through 2019 remain subject to examination by the IRS. All states in which CoreCivic files income tax returns follow the same statute of limitations as the federal government, with the exception of the following states whose open tax years include 2016 through 2019: Arizona, California, Colorado, Kentucky, Minnesota, New Jersey, Texas, and Wisconsin.

In October 2019, the Company received notification that the Internal Revenue Service ("IRS") intended to commence an audit of the federal income tax return of the Company's REIT for the year ended December 31, 2017. The IRS also conducted audit procedures related to the Company's TRSs for the same year. The Company received notice in January 2021 that the audit was complete with no material findings.

## 14. STOCKHOLDERS' EQUITY

### Dividends on Common Stock

The tax characterization of dividends per share on common shares as reported to stockholders was as follows for the years ended December 31, 2020, 2019, and 2018:

Declaration Date	Record Date	Payable Date	Ordinary Income	Return of Capital	Total Per Share
February 22, 2018	April 2, 2018	April 16, 2018	0.396671 <sup>(1)</sup>	0.033329	\$ 0.43
May 11, 2018	July 2, 2018	July 16, 2018	0.396671 <sup>(1)</sup>	0.033329	\$ 0.43
August 16, 2018	October 1, 2018	October 15, 2018	0.396671 <sup>(1)</sup>	0.033329	\$ 0.43
December 13, 2018	January 2, 2019	January 15, 2019	0.374927 <sup>(2)</sup>	0.055073	\$ 0.43
February 21, 2019	April 1, 2019	April 15, 2019	0.383646 <sup>(3)</sup>	0.056354	\$ 0.44
May 16, 2019	July 1, 2019	July 16, 2019	0.383646 <sup>(3)</sup>	0.056354	\$ 0.44
August 15, 2019	October 1, 2019	October 15, 2019	0.383646 <sup>(3)</sup>	0.056354	\$ 0.44
December 12, 2019	January 6, 2020	January 15, 2020	0.440000 <sup>(4)</sup>	—	\$ 0.44
February 20, 2020	April 1, 2020	April 15, 2020	0.440000 <sup>(4)</sup>	—	\$ 0.44

<sup>(1)</sup> \$0.053074 of this amount constitutes a "Qualified Dividend", as defined by the IRS.

<sup>(2)</sup> \$0.041413 of this amount constitutes a "Qualified Dividend", as defined by the IRS.

<sup>(3)</sup> \$0.042774 of this amount constitutes a "Qualified Dividend", as defined by the IRS.

<sup>(4)</sup> \$0.040745 of this amount constitutes a "Qualified Dividend", as defined by the IRS.

As further discussed in Note 1, the Company announced on June 17, 2020 that the BOD suspended the Company's quarterly dividend while it evaluated corporate structure and capital allocation alternatives. On August 5, 2020, the BOD voted unanimously to approve a plan to revoke the Company's REIT election and become a taxable C Corporation, effective January 1, 2021; the BOD also voted unanimously to discontinue the quarterly dividend and prioritize allocating the Company's free cash flow to reduce debt levels. Future dividends will depend on CoreCivic's future cash flows and earnings, capital requirements, financial condition, limitations under debt covenants, opportunities for alternative uses of capital, and on such other factors as the BOD of CoreCivic may consider relevant.

## Common Stock

*Restricted shares.* During 2020, CoreCivic issued approximately 1.2 million RSUs to certain of its employees and non-employee directors, with an aggregate value of \$20.9 million, including 1.1 million RSUs to employees and non-employee directors whose compensation is charged to general and administrative expense and 0.1 million RSUs to employees whose compensation is charged to operating expense. During 2019, CoreCivic issued approximately 0.9 million RSUs to certain of its employees and non-employee directors, with an aggregate value of \$20.1 million, including 0.8 million RSUs to employees and non-employee directors whose compensation is charged to general and administrative expense and 0.1 million RSUs to employees whose compensation is charged to operating expense.

Since 2015, CoreCivic has established performance-based vesting conditions on the RSUs awarded to its officers and executive officers that, unless earlier vested under the terms of the agreements, were subject to vesting over a three-year period based upon the satisfaction of certain annual performance criteria, and no more than one-third of the RSUs could vest in any one performance period. The RSUs awarded to officers and executive officers in 2019 and 2020 consist of a combination of awards with performance-based conditions and time-based conditions. Unless earlier vested under the terms of the RSU agreements, the RSUs with time-based vesting conditions vest evenly generally on the first, second, and third anniversary of the award. The RSUs with performance-based vesting conditions are divided into one-third increments, each of which is subject to vesting based upon satisfaction of certain annual performance criteria established at the beginning of the fiscal years ending December 31, 2019, 2020, and 2021 for the 2019 awards, and December 31, 2020, 2021, and 2022 for the 2020 awards, and which can be increased by up to 150% or decreased to 0% based on performance relative to the annual performance criteria, and further increased or decreased using a modifier of 80% to 120% based on CoreCivic's total shareholder return relative to a peer group. Based on performance achieved for 2020, the RSUs subject to performance-based vesting criteria were decreased by 47.9%, and were further reduced to the 80% modifier based on CoreCivic's total shareholder return relative to the peer group. Because the performance criteria for the fiscal years ending December 31, 2021 and 2022 have not yet been established, the values of the third RSU increment of the 2019 awards and of the second and third increments of the 2020 awards for financial reporting purposes will not be determined until such criteria are established. Time-based RSUs issued to other employees, unless earlier vested under the terms of the agreements, generally vest equally on the first, second, and third anniversary of the award. RSUs issued to non-employee directors vest one year from the date of award.

Nonvested RSU transactions as of December 31, 2020 and for the year then ended are summarized below (in thousands, except per share amounts).

	Shares of RSUs	Weighted average grant date fair value
Nonvested at December 31, 2019	1,562	\$ 22.52
Granted	1,245	\$ 16.80
Cancelled	(47)	\$ 19.42
Vested	(739)	\$ 23.55
<b>Nonvested at December 31, 2020</b>	<b>2,021</b>	<b>\$ 18.40</b>

During 2020, 2019, and 2018, CoreCivic expensed \$17.3 million (\$1.7 million of which was recorded in operating expenses and \$15.6 million of which was recorded in general and administrative expenses), \$17.3 million (\$1.8 million of which was recorded in operating expenses and \$15.5 million of which was recorded in general and administrative expenses), and \$13.1 million (\$1.8 million of which was recorded in operating expenses and \$11.3 million of which was recorded in general and administrative expenses), net of forfeitures, relating to RSUs, respectively. As of December 31, 2020, CoreCivic had \$15.0 million of total unrecognized compensation cost related to RSUs that is expected to be recognized over a remaining weighted-average period of 1.7 years. The total fair value of RSUs that vested during 2020, 2019, and 2018 was \$17.4 million, \$13.4 million, and \$15.3 million, respectively.

On August 28, 2018, CoreCivic entered into an Amended and Restated ATM Equity Offering Sales Agreement, or ATM Agreement, with multiple sales agents, pursuant to which the Company may offer and sell to or through the agents, from time to time, shares of the Company's common stock, par value \$0.01 per share, having an aggregate gross sales price of up to \$200.0 million. Sales, if any, of the Company's shares of common stock will be made primarily in "at-the-market" offerings, as defined in Rule 415 under the Securities Act of 1933, as amended. The shares of common stock will be offered and sold pursuant to CoreCivic's registration statement on Form S-3 and a related prospectus supplement, both filed with the SEC on August 28, 2018. CoreCivic intends to use substantially all of the net proceeds from any sale of shares of the Company's common stock to repay outstanding borrowings or for working capital and other general corporate purposes, which may include investments. There were no shares of the Company's common stock sold under the ATM Agreement during 2018, 2019 and 2020.

### **Preferred Stock**

CoreCivic has the authority to issue 50.0 million shares of \$0.01 par value per share preferred stock (the "Preferred Stock"). The Preferred Stock may be issued from time to time upon authorization by the Board of Directors, in such series and with such preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or other provisions as may be fixed by CoreCivic's Board of Directors.

### **Stock Option Plans**

CoreCivic has equity incentive plans under which, among other things, incentive and non-qualified stock options are granted to certain employees and non-employee directors of CoreCivic by the compensation committee of CoreCivic's BOD. The options are granted with exercise prices equal to the fair market value on the date of grant. Vesting periods for options granted to employees generally range from three to four years. Options granted to non-employee directors vest on a date approximately following the first anniversary of the grant date. The term of such options is ten years from the date of grant.

Since 2012, CoreCivic has elected not to issue stock options to its non-employee directors, officers, and executive officers as it had in prior years, and instead elected to issue all of its equity compensation in the form of RSUs as previously described herein. All outstanding stock options were fully vested as of December 31, 2016.

Stock option transactions relating to CoreCivic's non-qualified stock option plans are summarized below (in thousands, except exercise prices):

	No. of options	Weighted- Average Exercise Price of options	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2019	644	\$ 20.91		
Granted	—	—		
Exercised	—	—		
Cancelled	(172)	17.58		
Outstanding at December 31, 2020	<u>472</u>	<u>\$ 22.13</u>	<b>0.9</b>	\$ —
Exercisable at December 31, 2020	<u>472</u>	<u>\$ 22.13</u>	<b>0.9</b>	\$ —

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between CoreCivic's stock price as of December 31, 2020 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2020. This amount changes based on the fair market value of CoreCivic's stock. The total intrinsic value of options exercised during the years ended December 31, 2019 and 2018 was \$0.5 million and \$1.3 million, respectively. There were no options exercised during 2020.

At CoreCivic's 2020 annual meeting of stockholders held in May 2020, CoreCivic's stockholders approved the CoreCivic, Inc. 2020 Stock incentive Plan that authorized the issuance of new awards to an aggregate of up to 4.7 million shares. As of December 31, 2020, CoreCivic had 4.7 million shares available for issuance under the 2020 Stock Incentive Plan.

## 15. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. For CoreCivic, diluted earnings per share is computed by dividing net income by the weighted average number of common shares after considering the additional dilution related to restricted stock-based awards, stock options, and Operating Partnership Units.

A reconciliation of the numerator and denominator of the basic earnings per share computation to the numerator and denominator of the diluted earnings per share computation is as follows (in thousands, except per share data):

	For the Years Ended December 31,		
	2020	2019	2018
<b>NUMERATOR</b>			
<b>Basic:</b>			
Net income attributable to common stockholders	\$ 54,157	\$ 188,886	\$ 159,207
<b>Diluted:</b>			
Net income attributable to common stockholders	\$ 54,157	\$ 188,886	\$ 159,207
Net income attributable to non-controlling interest	1,181	—	—
Diluted net income attributable to common stockholders	<u>\$ 55,338</u>	<u>\$ 188,886</u>	<u>\$ 159,207</u>
<b>DENOMINATOR</b>			
<b>Basic:</b>			
Weighted average common shares outstanding	<u>119,559</u>	<u>119,028</u>	<u>118,544</u>
<b>Diluted:</b>			
Weighted average common shares outstanding	119,559	119,028	118,544
Effect of dilutive securities:			
Stock options	—	22	111
Restricted stock-based awards	28	114	61
Non-controlling interest - Operating Partnership Units	<u>1,342</u>	<u>—</u>	<u>—</u>
Weighted average shares and assumed conversions	<u>120,929</u>	<u>119,164</u>	<u>118,716</u>
<b>BASIC EARNINGS PER SHARE</b>	<u>\$ 0.45</u>	<u>\$ 1.59</u>	<u>\$ 1.34</u>
<b>DILUTED EARNINGS PER SHARE</b>	<u>\$ 0.45</u>	<u>\$ 1.59</u>	<u>\$ 1.34</u>

Approximately 502,000, 486,000, and 317,000 stock options were excluded from the computations of diluted earnings per share for the years ended December 31, 2020, 2019, and 2018, respectively, because they were anti-dilutive.

## 16. COMMITMENTS AND CONTINGENCIES

### Legal Proceedings

The nature of CoreCivic's business results in claims and litigation alleging that it is liable for damages arising from the conduct of its employees, offenders or others. The nature of such claims includes, but is not limited to, claims arising from employee or offender misconduct, medical malpractice, employment matters, property loss, contractual claims, including claims regarding compliance with contract performance requirements, and personal injury or other damages resulting from contact with CoreCivic's facilities, personnel or offenders, including damages arising from an offender's escape or from a disturbance at a facility. CoreCivic maintains insurance to cover many of these claims, which may mitigate the risk that any single claim would have a material effect on CoreCivic's consolidated financial position, results of operations, or cash flows, provided the claim is one for which coverage is available. The combination of self-insured retentions and deductible amounts means that, in the aggregate, CoreCivic is subject to substantial self-insurance risk.

Based upon management's review of the potential claims and outstanding litigation, and based upon management's experience and history of estimating losses, and taking into consideration CoreCivic's self-insured retention amounts, management believes a loss in excess of amounts already recognized would not be material to CoreCivic's financial statements. Adversarial proceedings and litigation are, however, subject to inherent uncertainties, and unfavorable decisions and rulings resulting from legal proceedings could occur which could have a material impact on CoreCivic's consolidated financial position, results of operations, or cash flows for the period in which such decisions or rulings occur, or future periods. Expenses associated with legal proceedings may also fluctuate from quarter to quarter based on changes in CoreCivic's assumptions, new developments, or by the effectiveness of CoreCivic's litigation and settlement strategies.

CoreCivic records a liability in the consolidated financial statements for loss contingencies when a loss is known or considered probable, and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss is reasonably possible but not known or probable, and can be reasonably estimated, the estimated loss or range of loss is disclosed. When determining the estimated loss or range of loss, significant judgment is required to estimate the amount and timing of a loss to be recorded. Any receivable for insurance recoveries is recorded separately from the corresponding litigation reserve, and only if recovery is determined to be probable and the amount of payment can be determined. CoreCivic does not accrue for anticipated legal fees and costs but expenses those items as incurred.

CoreCivic was named as a defendant in the lawsuits detailed below. Due to the stage of these proceedings, the Company cannot reasonably predict the outcome, nor can it estimate the amount of loss or range of loss, if any, that may result. As a result, the Company has not recorded an accrual relating to these matters at this time, as losses are not considered probable or reasonably estimable at this stage of these lawsuits.

#### *ICE Detainee Labor and Related Matters.*

On May 31, 2017, two former ICE detainees, who were detained at the Company's Otay Mesa Detention Center ("OMDC") in San Diego, California, filed a class action lawsuit against the Company in the United States District Court for the Southern District of California. The complaint alleged that the Company forces detainees to perform labor under threat of punishment in violation of state and federal anti-trafficking laws and that OMDC's Voluntary Work Program ("VWP") violates state labor laws including state minimum wage law. ICE requires that CoreCivic offer and operate the VWP in conformance with ICE standards and ICE prescribes the minimum rate of pay for VWP participants. The Plaintiffs seek compensatory damages, exemplary damages, restitution, penalties, and interest as well as declaratory and injunctive relief on behalf of former and current detainees. On April 1, 2020, the district court certified a nationwide anti-trafficking claims class of former and current detainees at all CoreCivic ICE detention facilities. It also certified a state law class of former and current detainees at the Company's ICE detention facilities in California. The court did not certify any claims for injunctive or declaratory relief. Since this case was initially filed, four similar lawsuits have been filed in other courts in California, Texas, Maryland and Georgia. The Company disputes these allegations and intends to take all necessary steps to vigorously defend itself against all claims.

#### *Shareholder Litigation.*

In a memorandum to the BOP dated August 18, 2016, the Department of Justice ("DOJ") directed that, as each contract with privately operated prisons reaches the end of its term, the BOP should either decline to renew that contract or substantially reduce its scope in a manner consistent with law and the overall decline of the BOP's inmate population. In addition to the decline in the BOP's inmate population, the DOJ memorandum cites purported operational, programming, and cost efficiency factors as reasons for the DOJ directive. On February 21, 2017, the newly appointed U.S. Attorney General issued a memorandum rescinding the DOJ's prior directive stating the memorandum changed long-standing policy and practice and impaired the BOP's ability to meet the future needs of the federal correctional system.

Following the release of the August 18, 2016 DOJ memorandum, a purported securities class action lawsuit was filed on August 23, 2016 against the Company and certain of its current and former officers in the United States District Court for the Middle District of Tennessee (the "District Court"), captioned *Grae v. Corrections Corporation of America et al.*, Case No. 3:16-cv-02267. The lawsuit is brought on behalf of a putative class of shareholders who purchased or acquired the Company's securities between February 27, 2012 and August 17, 2016. The Plaintiffs seek compensatory damages and costs incurred in connection with the lawsuit. In general, the lawsuit alleges that, during this timeframe, the Company's public statements were false and/or misleading regarding the purported operational, programming, and cost efficiency factors cited in the DOJ memorandum and, as a result, the Company's stock price was artificially inflated. The lawsuit alleges that the publication of the DOJ memorandum on August 18, 2016 revealed the alleged fraud, causing the per share price of the Company's stock to decline, thereby causing harm to the putative class of shareholders.

On December 18, 2017, the District Court denied the Company's motion to dismiss. On March 26, 2019, the District Court certified the class proposed by the plaintiff. The United States Court of Appeals for the Sixth Circuit denied the Company's appeal of the class certification order on August 23, 2019. A trial before United States District Judge Aleta Trauger is scheduled for May 2021 in the Middle District of Tennessee. CoreCivic believes the lawsuit is entirely without merit and intends to vigorously defend against it.

### **Insurance Contingencies**

Each of CoreCivic's management contracts and the statutes of certain states require the maintenance of insurance. CoreCivic maintains various insurance policies including employee health, workers' compensation, automobile liability, and general liability insurance. These policies are fixed premium policies with various deductible amounts that are self-funded by CoreCivic. Reserves are provided for estimated incurred claims for which it is probable that a loss has been incurred and the range of such loss can be estimated.

### **Retirement Plan**

All employees of CoreCivic are eligible to participate in the CoreCivic 401(k) Savings and Retirement Plan (the "Plan") upon reaching age 18 and completing six months of qualified service. Eligible employees may contribute up to 90% of their eligible compensation, subject to IRS limitations. For the years ended December 31, 2020, 2019, and 2018, CoreCivic provided a discretionary matching contribution equal to 100% of the employee's contributions up to 5% of the employee's eligible compensation to employees with at least 500 hours of employment in the plan year. Employer matching contributions paid into the Plan each pay period vest immediately pursuant to safe harbor provisions adopted by the Plan. During 2020, 2019, and 2018, CoreCivic's discretionary contributions to the Plan were \$15.0 million, \$14.2 million, and \$13.2 million, respectively.

### **Deferred Compensation Plans**

CoreCivic provides two non-qualified deferred compensation plans (the "Deferred Compensation Plans") for non-employee directors and for certain senior executives. The Deferred Compensation Plans are unfunded plans maintained for the purpose of providing CoreCivic's directors and certain of its senior executives the opportunity to defer a portion of their compensation. Under the terms of the Deferred Compensation Plans, certain senior executives may elect to contribute on a pre-tax basis up to 50% of their base salary and up to 100% of their cash bonus, and non-employee directors may elect to contribute on a pre-tax basis up to 100% of their director retainer and meeting fees. During the years ended December 31, 2020, 2019, and 2018, CoreCivic matched 100% of employee contributions up to 5% of total cash compensation. CoreCivic also contributes a fixed rate of return on balances in the Deferred Compensation Plans, determined at the beginning of each plan year. Matching contributions and investment earnings thereon become vested 20% after two years of service, 40% after three years of service, 80% after four years of service, and 100% after five or more years of service. Distributions are generally payable no earlier than five years subsequent to the date an individual becomes a participant in the Plan, or upon termination of employment (or the date a director ceases to serve as a director of CoreCivic), at the election of the participant. Distributions to senior executives must commence on or before the later of 60 days after the participant's separation from service or the fifteenth day of the month following the month the individual attains age 65.

During 2020, 2019, and 2018, CoreCivic provided a fixed return of 5.0% in each year to participants in the Deferred Compensation Plans. CoreCivic has purchased life insurance policies on the lives of certain employees of CoreCivic, which are intended to fund distributions from the Deferred Compensation Plans. CoreCivic is the sole beneficiary of such policies. At the inception of the Deferred Compensation Plans, CoreCivic established an irrevocable Rabbi Trust to secure the plans' obligations. However, assets in the Deferred Compensation Plans are subject to creditor claims in the event of bankruptcy. During 2020, 2019, and 2018, CoreCivic recorded \$0.3 million, \$0.2 million, and \$0.3 million, respectively, of matching contributions as general and administrative expense associated with the Deferred Compensation Plans. Assets in the Rabbi Trust were \$14.9 million and \$14.4 million as of December 31, 2020 and 2019, respectively, and were reflected in other assets on the accompanying consolidated balance sheets. As of December 31, 2020 and 2019, CoreCivic's liability related to the Deferred Compensation Plans was \$12.5 million and \$12.9 million, respectively, which was reflected in accounts payable and accrued expenses and other liabilities on the accompanying consolidated balance sheets.

### **Employment and Severance Agreements**

CoreCivic currently has employment agreements with several of its executive officers, which provide for the payment of certain severance amounts upon termination of employment under certain circumstances or a change of control, as defined in the agreements.

## **17. SEGMENT REPORTING**

As of December 31, 2020, CoreCivic operated 47 correctional and detention facilities, 42 of which the Company owned. In addition, CoreCivic owned and operated 27 residential reentry centers and owned 15 properties for lease to third parties. Management views CoreCivic's operating results in three operating segments, CoreCivic Safety, CoreCivic Community, and CoreCivic Properties. CoreCivic Safety includes the operating results of those correctional and detention facilities placed into service that were owned, or controlled via a long-term lease, and managed by CoreCivic, as well as those correctional and detention facilities owned by a third party and managed by CoreCivic. CoreCivic Safety also includes the operating results of TransCor America, LLC, a subsidiary of the Company that provides transportation services to governmental agencies. CoreCivic Community includes the operating results of those residential reentry centers placed into service that were owned, or controlled via a long-term lease, and managed by CoreCivic. CoreCivic Community also includes the operating results of the Company's electronic monitoring and case management services. CoreCivic Properties includes the operating results of those properties leased to third parties. The operating performance of the three segments can be measured based on their net operating income. CoreCivic defines facility net operating income as a facility's revenues less operating expenses.



The revenue and net operating income for each of the three segments and a reconciliation to CoreCivic's operating income is as follows for the three years ended December 31, 2020, 2019, and 2018 (in thousands):

	For the Years Ended December 31,		
	2020	2019	2018
<b>Revenue:</b>			
Safety	\$1,706,232	\$1,779,958	\$1,675,998
Community	105,990	123,265	101,841
Properties	93,098	77,307	57,899
Total segment revenue	<u>1,905,320</u>	<u>1,980,530</u>	<u>1,835,738</u>
<b>Operating expenses:</b>			
Safety	1,288,938	1,304,121	1,222,418
Community	88,903	95,159	76,898
Properties	28,128	22,803	15,420
Total segment operating expenses	<u>1,405,969</u>	<u>1,422,083</u>	<u>1,314,736</u>
<b>Facility net operating income:</b>			
Safety	417,294	475,837	453,580
Community	17,087	28,106	24,943
Properties	64,970	54,504	42,479
Total facility net operating income	<u>499,351</u>	<u>558,447</u>	<u>521,002</u>
<b>Other revenue (expense):</b>			
Other revenue	165	159	28
Other operating expense	(407)	(686)	(514)
General and administrative	(124,338)	(127,078)	(106,865)
Depreciation and amortization	(150,861)	(144,572)	(156,501)
Contingent consideration for acquisition of businesses	(620)	—	(6,085)
Asset impairments	(60,628)	(4,706)	(1,580)
Operating income	<u>\$ 162,662</u>	<u>\$ 281,564</u>	<u>\$ 249,485</u>

The following table summarizes capital expenditures including accrued amounts for the years ended December 31, 2020, 2019, and 2018 (in thousands):

	For the Years Ended December 31,		
	2020	2019	2018
<b>Capital expenditures:</b>			
Safety	\$ 42,577	\$ 77,662	\$ 94,559
Community	2,548	5,859	15,689
Properties	107,487	95,109	365,628
Corporate and other	6,877	12,111	11,260
Total capital expenditures	<u>\$ 159,489</u>	<u>\$ 190,741</u>	<u>\$ 487,136</u>

The total assets are as follows (in thousands):

	December 31,	
	2020	2019
<b>Assets:</b>		
Safety	\$ 2,589,622	\$ 2,606,127
Community	234,475	275,882
Properties	676,374	682,249
Corporate and other	208,844	227,373
Total assets	<u>\$ 3,709,315</u>	<u>\$ 3,791,631</u>

## **18. SUBSEQUENT EVENTS**

During February 2021, CoreCivic issued approximately 2.0 million RSUs to certain of CoreCivic's employees and non-employee directors, with an aggregate value of \$15.4 million. Unless earlier vested under the terms of the RSU agreement, approximately 1.0 million RSUs were issued to officers and executive officers which vest evenly on the first, second, and third anniversary of the award. CoreCivic expects to issue additional RSUs before the end of the second quarter of 2021, which will be subject to vesting over a three-year period based upon satisfaction of certain annual performance criteria for the fiscal years ending December 31, 2021, 2022, and 2023, and which can be increased or decreased based on performance relative to the annual performance criteria, and further increased or decreased based on total shareholder return relative to a peer group. Approximately 0.8 million RSUs issued to other employees vest evenly on the first, second, and third anniversary of the award. Approximately 0.2 million RSUs issued to non-employee directors vest on the first anniversary of the award. Any RSUs that become vested will be settled in shares of CoreCivic's common stock.

**CORECIVIC, INC. AND SUBSIDIARIES**  
**SCHEDULE III - REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2020**  
**(in thousands)**

Description	Location	Initial Cost to Company			Gross Amount at Which Carried at Close of Period			Accumulated Depreciation (B)	Date Constructed/ Acquired
		Land	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land and Land Improvements	Buildings and Leasehold Improvements	Total (A)		
Adams County Correctional Center	Adams County, Mississippi	\$ 874	\$ 119,565	\$ 3,827	\$ 1,092	\$ 123,174	\$ 124,266	\$ (30,364)	2008
Adams Transitional Center	Denver, Colorado	6,090	853	340	6,090	1,193	7,283	(134)	2017
Arapahoe Community Treatment Center	Englewood, Colorado	3,760	1,239	709	3,760	1,948	5,708	(260)	2017
Augusta Transitional Center	Augusta, Georgia	1,281	2,674	80	1,281	2,754	4,035	(238)	2017
Austin Residential Reentry Center	Del Valle, Texas	4,190	1,058	371	4,201	1,418	5,619	(370)	2015
Austin Transitional Center	Del Valle, Texas	19,488	4,607	983	19,500	5,578	25,078	(1,238)	2015
Bent County Correctional Facility	Las Animas, Colorado	550	13,115	68,425	1,587	80,503	82,090	(29,674)	1992
Bridgeport Pre-Parole Transfer Facility	Bridgeport, Texas	70	291	—	70	—	70 (E)	-	1995
Broad Street Residential Reentry Center	Philadelphia, Pennsylvania	663	2,700	197	663	2,897	3,560	(426)	2015
CAI Boston Avenue	San Diego, California	800	11,440	1,244	845	12,639	13,484	(3,251)	2013
California City Correctional Center	California City, California	1,785	125,337	15,581	2,409	140,294	142,703	(58,301)	1999
Capital Commerce Center (C)	Tallahassee, Florida	2,255	38,362	636	2,262	38,991	41,253	(2,891)	2018
Centennial Community Transition Center	Englewood, Colorado	4,905	1,256	390	5,021	1,530	6,551	(284)	2016
Central Arizona Florence Correctional Complex	Florence, Arizona	1,298	133,531	51,793	4,395	182,227	186,622	(81,229)	1994/1999
Cheyenne Transitional Center	Cheyenne, Wyoming	5,567	2,092	874	5,567	2,966	8,533	(635)	2015

**CORECIVIC, INC. AND SUBSIDIARIES**  
**SCHEDULE III - REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2020**  
**(in thousands)**

Description	Location	Initial Cost to Company		Gross Amount at Which Carried at Close of Period			Accumulated Depreciation (B)	Date Constructed/Acquired
		Land	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land and Land Improvements	Buildings and Leasehold Improvements		
Cibola County Corrections Center	Milan, New Mexico	444	16,215	33,148	1,368	48,439	(22,763)	1994
Cimarron Correctional Facility	Cushing, Oklahoma	250	71,303	46,023	776	116,800	(44,872)	1997
Coffee Correctional Facility (D)	Nicholls, Georgia	—	—	—	—	—	—	1998
Columbine Facility	Denver, Colorado	1,414	488	230	1,438	694	(148)	2016
Commerce Transitional Center	Commerce City, Colorado	5,166	1,758	235	5,166	1,993	(225)	2017
Corpus Christi Transitional Center	Corpus Christi, Texas	—	1,886	530	5	2,411	(1,257)	2015
Crossroads Correctional Center	Shelby, Montana	413	33,196	44,128	1,614	76,123	(43,477)	1999
Crowley County Correctional Facility	Olney Springs, Colorado	211	46,845	31,191	2,680	75,567	(29,512)	2003
Dahlia Facility	Denver, Colorado	6,788	727	292	6,835	972	(211)	2016
Dallas Transitional Center	Hutchins, Texas	—	3,852	1,732	1	5,583	(1,658)	2015
Davis Correctional Facility	Holdenville, Oklahoma	250	66,701	42,551	1,209	108,293	(41,793)	1996
Diamondback Correctional Facility	Watonga, Oklahoma	208	41,677	26,053	1,361	66,577	(29,591)	1998
Eden Detention Center	Eden, Texas	925	27,645	34,926	5,552	57,944	(27,355)	1995
El Paso Multi-Use Facility	El Paso, Texas	14,936	4,536	1,607	14,965	6,114	(1,324)	2015
El Paso Transitional Center	El Paso, Texas	10,325	4,198	842	10,389	4,976	(1,075)	2015
Eloy Detention Center	Eloy, Arizona	498	33,308	18,148	2,296	49,658	(25,657)	1995

**CORECIVIC, INC. AND SUBSIDIARIES**  
**SCHEDULE III - REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2020**  
**(in thousands)**

<u>Description</u>	<u>Location</u>	<u>Initial Cost to Company</u>		<u>Gross Amount at Which Carried at Close of Period</u>			<u>Accumulated Depreciation (B)</u>	<u>Date Constructed/ Acquired</u>	
		<u>Land</u>	<u>Buildings and Improvements</u>	<u>Land and Land Improvements</u>	<u>Buildings and Leasehold Improvements</u>	<u>Total (A)</u>			
Fort Worth Transitional Center	Fort Worth, Texas	3,251	334	301	3,266	620	3,886	(576)	2015
Fox Facility and Training Center	Denver, Colorado	3,038	1,203	727	3,180	1,788	4,968	(379)	2016
Houston Processing Center	Houston, Texas	2,250	53,373	41,100	3,587	93,136	96,723	(42,273)	1984
Huerfano County Correctional Center	Walsenburg, Colorado	124	26,358	5,053	1,116	30,419	31,535	(15,640)	1997
James River Residential Center	Newport News, Virginia	800	501	24	804	521	1,325	(14)	2019
Jenkins Correctional Center (D)	Millen, Georgia	—	—	—	—	—	—	—	2012
Kit Carson Correctional Center	Burlington, Colorado	432	35,978	44,462	1,051	79,821	80,872	(28,115)	1998
La Palma Correctional Center	Eloy, Arizona	283	183,155	13,895	486	196,847	197,333	(53,313)	2008
Lake Erie Correctional Institution	Conneaut, Ohio	2,871	69,779	6,376	4,031	74,995	79,026	(15,528)	2011
Laredo Processing Center	Laredo, Texas	788	26,737	3,657	986	30,196	31,182	(13,988)	1985
Leavenworth Detention Center	Leavenworth, Kansas	130	44,970	45,397	765	89,732	90,497	(34,899)	1992
Lee Adjustment Center	Beattyville, Kentucky	500	515	18,349	1,277	18,087	19,364	(9,083)	1998
Leo Chesney Correctional Center	Live Oak, California	250	4,774	1,622	265	6,381	6,646	(3,573)	1989
Long Beach Community Corrections Center	Long Beach, California	5,038	2,413	—	5,038	2,413	7,451	(277)	2016

**CORECIVIC, INC. AND SUBSIDIARIES**  
**SCHEDULE III - REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2020**  
**(in thousands)**

Description	Initial Cost to Company			Gross Amount at Which Carried at Close of Period			Accumulated Depreciation (B)	Date Constructed/ Acquired	
	Location	Land	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land and Land Improvements	Buildings and Leasehold Improvements			Total (A)
Longmont Community Treatment Center	Longmont, Colorado	3,364	582	125	3,363	708	4,071	(130)	2016
Marion Adjustment Center	St. Mary, Kentucky	250	9,994	8,891	925	18,210	19,135	(8,088)	1998
McRae Correctional Facility	McRae, Georgia	462	60,396	20,689	1,099	80,448	81,547	(26,795)	2000
MDHHS-Detroit	Detroit, Michigan	830	5,739	113	943	5,739	6,682	(278)	2019
Mineral Wells Pre-Parole Transfer Facility	Mineral Wells, Texas	176	22,589	—	100	—	100 (E)	-	1995
NARA-Dayton (C)	Dayton, Ohio	548	6,439	817	597	7,207	7,804	(486)	2018
Nevada Southern Detention Center	Pahrump, Nevada	7,548	64,362	10,287	8,421	73,776	82,197	(18,592)	2010
North Fork Correctional Facility	Sayre, Oklahoma	—	42,166	63,253	664	104,755	105,419	(38,791)	1998
Northeast Ohio Correctional Center	Youngstown, Ohio	750	39,583	14,158	1,901	52,590	54,491	(24,517)	1997
Northwest New Mexico Correctional Center	Grants, New Mexico	142	15,888	19,930	879	35,081	35,960	(17,552)	1989
Oklahoma City Transitional Center	Oklahoma City, Oklahoma	1,114	2,626	1,654	1,144	4,250	5,394	(609)	2017
Oklahoma Reentry Opportunity Center	Oklahoma City, Oklahoma	8,562	4,631	1,198	8,599	5,792	14,391	(1,294)	2015
Otay Mesa Detention Center	San Diego, California	28,845	114,411	47,512	37,114	153,654	190,768	(14,867)	2015/2019
Prairie Correctional Facility	Appleton, Minnesota	100	22,306	10,520	1,068	31,858	32,926	(18,281)	1991
Recovery Monitoring Solutions	Dallas, Texas	1,152	1,979	687	1,280	2,538	3,818	(305)	2018
Red Rock Correctional Center (D)	Eloy, Arizona	—	—	—	—	—	—	—	2006

**CORECIVIC, INC. AND SUBSIDIARIES**  
**SCHEDULE III - REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2020**  
**(in thousands)**

Description	Location	Initial Cost to Company		Gross Amount at Which Carried at Close of Period			Accumulated Depreciation (B)	Date Constructed/ Acquired
		Land	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land and Land Improvements	Buildings and Leasehold Improvements		
Roth Hall Residential Reentry Center	Philadelphia, Pennsylvania	654	2,693	—	654	2,693	(365)	2015
Saguaro Correctional Facility	Eloy, Arizona	193	98,903	2,418	486	101,028	(27,711)	2007
South Raleigh Reentry Center	Raleigh, North Carolina	277	663	26	277	689	(33)	2019
Southeast Kentucky Correctional Facility	Wheelwright, Kentucky	500	24,487	12,489	1,630	35,846	(17,278)	1998
SSA-Baltimore (C)	Baltimore, Maryland	27,987	179,424	—	29,717	177,694	(11,841)	2018
SSA-Florissant	St Louis, Missouri	245	553	19	245	572	(31)	2018
Stewart Detention Center	Lumpkin, Georgia	143	70,560	22,400	1,629	91,474	(31,069)	2004
Stockton Female Community Corrections Facility	Stockton, California	692	788	—	692	788	(77)	2017
T. Don Hutto Residential Center	Taylor, Texas	183	13,418	5,469	627	18,443	(9,232)	1997
Tallahatchie County Correctional Facility	Tutwiler, Mississippi	—	44,638	107,561	1,650	150,549	(55,829)	2000
Torrance County Detention Facility	Estancia, New Mexico	511	52,599	8,733	1,842	60,001	(29,185)	1990
Trousdale Turner Correctional Center	Hartsville, Tennessee	649	135,412	5,356	1,871	139,546	(14,497)	2015
Tulsa Transitional Center	Tulsa, Oklahoma	8,206	4,061	658	606	2,766	(948)	2015

**CORECIVIC, INC. AND SUBSIDIARIES**  
**SCHEDULE III - REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION**  
**DECEMBER 31, 2020**  
**(in thousands)**

Description	Initial Cost to Company		Gross Amount at Which Carried at Close of Period			Accumulated Depreciation (B)	Date Constructed/ Acquired		
	Location	Land	Buildings and Improvements	Cost Capitalized Subsequent to Acquisition	Land and Land Improvements			Buildings and Leasehold Improvements	Total (A)
Turley Residential Center	Tulsa, Oklahoma	421	4,105	956	421	5,061	5,482	(1,149)	2015
Ulster Facility	Denver, Colorado	4,068	441	212	4,126	595	4,721	(130)	2016
Walker Hall Residential Reentry Center	Philadelphia, Pennsylvania	654	2,692	2	654	2,694	3,348	(366)	2015
Webb County Detention Center	Laredo, Texas	498	20,161	6,514	2,206	24,967	27,173	(13,241)	1998
West Tennessee Detention Facility	Mason, Tennessee	538	31,931	7,746	2,174	38,041	40,215	(19,374)	1990
Wheeler Correctional Facility (D)	Alamo, Georgia	—	—	—	—	—	—	—	1998
Whiteville Correctional Facility	Whiteville, Tennessee	303	51,694	8,162	1,671	58,488	60,159	(27,751)	1998
<b>Totals</b>		<b>\$215,724</b>	<b>\$ 2,415,459</b>	<b>\$ 996,604</b>	<b>\$ 261,525</b>	<b>\$ 3,333,753</b>	<b>\$3,595,278</b>	<b>\$(1,128,563)</b>	

**NOTES TO SCHEDULE III - REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION**

(A) The aggregate cost of properties for federal income tax purposes is approximately \$4.0 billion at December 31, 2020.

(B) Depreciation is calculated using estimated useful lives of depreciable assets up to 50 years for prison facilities.

(C) Held for Sale.

(D) CoreCivic retains title to this asset, which is classified under other real estate assets on the Company's consolidated balance sheets in accordance with ASC 853.

(E) CoreCivic recorded non-cash impairments during the fourth quarter of 2014 to write down the book value of the Mineral Wells facility, during the third quarter of 2017 to write down the book value of the Bridgeport facility, and during the second quarter of 2020 to write down the book value of the Tulsa Transitional Center to the estimated fair values assuming uses other than correctional or residential reentry facilities.



**CORECIVIC, INC. AND SUBSIDIARIES**  
**SCHEDULE III - REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION**  
**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018**  
(in thousands)

	<u>For the Years Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Investment in Real Estate:</b>			
Balance at beginning of period	\$ 3,605,137	\$ 3,697,160	\$ 3,367,358
Additions through capital expenditures	29,142	64,423	26,547
Acquisitions	82,324	8,809	269,271
Asset impairments	(10,154)	(4,040)	—
Reclassifications and other	(111,171)	(161,215)	33,984
Balance at end of period	<u>\$ 3,595,278</u>	<u>\$ 3,605,137</u>	<u>\$ 3,697,160</u>
<b>Accumulated Depreciation:</b>			
Balance at beginning of period	\$(1,053,670)	\$(1,075,389)	\$ (976,121)
Depreciation	(89,008)	(87,492)	(99,361)
Disposals/Other	14,115	109,211	93
Balance at end of period	<u>\$(1,128,563)</u>	<u>\$(1,053,670)</u>	<u>\$(1,075,389)</u>

**LIST OF SUBSIDIARIES OF CORECIVIC, INC.**

ACS Corrections of Texas, L.L.C., a Texas limited liability company  
Avalon Corpus Christi Transitional Center, LLC, a Texas limited liability company  
Avalon Correctional Services, Inc., a Nevada corporation  
Avalon Transitional Center Dallas, LLC, a Texas limited liability company  
Avalon Tulsa, L.L.C., an Oklahoma limited liability company  
Carver Transitional Center, L.L.C., an Oklahoma limited liability company  
CCA Health Services, LLC, a Tennessee limited liability company  
CCA International, LLC, a Delaware limited liability company  
CCA South Texas, LLC, a Maryland limited liability company  
CCA (UK) Ltd., a United Kingdom limited company  
CoreCivic, LLC, a Delaware limited liability company  
CoreCivic Government Solutions, LLC, a Maryland limited liability company  
CoreCivic of Kansas Holdings LLC, a Maryland limited liability company  
CoreCivic of Kansas LLC, a Maryland limited liability company  
CoreCivic of Tallahassee, LLC, a Maryland limited liability company  
CoreCivic of Tennessee, LLC, a Tennessee limited liability company  
CoreCivic TRS, LLC, a Maryland limited liability company  
Correctional Alternatives, LLC, a California limited liability company  
Correctional Management, Inc., a Colorado corporation  
EP Horizon Management, LLC, a Texas limited liability company  
Fort Worth Transitional Center, L.L.C., an Oklahoma limited liability company  
Government Real Estate Solutions LLC, a Delaware limited liability company  
Green Level Realty, LLC, a Colorado limited liability company  
National Offender Management Systems, LLC, a Colorado limited liability company  
Prison Realty Management, LLC, a Tennessee limited liability company  
Recovery Monitoring Solutions Corporation, a Texas corporation.  
Rocky Mountain Offender Management Systems, LLC, a Colorado limited liability company  
SSA Baltimore Holdings LLC, a Delaware limited liability company  
SSA Baltimore LLC, a Delaware limited liability company  
Southern Corrections System of Wyoming, L.L.C., an Oklahoma limited liability company  
Technical and Business Institute of America, LLC, a Tennessee limited liability company  
Time To Change, Inc., a Colorado corporation  
TransCor America, LLC, a Tennessee limited liability company  
TransCor Puerto Rico, Inc., a Puerto Rico corporation  
Turley Residential Center, L.L.C., an Oklahoma limited liability company

**CERTIFICATION OF THE CEO PURSUANT TO  
SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Damon T. Hininger, certify that:

1. I have reviewed this Annual Report on Form 10-K of CoreCivic, Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report based on such evaluation;
  - d) Disclosed in this Annual Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2021

/s/ Damon T. Hininger

Damon T. Hininger

President and Chief Executive Officer

**CERTIFICATION OF THE CFO PURSUANT TO  
SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a)  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, David M. Garfinkle, certify that:

1. I have reviewed this Annual Report on Form 10-K of CoreCivic, Inc.;
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Annual Report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report based on such evaluation;
  - d) Disclosed in this Annual Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2021

/s/ David M. Garfinkle

David M. Garfinkle  
Executive Vice President, Chief  
Financial Officer, and Principal  
Accounting Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of CoreCivic, Inc. (the "Company") on Form 10-K for the period ending December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Damon T. Hininger, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Damon T. Hininger  
Damon T. Hininger  
President and Chief Executive Officer  
February 22, 2021

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of CoreCivic, Inc. (the "Company") on Form 10-K for the period ending December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David M. Garfinkle, Executive Vice President, Chief Financial Officer, and Principal Accounting Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ David M. Garfinkle

David M. Garfinkle  
Executive Vice President, Chief  
Financial Officer, and Principal  
Accounting Officer  
February 22, 2021



## APPENDIX TO 2020 ANNUAL LETTER

### Reconciliation of Non-GAAP Disclosures

(\$ in thousands, except per share amounts)

	For the Years Ended December 31,		
	2020	2019	2018
Net Income	\$ 55,338	\$ 188,886	\$ 159,207
Interest expense	93,453	86,661	82,129
Depreciation and amortization	150,861	144,572	156,501
Income tax expense	4,386	7,839	8,353
<b>EBITDA <sup>(A)</sup></b>	<b>\$ 304,038</b>	<b>\$ 427,958</b>	<b>\$ 406,190</b>
Expenses associated with debt repayments and refinancing transactions	7,141	602	1,016
Expenses associated with mergers and acquisitions	338	1,132	3,096
Expenses associated with COVID-19	13,777	-	-
Expenses associated with changes in corporate tax structure	5,240	-	-
Contingent consideration for acquisition of businesses	620	-	6,085
Depreciation expense associated with STFRC lease <sup>(A)</sup>	-	-	(16,453)
Interest expense associated with STFRC lease <sup>(A)</sup>	-	-	(5,562)
Start-up expenses	-	9,480	-
Loss on sale of real estate assets	13,023	-	-
Asset impairments	60,628	4,706	1,580
<b>Adjusted EBITDA <sup>(A)</sup></b>	<b>\$ 404,805</b>	<b>\$ 443,878</b>	<b>\$ 395,952</b>

(A) Adjusted Net Income, EBITDA, Adjusted EBITDA, Funds From Operations (FFO), and Normalized FFO, and, where appropriate, their corresponding per share metrics are non-GAAP financial measures. CoreCivic believes that these measures are important operating measures that supplement discussion and analysis of the Company's results of operations and are used to review and assess operating performance of the Company and its correctional facilities and their management teams. CoreCivic believes that it is useful to provide investors, lenders and security analysts disclosures of its results of operations on the same basis that is used by management. FFO, in particular, is a widely accepted non-GAAP supplemental measure of REIT performance, grounded in the standards for FFO established by the National Association of Real Estate Investment Trusts (NAREIT). NAREIT defines FFO as net income computed in accordance with generally accepted accounting principles, excluding gains (or losses) from sales of property and extraordinary items, plus depreciation and amortization of real estate and impairment of depreciable real estate. EBITDA, Adjusted EBITDA, and Normalized FFO are useful as supplemental measures of performance of the Company's corrections facilities because they don't take into account depreciation and amortization, or with respect to EBITDA, the impact of the Company's tax provisions and financing strategies. Because the historical cost accounting convention used for real estate assets requires depreciation (except on land), this accounting presentation assumes that the value of real estate assets diminishes at a level rate over time. Because of the unique structure, design and use of the Company's properties, management believes that assessing performance of the Company's properties without the impact of depreciation or amortization is useful. Adjusted EBITDA for 2018 includes the portion of rental payments for the South Texas Family Residential Center (STFRC) that was classified as depreciation and interest expense for financial reporting purposes, to more properly reflect the cash flows associated with the lease. The Company adopted Accounting Standards Codification 842, "Leases", (ASC 842) on January 1, 2019. Upon adoption of ASC 842, all rental payments associated with this lease are classified as operating expenses. CoreCivic may make adjustments to FFO from time to time for certain other income and expenses that it considers non-recurring, infrequent or unusual, even though such items may require cash settlement, because such items do not reflect a necessary component of the ongoing operations of the Company. Start-up expenses represent the incremental operating losses incurred during the period we activate idle correctional facilities. Normalized FFO excludes the effects of such items. CoreCivic calculates Adjusted Net Income by adding to GAAP Net Income expenses associated with the Company's debt refinancing transactions, mergers and acquisitions (M&A) activity, certain impairments and other items that the Company believes are unusual or nonrecurring to provide an alternative measure of comparing operating performance for the periods presented. Even though expenses associated with mergers and acquisitions may be recurring, the magnitude and timing fluctuate based on the timing and scope of M&A activity, and therefore, such expenses, which are not a necessary component of the ongoing operations of the Company, may not be comparable from period to period. Other companies may calculate Adjusted Net Income, EBITDA, Adjusted EBITDA, FFO, and Normalized FFO differently than the Company does, or adjust for other items, and therefore comparability may be limited. Adjusted Net Income, EBITDA, Adjusted EBITDA, FFO, and Normalized FFO and their corresponding per share measures are not measures of performance under GAAP, and should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net income as indicators of the Company's operating performance or any other measure of performance derived in accordance with GAAP. This data should be read in conjunction with the Company's consolidated financial statements and related notes included in its filings with the Securities and Exchange Commission.



[This page intentionally left blank]







5501 Virginia Way, Suite 110  
Brentwood, TN 37027  
(615) 263-3000  
Website: [ir.corecivic.com](http://ir.corecivic.com)  
NYSE: CXW