



**CORRECTIONS CORPORATION OF AMERICA**

**Supplemental Financial Information  
For the Quarter Ended December 31, 2012**

The Company's supplemental financial information and other data presented herein speaks only as of the date or period indicated (or as of the date posted, as the case may be), and the Company does not undertake any obligation, and disclaims any duty, to update any of this information. The Company's future financial performance is subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect the Company's future financial results are discussed more fully in our reports filed with the SEC. Readers are advised to refer to these reports for additional information concerning the Company. Readers are also advised that the Company's historical performance may not be indicative of future results. In addition, the information contained herein does not constitute an offer to sell or a solicitation to buy any of the Company's securities.

# CORRECTIONS CORPORATION OF AMERICA

Supplemental Financial Information  
For the Quarter Ended December 31, 2012

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**CONSOLIDATED BALANCE SHEETS**  
(Unaudited and amounts in thousands, except per share amounts)

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| <b>ASSETS</b>                               | <b>December 31,<br/>2012</b> | <b>September 30,<br/>2012</b> | <b>June 30,<br/>2012</b> | <b>March 31,<br/>2012</b> | <b>December 31,<br/>2011</b> |
|---|------------------------------|-------------------------------|--------------------------|---------------------------|------------------------------|
| Cash and cash equivalents                   | \$ 62,897                    | \$ 59,242                     | \$ 63,130                | \$ 31,354                 | \$ 55,832                    |
| Accounts receivable, net of allowance       | 252,764                      | 239,233                       | 250,445                  | 257,981                   | 273,038                      |
| Deferred tax assets                         | 8,022                        | 7,947                         | 7,976                    | 11,068                    | 11,768                       |
| Prepaid expenses and other current assets   | 27,059                       | 23,819                        | 26,460                   | 13,623                    | 18,791                       |
| Total current assets                        | <u>350,742</u>               | <u>330,241</u>                | <u>348,011</u>           | <u>314,026</u>            | <u>359,429</u>               |
| Property and equipment, net                 | 2,568,791                    | 2,582,019                     | 2,592,252                | 2,601,303                 | 2,608,918                    |
| Restricted cash                             | 5,022                        | 5,020                         | 5,018                    | 5,015                     | 5,013                        |
| Investment in direct financing lease        | 7,467                        | 7,928                         | 8,376                    | 8,811                     | 9,233                        |
| Goodwill                                    | 11,988                       | 11,988                        | 11,988                   | 11,988                    | 11,988                       |
| Other assets                                | 30,732                       | 30,479                        | 30,357                   | 29,983                    | 25,050                       |
| Total assets                                | <u>\$ 2,974,742</u>          | <u>\$ 2,967,675</u>           | <u>\$ 2,996,002</u>      | <u>\$ 2,971,126</u>       | <u>\$ 3,019,631</u>          |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                              |                               |                          |                           |                              |
| Accounts payable and accrued expenses       | \$ 166,356                   | \$ 172,011                    | \$ 169,481               | \$ 163,349                | \$ 197,757                   |
| Income taxes payable                        | 102                          | 98                            | 94                       | 13,530                    | 605                          |
| Current portion of long-term debt           | -                            | -                             | -                        | 40,000                    | -                            |
| Total current liabilities                   | <u>166,458</u>               | <u>172,109</u>                | <u>169,575</u>           | <u>216,879</u>            | <u>198,362</u>               |
| Long-term debt, net of current portion      | 1,111,545                    | 1,131,152                     | 1,190,764                | 1,140,386                 | 1,245,014                    |
| Deferred tax liabilities                    | 139,526                      | 137,276                       | 136,316                  | 135,750                   | 136,503                      |
| Other liabilities                           | 35,593                       | 35,060                        | 34,777                   | 34,540                    | 31,730                       |
| Total liabilities                           | <u>1,453,122</u>             | <u>1,475,597</u>              | <u>1,531,432</u>         | <u>1,527,555</u>          | <u>1,611,609</u>             |
| Commitments and contingencies               |                              |                               |                          |                           |                              |
| Common stock - \$0.01 par value             | 1,001                        | 1,000                         | 1,000                    | 999                       | 995                          |
| Additional paid-in capital                  | 1,146,488                    | 1,142,271                     | 1,137,024                | 1,133,300                 | 1,129,435                    |
| Retained earnings                           | 374,131                      | 348,807                       | 326,546                  | 309,272                   | 277,592                      |
| Total stockholders' equity                  | <u>1,521,620</u>             | <u>1,492,078</u>              | <u>1,464,570</u>         | <u>1,443,571</u>          | <u>1,408,022</u>             |
| Total liabilities and stockholders' equity  | <u>\$ 2,974,742</u>          | <u>\$ 2,967,675</u>           | <u>\$ 2,996,002</u>      | <u>\$ 2,971,126</u>       | <u>\$ 3,019,631</u>          |

## CONSOLIDATED STATEMENTS OF OPERATIONS

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(Unaudited and amounts in thousands, except per share amounts)

|  | For the Three Months Ended<br>December 31, |                  | For the Twelve Months Ended<br>December 31, |                   |
|--|--|------------------|---|-------------------|
|  | 2012                                       | 2011             | 2012  | 2011              |
| <b>REVENUE:</b>  |  |                  |   |                   |
| Management:  |  |                  |   |                   |
| Federal  | \$ 181,976                                 | \$ 192,553       | \$ 752,178                                  | \$ 749,308        |
| State  | 223,118                                    | 214,570          | 883,105                                     | 855,409           |
| Local  | 15,997                                     | 14,937           | 60,685                                      | 57,854            |
| Other  | 14,786                                     | 13,670           | 58,642                                      | 55,353            |
| Total management revenue                                     | <u>435,877</u>                             | <u>435,730</u>   | <u>1,714,610</u>                            | <u>1,717,924</u>  |
| Transportation   | 631  | 731              | 2,485                                       | 3,619             |
| Rental   | 281  | 551              | 2,664                                       | 2,204             |
| Other  | 72   | 70               | 126   | 596               |
|  | <u>436,861</u>                             | <u>437,082</u>   | <u>1,759,885</u>                            | <u>1,724,343</u>  |
| <b>EXPENSES:</b>   |  |                  |   |                   |
| Operating:   |  |                  |   |                   |
| Facility fixed   | 228,232                                    | 226,517          | 936,369                                     | 894,462           |
| Facility variable  | 73,931                                     | 71,151           | 298,122                                     | 280,491           |
| Transportation   | 3,385                                      | 4,090            | 16,690                                      | 15,332            |
| Other  | 180  | 249              | 1,003                                       | 588               |
| Total operating expenses                                     | <u>305,728</u>                             | <u>302,007</u>   | <u>1,252,184</u>                            | <u>1,190,873</u>  |
| General and administrative                                   | 21,985                                     | 24,991           | 88,935                                      | 91,227            |
| Depreciation and amortization                                | 28,632                                     | 27,707           | 113,933                                     | 108,216           |
|  | <u>356,345</u>                             | <u>354,705</u>   | <u>1,455,052</u>                            | <u>1,390,316</u>  |
| <b>OPERATING INCOME</b>                                      | <u>80,516</u>                              | <u>82,377</u>    | <u>304,833</u>                              | <u>334,027</u>    |
| <b>OTHER (INCOME) EXPENSE:</b>                               |  |                  |   |                   |
| Interest expense, net  | 13,022                                     | 18,120           | 58,363                                      | 72,940            |
| Expenses associated with debt refinancing transactions       | 103  | -                | 2,099                                       | -                 |
| Other expense  | 31   | 42               | (338)                                       | 304               |
|  | <u>13,156</u>                              | <u>18,162</u>    | <u>60,124</u>                               | <u>73,244</u>     |
| <b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b> | 67,360                                     | 64,215           | 244,709                                     | 260,783           |
| Income tax expense   | <u>(21,952)</u>                            | <u>(22,852)</u>  | <u>(87,586)</u>                             | <u>(97,017)</u>   |
| <b>INCOME FROM CONTINUING OPERATIONS</b>                     | 45,408                                     | 41,363           | 157,123                                     | 163,766           |
| Loss from discontinued operations, net of taxes              | <u>-</u>                                   | <u>(841)</u>     | <u>(362)</u>                                | <u>(1,256)</u>    |
| <b>NET INCOME</b>  | <u>\$ 45,408</u>                           | <u>\$ 40,522</u> | <u>\$ 156,761</u>                           | <u>\$ 162,510</u> |
| <b>BASIC EARNINGS PER SHARE</b>                              | <u>\$ 0.46</u>                             | <u>\$ 0.41</u>   | <u>\$ 1.58</u>                              | <u>\$ 1.55</u>    |
| <b>DILUTED EARNINGS PER SHARE</b>                            | <u>\$ 0.45</u>                             | <u>\$ 0.41</u>   | <u>\$ 1.56</u>                              | <u>\$ 1.54</u>    |

**RECONCILIATION OF BASIC TO DILUTED EARNINGS PER SHARE**

(Unaudited and amounts in thousands, except per share amounts)

|   | <b>For the Three Months Ended<br/>December 31,</b> |                  | <b>For the Twelve Months Ended<br/>December 31,</b> |                   |
|---|--|------------------|---|-------------------|
|   | <b>2012</b>  | <b>2011</b>      | <b>2012</b>   | <b>2011</b>       |
| Basic:  |  |                  |   |                   |
| Income from continuing operations                       | \$ 45,408  | \$ 41,363        | \$ 157,123  | \$ 163,766        |
| Loss from discontinued operations, net of taxes         | -  | (841)            | (362)   | (1,256)           |
| Net income  | <u>\$ 45,408</u>                                   | <u>\$ 40,522</u> | <u>\$ 156,761</u>                                   | <u>\$ 162,510</u> |
| Diluted:  |  |                  |   |                   |
| Income from continuing operations                       | \$ 45,408  | \$ 41,363        | \$ 157,123  | \$ 163,766        |
| Loss from discontinued operations, net of taxes         | -  | (841)            | (362)   | (1,256)           |
| Diluted net income                                      | <u>\$ 45,408</u>                                   | <u>\$ 40,522</u> | <u>\$ 156,761</u>                                   | <u>\$ 162,510</u> |
| Basic:  |  |                  |   |                   |
| Weighted average common shares outstanding              | 100,062  | 99,517           | 99,925  | 105,129           |
| Unvested restricted common stock                        | (383)  | (382)            | (380)   | (393)             |
| Weighted average common shares outstanding-basic        | <u>99,679</u>                                      | <u>99,135</u>    | <u>99,545</u>                                       | <u>104,736</u>    |
| Diluted:  |  |                  |   |                   |
| Weighted average common shares outstanding-basic        | 99,679   | 99,135           | 99,545  | 104,736           |
| Effect of dilutive securities:                          |  |                  |   |                   |
| Stock options   | 1,086  | 547              | 864   | 603               |
| Restricted stock-based compensation                     | 334  | 276              | 214   | 196               |
| Weighted average shares and assumed conversions-diluted | <u>101,099</u>                                     | <u>99,958</u>    | <u>100,623</u>                                      | <u>105,535</u>    |
| Basic earnings per share:                               |  |                  |   |                   |
| Income from continuing operations                       | \$ 0.46  | \$ 0.42          | \$ 1.58   | \$ 1.56           |
| Loss from discontinued operations, net of taxes         | -  | (0.01)           | -   | (0.01)            |
| Net income  | <u>\$ 0.46</u>                                     | <u>\$ 0.41</u>   | <u>\$ 1.58</u>                                      | <u>\$ 1.55</u>    |
| Diluted earnings per share:                             |  |                  |   |                   |
| Income from continuing operations                       | \$ 0.45  | \$ 0.42          | \$ 1.56   | \$ 1.55           |
| Loss from discontinued operations, net of taxes         | -  | (0.01)           | -   | (0.01)            |
| Net income  | <u>\$ 0.45</u>                                     | <u>\$ 0.41</u>   | <u>\$ 1.56</u>                                      | <u>\$ 1.54</u>    |

**CALCULATION OF ADJUSTED DILUTED EARNINGS PER SHARE**

(Unaudited and amounts in thousands, except per share amounts)

|  | <b>For the Three Months Ended<br/>December 31,</b> |                  | <b>For the Twelve Months Ended<br/>December 31,</b> |                   |
|--|--|------------------|---|-------------------|
|  | <b>2012</b>  | <b>2011</b>      | <b>2012</b>   | <b>2011</b>       |
| Net Income   | \$ 45,408  | \$ 40,522        | \$ 156,761  | \$ 162,510        |
| Special items:   |  |                  |   |                   |
| Expenses associated with debt refinancing transactions                           | 103  | -                | 2,099   | -                 |
| Expenses associated with pursuit of REIT conversion                              | 2,326  | -                | 4,236   | -                 |
| Income tax benefit for reversal of deferred taxes due to corporate restructuring | (2,891)  | -                | (2,891)   | -                 |
| Income tax benefit for special items   | (896)  | -                | (2,340)   | -                 |
| Diluted adjusted net income  | <u>\$ 44,050</u>                                   | <u>\$ 40,522</u> | <u>\$ 157,865</u>                                   | <u>\$ 162,510</u> |
| Weighted average common shares outstanding - basic                               | 99,679   | 99,135           | 99,545  | 104,736           |
| Effect of dilutive securities:   |  |                  |   |                   |
| Stock options  | 1,086  | 547              | 864   | 603               |
| Restricted stock-based compensation  | <u>334</u>   | <u>276</u>       | <u>214</u>  | <u>196</u>        |
| Weighted average shares and assumed conversions - diluted                        | <u>101,099</u>                                     | <u>99,958</u>    | <u>100,623</u>                                      | <u>105,535</u>    |
| <b>Adjusted Diluted Earnings Per Share</b>                                       | <u>\$ 0.44</u>                                     | <u>\$ 0.41</u>   | <u>\$ 1.57</u>                                      | <u>\$ 1.54</u>    |

**FUNDS FROM OPERATIONS**  
(Unaudited and amounts in thousands, except per share amounts)

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|  | <u>December 31, 2012</u> | <u>September 30, 2012</u> | <u>June 30, 2012</u> | <u>March 31, 2012</u> | <u>December 31, 2011</u> |
|--|--------------------------|---------------------------|----------------------|-----------------------|--------------------------|
| <b>FUNDS FROM OPERATIONS (CCA's old definition)</b>            | \$ 78,091                | \$ 79,809                 | \$ 55,202            | \$ 82,868             | \$ 82,138                |
| Basic funds from operations per share                          | <u>\$ 0.78</u>           | <u>\$ 0.80</u>            | <u>\$ 0.55</u>       | <u>\$ 0.83</u>        | <u>\$ 0.83</u>           |
| Diluted funds from operations per share                        | <u>\$ 0.77</u>           | <u>\$ 0.79</u>            | <u>\$ 0.55</u>       | <u>\$ 0.83</u>        | <u>\$ 0.82</u>           |
| <b>FFO PAYOUT RATIO</b>  | 26.0%                    | 25.3%                     | 36.4%                | 0.0%                  | 0.0%                     |
| <b>NORMALIZED FUNDS FROM OPERATIONS (CCA's new definition)</b> | \$ 64,198                | \$ 63,289                 | \$ 57,502            | \$ 52,021             | \$ 59,407                |
| Basic normalized funds from operations per share               | <u>\$ 0.64</u>           | <u>\$ 0.64</u>            | <u>\$ 0.58</u>       | <u>\$ 0.52</u>        | <u>\$ 0.60</u>           |
| Diluted normalized funds from operations per share             | <u>\$ 0.64</u>           | <u>\$ 0.63</u>            | <u>\$ 0.57</u>       | <u>\$ 0.52</u>        | <u>\$ 0.59</u>           |
| <b>FFO PAYOUT RATIO</b>  | 31.3%                    | 31.7%                     | 35.1%                | 0.0%                  | 0.0%                     |
| <b>ADJUSTED FUNDS FROM OPERATIONS (CCA's old definition)</b>   | \$ 64,808                | \$ 69,604                 | \$ 43,151            | \$ 70,068             | \$ 62,675                |
| Basic adjusted funds from operations per share                 | <u>\$ 0.65</u>           | <u>\$ 0.70</u>            | <u>\$ 0.43</u>       | <u>\$ 0.71</u>        | <u>\$ 0.63</u>           |
| Diluted adjusted funds from operations per share               | <u>\$ 0.64</u>           | <u>\$ 0.69</u>            | <u>\$ 0.43</u>       | <u>\$ 0.70</u>        | <u>\$ 0.63</u>           |
| <b>AFFO PAYOUT RATIO</b>                                       | 31.3%                    | 29.0%                     | 46.5%                | 0.0%                  | 0.0%                     |
| <b>ADJUSTED FUNDS FROM OPERATIONS (CCA's new definition)</b>   | \$ 62,008                | \$ 62,937                 | \$ 56,343            | \$ 53,691             | \$ 53,817                |
| Basic adjusted funds from operations per share                 | <u>\$ 0.62</u>           | <u>\$ 0.63</u>            | <u>\$ 0.57</u>       | <u>\$ 0.54</u>        | <u>\$ 0.54</u>           |
| Diluted adjusted funds from operations per share               | <u>\$ 0.61</u>           | <u>\$ 0.62</u>            | <u>\$ 0.56</u>       | <u>\$ 0.54</u>        | <u>\$ 0.54</u>           |
| <b>AFFO PAYOUT RATIO</b>                                       | 32.8%                    | 32.3%                     | 35.7%                | 0.0%                  | 0.0%                     |

As a result of the pending REIT conversion on January 1, 2013, CCA has elected to change its previous calculation of FFO and AFFO to be consistent with the guidance issued by the National Association of Real Estate Investment Trusts (NAREIT). CCA has elected to provide both calculations on the next page herein to allow comparisons between the method CCA plans to use as a REIT effective January 1, 2013 and the method CCA used previously. FFO and AFFO are widely accepted non-GAAP supplemental measures of REIT performance following the standards established by NAREIT. CCA believes that FFO and AFFO 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. 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. 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 correctional facilities, management believes that assessing performance of the Company's correctional facilities without the impact of depreciation or amortization is useful. CCA 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. Normalized FFO excludes the effects of such items. CCA calculates AFFO by adding to Normalized FFO non-cash expenses such as the amortization of deferred financing costs and stock-based compensation, and by subtracting from Normalized FFO normalized recurring real estate expenditures that are capitalized and then amortized, but which are necessary to maintain a REIT's properties and its revenue stream. Some of these capital expenditures contain a discretionary element with respect to when they are incurred, while others may be more urgent. Therefore, these capital expenditures may fluctuate from quarter to quarter, depending on the nature of the expenditures required, seasonal factors such as weather, and budgetary conditions. Other companies may calculate FFO, Normalized FFO, and AFFO differently than the Company does, or adjust for other items, and therefore comparability may be limited. FFO, Normalized FFO, and AFFO 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.

## FUNDS FROM OPERATIONS

(Unaudited and amounts in thousands, except per share amounts)

|  | CCA's previous calculation              |           | CCA's calculation consistent with NAREIT guidelines |           |
|--|---|-----------|---|-----------|
|  | For the Three Months Ended December 31, |           | For the Three Months Ended December 31,             |           |
|  | 2012                                    | 2011      | 2012  | 2011      |
| <b>FUNDS FROM OPERATIONS:</b>  |   |           |   |           |
| Net income   | \$ 45,408                               | \$ 40,522 | \$ 45,408   | \$ 40,522 |
| Depreciation and amortization  | 28,632                                  | 27,707    | 20,148  | 18,885    |
| Depreciation and amortization for discontinued operations                        | -                                       | 341       |   |           |
| Income tax expense   | 21,952                                  | 22,852    |   |           |
| Expenses associated with debt refinancing transactions                           | 103                                     | -         | 103   | -         |
| Expenses associated with pursuit of REIT conversion                              | 2,326                                   | -         | 2,326   | -         |
| Income taxes (paid) refund   | (24,219)                                | (12,249)  | (896)   | -         |
| Income tax expense (benefit) for discontinued operations                         | -                                       | (464)     | (2,891)   | -         |
| Stock-based compensation reflected in G&A expenses                               | 2,853                                   | 2,332     |   |           |
| Amortization of debt costs and other non-cash interest                           | 1,036                                   | 1,097     |   |           |
| Funds From Operations  | \$ 78,091                               | \$ 82,138 | \$ 64,198   | \$ 59,407 |
| Maintenance and technology capital expenditures                                  | (13,283)                                | (19,463)  | (6,428)   | (9,269)   |
| Adjusted Funds From Operations   | \$ 64,808                               | \$ 62,675 | \$ 62,008   | \$ 53,817 |
| <b>FUNDS FROM OPERATIONS PER SHARE:</b>  |   |           |   |           |
| Basic  | \$ 0.78                                 | \$ 0.83   | \$ 0.64   | \$ 0.60   |
| Diluted  | \$ 0.77                                 | \$ 0.82   | \$ 0.64   | \$ 0.59   |
| <b>ADJUSTED FUNDS FROM OPERATIONS PER SHARE:</b>                                 |   |           |   |           |
| Basic  | \$ 0.65                                 | \$ 0.63   | \$ 0.62   | \$ 0.54   |
| Diluted  | \$ 0.64                                 | \$ 0.63   | \$ 0.61   | \$ 0.54   |
| <b>FUNDS FROM OPERATIONS:</b>  |   |           |   |           |
| Net income   |   |           | \$ 45,408   | \$ 40,522 |
| Depreciation of real estate assets   |   |           | 20,148  | 18,885    |
| Funds From Operations  |   |           | \$ 65,556   | \$ 59,407 |
| Expenses associated with debt refinancing transactions                           |   |           | 103   | -         |
| Expenses associated with pursuit of REIT conversion                              |   |           | 2,326   | -         |
| Income tax benefit for special items   |   |           | (896)   | -         |
| Income tax benefit for reversal of deferred taxes due to corporate restructuring |   |           | (2,891)   | -         |
| Normalized Funds From Operations   |   |           | \$ 64,198   | \$ 59,407 |
| Maintenance capital expenditures on real estate assets                           |   |           | (6,428)   | (9,269)   |
| Stock-based compensation   |   |           | 3,202   | 2,582     |
| Amortization of debt costs and other non-cash interest                           |   |           | 1,036   | 1,097     |
| Adjusted Funds From Operations   |   |           | \$ 62,008   | \$ 53,817 |
| <b>NORMALIZED FUNDS FROM OPERATIONS PER SHARE:</b>                               |   |           |   |           |
| Basic  |   |           | \$ 0.64   | \$ 0.60   |
| Diluted  |   |           | \$ 0.64   | \$ 0.59   |
| <b>ADJUSTED FUNDS FROM OPERATIONS PER SHARE:</b>                                 |   |           |   |           |
| Basic  |   |           | \$ 0.62   | \$ 0.54   |
| Diluted  |   |           | \$ 0.61   | \$ 0.54   |



**FUNDS FROM OPERATIONS**

(Unaudited and amounts in thousands, except per share amounts)

| CCA's previous calculation                                |  |            | CCA's calculation consistent with NAREIT guidelines                              |  |            |
|---|--|------------|--|--|------------|
|   | For the Twelve Months Ended December 31, |            |  | For the Twelve Months Ended December 31, |            |
|   | 2012                                     | 2011       |  | 2012                                     | 2011       |
| <b>FUNDS FROM OPERATIONS:</b>                             |  |            | <b>FUNDS FROM OPERATIONS:</b>  |  |            |
| Net income  | \$ 156,761                               | \$ 162,510 | Net income   | \$ 156,761                               | \$ 162,510 |
| Depreciation and amortization                             | 113,933                                  | 108,216    | Depreciation of real estate assets   | 79,145                                   | 73,705     |
| Depreciation and amortization for discontinued operations | -  | 715        | Depreciation of real estate assets for discontinued operations                   | -  | 345        |
| Income tax expense  | 87,586                                   | 97,017     | Funds From Operations  | \$ 235,906                               | \$ 236,560 |
| Expenses associated with debt refinancing transactions    | 2,099                                    | -          | Expenses associated with debt refinancing transactions                           | 2,099                                    | -          |
| Expenses associated with pursuit of REIT conversion       | 4,236                                    | -          | Expenses associated with pursuit of REIT conversion                              | 4,236                                    | -          |
| Income taxes (paid) refund                                | (83,864)                                 | (70,341)   | Income tax benefit for special items   | (2,340)                                  | -          |
|   |  |            | Income tax benefit for reversal of deferred taxes due to corporate restructuring | (2,891)                                  | -          |
| Income tax expense (benefit) for discontinued operations  | (215)                                    | (716)      |  |  |            |
| Stock-based compensation reflected in G&A expenses        | 11,118                                   | 9,254      | Normalized Funds From Operations   | \$ 237,010                               | \$ 236,560 |
| Amortization of debt costs and other non-cash interest    | 4,316                                    | 4,331      | Maintenance capital expenditures on real estate assets                           | (18,643)                                 | (20,056)   |
| Funds From Operations                                     | \$ 295,970                               | \$ 310,986 | Stock-based compensation   | 12,296                                   | 10,331     |
|   |  |            | Amortization of debt costs and other non-cash interest                           | 4,316                                    | 4,331      |
| Maintenance and technology capital expenditures           | (48,339)                                 | (47,912)   | Adjusted Funds From Operations   | \$ 234,979                               | \$ 231,166 |
|   |  |            |  |  |            |
| Adjusted Funds From Operations                            | \$ 247,631                               | \$ 263,074 |  |  |            |
|   |  |            | <b>NORMALIZED FUNDS FROM OPERATIONS PER SHARE:</b>                               |  |            |
| <b>FUNDS FROM OPERATIONS PER SHARE:</b>                   |  |            | Basic  | \$ 2.38                                  | \$ 2.26    |
| Basic   | \$ 2.97                                  | \$ 2.97    | Diluted  | \$ 2.36                                  | \$ 2.24    |
| Diluted   | \$ 2.94                                  | \$ 2.95    |  |  |            |
|   |  |            | <b>ADJUSTED FUNDS FROM OPERATIONS PER SHARE:</b>                                 |  |            |
| <b>ADJUSTED FUNDS FROM OPERATIONS PER SHARE:</b>          |  |            | Basic  | \$ 2.36                                  | \$ 2.21    |
| Basic   | \$ 2.49                                  | \$ 2.51    | Diluted  | \$ 2.34                                  | \$ 2.19    |
| Diluted   | \$ 2.46                                  | \$ 2.49    |  |  |            |

**SELECTED FINANCIAL INFORMATION**  
(Unaudited and amounts in thousands, except per share amounts)

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|   | <u>December 31, 2012</u> | <u>September 30, 2012</u> | <u>June 30, 2012</u> | <u>March 31, 2012</u> | <u>December 31, 2011</u> |
|---|--------------------------|---------------------------|----------------------|-----------------------|--------------------------|
| <b>BALANCE SHEET:</b>   |                          |                           |                      |                       |                          |
| Property and equipment  | \$ 3,567,967             | \$ 3,564,952              | \$ 3,546,780         | \$ 3,528,285          | \$ 3,511,302             |
| Accumulated depreciation and amortization                           | (999,176)                | (982,933)                 | (954,528)            | (926,982)             | (902,384)                |
| Property and equipment, net   | <u>\$ 2,568,791</u>      | <u>\$ 2,582,019</u>       | <u>\$ 2,592,252</u>  | <u>\$ 2,601,303</u>   | <u>\$ 2,608,918</u>      |
| Total assets  | \$ 2,974,742             | \$ 2,967,675              | \$ 2,996,002         | \$ 2,971,126          | \$ 3,019,631             |
| Maintenance & technology capital expenditures for the quarter ended | \$ 13,283                | \$ 10,205                 | \$ 12,051            | \$ 12,800             | \$ 19,463                |
| Total debt  | \$ 1,111,545             | \$ 1,131,152              | \$ 1,190,764         | \$ 1,180,386          | \$ 1,245,014             |
| Equity book value   | \$ 1,521,620             | \$ 1,492,078              | \$ 1,464,570         | \$ 1,443,571          | \$ 1,408,022             |
| <b>LIQUIDITY:</b>   |                          |                           |                      |                       |                          |
| Cash and cash equivalents   | \$ 62,897                | \$ 59,242                 | \$ 63,130            | \$ 31,354             | \$ 55,832                |
| Availability under revolving credit facility                        | \$ 103,998               | \$ 123,998                | \$ 111,724           | \$ 221,724            | \$ 156,724               |
| <b>CAPITALIZATION:</b>  |                          |                           |                      |                       |                          |
| Common shares outstanding   | 100,105                  | 100,048                   | 99,977               | 99,944                | 99,528                   |
| Common share price at end of period                                 | \$ 35.47                 | \$ 33.45                  | \$ 29.45             | \$ 27.31              | \$ 20.37                 |
| Market value of common equity at end of period                      | <u>\$ 3,550,724</u>      | <u>\$ 3,346,606</u>       | <u>\$ 2,944,323</u>  | <u>\$ 2,729,471</u>   | <u>\$ 2,027,385</u>      |
| Total equity market capitalization                                  | <u>\$ 3,550,724</u>      | <u>\$ 3,346,606</u>       | <u>\$ 2,944,323</u>  | <u>\$ 2,729,471</u>   | <u>\$ 2,027,385</u>      |
| Total market capitalization (market value of equity plus debt)      | <u>\$ 4,662,269</u>      | <u>\$ 4,477,758</u>       | <u>\$ 4,135,087</u>  | <u>\$ 3,909,857</u>   | <u>\$ 3,272,399</u>      |
| Dividends   | \$ 20,084                | \$ 20,078                 | \$ 20,060            | \$ -                  | \$ -                     |
| Dividends per common share  | \$ 0.20                  | \$ 0.20                   | \$ 0.20              | \$ -                  | \$ -                     |
| <b>EBITDA</b>   | \$ 109,014               | \$ 108,754                | \$ 102,859           | \$ 96,378             | \$ 110,042               |
| <b>ADJUSTED EBITDA</b>  | \$ 111,443               | \$ 110,232                | \$ 103,696           | \$ 97,969             | \$ 110,042               |

**SELECTED FINANCIAL INFORMATION**  
(Unaudited and amounts in thousands, except per share amounts)

|   | <b>For the Three Months Ended December 31,</b> |             | <b>For the Twelve Months Ended December 31,</b> |             |
|---|--|-------------|---|-------------|
|   | <b>2012</b>                                    | <b>2011</b> | <b>2012</b>                                     | <b>2011</b> |
| Number of days per period                   | 92   | 92          | 366   | 365         |
| <b>ALL FACILITIES:</b>                      |  |             |   |             |
| Average available beds                      | 92,252   | 89,121      | 91,862  | 89,015      |
| Average compensated occupancy               | 86.9%  | 90.1%       | 88.2%   | 89.9%       |
| Total compensated man-days                  | 7,376,308                                      | 7,388,606   | 29,668,774                                      | 29,209,740  |
| Revenue per compensated man-day             | \$ 59.09                                       | \$ 58.97    | \$ 59.14  | \$ 58.81    |
| Operating expenses per compensated man-day: |  |             |   |             |
| Fixed expense                               | 30.94  | 30.66       | 31.56   | 30.62       |
| Variable expense                            | 10.02  | 9.63        | 10.05   | 9.60        |
| Total                                       | 40.96  | 40.29       | 41.61   | 40.22       |
| Operating margin per compensated man-day    | \$ 18.13                                       | \$ 18.68    | \$ 17.53  | \$ 18.59    |
| Operating margin rate                       | 30.7%  | 31.7%       | 29.6%   | 31.6%       |
| <b>DEPRECIATION AND AMORTIZATION:</b>       |  |             |   |             |
| Depreciation expense on real estate         | 20,148   | 18,885      | 79,145  | 73,705      |
| Other depreciation expense                  | 8,518  | 8,856       | 34,924  | 34,647      |
| Amortization of negative contract values    | (34)   | (34)        | (136)   | (136)       |
| Depreciation and amortization               | \$ 28,632                                      | \$ 27,707   | \$ 113,933                                      | \$ 108,216  |

**SELECTED FINANCIAL INFORMATION**  
(Unaudited and amounts in thousands, except per share amounts)

|   | <b>For the Three Months Ended December 31,</b> |                   | <b>For the Twelve Months Ended December 31,</b> |                   |
|---|--|-------------------|---|-------------------|
|   | <b>2012</b>                                    | <b>2011</b>       | <b>2012</b>                                     | <b>2011</b>       |
| <b>MANAGED ONLY FACILITIES:</b>             |  |                   |   |                   |
| Management revenue                          | \$ 91,487                                      | \$ 89,941         | \$ 359,417                                      | \$ 361,246        |
| Operating expenses:                         |  |                   |   |                   |
| Fixed expense                               | 59,241   | 59,448            | 237,317   | 235,176           |
| Variable expense                            | 20,943   | 19,692            | 80,444  | 75,525            |
| Total                                       | <u>80,184</u>                                  | <u>79,140</u>     | <u>317,761</u>                                  | <u>310,701</u>    |
| Contribution                                | <u>\$ 11,303</u>                               | <u>\$ 10,801</u>  | <u>\$ 41,656</u>                                | <u>\$ 50,545</u>  |
| Average available beds                      | <u>25,324</u>                                  | <u>25,324</u>     | <u>25,324</u>                                   | <u>25,218</u>     |
| Average compensated occupancy               | <u>96.5%</u>                                   | <u>95.9%</u>      | <u>96.1%</u>                                    | <u>96.3%</u>      |
| Total compensated man-days                  | <u>2,247,233</u>                               | <u>2,233,861</u>  | <u>8,908,476</u>                                | <u>8,862,337</u>  |
| Revenue per compensated man-day             | \$ 40.71                                       | \$ 40.26          | \$ 40.35  | \$ 40.76          |
| Operating expenses per compensated man-day: |  |                   |   |                   |
| Fixed expense                               | 26.36  | 26.61             | 26.64   | 26.54             |
| Variable expense                            | 9.32   | 8.82              | 9.03  | 8.52              |
| Total                                       | <u>35.68</u>                                   | <u>35.43</u>      | <u>35.67</u>                                    | <u>35.06</u>      |
| Operating margin per compensated man-day    | <u>\$ 5.03</u>                                 | <u>\$ 4.83</u>    | <u>\$ 4.68</u>                                  | <u>\$ 5.70</u>    |
| Operating margin rate                       | <u>12.4%</u>                                   | <u>12.0%</u>      | <u>11.6%</u>                                    | <u>14.0%</u>      |
| <b>OWNED AND MANAGED FACILITIES:</b>        |  |                   |   |                   |
| Management revenue                          | \$ 344,390                                     | \$ 345,789        | \$ 1,395,193                                    | \$ 1,356,678      |
| Operating expenses:                         |  |                   |   |                   |
| Fixed expense                               | 168,991  | 167,069           | 699,052   | 659,286           |
| Variable expense                            | 52,988   | 51,459            | 217,678   | 204,966           |
| Total                                       | <u>221,979</u>                                 | <u>218,528</u>    | <u>916,730</u>                                  | <u>864,252</u>    |
| Contribution                                | <u>\$ 122,411</u>                              | <u>\$ 127,261</u> | <u>\$ 478,463</u>                               | <u>\$ 492,426</u> |
| Average available beds                      | <u>66,928</u>                                  | <u>63,797</u>     | <u>66,538</u>                                   | <u>63,797</u>     |
| Average compensated occupancy               | <u>83.3%</u>                                   | <u>87.8%</u>      | <u>85.2%</u>                                    | <u>87.4%</u>      |
| Total compensated man-days                  | <u>5,129,075</u>                               | <u>5,154,745</u>  | <u>20,760,298</u>                               | <u>20,347,403</u> |
| Revenue per compensated man-day             | \$ 67.14                                       | \$ 67.08          | \$ 67.20  | \$ 66.68          |
| Operating expenses per compensated man-day: |  |                   |   |                   |
| Fixed                                       | 32.95  | 32.41             | 33.67   | 32.40             |
| Variable                                    | 10.33  | 9.98              | 10.49   | 10.07             |
| Total                                       | <u>43.28</u>                                   | <u>42.39</u>      | <u>44.16</u>                                    | <u>42.47</u>      |
| Operating margin per compensated man-day    | <u>\$ 23.86</u>                                | <u>\$ 24.69</u>   | <u>\$ 23.04</u>                                 | <u>\$ 24.21</u>   |
| Operating margin rate                       | <u>35.5%</u>                                   | <u>36.8%</u>      | <u>34.3%</u>                                    | <u>36.3%</u>      |

## ANALYSIS OF OUTSTANDING DEBT

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(Unaudited and amounts in thousands)

|                              | <b>Outstanding<br/>Balance<br/>12/31/2011</b> | <b>Outstanding<br/>Balance<br/>12/31/2012</b> | <b>Stated<br/>Interest<br/>Rate</b> | <b>Effective<br/>Interest<br/>Rate</b> | <b>Maturity<br/>Date</b> | <b>Callable/<br/>Redeemable</b>  |
|------------------------------|---|---|-------------------------------------|--|--------------------------|--|
| <b>Fixed Rate:</b>           |   |   |                                     |  |                          |  |
| \$375.0 Million Senior Notes | \$ 375,000                                    | \$ -  | 6.25%                               | 6.50%                                  | March 2013               | The balance of \$375.0 Million Senior Notes was redeemed in April 2012.  |
| \$150.0 Million Senior Notes | 150,000                                       | -   | 6.75%                               | 6.99%                                  | January 2014             | The balance of \$150.0 Million Senior Notes was redeemed in December 2012.   |
| \$465.0 Million Senior Notes | 455,014                                       | 456,545                                       | 7.75%                               | 8.65%                                  | June 2017                | On or prior to June 1, 2012, 35% redeemable at 107.75% with proceeds from equity offerings; on or after June 1, 2013, 100% redeemable at various premium prices until June 1, 2015 at par. |
| Total Fixed Rate Debt        | <u>980,014</u>                                | <u>456,545</u>                                |                                     |  |                          |  |
| <b>Floating Rate:</b>        |   |   |                                     |  |                          |  |
| Revolving Credit Facility    | <u>265,000</u>                                | <u>655,000</u>                                | 1.86%                               | 2.06%                                  | December 2016            |  |
| Grand Total Debt             | <u>\$ 1,245,014</u>                           | <u>\$ 1,111,545</u>                           | 4.42%                               | 4.78%                                  | 4.17                     |  |

<sup>1)</sup> Includes amortization of debt issuance costs, net of debt discounts and premiums.

<sup>2)</sup> The Company also has \$26.0 million of letters of credit outstanding under a sub-facility reducing the available capacity under the revolving credit facility to \$104.0 million as of December 31, 2012. The Revolving Credit facility currently bears interest at LIBOR plus a margin of 1.50%.

<sup>3)</sup> Represents the weighted average debt maturity in years.

### *Debt Maturity Schedule at December 31, 2012:*

| <b>Year</b>   | <b>Total Debt<br/>Maturing</b> | <b>% of Debt<br/>Maturing</b> | <b>% of Debt<br/>Maturing</b> |
|---|--------------------------------|-------------------------------|-------------------------------|
| <b>2013</b>   | -                              | 0.00%                         | 0.00%                         |
| <b>2014</b>   | -                              | 0.00%                         | 0.00%                         |
| <b>2015</b>   | -                              | 0.00%                         | 0.00%                         |
| <b>2016</b>   | 655,000                        | 58.48%                        | 58.48%                        |
| <b>2017</b>   | 465,000                        | 41.52%                        | 100.00%                       |
| <b>Thereafter</b>                                   | -                              | 0.00%                         | 100.00%                       |
|   | <u>\$ 1,120,000</u>            | <u>100.00%</u>                |                               |
| <b>Debt Discount - \$465.0 Million Senior Notes</b> | (8,455)                        |                               |                               |
|   | <u>\$ 1,111,545</u>            |                               |                               |

**SELECTED OPERATING RATIOS**  
(Unaudited and amounts in thousands, except per share amounts)

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|  | For the Three Months Ended<br>December 31, |                   | For the Twelve Months Ended<br>December 31, |                   |
|--|--|-------------------|---|-------------------|
|  | 2012                                       | 2011              | 2012  | 2011              |
| <b><u>COVERAGE RATIOS:</u></b>   |  |                   |   |                   |
| Interest coverage ratio (Adjusted EBITDA/Interest incurred) (x)  | 8.8  | 6.0               | 7.4   | 6.1               |
| Fixed charge coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled prin pmts)) (x)  | 8.8  | 6.0               | 7.4   | 6.1               |
| Senior debt coverage ratio (Senior debt/Annualized Adjusted EBITDA) (x)  | 2.5  | 2.8               | 2.6   | 2.8               |
| Total debt coverage ratio (Total debt/Annualized Adjusted EBITDA) (x)  | 2.5  | 2.8               | 2.6   | 2.8               |
| Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)   | 6.9  | 6.4               | 7.0   | 6.3               |
| <b><u>DEBT/EQUITY RATIOS:</u></b>  |  |                   |   |                   |
| Total debt/Total market capitalization   | 23.8%                                      | 38.0%             | 23.8%                                       | 38.0%             |
| Total debt/Equity market capitalization  | 31.3%                                      | 61.4%             | 31.3%                                       | 61.4%             |
| Total debt/Book equity capitalization  | 73.1%                                      | 88.4%             | 73.1%                                       | 88.4%             |
| Total debt/Gross book value of real estate assets  | 31.1%                                      | 35.4%             | 31.1%                                       | 35.4%             |
| <b><u>RETURN ON INVESTMENT RATIOS:</u></b>   |  |                   |   |                   |
| Annualized return on operating real estate investments<br>(Annualized Adjusted EBITDA/Average operating real estate investments (undepreciated book value)*) | 12.5%                                      | 12.7%             | 11.9%                                       | 12.8%             |
| Annualized return on total assets<br>(Annualized Adjusted EBITDA/Average total assets (undepreciated book value)*)   | 11.3%                                      | 11.4%             | 10.7%                                       | 11.5%             |
| <b><u>OVERHEAD RATIOS:</u></b>   |  |                   |   |                   |
| Annualized general & administrative expenses/Average total assets (undepreciated book value)*  | 2.2%                                       | 2.6%              | 2.3%  | 2.4%              |
| General & administrative expenses/Total revenues   | 5.0%                                       | 5.7%              | 5.1%  | 5.3%              |
| <b><u>INTEREST EXPENSE, NET:</u></b>   |  |                   |   |                   |
| Interest income from continuing operations   | \$ (524)                                   | \$ (539)          | \$ (2,134)                                  | \$ (2,437)        |
| Interest incurred  | 12,730                                     | 18,252            | 57,238                                      | 72,630            |
| Amortization of debt costs and other non-cash interest   | 1,036                                      | 1,097             | 4,316                                       | 4,331             |
| Capitalized interest   | (220)                                      | (690)             | (1,057)                                     | (1,584)           |
| Interest expense, net  | <u>\$ 13,022</u>                           | <u>\$ 18,120</u>  | <u>\$ 58,363</u>                            | <u>\$ 72,940</u>  |
| <b><u>EBITDA CALCULATION:</u></b>  |  |                   |   |                   |
| Net income   | \$ 45,408                                  | \$ 40,522         | \$ 156,761                                  | \$ 162,510        |
| Interest expense, net  | 13,022                                     | 18,120            | 58,363                                      | 72,940            |
| Depreciation and amortization  | 28,632                                     | 27,707            | 113,933                                     | 108,216           |
| Income tax expense   | 21,952                                     | 22,852            | 87,586                                      | 97,017            |
| (Income) loss from discontinued operations, net of taxes   | -  | 841               | 362   | 1,256             |
| EBITDA   | <u>109,014</u>                             | <u>110,042</u>    | <u>417,005</u>                              | <u>441,939</u>    |
| Expenses associated with debt refinancing transactions   | 103  | -                 | 2,099                                       | -                 |
| Expenses associated with pursuit of REIT conversion  | 2,326                                      | -                 | 4,236                                       | -                 |
| ADJUSTED EBITDA  | <u>\$ 111,443</u>                          | <u>\$ 110,042</u> | <u>\$ 423,340</u>                           | <u>\$ 441,939</u> |

\*Calculated as a simple average (beginning of period plus end of period divided by 2)

**FACILITY PORTFOLIO**

| <u>Facility Name</u>   | <u>Year Constructed (A)</u> | <u>Primary Customer</u>                 | <u>Design Capacity (B)</u> | <u>Security Level</u> | <u>Facility Type (C)</u> | <u>Term</u> | <u>Remaining Renewal Options (D)</u> | <u>Compensated Occupancy % for the Quarter ended 12/31/12</u> |
|--|-----------------------------|---|----------------------------|-----------------------|--------------------------|-------------|--------------------------------------|---|
| <b>Owned and Managed Facilities:</b>                               |                             |   |                            |                       |                          |             |                                      |   |
| Central Arizona Detention Center<br>Florence, Arizona              | 1994, 1998                  | USMS                                    | 2,304                      | Multi                 | Detention                | Sep-13      | (3) 5 year                           | 118.86%   |
| Eloy Detention Center<br>Eloy, Arizona                             | 1995, 1996                  | ICE                                     | 1,500                      | Medium                | Detention                | Indefinite  | -                                    | 100.44%   |
| Florence Correctional Center<br>Florence, Arizona                  | 1999, 2004                  | USMS                                    | 1,824                      | Multi                 | Detention                | Sep-13      | (3) 5 year                           | 89.45%  |
| La Palma Correctional Center<br>Eloy, Arizona                      | 2008                        | State of California                     | 3,060                      | Medium                | Correctional             | Jun-13      | Indefinite                           | 99.52%  |
| Red Rock Correctional Center (E)<br>Eloy, Arizona                  | 2006                        | State of California                     | 1,596                      | Medium                | Correctional             | Jun-13      | Indefinite                           | 93.19%  |
| Saguaro Correctional Facility<br>Eloy, Arizona                     | 2007                        | State of Hawaii                         | 1,896                      | Medium                | Correctional             | Jun-14      | (2) 1 year                           | 82.13%  |
| California City Correctional Center<br>California City, California | 1999                        | Office of the Federal Detention Trustee | 2,304                      | Medium                | Detention                | Sep-25      | -                                    | 57.08%  |
| San Diego Correctional Facility (F)<br>San Diego, California       | 1999, 2000                  | ICE                                     | 1,154                      | Minimum/<br>Medium    | Detention                | Jun-14      | (3) 3 year                           | 87.82%  |
| Bent County Correctional Facility<br>Las Animas, Colorado          | 1992, 1997, 2008            | State of Colorado                       | 1,420                      | Medium                | Correctional             | Jun-13      | (3) 1 year                           | 97.68%  |
| Crowley County Correctional Facility<br>Olney Springs, Colorado    | 1998, 2004                  | State of Colorado                       | 1,794                      | Medium                | Correctional             | Jun-13      | (3) 1 year                           | 66.63%  |
| Huerfano County Correctional Center (G)<br>Walsenburg, Colorado    | 1997                        | -                                       | 752                        | Medium                | Correctional             | -           | -                                    | 0.00%   |
| Kit Carson Correctional Center<br>Burlington, Colorado             | 1998, 2008                  | State of Colorado                       | 1,488                      | Medium                | Correctional             | Jun-13      | (3) 1 year                           | 65.34%  |
| Coffee Correctional Facility (H)<br>Nicholls, Georgia              | 1998, 1999, 2010            | State of Georgia                        | 2,312                      | Medium                | Correctional             | Jun-13      | (21) 1 year                          | 113.14%   |
| Jenkins Correctional Center (H)<br>Millen, Georgia                 | 2012                        | State of Georgia                        | 1,124                      | Medium                | Correctional             | Jun-13      | (22) 1 year                          | 101.43%   |
| McRae Correctional Facility<br>McRae, Georgia                      | 2000, 2002, 2012            | BOP                                     | 1,978                      | Medium                | Correctional             | Nov-16      | (3) 2 year                           | 103.37%   |
| Stewart Detention Center<br>Lumpkin, Georgia                       | 2004                        | ICE                                     | 1,752                      | Medium                | Detention                | Indefinite  | -                                    | 94.60%  |

**FACILITY PORTFOLIO**

| <u>Facility Name</u>   | <u>Year Constructed (A)</u> | <u>Primary Customer</u>                 | <u>Design Capacity (B)</u> | <u>Security Level</u> | <u>Facility Type (C)</u> | <u>Term</u> | <u>Remaining Renewal Options (D)</u> | <u>Compensated Occupancy % for the Quarter ended 12/31/12</u> |
|--|-----------------------------|---|----------------------------|-----------------------|--------------------------|-------------|--------------------------------------|---|
| Wheeler Correctional Facility (H)<br>Alamo, Georgia                    | 1998, 1999, 2010            | State of Georgia                        | 2,312                      | Medium                | Correctional             | Jun-13      | (21) 1 year                          | 116.32%   |
| Leavenworth Detention Center<br>Leavenworth, Kansas                    | 1992, 2000, 2004, 2008      | USMS                                    | 1,033                      | Maximum               | Detention                | Dec-16      | (2) 5 year                           | 85.29%  |
| Lee Adjustment Center<br>Beattyville, Kentucky                         | 1990                        | State of Vermont                        | 816                        | Minimum/<br>Medium    | Correctional             | Jun-13      | (1) 2 year                           | 56.99%  |
| Marion Adjustment Center<br>St. Mary, Kentucky                         | 1955, 1988                  | Commonwealth of Kentucky                | 826                        | Minimum/<br>Medium    | Correctional             | Jun-13      | -                                    | 98.22%  |
| Otter Creek Correctional Center (I)<br>Wheelwright, Kentucky           | 1993                        | -                                       | 656                        | Minimum/<br>Medium    | Correctional             | -           | -                                    | 0.00%   |
| Prairie Correctional Facility (J)<br>Appleton, Minnesota               | 1991                        | -                                       | 1,600                      | Medium                | Correctional             | -           | -                                    | 0.00%   |
| Adams County Correctional Center<br>Adams County, Mississippi          | 2008                        | BOP                                     | 2,232                      | Medium                | Correctional             | Jul-13      | (3) 2 year                           | 113.40%   |
| Tallahatchie County Correctional Facility (K)<br>Tutwiler, Mississippi | 2000, 2007, 2008            | State of California                     | 2,672                      | Medium                | Correctional             | Jun-13      | Indefinite                           | 96.29%  |
| Crossroads Correctional Center (L)<br>Shelby, Montana                  | 1999                        | State of Montana                        | 664                        | Multi                 | Correctional             | Jun-13      | (3) 2 year                           | 96.72%  |
| Nevada Southern Detention Center<br>Pahrump, Nevada                    | 2010                        | Office of the Federal Detention Trustee | 1,072                      | Medium                | Detention                | Sep-15      | (3) 5 year                           | 72.34%  |
| Cibola County Corrections Center<br>Milan, New Mexico                  | 1994, 1999                  | BOP                                     | 1,129                      | Medium                | Correctional             | Sep-14      | (3) 2 year                           | 104.03%   |
| New Mexico Women's Correctional Facility<br>Grants, New Mexico         | 1989, 2000                  | State of New Mexico                     | 596                        | Multi                 | Correctional             | Jun-13      | -                                    | 99.17%  |
| Torrance County Detention Facility<br>Estancia, New Mexico             | 1990, 1997                  | USMS                                    | 910                        | Multi                 | Detention                | Indefinite  | -                                    | 86.14%  |
| Lake Erie Correctional Institution (M)<br>Conneaut, Ohio               | 1999                        | State of Ohio                           | 1,798                      | Medium                | Correctional             | Jun-32      | Indefinite                           | 98.69%  |
| Northeast Ohio Correctional Center<br>Youngstown, Ohio                 | 1997                        | BOP                                     | 2,016                      | Medium                | Correctional             | May-13      | (1) 2 year                           | 107.05%   |
| Queensgate Correctional Facility (N)<br>Cincinnati, Ohio               | 1906                        | -                                       | 850                        | Medium                | -                        | -           | -                                    | 0.00%   |
| Cimarron Correctional Facility (O)<br>Cushing, Oklahoma                | 1997, 2008                  | State of Oklahoma                       | 1,692                      | Medium                | Correctional             | Jun-13      | (1) 1 year                           | 81.96%  |
| Davis Correctional Facility (O)<br>Holdenville, Oklahoma               | 1996, 2008                  | State of Oklahoma                       | 1,670                      | Medium                | Correctional             | Jun-13      | (1) 1 year                           | 99.90%  |



**FACILITY PORTFOLIO**

| <u>Facility Name</u>   | <u>Year Constructed<br/>(A)</u> | <u>Primary Customer</u> | <u>Design<br/>Capacity (B)</u> | <u>Security<br/>Level</u> | <u>Facility Type<br/>(C)</u> | <u>Term</u> | <u>Remaining<br/>Renewal Options<br/>(D)</u> | <u>Compensated<br/>Occupancy % for<br/>the Quarter<br/>ended 12/31/12</u> |
|--|---------------------------------|-------------------------|--------------------------------|---------------------------|------------------------------|-------------|--|---|
| Diamondback Correctional Facility (G)<br>Watonga, Oklahoma                               | 1998, 2000                      | -                       | 2,160                          | Medium                    | Correctional                 | -           | -  | 0.00%   |
| North Fork Correctional Facility<br>Sayre, Oklahoma                                      | 1998, 2007                      | State of California     | 2,400                          | Medium                    | Correctional                 | Jun-13      | Indefinite                                   | 68.32%  |
| West Tennessee Detention Facility<br>Mason, Tennessee                                    | 1990, 1996                      | USMS                    | 600                            | Multi                     | Detention                    | Sep-13      | (8) 2 year                                   | 58.64%  |
| Shelby Training Center<br>Memphis, Tennessee   | 1986, 1995                      | -                       | 200                            | Secure                    | -                            | -           | -  | 0.00%   |
| Whiteville Correctional Facility (P)<br>Whiteville, Tennessee                            | 1998                            | State of Tennessee      | 1,536                          | Medium                    | Correctional                 | Jun-16      | -  | 97.70%  |
| Bridgeport Pre-Parole Transfer Facility<br>Bridgeport, Texas                             | 1989                            | State of Texas          | 200                            | Medium                    | Correctional                 | Aug-13      | (2) 2 year                                   | 99.87%  |
| Eden Detention Center<br>Eden, Texas   | 1990                            | BOP                     | 1,422                          | Medium                    | Correctional                 | Apr-13      | (2) 2 year                                   | 108.71%   |
| Houston Processing Center<br>Houston, Texas  | 1984, 2005                      | ICE                     | 1,000                          | Medium                    | Detention                    | Mar-13      | (1) 1 year                                   | 85.48%  |
| Laredo Processing Center<br>Laredo, Texas  | 1985, 1990                      | ICE                     | 258                            | Minimum/<br>Medium        | Detention                    | Jun-13      | -  | 121.13%   |
| Webb County Detention Center<br>Laredo, Texas  | 1998                            | USMS                    | 480                            | Medium                    | Detention                    | Nov-17      | -  | 74.62%  |
| Mineral Wells Pre-Parole Transfer Facility<br>Mineral Wells, Texas                       | 1995                            | State of Texas          | 2,103                          | Minimum                   | Correctional                 | Aug-13      | (2) 2 year                                   | 93.18%  |
| T. Don Hutto Residential Center<br>Taylor, Texas   | 1997                            | ICE                     | 512                            | Non-secure                | Detention                    | Jan-15      | Indefinite                                   | 98.10%  |
| D.C. Correctional Treatment Facility (Q)<br>Washington D.C.                              | 1992                            | District of Columbia    | 1,500                          | Medium                    | Detention                    | Jan-17      | -  | 37.73%  |
| Total design capacity for Owned and Managed Facilities (47 Owned and Managed Facilities) |                                 |                         | <u>67,173</u>                  |                           |                              |             |  |   |
| <b>Managed Only Facilities:</b>  |                                 |                         |                                |                           |                              |             |  |   |
| Bay Correctional Facility<br>Panama City, Florida  | 1995, 2007                      | State of Florida        | 985                            | Medium                    | Correctional                 | Jul-13      | (2) 2 year                                   | 99.26%  |
| Citrus County Detention Facility<br>Lecanto, Florida                                     | 1992, 2007                      | Citrus County, FL       | 760                            | Multi                     | Detention                    | Sep-15      | Indefinite                                   | 75.34%  |
| Graceville Correctional Facility<br>Graceville, Florida                                  | 2007                            | State of Florida        | 1,884                          | Minimum/<br>Medium        | Correctional                 | Sep-13      | (2) 2 year                                   | 99.49%  |

**FACILITY PORTFOLIO**

| <u>Facility Name</u>   | <u>Year Constructed (A)</u>     | <u>Primary Customer</u> | <u>Design Capacity (B)</u> | <u>Security Level</u> | <u>Facility Type (C)</u> | <u>Term</u> | <u>Remaining Renewal Options (D)</u> | <u>Compensated Occupancy % for the Quarter ended 12/31/12</u> |
|--|---------------------------------|-------------------------|----------------------------|-----------------------|--------------------------|-------------|--------------------------------------|---|
| Lake City Correctional Facility<br>Lake City, Florida                          | 1997, 2005                      | State of Florida        | 893                        | Secure                | Correctional             | Jun-14      | Indefinite                           | 99.03%  |
| Moore Haven Correctional Facility<br>Moore Haven, Florida                      | 1995                            | State of Florida        | 985                        | Minimum/<br>Medium    | Correctional             | Jul-13      | (2) 2 year                           | 99.35%  |
| North Georgia Detention Center<br>Hall County, Georgia                         | 1980, 1989, 1999<br>2009        | ICE                     | 502                        | Medium                | Detention                | Mar-14      | Indefinite                           | 66.38%  |
| Idaho Correctional Center<br>Boise, Idaho                                      | 1999, 2006, 2009                | State of Idaho          | 2,016                      | Multi                 | Correctional             | Jun-14      | (2) 2 year                           | 102.40%   |
| Marion County Jail<br>Indianapolis, Indiana                                    | 1997, 2005                      | Marion County, IN       | 1,030                      | Multi                 | Detention                | Dec-17      | (1) 10 year                          | 99.94%  |
| Winn Correctional Center<br>Winnfield, Louisiana                               | 1990, 1992, 1996                | State of Louisiana      | 1,538                      | Medium/<br>Maximum    | Correctional             | Jun-20      | -                                    | 95.99%  |
| Wilkinson County Correctional Facility<br>Woodville, Mississippi               | 1997                            | State of Mississippi    | 1,000                      | Medium                | Correctional             | Jun-13      | (2) 1 year                           | 90.40%  |
| Elizabeth Detention Center<br>Elizabeth, New Jersey                            | 1963                            | ICE                     | 300                        | Minimum               | Detention                | Sep-13      | (8) 1 year                           | 95.00%  |
| Silverdale Facilities<br>Chattanooga, Tennessee                                | 1985, 1997, 1998,<br>2005, 2008 | Hamilton County, TN     | 1,046                      | Multi                 | Detention                | Mar-13      | -                                    | 87.48%  |
| South Central Correctional Center<br>Clifton, Tennessee                        | 1992, 1994, 1995,<br>2005       | State of Tennessee      | 1,676                      | Medium                | Correctional             | Jun-13      | -                                    | 97.46%  |
| Metro-Davidson County Detention Facility<br>Nashville, Tennessee               | 1992, 1995, 2011                | Davidson County, TN     | 1,348                      | Multi                 | Detention                | Jul-14      | -                                    | 91.56%  |
| Hardeman County Correctional Facility<br>Whiteville, Tennessee                 | 1997                            | State of Tennessee      | 2,016                      | Medium                | Correctional             | May-17      | -                                    | 97.79%  |
| Bartlett State Jail<br>Bartlett, Texas   | 1995                            | State of Texas          | 1,049                      | Minimum/<br>Medium    | Correctional             | Aug-13      | (2) 2 year                           | 99.16%  |
| Bradshaw State Jail<br>Henderson, Texas  | 1995                            | State of Texas          | 1,980                      | Minimum/<br>Medium    | Correctional             | Aug-13      | (2) 2 year                           | 99.20%  |
| Dawson State Jail<br>Dallas, Texas   | 1997                            | State of Texas          | 2,216                      | Minimum/<br>Medium    | Correctional             | Aug-13      | (2) 2 year                           | 99.51%  |
| Lindsey State Jail<br>Jacksboro, Texas   | 1995                            | State of Texas          | 1,031                      | Minimum/<br>Medium    | Correctional             | Aug-13      | (2) 2 year                           | 98.38%  |
| Willacy State Jail<br>Raymondville, Texas                                      | 1995                            | State of Texas          | 1,069                      | Minimum/<br>Medium    | Correctional             | Aug-13      | (2) 2 year                           | 99.97%  |
| Total design capacity for Managed Only Facilities (20 Managed Only Facilities) |                                 |                         | <u>25,324</u>              |                       |                          |             |                                      |   |
| Total design capacity for All Facilities as of December 31, 2012               |                                 |                         | <u>92,497</u>              |                       |                          |             |                                      |   |

**FACILITY PORTFOLIO**

| Facility Name   | Year Constructed<br>(A) | Primary Customer | Design<br>Capacity (B) | Security<br>Level | Facility Type<br>(C) | Term   | Remaining<br>Renewal Options<br>(D) | Compensated<br>Occupancy % for<br>the Quarter<br>ended 12/31/12 |
|---|-------------------------|------------------|------------------------|-------------------|----------------------|--------|-------------------------------------|---|
| <b>Leased Facilities:</b>                               |                         |                  |                        |                   |                      |        |                                     |   |
| Leo Chesney Correctional Center<br>Live Oak, California | 1989                    | GEO Group        | 240                    | Minimum           | Owned/Leased         | Sep-15 | -                                   | N/A   |
| Houston Educational Facility (R)<br>Houston, Texas      | N/A                     | -                | -                      | Non-secure        | Owned/Leased         | -      | -                                   | N/A   |

(A) The year constructed represents the initial completion of the facility's construction, as well as significant additions to the facility that occurred at a later date.

(B) Design capacity measures the number of beds, and accordingly, the number of inmates each facility is designed to accommodate. Facilities housing detainees on a short term basis may exceed the original intended design capacity for sentenced inmates 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 prison operations, because the revenue generated by each facility is based on a per diem or monthly rate per inmate housed at the facility paid by the corresponding contracting governmental entity.

(C) 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 was determined by the relative size of prisoner populations in a particular facility on December 31, 2012. If, for example, a 1,000-bed facility housed 900 adult prisoners 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 correction 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.

(D) Remaining renewal options represents the number of renewal options, if applicable, and the remaining term of each option renewal.

(E) Pursuant to the terms of a new 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 twenty year term.

(F) The facility is subject to a ground lease with the County of San Diego. Upon expiration of the lease in December 2015, ownership of the facility automatically reverts to the County of San Diego.

(G) During the first quarter of 2010, we were notified by the state of Arizona of their decision not to renew the management contracts at the Huerfano County Correctional Center upon its expiration on March 8, 2010 and the Diamondback Correctional Facility upon its expiration on May 1, 2010.

(H) The facility is subject to a purchase option held by the Georgia Department of Corrections, or 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 us and the GDOC.

(I) In late January 2012, the governor of Kentucky submitted his proposed budget which included the transfer of the inmates currently held at our Otter Creek Correctional Center to a facility owned by the Commonwealth of Kentucky by the end of July 2012. The facility is subject to a deed of conveyance with the city of Wheelwright, KY which includes provisions that would allow assumption of ownership by the city of Wheelwright under the following occurrences: (1) we cease to operate the facility for more than two years, (2) our failure to maintain at least one employee for a period of sixty consecutive days, or (3) a conversion to a maximum security facility based upon classification by the Kentucky Corrections Cabinet.

(J) During December 2009, we announced our decision to cease operations at our Prairie Correctional Facility on or about February 1, 2010 due to low inmate populations at the facility. During 2009, the Prairie facility housed offenders from the states of Minnesota and Washington. However, due to excess capacity in the states' systems, both states removed the populations held at Prairie.

(K) 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 originally over a 20 year period. The amortization period was extended through 2050 in connection with an expansion completed during the fourth quarter of 2007.

(L) 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.

(M) 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, as defined in the Real Estate Purchase Agreement.

(N) During December 2008, we were notified by Hamilton County, Ohio of its intent to terminate the lease for the 850-bed Queensgate Correctional Facility. The lease was terminated effective January 1, 2009.

(O) The facility is subject to a purchase option held by the Oklahoma Department of Corrections, or ODC, which grants the ODC the right to purchase the facility at its fair market value at any time.

(P) The state of Tennessee has the option to purchase the facility in the event of our bankruptcy, or upon an operational or financial breach, as defined, at a price equal to the book value, as defined.

(Q) The District of Columbia has the right to purchase the facility at any time during the term of the contract at a price generally equal to the present value of the remaining lease payments for the premises. Upon expiration of the lease in 2017, ownership of the facility automatically reverts to the District of Columbia.

(R) The tenant of this alternative educational facility vacated the premises in 2011 and defaulted on the lease in June 2012.

**DIVERSIFICATION OF REVENUE**

(Unaudited and amounts in thousands)

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| <b>Customer</b>                                   | <b>Management Revenue For<br/>the Twelve Months Ended<br/>December 31, 2012</b> | <b>Percent of Management<br/>Revenue For the Twelve Months<br/>Ended<br/>December 31, 2012</b> |
|---|---|--|
| United States Marshals                            | \$ 336,184  | 19.16%   |
| California  | 214,755   | 12.24%   |
| Bureau of Prisons                                 | 209,984   | 11.97%   |
| United States Immigration and Customs Enforcement | 205,969   | 11.74%   |
| Georgia   | 99,375  | 5.66%  |
| Texas   | 92,956  | 5.30%  |
| Tennessee   | 85,802  | 4.89%  |
| Florida   | 77,351  | 4.41%  |
| Colorado  | 62,829  | 3.58%  |
| Oklahoma  | 39,993  | 2.28%  |
|   | <u>\$ 1,425,198</u>   | <u>81.23%</u>  |
| Total Management Revenue                          | <u>\$ 1,754,610</u>   | <u>100.00%</u>   |

**RESEARCH / ANALYST COVERAGE**Equity Research Coverage:


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|                            |                 |                |
|----------------------------|-----------------|----------------|
| Avondale Partners          | Kevin Campbell  | (615) 467-3521 |
| First Analysis Corporation | Todd Van Fleet  | (312) 258-1400 |
| Barclays Capital           | Manav Patnaik   | (212) 526-2983 |
| Macquarie Research         | Kevin McVeigh   | (212) 231-6191 |
| Davenport & Company LLC    | Clinton Fendley | (804) 780-2151 |
| SunTrust Robinson Humphrey | Tobey Sommer    | (615) 748-5681 |

Debt Research Coverage:


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|                                 |                |                |
|---------------------------------|----------------|----------------|
| Barclays Capital                | Emily Shanks   | (212) 526-6403 |
| SG Cowen Securities Corporation | Brad E. Eilert | (212) 278-5290 |

Rating Agency Coverage:


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|                           |                    |                |
|---------------------------|--------------------|----------------|
| Moody's Investors Service | Christopher Wimmer | (212) 553-2947 |
| Standard & Poor's         | Brian Milligan     | (312) 233-7050 |

Credit Ratings:


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|                             | <u>Fitch</u> | <u>Standard &amp; Poor's</u> | <u>Moody's</u> |
|-----------------------------|--------------|------------------------------|----------------|
| Corporate Credit Rating     | BB +         | BB                           | Not rated      |
| Senior Unsecured Debt       | BB +         | BB                           | Ba1            |
| Senior Bank Credit Facility | BBB -        | Not Rated                    | Not Rated      |

Any opinions, estimates and/or forecasts regarding the Company's performance made by the analysts and/or rating agencies listed above are theirs alone and do not necessarily represent the opinions, forecasts or predictions of the Company or its management. The Company does not by its reference above imply its endorsement of or concurrence with such information, conclusions or recommendations and the Company has not undertaken to verify any of the information provided by such analysts or agencies.