



CORRECTIONS CORPORATION OF AMERICA

**Supplemental Financial Information
For the Quarter Ended September 30, 2003**

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 September 30, 2003

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

ASSETS	September 30, 2003	June 30, 2003	March 31, 2003	December 31, 2002	September 30, 2002
Cash and cash equivalents	\$ 68,943	\$ 70,464	\$ 69,955	\$ 65,406	\$ 101,832
Restricted cash	12,796	13,186	13,577	7,363	7,338
Accounts receivable, net of allowance	140,636	133,911	137,741	136,644	138,167
Income tax receivable	59	60	33,426	32,499	370
Prepaid expenses and other current assets	6,949	9,206	6,329	12,435	13,277
Total current assets	<u>229,383</u>	<u>226,827</u>	<u>261,028</u>	<u>254,347</u>	<u>260,984</u>
Property and equipment, net	1,580,571	1,584,825	1,591,119	1,552,265	1,559,367
Investment in direct financing lease	17,907	18,057	18,204	18,346	18,484
Assets held for sale	-	-	-	-	836
Goodwill	20,294	20,294	20,294	20,902	24,432
Other assets	35,562	32,636	27,085	28,211	25,920
Total assets	<u>\$ 1,883,717</u>	<u>\$ 1,882,639</u>	<u>\$ 1,917,730</u>	<u>\$ 1,874,071</u>	<u>\$ 1,890,023</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable and accrued expenses	\$ 156,304	\$ 132,480	\$ 148,441	\$ 152,977	\$ 150,836
Income tax payable	4,520	4,467	5,608	4,605	56,844
Distributions payable	150	150	2,150	5,330	5,294
Current portion of long-term debt	2,914	5,377	24,107	23,054	22,261
Total current liabilities	<u>163,888</u>	<u>142,474</u>	<u>180,306</u>	<u>185,966</u>	<u>235,235</u>
Long-term debt, net of current portion	1,004,128	1,043,780	956,515	932,905	938,712
Deferred tax liabilities	-	-	-	-	4,767
Other liabilities	21,817	22,075	22,482	21,202	19,131
Total liabilities	<u>1,189,833</u>	<u>1,208,329</u>	<u>1,159,303</u>	<u>1,140,073</u>	<u>1,197,845</u>
Commitments and contingencies					
Preferred stock - \$0.01 par value:					
Series A - stated at liquidation preference of \$25.00 per share	7,500	7,500	107,500	107,500	107,500
Series B - stated at liquidation preference of \$24.46 per share	23,528	22,933	114,281	107,831	104,749
Common stock - \$0.01 par value	350	350	281	280	280
Additional paid-in capital	1,439,587	1,439,347	1,344,822	1,343,066	1,342,958
Deferred compensation	(1,913)	(2,323)	(2,779)	(1,604)	(1,824)
Retained deficit	(774,348)	(792,549)	(804,689)	(822,111)	(859,987)
Accumulated other comprehensive loss	(820)	(948)	(989)	(964)	(1,498)
Total stockholders' equity	<u>693,884</u>	<u>674,310</u>	<u>758,427</u>	<u>733,998</u>	<u>692,178</u>
Total liabilities and stockholders' equity	<u>\$ 1,883,717</u>	<u>\$ 1,882,639</u>	<u>\$ 1,917,730</u>	<u>\$ 1,874,071</u>	<u>\$ 1,890,023</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
REVENUE:				
Management:				
Federal	\$ 97,709	\$ 79,745	\$ 283,875	\$ 228,213
State	124,479	122,022	365,591	360,546
Local	25,249	23,284	72,087	64,178
Other	9,911	9,325	29,310	27,880
Total management revenue	<u>257,348</u>	<u>234,376</u>	<u>750,863</u>	<u>680,817</u>
Transportation	5,105	4,182	14,141	12,060
Rental	945	884	2,797	2,781
Other	33	-	76	68
	<u>263,431</u>	<u>239,442</u>	<u>767,877</u>	<u>695,726</u>
EXPENSES:				
Operating:				
Facility fixed	141,768	129,536	414,593	384,870
Facility variable	51,248	49,624	144,699	139,504
Transportation	6,438	4,028	15,352	12,269
Other	200	163	811	698
Total operating expenses	<u>199,654</u>	<u>183,351</u>	<u>575,455</u>	<u>537,341</u>
General and administrative	9,819	8,127	29,366	23,662
Depreciation and amortization	13,157	13,268	39,106	37,893
	<u>222,630</u>	<u>204,746</u>	<u>643,927</u>	<u>598,896</u>
OPERATING INCOME	<u>40,801</u>	<u>34,696</u>	<u>123,950</u>	<u>96,830</u>
OTHER (INCOME) EXPENSE:				
Equity in (earnings) loss of joint venture	(88)	90	(44)	63
Interest expense, net	19,078	17,959	56,459	69,377
Expenses associated with debt refinancing and recapitalization transactions	2,552	-	6,687	36,670
Change in fair value of derivative instruments	-	628	(2,900)	(2,834)
(Gain) loss on disposal of assets	(6)	6	(21)	57
Unrealized foreign currency transaction gain	(49)	(115)	(199)	(442)
	<u>21,487</u>	<u>18,568</u>	<u>59,982</u>	<u>102,891</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	19,314	16,128	63,968	(6,061)
Income tax benefit (expense)	(277)	375	(107)	33,263
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	19,037	16,503	63,861	27,202
Income (loss) from discontinued operations, net of taxes	-	(238)	(1,692)	1,897
Cumulative effect of accounting change	-	-	-	(80,276)
NET INCOME (LOSS)	19,037	16,265	62,169	(51,177)
Distributions to preferred stockholders	(836)	(5,292)	(14,406)	(15,574)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	<u>\$ 18,201</u>	<u>\$ 10,973</u>	<u>\$ 47,763</u>	<u>\$ (66,751)</u>
BASIC EARNINGS (LOSS) PER SHARE	<u>\$ 0.53</u>	<u>\$ 0.40</u>	<u>\$ 1.52</u>	<u>\$ (2.41)</u>
DILUTED EARNINGS (LOSS) PER SHARE	<u>\$ 0.47</u>	<u>\$ 0.36</u>	<u>\$ 1.36</u>	<u>\$ (2.31)</u>

RECONCILIATION OF BASIC TO DILUTED EARNINGS PER SHARE

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
Basic:				
Income (loss) from continuing operations before cumulative effect of accounting change	\$ 18,201	\$ 11,211	\$ 49,455	\$ 11,628
Income (loss) from discontinued operations, net of taxes	-	(238)	(1,692)	1,897
Cumulative effect of accounting change	-	-	-	(80,276)
Net income (loss) available to common stockholders	<u>\$ 18,201</u>	<u>\$ 10,973</u>	<u>\$ 47,763</u>	<u>\$ (66,751)</u>
Diluted:				
Income (loss) from continuing operations before cumulative effect of accounting change	\$ 18,201	\$ 11,211	\$ 49,455	\$ 11,628
Interest expense applicable to convertible notes *	302	605	1,285	-
Diluted income (loss) from continuing operations before cumulative effect of accounting change	18,503	11,816	50,740	11,628
Income (loss) from discontinued operations, net of taxes	-	(238)	(1,692)	1,897
Cumulative effect of accounting change	-	-	-	(80,276)
Diluted net income (loss) available to common stockholders	<u>\$ 18,503</u>	<u>\$ 11,578</u>	<u>\$ 49,048</u>	<u>\$ (66,751)</u>
Basic:				
Weighted average common shares outstanding	35,018	27,983	31,781	27,962
Unvested restricted common stock	(369)	(301)	(355)	(301)
Weighted average common shares outstanding-basic	<u>34,649</u>	<u>27,682</u>	<u>31,426</u>	<u>27,661</u>
Diluted:				
Weighted average common shares outstanding-basic	34,649	27,682	31,426	27,661
Effect of dilutive securities:				
Stock options and warrants	937	556	860	618
Stockholder litigation	-	310	153	310
Convertible notes	3,362	3,370	3,362	-
Restricted stock-based compensation	263	244	240	248
Weighted average shares and assumed conversions-diluted	<u>39,211</u>	<u>32,162</u>	<u>36,041</u>	<u>28,837</u>
Basic earnings (loss) per share:				
Income (loss) from continuing operations before cumulative effect of accounting change	\$ 0.53	\$ 0.41	\$ 1.57	\$ 0.42
Income (loss) from discontinued operations, net of taxes	-	(0.01)	(0.05)	0.07
Cumulative effect of accounting change	-	-	-	(2.90)
Net income (loss) available to common stockholders	<u>\$ 0.53</u>	<u>\$ 0.40</u>	<u>\$ 1.52</u>	<u>\$ (2.41)</u>
Diluted earnings (loss) per share:				
Income (loss) from continuing operations before cumulative effect of accounting change	\$ 0.47	\$ 0.37	\$ 1.41	\$ 0.40
Income (loss) from discontinued operations, net of taxes	-	(0.01)	(0.05)	0.07
Cumulative effect of accounting change	-	-	-	(2.78)
Diluted net income (loss) available to common stockholders	<u>\$ 0.47</u>	<u>\$ 0.36</u>	<u>\$ 1.36</u>	<u>\$ (2.31)</u>
* For the nine months ended September 30, 2003, \$2,908 is not presented, as the effect is anti-dilutive. Also, for the three and nine months ended September 30, 2002, \$1,960 and \$7,610, respectively, are not presented, as the effects are anti-dilutive.				
** Although amounts are not included for the periods presented, as the effects are anti-dilutive, additional shares would have been as follows, if dilutive:				
Stock options and warrants using the treasury stock method	-	-	-	-
Stockholder litigation	-	-	-	-
Convertible notes using the if-converted method	-	3,363	1,552	6,737
Restricted stock-based compensation using the treasury stock method	-	-	-	-
	<u>-</u>	<u>3,363</u>	<u>1,552</u>	<u>6,737</u>

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

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	<u>September 30, 2003</u>	<u>June 30, 2003</u>	<u>March 31, 2003</u>	<u>December 31, 2002</u>	<u>September 30, 2002</u>
BALANCE SHEET:					
Property and equipment	\$ 1,807,896	\$ 1,798,146	\$ 1,790,422	\$ 1,738,650	\$ 1,733,139
Accumulated depreciation and amortization	(227,325)	(213,321)	(199,303)	(186,385)	(173,772)
Property and equipment, net	<u>\$ 1,580,571</u>	<u>\$ 1,584,825</u>	<u>\$ 1,591,119</u>	<u>\$ 1,552,265</u>	<u>\$ 1,559,367</u>
Assets held for sale	\$ -	\$ -	\$ -	\$ -	\$ 836
Total assets	\$ 1,883,717	\$ 1,882,639	\$ 1,917,730	\$ 1,874,071	\$ 1,890,023
Maintenance capital expenditures for the quarter ended	\$ 9,435	\$ 7,438	\$ 5,482	\$ 3,428	\$ 2,132
Total debt	\$ 1,007,042	\$ 1,049,157	\$ 980,622	\$ 955,959	\$ 960,973
Equity book value	\$ 693,884	\$ 674,310	\$ 758,427	\$ 733,998	\$ 692,178
LIQUIDITY:					
Cash and cash equivalents	\$ 68,943	\$ 70,464	\$ 69,955	\$ 65,406	\$ 101,832
Availability under revolving credit facility	\$ 98,141	\$ 45,891	\$ 51,891	\$ 57,969	\$ 60,175
CAPITALIZATION:					
Common shares outstanding	35,029	35,016	28,103	27,986	27,989
Common share price at end of period	\$ 24.67	\$ 25.33	\$ 17.46	\$ 17.15	\$ 14.05
Market value of common equity at end of period	<u>\$ 864,165</u>	<u>\$ 886,955</u>	<u>\$ 490,678</u>	<u>\$ 479,960</u>	<u>\$ 393,245</u>
Preferred shares outstanding - Series A	300	300	4,300	4,300	4,300
Preferred share price at end of period - Series A	\$ 25.30	\$ 25.20	\$ 22.40	\$ 21.50	\$ 20.25
Market value of preferred equity at end of period - Series A	<u>\$ 7,590</u>	<u>\$ 7,560</u>	<u>\$ 96,320</u>	<u>\$ 92,450</u>	<u>\$ 87,075</u>
Preferred shares outstanding - Series B	962	938	4,672	4,408	4,282
Preferred share price at end of period - Series B	\$ 25.40	\$ 25.49	\$ 24.85	\$ 25.00	\$ 23.23
Market value of preferred equity at end of period - Series B	<u>\$ 24,435</u>	<u>\$ 23,910</u>	<u>\$ 116,099</u>	<u>\$ 110,200</u>	<u>\$ 99,471</u>
Total equity market capitalization	<u>\$ 896,190</u>	<u>\$ 918,425</u>	<u>\$ 703,098</u>	<u>\$ 682,610</u>	<u>\$ 579,791</u>
Total market capitalization (market value of equity plus debt)	<u>\$ 1,903,232</u>	<u>\$ 1,967,582</u>	<u>\$ 1,683,720</u>	<u>\$ 1,638,569</u>	<u>\$ 1,540,764</u>
EBITDA	\$ 51,549	\$ 52,925	\$ 55,059	\$ 44,178	\$ 47,355
ADJUSTED EBITDA	\$ 54,101	\$ 54,160	\$ 55,059	\$ 44,806	\$ 47,983
ADJUSTED FREE CASH FLOW	\$ 27,299	\$ 26,169	\$ 30,468	\$ 23,082	\$ 27,251
ADJUSTED FREE CASH FLOW PER SHARE:					
Basic adjusted free cash flow per share	<u>\$ 0.79</u>	<u>\$ 0.82</u>	<u>\$ 1.10</u>	<u>\$ 0.83</u>	<u>\$ 0.98</u>
Diluted adjusted free cash flow per share	<u>\$ 0.70</u>	<u>\$ 0.72</u>	<u>\$ 0.93</u>	<u>\$ 0.72</u>	<u>\$ 0.84</u>

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

	<u>For the Three Months Ended September 30, 2003</u>	<u>2002</u>	<u>For the Nine Months Ended September 30, 2003</u>	<u>2002</u>
Number of days per period	92	92	273	273
ALL FACILITIES:				
Average available beds	<u>58,732</u>	<u>56,924</u>	<u>58,657</u>	<u>56,986</u>
Average compensated occupancy	<u>93.7%</u>	<u>90.2%</u>	<u>92.1%</u>	<u>88.6%</u>
Total compensated man-days	<u>5,063,682</u>	<u>4,725,712</u>	<u>14,753,909</u>	<u>13,778,951</u>
Revenue per compensated man-day	\$ 50.82	\$ 49.60	\$ 50.89	\$ 49.41
Operating expenses per compensated man-day:				
Fixed expense	28.00	27.41	28.10	27.93
Variable expense	<u>10.12</u>	<u>10.50</u>	<u>9.81</u>	<u>10.12</u>
Total	<u>38.12</u>	<u>37.91</u>	<u>37.91</u>	<u>38.05</u>
Operating margin per compensated man-day	<u>\$ 12.70</u>	<u>\$ 11.69</u>	<u>\$ 12.98</u>	<u>\$ 11.36</u>
Operating margin rate	<u>25.0%</u>	<u>23.6%</u>	<u>25.5%</u>	<u>23.0%</u>
DEPRECIATION AND AMORTIZATION:				
Depreciation expense	14,110	13,627	41,940	39,589
Amortization of intangible assets	18	56	50	274
Amortization of negative contract values	(971)	(415)	(2,884)	(1,970)
Depreciation and amortization	<u>\$ 13,157</u>	<u>\$ 13,268</u>	<u>\$ 39,106</u>	<u>\$ 37,893</u>
ADJUSTED FREE CASH FLOW:				
Pre-tax income (loss) available to common stockholders	\$ 18,478	\$ 10,598	\$ 47,870	\$ (100,014)
Expenses associated with debt refinancing and recapitalization transactions	2,552	-	6,687	36,670
Cumulative effect of accounting change	-	-	-	80,276
Income taxes paid	(228)	-	(1,729)	(4,110)
Depreciation and amortization	13,157	13,268	39,106	37,893
Depreciation and amortization for discontinued operations	-	309	1,074	2,941
Income tax (benefit) expense for discontinued operations	-	125	-	600
Amortization of debt costs and other non-cash interest	2,089	1,313	5,707	10,436
Change in fair value of derivative instruments	-	628	(2,900)	(2,834)
Series B preferred stock dividends satisfied with series B preferred stock and non-recurring tender premium	686	3,142	10,476	9,124
Maintenance capital expenditures	<u>(9,435)</u>	<u>(2,132)</u>	<u>(22,355)</u>	<u>(8,826)</u>
Adjusted free cash flow	<u>\$ 27,299</u>	<u>\$ 27,251</u>	<u>\$ 83,936</u>	<u>\$ 62,156</u>
ADJUSTED FREE CASH FLOW PER SHARE:				
Basic	<u>\$ 0.79</u>	<u>\$ 0.98</u>	<u>\$ 2.67</u>	<u>\$ 2.25</u>
Diluted	<u>\$ 0.70</u>	<u>\$ 0.84</u>	<u>\$ 2.34</u>	<u>\$ 1.96</u>

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

	<u>For the Three Months Ended September 30, 2003</u>	<u>2002</u>	<u>For the Nine Months Ended September 30, 2003</u>	<u>2002</u>
MANAGED ONLY FACILITIES:				
Management revenue	\$ 71,684	\$ 72,488	\$ 209,587	\$ 208,635
Operating expenses:				
Fixed expense	42,806	42,254	125,362	126,778
Variable expense	15,203	14,954	45,408	41,684
Total	<u>58,009</u>	<u>57,208</u>	<u>170,770</u>	<u>168,462</u>
Contribution	<u>\$ 13,675</u>	<u>\$ 15,280</u>	<u>\$ 38,817</u>	<u>\$ 40,173</u>
Average available beds	<u>17,688</u>	<u>18,604</u>	<u>17,688</u>	<u>18,666</u>
Average compensated occupancy	<u>103.8%</u>	<u>102.0%</u>	<u>102.6%</u>	<u>100.8%</u>
Total compensated man-days	<u>1,689,492</u>	<u>1,746,058</u>	<u>4,955,910</u>	<u>5,138,192</u>
Revenue per compensated man-day	\$ 42.43	\$ 41.52	\$ 42.29	\$ 40.60
Operating expenses per compensated man-day:				
Fixed expense	25.34	24.20	25.30	24.67
Variable expense	9.00	8.56	9.16	8.11
Total	<u>34.34</u>	<u>32.76</u>	<u>34.46</u>	<u>32.78</u>
Operating margin per compensated man-day	<u>\$ 8.09</u>	<u>\$ 8.76</u>	<u>\$ 7.83</u>	<u>\$ 7.82</u>
Operating margin rate	<u>19.1%</u>	<u>21.1%</u>	<u>18.5%</u>	<u>19.3%</u>
OWNED AND MANAGED FACILITIES:				
Management revenue	\$ 185,664	\$ 161,888	\$ 541,276	\$ 472,182
Operating expenses:				
Fixed expense	98,962	87,282	289,231	258,092
Variable expense	36,045	34,670	99,291	97,820
Total	<u>135,007</u>	<u>121,952</u>	<u>388,522</u>	<u>355,912</u>
Contribution	<u>\$ 50,657</u>	<u>\$ 39,936</u>	<u>\$ 152,754</u>	<u>\$ 116,270</u>
Average available beds	<u>41,044</u>	<u>38,320</u>	<u>40,969</u>	<u>38,320</u>
Average compensated occupancy	<u>89.4%</u>	<u>84.5%</u>	<u>87.6%</u>	<u>82.6%</u>
Total compensated man-days	<u>3,374,190</u>	<u>2,979,654</u>	<u>9,797,999</u>	<u>8,640,759</u>
Revenue per compensated man-day	\$ 55.02	\$ 54.33	\$ 55.24	\$ 54.65
Operating expenses per compensated man-day:				
Fixed	29.33	29.29	29.52	29.87
Variable	10.68	11.64	10.13	11.32
Total	<u>40.01</u>	<u>40.93</u>	<u>39.65</u>	<u>41.19</u>
Operating margin per compensated man-day	<u>\$ 15.01</u>	<u>\$ 13.40</u>	<u>\$ 15.59</u>	<u>\$ 13.46</u>
Operating margin rate	<u>27.3%</u>	<u>24.7%</u>	<u>28.2%</u>	<u>24.6%</u>

ANALYSIS OF OUTSTANDING DEBT AND PREFERRED STOCK

(Unaudited and amounts in thousands)

	<u>Outstanding Balance 12/31/2002</u>	<u>Outstanding Balance 9/30/2003</u>	<u>Stated Interest Rate</u>	<u>Effective Interest Rate</u> ¹⁾	<u>Maturity Date</u>	<u>Callable/ Redeemable</u>
Fixed Rate:						
\$100.0 Million Senior Notes	\$ 10,795	\$ -	12.00%			
\$250.0 Million Senior Notes	250,000	250,000	9.875%	10.42%	May 2009	On or prior to May 1, 2005, 35% redeemable at 109.875% with proceeds from equity offerings; on or after May 1, 2006, 100% redeemable at various premium prices until May 1, 2008 at par
\$250.0 Million Senior Notes	-	250,000	7.50%	7.91%	May 2011	On or prior to May 1, 2006, 35% redeemable at 107.5% with proceeds from equity offerings; on or after May 1, 2007, 100% redeemable at various premium prices until May 1, 2009 at par
\$200.0 Million Senior Notes	-	202,202	7.50%	7.61%	May 2011	On or prior to May 1, 2006, 35% redeemable at 107.5% with proceeds from equity offerings; on or after May 1, 2007, 100% redeemable at various premium prices until May 1, 2009 at par
\$40.0 Million Convertible Notes	40,000	-	10.00%			
\$30.0 Million Convertible Notes	30,000	30,000	4.00%	4.02%	February 2007	Beginning March 1, 2005, may force conversion if the common stock price is greater than \$13.38
Other Debt	651	527	Various	Various	Various	
Total Fixed Rate Debt	<u>331,446</u>	<u>732,729</u>				
Floating Rate:						
Lehman Credit Facility:						
Term A	63,750	-				
Term B	560,763	-				
Term C	-	274,313			March 31, 2008	
	624,513	274,313	4.48%	5.30% ²⁾		
\$125.0 Million Revolver	-	-	None	None ³⁾	March 31, 2006	
Total Floating Rate Debt	<u>624,513</u>	<u>274,313</u>				
Grand Total Debt	<u>\$ 955,959</u>	<u>\$ 1,007,042</u>	7.15%	7.63%	6.14 Years ⁴⁾	

¹⁾ Includes amortization of debt issuance costs, net of debt premiums.

²⁾ The variable interest rate on the Term C portion of the Lehman Credit Facility is LIBOR + 2.75%. The Company has entered into an interest rate cap agreement that caps LIBOR at 5% on outstanding balances of \$200.0 million through May 20, 2004.

³⁾ The variable interest rate is LIBOR + 3.50%. As of September 30, 2003, the Company had outstanding letters of credit totaling \$26.9 million, reducing the available borrowing capacity to \$98.1 million.

⁴⁾ Represents the weighted average debt maturity in years.

Debt Maturity Schedule:

<u>Year</u>	<u>Total Debt Maturing</u>	<u>% of Debt Maturing</u>	<u>% of Debt Maturing</u>
2003	\$ 797	0.08%	0.08%
2004	3,208	0.32%	0.40%
2005	3,224	0.32%	0.72%
2006	3,179	0.32%	1.03%
2007	229,493	22.79%	23.82%
Thereafter	767,141	76.18%	100.00%
	<u>\$ 1,007,042</u>	<u>100.00%</u>	

	<u>Outstanding Balance 12/31/2002</u>	<u>Outstanding Balance 9/30/2003</u>	<u>Dividend Rate</u>	<u>Yield at 9/30/2003</u>	
Preferred Stock:					
Series A Preferred Stock	\$ 107,500	\$ 7,500	8.0% cash	7.91%	Redeemable at any time on or after January 30, 2003 at \$25 per share plus dividends accrued and unpaid at the redemption date
Series B Preferred Stock	\$ 107,831	\$ 23,528	12.0% PIK through Q3 2003 and cash thereafter	11.56%	Redeemable at any time on or after April 30, 2004 at \$24.46 per share plus dividends accrued and unpaid at the redemption date

SELECTED OPERATING RATIOS

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
<u>COVERAGE RATIOS:</u>				
Interest coverage ratio (Adjusted EBITDA/Interest incurred) (x)	3.0	2.7	3.1	2.2
Debt service coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled principal pmts)) (x)	2.9	2.1	2.7	1.8
Fixed charge coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled prin pmts + Pfd dist.)) (x)	2.8	1.7	2.2	1.5
Senior debt coverage ratio (Senior debt/Annualized Adjusted EBITDA) (x)	4.5	4.6	4.5	4.9
Total debt and preferred stock coverage ratio (Total debt and pfd stk/Annualized Adjusted EBITDA) (x)	4.8	6.1	4.8	6.5
Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)	7.5	6.9	7.3	6.7
<u>DEBT/EQUITY RATIOS:</u>				
Total debt/Total market capitalization	52.9%	62.4%	52.9%	62.4%
Total debt/Equity market capitalization	112.4%	165.7%	112.4%	165.7%
Total debt/Book equity capitalization	145.1%	138.8%	145.1%	138.8%
Total debt/Gross book value of real estate assets	55.2%	54.8%	55.2%	54.8%
<u>RETURN ON INVESTMENT RATIOS:</u>				
Annualized return on operating real estate investments (Annualized Adjusted EBITDA/Average operating real estate investments (undepreciated book value)*)	11.9%	11.0%	12.2%	10.3%
Annualized return on total assets (Annualized Adjusted EBITDA/Average total assets (undepreciated book value)*)	10.3%	9.4%	10.4%	8.6%
<u>OVERHEAD RATIOS:</u>				
Annualized general & administrative expenses/Average total assets (undepreciated book value)*	1.9%	1.6%	1.9%	1.5%
General & administrative expenses/Total revenues	3.7%	3.4%	3.8%	3.4%
<u>INTEREST EXPENSE, NET</u>				
Interest income from continuing operations	\$ (953)	\$ (1,349)	\$ (2,637)	\$ (3,393)
Interest incurred	17,956	17,995	53,403	62,334
Amortization of debt costs and other non-cash interest	2,089	1,313	5,707	10,436
Capitalized interest	(14)	-	(14)	-
Interest expense, net	<u>\$ 19,078</u>	<u>\$ 17,959</u>	<u>\$ 56,459</u>	<u>\$ 69,377</u>
<u>EBITDA CALCULATION:</u>				
Net income (loss)	\$ 19,037	\$ 16,265	\$ 62,169	\$ (51,177)
Interest expense, net	19,078	17,959	56,459	69,377
Depreciation and amortization	13,157	13,268	39,106	37,893
Income tax (benefit) expense	277	(375)	107	(33,263)
Cumulative effect of accounting change	-	-	-	80,276
(Income) loss from discontinued operations, net of taxes	-	238	1,692	(1,897)
EBITDA	<u>51,549</u>	<u>47,355</u>	<u>159,533</u>	<u>101,209</u>
Expenses associated with debt refinancing and recapitalization transactions	2,552	-	6,687	36,670
Change in fair value of derivative instruments	<u>-</u>	<u>628</u>	<u>(2,900)</u>	<u>(2,834)</u>
ADJUSTED EBITDA	<u>\$ 54,101</u>	<u>\$ 47,983</u>	<u>\$ 163,320</u>	<u>\$ 135,045</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 9/30/03</u>
Owned and Managed Facilities:								
Central Arizona Detention Center Florence, Arizona	1994, 1998	USMS	2,304	Multi	Detention	May-04	(4) 1 year	130.97%
Eloy Detention Center Eloy, Arizona	1995, 1996	BOP, ICE	1,500	Medium	Detention	Feb-04	(5) 1 year	93.73%
Florence Correctional Center Florence, Arizona	1999	State of Alaska	1,600	Medium	Correctional	Jun-04	-	90.51%
California Correctional Center California City, California	1999	BOP	2,304	Medium	Correctional	Sep-04	(6) 1 year	113.60%
San Diego Correctional Facility (E) San Diego, California	1999, 2000	ICE	1,232	Minimum/ Medium	Detention	Dec-03	(1) 1 year	100.47%
Bent County Correctional Facility Las Animas, Colorado	1992, 1997	State of Colorado	700	Medium	Correctional	Jun-04	(1) 1 year	88.77%
Crowley County Correctional Facility Olney Springs, Colorado	1998	State of Colorado	1,200	Medium	Correctional	Jun-04	(1) 1 year	81.24%
Huerfano County Correctional Center (F) Walsenburg, Colorado	1997	State of Colorado	752	Medium	Correctional	Jun-04	(1) 1 year	99.27%
Kit Carson Correctional Center Burlington, Colorado	1998	State of Colorado	768	Medium	Correctional	Jun-04	(1) 1 year	75.52%
Coffee Correctional Facility (G) Nicholls, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jul-04	(15) 1 year	98.14%
McRae Correctional Facility McRae, Georgia	2000, 2002	BOP	1,524	Medium	Correctional	Dec-05	(7) 1 year	95.00%
Wheeler Correctional Facility (G) Alamo, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jul-04	(15) 1 year	98.07%
Leavenworth Detention Center Leavenworth, Kansas	1992, 2000	USMS	483	Maximum	Detention	Dec-03	-	133.36%
Lee Adjustment Center Beattyville, Kentucky	1990	Commonwealth of Kentucky	756	Minimum/ Medium	Correctional	Sep-03	(3) 2 year	68.70%
Marion Adjustment Center St. Mary, Kentucky	1955, 1988	Commonwealth of Kentucky	790	Minimum	Correctional	Dec-03	-	70.51%
Otter Creek Correctional Center Wheelwright, Kentucky	1993	State of Indiana	656	Minimum/ Medium	Correctional	Jan-11	-	98.55%
Prairie Correctional Facility Appleton, Minnesota	1991	State of Wisconsin	1,338	Medium	Correctional	Dec-05	(2) 1 year	99.48%

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 9/30/03</u>
Tallahatchie County Correctional Facility (H) Tutwiler, Mississippi	2000	State of Alabama	1,104	Medium	Correctional	Indefinite	-	87.95%
Crossroads Correctional Center (I) Shelby, Montana	1999	State of Montana	512	Multi	Correctional	Jun-05	(7) 2 year	75.45%
Cibola County Corrections Center Milan, New Mexico	1994, 1999	BOP	1,072	Medium	Correctional	Sep-04	(6) 1 year	101.85%
New Mexico Women's Correctional Facility Grants, New Mexico	1989, 2000	State of New Mexico	596	Multi	Correctional	Jun-04	(1) 1 year	92.98%
Torrance County Detention Facility Estancia, New Mexico	1990, 1997	USMS	910	Multi	Detention	Indefinite	-	99.54%
Northeast Ohio Correctional Center (J) Youngstown, Ohio	1997	-	2,016	Medium	Correctional	-	-	0.00%
Cimarron Correctional Facility (K) Cushing, Oklahoma	1997	State of Oklahoma	960	Medium	Correctional	Oct-03	-	98.71%
Davis Correctional Facility (K) Holdenville, Oklahoma	1996	State of Oklahoma	960	Medium	Correctional	Oct-03	-	98.98%
Diamondback Correctional Facility Watonga, Oklahoma	1998, 2000	State of Wisconsin	2,160	Medium	Correctional	Dec-05	(2) 1 year	72.43%
North Fork Correctional Facility (L) Sayre, Oklahoma	1998	-	1,440	Medium	Correctional	-	-	20.73%
West Tennessee Detention Facility Mason, Tennessee	1990, 1996	USMS	600	Multi	Detention	Feb-04	(3) 1 year	53.85%
Shelby Training Center (M) Memphis, Tennessee	1986, 1995	Shelby County, TN	200	Secure	Juvenile	Apr-15	-	96.92%
Whiteville Correctional Facility (N) Whiteville, Tennessee	1998	State of Tennessee	1,536	Medium	Correctional	Sep-05	(2) 1 year	96.07%
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	1989	State of Texas	200	Medium	Correctional	Feb-04	-	97.56%
Eden Detention Center Eden, Texas	1990	BOP	1,225	Medium	Correctional	Apr-04	-	103.61%
Houston Processing Center Houston, Texas	1984	ICE	411	Medium	Detention	Sep-04	(4) 1 year	122.32%
Laredo Processing Center Laredo, Texas	1985, 1990	ICE	258	Minimum/ Medium	Detention	Mar-04	(2) 3 month	145.92%

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 9/30/03</u>
Webb County Detention Center Laredo, Texas	1998	USMS	480	Medium	Detention	Aug-05	-	120.27%
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	1995	State of Texas	2,103	Minimum	Correctional	Feb-04	-	97.65%
T. Don Hutto Correctional Center Taylor, Texas	1997	Williamson County, TX	480	Medium	Correctional	May-04	(2) 2 year	81.96%
D.C. Correctional Treatment Facility (O) Washington D.C.	1992	District of Columbia	866	Medium	Detention	Mar-17	-	99.06%
Total design capacity for Owned and Managed Facilities (38 Owned and Managed Facilities)			<u><u>41,044</u></u>					
Managed Only Facilities:								
Bay Correctional Facility Panama City, Florida	N/A	State of Florida	750	Medium	Correctional	Jun-04	(1) 2 year	99.47%
Bay County Jail and Annex Panama City, Florida	N/A	Bay County, FL	677	Multi	Detention	Sep-06	-	140.71%
Citrus County Detention Facility Lecanto, Florida	N/A	Citrus County, FL	400	Multi	Detention	Sep-05	(1) 5 year	99.74%
Gadsden Correctional Institution Quincy, Florida	N/A	State of Florida	896	Minimum/ Medium	Correctional	Jun-04	-	114.87%
Hernando County Jail Brooksville, Florida	N/A	Hernando County, FL	302	Multi	Detention	Oct-10	-	116.73%
Lake City Correctional Facility Lake City, Florida	N/A	State of Florida	350	Secure	Correctional	Jun-04	(1) 2 year	99.34%
Idaho Correctional Center Boise, Idaho	N/A	State of Idaho	1,270	Minimum/ Medium	Correctional	Jun-05	-	100.56%
Marion County Jail Indianapolis, Indiana	N/A	Marion County, IN	670	Multi	Detention	Nov-04	-	145.71%
Winn Correctional Center Winnfield, Louisiana	N/A	State of Louisiana	1,538	Medium/ Maximum	Correctional	Sep-06	(1) 2 year	95.03%
Wilkinson County Correctional Facility Woodville, Mississippi	N/A	State of Mississippi	1,000	Medium	Correctional	Jan-04	(1) 2 year	99.23%
Southern Nevada Women's Correctional Center Las Vegas, Nevada	N/A	State of Nevada	500	Multi	Correctional	Oct-04	3 year indefinite	87.16%
Elizabeth Detention Center Elizabeth, New Jersey	N/A	ICE	300	Minimum	Detention	Jan-04	(1) 1 year	91.26%

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 9/30/03</u>
David L. Moss Criminal Justice Center Tulsa, Oklahoma	N/A	Tulsa County, OK	1,440	Multi	Detention	Jun-05	(2) 1 year	92.86%
Silverdale Facilities Chattanooga, Tennessee	N/A	Hamilton County, TN	576	Multi	Detention	Sep-04	(3) 4 year	97.80%
South Central Correctional Center Clifton, Tennessee	N/A	State of Tennessee	1,506	Medium	Correctional	Jun-05	(1) 2 year	105.67%
Tall Trees Memphis, Tennessee	N/A	State of Tennessee	63	Non-secure	Juvenile	Jun-04	-	76.22%
Metro-Davidson County Detention Facility Nashville, Tennessee	N/A	Davidson County, TN	1,092	Multi	Detention	Jul-03	-	118.00%
Hardeman County Correctional Facility Whiteville, Tennessee	N/A	State of Tennessee	2,016	Medium	Correctional	Jul-05	(1) 2 year	95.26%
Bartlett State Jail Bartlett, Texas	N/A	State of Texas	962	Minimum/ Medium	Correctional	Jan-04	-	101.80%
Liberty County Jail/Juvenile Center Liberty, Texas	N/A	USMS	380	Multi	Detention	Jan-05	(2) 1 year	102.66%
Sanders Estes Unit Venus, Texas	N/A	State of Texas	1,000	Minimum/ Medium	Correctional	Jan-04	-	99.72%
Total design capacity for Managed Only Facilities (21 Managed Only Facilities)			<u>17,688</u>					
Total design capacity for All Facilities			<u>58,732</u>					
Leased Facilities:								
Leo Chesney Correctional Center Live Oak, California	1989	Cornell Corrections	240	Minimum	Owned/Leased	Jun-04	-	N/A
Queensgate Correctional Facility Cincinnati, Ohio	1906	Hamilton County, OH	850	Medium	Owned/Leased	Feb-05	(2) 1 year	N/A
Community Education Partners (P) Houston, Texas	N/A	Community Education Partners	-	Non-secure	Owned/Leased	Jun-08	(3) 5 year	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. 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 September 30, 2003. 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 renewals options, if applicable, and the remaining term of each option renewal.

(E) The facility is subject to a ground lease with the County of San Diego whereby the initial lease term is 18 years from the commencement of the contract, as defined. The County has the right to buy out all, or designated portions of, the premises at various times prior to the expiration of the term at a price generally equal to the cost of the premises, or the designated portion of the premises, less an allowance for the amortization over a 20-year period. Upon expiration of the lease, ownership of the facility automatically reverts to the County of San Diego.

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 9/30/03</u>
<p>(F) The facility is subject to a purchase option held by Huerfano County which grants Huerfano County the right to purchase the facility upon an early termination of the contract at a price generally equal to the cost of the facility plus 80% of the percentage increase in the Consumer Price Index, cumulated annually.</p> <p>(G) 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 or fair market value at any time during the term of the contract between us and the GDOC.</p> <p>(H) 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 over a 20-year period. This facility is substantially vacant.</p> <p>(I) The State of Montana has an option to purchase the facility at fair market value generally at any time during the term of the contract with us.</p> <p>(J) All inmates were transferred out of this facility during 2001 due to a new law that mandated that the BOP assume jurisdiction of all D.C. offenders under the custody of the BOP by the end of 2001.</p> <p>(K) 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> <p>(L) All of the Wisconsin inmates housed at the North Fork Correctional Facility were transferred to the Diamondback Correctional Facility in order to satisfy a contractual provision mandated by the State of Wisconsin. Upon completion of the inmate transfers, North Fork Correctional Facility was closed and will remain closed for an indefinite period of time. The Company is currently pursuing new management contracts and other opportunities to take advantage of the beds that are available at the North Fork Correctional Facility, but can provide no assurance that it will be successful in doing so.</p> <p>(M) Upon conclusion of the thirty-year lease with Shelby County, Tennessee, the facility will become the property of Shelby County. Prior to such time, if the County terminates the lease without cause, or breaches the lease or the State fails to fund the contract, we may purchase the property for \$150,000. If we terminate the lease without cause, or breach the contract, we will be required to purchase the property for its fair market value as agreed to by the County and us.</p> <p>(N) The State of Tennessee has the option to purchase the facility in the event of our bankruptcy, or upon an operational breach, as defined, at a price equal to the book value, as defined.</p> <p>(O) 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, ownership of the facility automatically reverts to the District of Columbia.</p> <p>(P) The alternative educational facility is currently configured to accommodate 900 at-risk juveniles and may be expanded to accommodate a total of 1,400 at-risk juveniles.</p>								

DIVERSIFICATION OF REVENUE

(Unaudited and amounts in thousands)

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<u>Customer</u>	<u>Management Revenue For the Nine Months Ended September 30, 2003</u>	<u>Percent of Management Revenue For the Nine Months Ended September 30, 2003</u>
Bureau of Prisons	\$ 125,240	16.56%
United States Marshals	102,568	13.56%
United States Immigration and Customs Enforcement	54,623	7.22%
Tennessee	47,773	6.32%
Georgia	37,883	5.01%
Texas	34,559	4.57%
Wisconsin	34,456	4.56%
Florida	32,887	4.35%
Oklahoma	27,257	3.60%
Colorado	25,824	3.41%
	<u>\$ 523,070</u>	<u>69.17%</u>
Total Management Revenue, including discontinued operations	<u>\$ 756,229</u>	<u>100.00%</u>

RESEARCH / ANALYST COVERAGE

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Jefferies & Company, Inc.	Arthur I. Henderson	(615) 963-8341
Lehman Brothers	Jeffery T. Kessler	(212) 526-5162
Morgan Joseph & Co. Inc.	Richard Nelson	(212) 218-3702

Debt Research Coverage:

Lehman Brothers	Susan Jansen	(212) 526-6470
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Rating Agency Coverage:

Moody's Investors Service	Philip Kibel	(215) 967-6233
Standard & Poor's	Jean Stout	(212) 438-7865

Credit Ratings:

	<u>Standard & Poor's</u>	<u>Moody's</u>
Corporate Credit Rating	B+	Not rated
Senior Secured Bank Credit	BB-	Ba3
Senior Unsecured Debt	B	B1
Preferred Stock	Not rated	B3

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