

CORRECTIONS CORPORATION OF AMERICA

**Supplemental Financial Information
For the Quarter Ended September 30, 2014**

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, 2014

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FINANCIAL HIGHLIGHTS

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
REVENUE:				
Owned & controlled properties	\$ 353,784	\$ 344,431	\$ 1,041,510	\$ 1,035,094
Managed only properties and other	54,690	77,035	181,880	228,100
Total revenue	<u>408,474</u>	<u>421,466</u>	<u>1,223,390</u>	<u>1,263,194</u>
NET OPERATING INCOME:				
Owned & controlled properties	122,364	111,435	355,236	337,751
Managed only properties and other	3,398	8,542	10,452	21,731
Total net operating income	<u>\$ 125,762</u>	<u>\$ 119,977</u>	<u>\$ 365,688</u>	<u>\$ 359,482</u>
Adjusted Diluted EPS	\$ 0.49	\$ 0.46	\$ 1.43	\$ 1.48
Pro Forma Adjusted Diluted EPS ⁽¹⁾	\$ 0.49	\$ 0.46	\$ 1.43	\$ 1.39
Normalized FFO Per Share	\$ 0.67	\$ 0.63	\$ 1.97	\$ 2.03
Pro Forma Normalized FFO Per Share ⁽¹⁾	\$ 0.67	\$ 0.63	\$ 1.97	\$ 1.91
AFFO Per Share	\$ 0.66	\$ 0.63	\$ 1.92	\$ 2.02
Pro Forma AFFO Per Share ⁽¹⁾	\$ 0.66	\$ 0.63	\$ 1.92	\$ 1.90
Debt Leverage	3.2x	3.0x	3.2x	3.1x
Fixed Charge Coverage Ratio	9.2x	9.4x	9.1x	8.5x

(1) See Note 1 on page 5.

2014 GUIDANCE SUMMARY

(Unaudited and amounts in millions except per share amounts)

	Q4 2014		Full Year 2014	
	Low-End	High-End	Low-End	High-End
Adjusted Diluted EPS	\$ 0.46	\$ 0.49	\$ 1.88	\$ 1.91
Normalized FFO Per Share	\$ 0.64	\$ 0.66	\$ 2.61	\$ 2.64
AFFO Per Share	\$ 0.62	\$ 0.65	\$ 2.54	\$ 2.57
Weighted Average Shares Outstanding	117.50	117.50	117.25	117.25
Capital Expenditures				
Prison construction & land acquisitions			\$ 110.0	\$ 120.0
Maintenance on real estate assets			25.0	25.0
Information technology and other assets			25.0	30.0
Total capital expenditures			<u>\$ 160.0</u>	<u>\$ 175.0</u>

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

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ASSETS	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Cash and cash equivalents	\$ 48,847	\$ 46,615	\$ 52,681	\$ 77,919	\$ 70,223
Accounts receivable, net of allowance	292,466	246,894	239,300	244,957	220,104
Current deferred tax assets	11,430	6,351	7,809	9,241	5,174
Prepaid expenses and other current assets	26,925	29,007	18,726	20,617	27,779
Assets held for sale	4,145	-	-	-	-
Total current assets	<u>383,813</u>	<u>328,867</u>	<u>318,516</u>	<u>352,734</u>	<u>323,280</u>
Property and equipment, net	2,614,264	2,538,996	2,543,470	2,546,613	2,546,904
Restricted cash	2,707	2,607	5,590	5,589	5,835
Investment in direct financing lease	3,811	4,382	4,936	5,473	5,994
Goodwill	16,110	16,110	16,110	16,110	17,229
Non-current deferred tax assets	4,537	5,875	5,505	3,078	2,959
Other assets	<u>75,908</u>	<u>76,657</u>	<u>75,131</u>	<u>77,828</u>	<u>65,981</u>
Total assets	<u><u>\$ 3,101,150</u></u>	<u><u>\$ 2,973,494</u></u>	<u><u>\$ 2,969,258</u></u>	<u><u>\$ 3,007,425</u></u>	<u><u>\$ 2,968,182</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable and accrued expenses	\$ 247,815	\$ 237,808	\$ 227,429	\$ 253,163	\$ 229,362
Income taxes payable	889	676	1,859	1,243	964
Total current liabilities	<u>248,704</u>	<u>238,484</u>	<u>229,288</u>	<u>254,406</u>	<u>230,326</u>
Long-term debt, net of current portion	1,240,000	1,195,000	1,195,000	1,205,000	1,185,000
Other liabilities	<u>110,153</u>	<u>40,380</u>	<u>45,954</u>	<u>45,512</u>	<u>45,908</u>
Total liabilities	<u>1,598,857</u>	<u>1,473,864</u>	<u>1,470,242</u>	<u>1,504,918</u>	<u>1,461,234</u>
Commitments and contingencies					
Common stock - \$0.01 par value	1,165	1,164	1,163	1,159	1,158
Additional paid-in capital	1,739,240	1,734,404	1,729,807	1,725,363	1,721,497
Accumulated deficit	<u>(238,112)</u>	<u>(235,938)</u>	<u>(231,954)</u>	<u>(224,015)</u>	<u>(215,707)</u>
Total stockholders' equity	<u>1,502,293</u>	<u>1,499,630</u>	<u>1,499,016</u>	<u>1,502,507</u>	<u>1,506,948</u>
Total liabilities and stockholders' equity	<u><u>\$ 3,101,150</u></u>	<u><u>\$ 2,973,494</u></u>	<u><u>\$ 2,969,258</u></u>	<u><u>\$ 3,007,425</u></u>	<u><u>\$ 2,968,182</u></u>

CONSOLIDATED STATEMENTS OF OPERATIONS

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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,	
	2014	2013	2014	2013
REVENUE:				
Owned & controlled properties	\$ 353,784	\$ 344,431	\$ 1,041,510	\$ 1,035,094
Managed only and other	54,690	77,035	181,880	228,100
Total revenue	<u>408,474</u>	<u>421,466</u>	<u>1,223,390</u>	<u>1,263,194</u>
EXPENSES:				
Operating:				
Owned & controlled properties	231,420	232,996	686,274	697,343
Managed only and other	51,292	68,493	171,428	206,369
Total operating expenses	<u>282,712</u>	<u>301,489</u>	<u>857,702</u>	<u>903,712</u>
General and administrative	27,635	23,570	79,586	80,162
Depreciation and amortization	28,277	28,151	85,413	83,203
Asset impairments	-	985	2,238	985
	<u>338,624</u>	<u>354,195</u>	<u>1,024,939</u>	<u>1,068,062</u>
OPERATING INCOME	<u>69,850</u>	<u>67,271</u>	<u>198,451</u>	<u>195,132</u>
OTHER (INCOME) EXPENSE:				
Interest expense, net	10,376	10,378	29,088	34,856
Expenses associated with debt refinancing transactions	-	-	-	36,528
Other (income) expense	(143)	(184)	(1,143)	(120)
	<u>10,233</u>	<u>10,194</u>	<u>27,945</u>	<u>71,264</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	59,617	57,077	170,506	123,868
Income tax (expense) benefit	(2,071)	(4,571)	(5,490)	133,253
INCOME FROM CONTINUING OPERATIONS	57,546	52,506	165,016	257,121
Loss from discontinued operations, net of taxes	-	(663)	-	(3,757)
NET INCOME	<u>\$ 57,546</u>	<u>\$ 51,843</u>	<u>\$ 165,016</u>	<u>\$ 253,364</u>
BASIC EARNINGS PER SHARE	<u>\$ 0.50</u>	<u>\$ 0.45</u>	<u>\$ 1.42</u>	<u>\$ 2.35</u>
DILUTED EARNINGS PER SHARE	<u>\$ 0.49</u>	<u>\$ 0.44</u>	<u>\$ 1.41</u>	<u>\$ 2.32</u>

RECONCILIATION OF BASIC TO DILUTED EARNINGS PER SHARE

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Basic:				
Income from continuing operations	\$ 57,546	\$ 52,506	\$ 165,016	\$ 257,121
Loss from discontinued operations, net of taxes	-	(663)	-	(3,757)
Net income	<u>\$ 57,546</u>	<u>\$ 51,843</u>	<u>\$ 165,016</u>	<u>\$ 253,364</u>
Diluted:				
Income from continuing operations	\$ 57,546	\$ 52,506	\$ 165,016	\$ 257,121
Loss from discontinued operations, net of taxes	-	(663)	-	(3,757)
Diluted net income	<u>\$ 57,546</u>	<u>\$ 51,843</u>	<u>\$ 165,016</u>	<u>\$ 253,364</u>
Basic:				
Weighted average common shares outstanding	116,445	115,715	116,296	108,051
Unvested restricted common stock	(260)	(433)	(271)	(411)
Weighted average common shares outstanding-basic	<u>116,185</u>	<u>115,282</u>	<u>116,025</u>	<u>107,640</u>
Diluted:				
Weighted average common shares outstanding-basic	116,185	115,282	116,025	107,640
Effect of dilutive securities:				
Stock options	886	1,165	895	1,335
Restricted stock-based compensation	318	425	263	325
Weighted average shares and assumed conversions-diluted	<u>117,389</u>	<u>116,872</u>	<u>117,183</u>	<u>109,300</u>
Basic earnings per share:				
Income from continuing operations	\$ 0.50	\$ 0.46	\$ 1.42	\$ 2.38
Loss from discontinued operations, net of taxes	-	(0.01)	-	(0.03)
Net income	<u>\$ 0.50</u>	<u>\$ 0.45</u>	<u>\$ 1.42</u>	<u>\$ 2.35</u>
Diluted earnings per share:				
Income from continuing operations	\$ 0.49	\$ 0.45	\$ 1.41	\$ 2.35
Loss from discontinued operations, net of taxes	-	(0.01)	-	(0.03)
Net income	<u>\$ 0.49</u>	<u>\$ 0.44</u>	<u>\$ 1.41</u>	<u>\$ 2.32</u>

CALCULATION OF ADJUSTED 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,	
	2014	2013	2014	2013
Net Income	\$ 57,546	\$ 51,843	\$ 165,016	\$ 253,364
Special items:				
Expenses associated with debt refinancing transactions, net	-	-	-	33,299
Expenses associated with REIT conversion, net	-	122	-	9,152
Expenses associated with mergers and acquisitions, net	-	530	-	618
Asset impairments, net	-	985	2,235	2,896
Income tax benefit for reversal of deferred taxes due to REIT conversion	-	-	-	(137,686)
Diluted adjusted net income	<u>\$ 57,546</u>	<u>\$ 53,480</u>	<u>\$ 167,251</u>	<u>\$ 161,643</u>
Weighted average common shares outstanding - basic	116,185	115,282	116,025	107,640
Effect of dilutive securities:				
Stock options	886	1,165	895	1,335
Restricted stock-based compensation	<u>318</u>	<u>425</u>	<u>263</u>	<u>325</u>
Weighted average shares and assumed conversions - diluted	<u>117,389</u>	<u>116,872</u>	<u>117,183</u>	<u>109,300</u>
Non-GAAP Adjustment ¹ :				
Shares issued in Special Dividend	-	-	-	13,876
Weighted average impact	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,811)</u>
Pro forma weighted average shares and assumed conversions - diluted	<u>117,389</u>	<u>116,872</u>	<u>117,183</u>	<u>116,365</u>
Adjusted Diluted Earnings Per Share	<u>\$ 0.49</u>	<u>\$ 0.46</u>	<u>\$ 1.43</u>	<u>\$ 1.48</u>
Pro forma Adjusted Diluted Earnings Per Share	<u>\$ 0.49</u>	<u>\$ 0.46</u>	<u>\$ 1.43</u>	<u>\$ 1.39</u>

Note 1: On May 20, 2013, CCA paid a special dividend in connection with its conversion to a REIT. The shareholders were allowed to elect to receive their payment of the special dividend either in all cash, all shares of CCA common stock, or a combination of cash and CCA common stock, except that CCA placed a limit on the aggregate amount of cash payable to the shareholders. Under ASC 505, "Equity" and ASU 2010-01, "Accounting for Distributions to Shareholders with Components of Stock and Cash, a consensus of the FASB Emerging Issues Task Force", a distribution that allows shareholders to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in per share results prospectively. As such, the stock portion of the special dividend is presented prospectively in basic and diluted per share results and was not presented retroactively for all periods presented as it would, for example, with a stock split or a stock dividend. As a result, CCA believes investors would benefit from seeing the operating performance for the comparable periods accounting for the effect of the special dividend in both periods. Therefore, for comparison purposes, CCA has presented per share results on a pro forma basis as if the shares issued in the special dividend were issued as of the beginning of the periods presented.

FUNDS FROM OPERATIONS

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
FUNDS FROM OPERATIONS:				
Net income	\$ 57,546	\$ 51,843	\$ 165,016	\$ 253,364
Depreciation of real estate assets	21,412	20,454	63,920	60,016
Depreciation of real estate assets for discontinued operations	-	24	-	323
Impairment of real estate assets, net	-	-	2,235	-
Funds From Operations	\$ 78,958	\$ 72,321	\$ 231,171	\$ 313,703
Expenses associated with debt refinancing transactions, net	-	-	-	33,299
Expenses associated with REIT conversion, net	-	122	-	9,152
Expenses associated with mergers and acquisitions, net	-	530	-	618
Goodwill and other impairments, net	-	985	-	2,896
Income tax benefit for reversal of deferred taxes due to REIT conversion	-	-	-	(137,686)
Normalized Funds From Operations	\$ 78,958	\$ 73,958	\$ 231,171	\$ 221,982
Maintenance capital expenditures on real estate assets	(5,631)	(4,585)	(18,580)	(13,115)
Stock-based compensation	3,514	3,277	10,438	9,675
Amortization of debt costs and other non-cash interest	777	774	2,325	2,740
Other non-cash revenue and expenses	(16)	-	(48)	-
Adjusted Funds From Operations	\$ 77,602	\$ 73,424	\$ 225,306	\$ 221,282
NORMALIZED FUNDS FROM OPERATIONS PER SHARE:				
Basic	\$ 0.68	\$ 0.64	\$ 1.99	\$ 2.06
Diluted	\$ 0.67	\$ 0.63	\$ 1.97	\$ 2.03
Pro forma Diluted ⁽¹⁾	\$ 0.67	\$ 0.63	\$ 1.97	\$ 1.91
ADJUSTED FUNDS FROM OPERATIONS PER SHARE:				
Basic	\$ 0.67	\$ 0.64	\$ 1.94	\$ 2.06
Diluted	\$ 0.66	\$ 0.63	\$ 1.92	\$ 2.02
Pro forma Diluted ⁽¹⁾	\$ 0.66	\$ 0.63	\$ 1.92	\$ 1.90

FFO and AFFO are widely accepted non-GAAP supplemental measures of REIT performance following the standards established by the National Association of Real Estate Investment Trusts (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 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.

(1) See Note 1 on page 5.

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

	<u>September 30, 2014</u>	<u>June 30, 2014</u>	<u>March 31, 2014</u>	<u>December 31, 2013</u>	<u>September 30, 2013</u>
BALANCE SHEET:					
Property and equipment	\$ 3,763,027	\$ 3,662,895	\$ 3,644,073	\$ 3,626,846	\$ 3,622,734
Accumulated depreciation and amortization	(1,148,763)	(1,123,899)	(1,100,603)	(1,080,233)	(1,075,830)
Property and equipment, net	<u>\$ 2,614,264</u>	<u>\$ 2,538,996</u>	<u>\$ 2,543,470</u>	<u>\$ 2,546,613</u>	<u>\$ 2,546,904</u>
Assets held for sale	\$ 4,145	\$ -	\$ -	\$ -	\$ -
Total assets	\$ 3,101,150	\$ 2,973,494	\$ 2,969,258	\$ 3,007,425	\$ 2,968,182
Maintenance & technology capital expenditures for the quarter ended	\$ 10,571	\$ 9,671	\$ 11,144	\$ 21,336	\$ 10,924
Total debt	\$ 1,240,000	\$ 1,195,000	\$ 1,195,000	\$ 1,205,000	\$ 1,185,000
Equity book value	\$ 1,502,293	\$ 1,499,630	\$ 1,499,016	\$ 1,502,507	\$ 1,506,948
LIQUIDITY:					
Cash and cash equivalents	\$ 48,847	\$ 46,615	\$ 52,681	\$ 77,919	\$ 70,223
Availability under revolving credit facility	\$ 318,729	\$ 363,729	\$ 355,082	\$ 344,957	\$ 364,833
CAPITALIZATION:					
Common shares outstanding	116,476	116,413	116,339	115,923	115,831
Common share price at end of period	\$ 34.36	\$ 32.85	\$ 31.32	\$ 32.07	\$ 34.55
Market value of common equity at end of period	<u>\$ 4,002,115</u>	<u>\$ 3,824,167</u>	<u>\$ 3,643,737</u>	<u>\$ 3,717,651</u>	<u>\$ 4,001,961</u>
Total equity market capitalization	<u>\$ 4,002,115</u>	<u>\$ 3,824,167</u>	<u>\$ 3,643,737</u>	<u>\$ 3,717,651</u>	<u>\$ 4,001,961</u>
Total market capitalization (market value of equity plus debt)	<u>\$ 5,242,115</u>	<u>\$ 5,019,167</u>	<u>\$ 4,838,737</u>	<u>\$ 4,922,651</u>	<u>\$ 5,186,961</u>
Regular Dividends	\$ 59,750	\$ 59,743	\$ 59,697	\$ 55,887	\$ 55,821
Dividends per common share	\$ 0.51	\$ 0.51	\$ 0.51	\$ 0.48	\$ 0.48
Annualized dividend yield	5.9%	6.2%	6.5%	6.0%	5.6%
EBITDA	\$ 98,270	\$ 94,900	\$ 91,837	\$ 85,488	\$ 95,606
ADJUSTED EBITDA	\$ 98,270	\$ 97,138	\$ 91,837	\$ 91,526	\$ 97,295
NORMALIZED FUNDS FROM OPERATIONS	\$ 78,958	\$ 79,398	\$ 72,815	\$ 72,750	\$ 73,958
Basic normalized funds from operations per share	\$ 0.68	\$ 0.68	\$ 0.63	\$ 0.63	\$ 0.64
Diluted normalized funds from operations per share	<u>\$ 0.67</u>	<u>\$ 0.68</u>	<u>\$ 0.62</u>	<u>\$ 0.62</u>	<u>\$ 0.63</u>
FFO PAYOUT RATIO	76.1%	75.0%	82.3%	77.4%	76.2%
ADJUSTED FUNDS FROM OPERATIONS	\$ 77,602	\$ 79,569	\$ 68,135	\$ 68,892	\$ 73,424
Basic adjusted funds from operations per share	\$ 0.67	\$ 0.69	\$ 0.59	\$ 0.60	\$ 0.64
Diluted adjusted funds from operations per share	<u>\$ 0.66</u>	<u>\$ 0.68</u>	<u>\$ 0.58</u>	<u>\$ 0.59</u>	<u>\$ 0.63</u>
AFFO PAYOUT RATIO	77.3%	75.0%	87.9%	81.4%	76.2%

SELECTED FINANCIAL INFORMATION

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Number of days per period	92	92	273	273
ALL FACILITIES:				
Average available beds	81,658	89,646	83,432	89,405
Average compensated occupancy	83.9%	84.1%	84.4%	85.2%
Total compensated man-days	6,306,037	6,935,801	19,221,054	20,806,638
Revenue per compensated man-day	\$ 63.28	\$ 60.60	\$ 62.34	\$ 60.56
Operating expenses per compensated man-day: (1)				
Fixed expense	32.37	32.59	32.51	32.75
Variable expense	11.26	10.37	11.19	10.09
Total	43.63	42.96	43.70	42.84
Operating income per compensated man-day	\$ 19.65	\$ 17.64	\$ 18.64	\$ 17.72
Operating margin	31.1%	29.1%	29.9%	29.3%
DEPRECIATION AND AMORTIZATION:				
Depreciation expense on real estate	21,412	20,454	63,920	60,016
Other depreciation expense	6,876	7,715	21,526	23,273
Amortization of intangibles	(11)	(18)	(33)	(86)
Depreciation and amortization	\$ 28,277	\$ 28,151	\$ 85,413	\$ 83,203
NET OPERATING INCOME:				
Revenue				
Owned & controlled properties	\$ 353,784	\$ 344,431	\$ 1,041,510	\$ 1,035,094
Managed only and other	54,690	77,035	181,880	228,100
Total revenues	408,474	421,466	1,223,390	1,263,194
Operating Expenses				
Owned & controlled properties	231,420	232,996	686,274	697,343
Managed only and other	51,292	68,493	171,428	206,369
Total operating expenses	282,712	301,489	857,702	903,712
Facility Net Operating Income				
Owned & controlled properties	122,364	111,435	355,236	337,751
Managed only and other	3,398	8,542	10,452	21,731
Total net operating income	\$ 125,762	\$ 119,977	\$ 365,688	\$ 359,482

(1) The calculations of expenses per man-day for the nine months ended September 30, 2014 exclude expenses incurred during the first six months of 2014 for the Diamondback facility because of the distorted impact they have on the statistics. The expenses were incurred in connection with the activation of the facility in anticipation of a new contract. In April 2014, the decision was made to once again idle the facility in the absence of a definitive customer contract. The de-activation was completed near the end of the second quarter of 2014.

SEGMENTED DATA

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
OWNED AND MANAGED FACILITIES:				
Corrections revenue	\$ 345,105	\$ 344,150	\$ 1,020,041	\$ 1,034,251
Operating expenses:				
Fixed expense	170,039	178,351	513,064	537,307
Variable expense	57,777	54,427	170,079	159,374
Total	227,816	232,778	683,143	696,681
Facility net operating income	\$ 117,289	\$ 111,372	\$ 336,898	\$ 337,570
Average available beds	66,222	68,340	66,222	68,099
Average compensated occupancy	81.3%	80.2%	81.6%	81.7%
Total compensated man-days	4,954,844	5,040,895	14,751,716	15,181,951
Revenue per compensated man-day	\$ 69.65	\$ 68.27	\$ 69.15	\$ 68.12
Operating expenses per compensated man-day: (1)				
Fixed	34.32	35.38	34.60	35.39
Variable	11.66	10.80	11.52	10.50
Total	45.98	46.18	46.12	45.89
Operating income per compensated man-day	\$ 23.67	\$ 22.09	\$ 23.03	\$ 22.23
Operating margin	34.0%	32.4%	33.3%	32.6%
MANAGED ONLY FACILITIES:				
Corrections revenue	\$ 53,915	\$ 76,132	\$ 178,246	\$ 225,754
Operating expenses:				
Fixed expense	34,098	47,656	114,487	144,065
Variable expense	13,202	17,521	45,094	50,665
Total	47,300	65,177	159,581	194,730
Facility net operating income	\$ 6,615	\$ 10,955	\$ 18,665	\$ 31,024
Average available beds	15,436	21,306	17,210	21,306
Average compensated occupancy	95.1%	96.7%	95.1%	96.7%
Total compensated man-days	1,351,193	1,894,906	4,469,338	5,624,687
Revenue per compensated man-day	\$ 39.90	\$ 40.18	\$ 39.88	\$ 40.14
Operating expenses per compensated man-day:				
Fixed expense	25.24	25.15	25.62	25.61
Variable expense	9.77	9.25	10.09	9.01
Total	35.01	34.40	35.71	34.62
Operating income per compensated man-day	\$ 4.89	\$ 5.78	\$ 4.17	\$ 5.52
Operating margin	12.3%	14.4%	10.5%	13.8%

(1) The calculations of expenses per man-day for the nine months ended September 30, 2014 exclude expenses incurred during the first six months of 2014 for the Diamondback facility because of the distorted impact they have on the statistics. The expenses were incurred in connection with the activation of the facility in anticipation of a new contract. In April 2014, the decision was made to once again idle the facility in the absence of a definitive customer contract. The de-activation was completed near the end of the second quarter of 2014.

ANALYSIS OF OUTSTANDING DEBT

(Unaudited and amounts in thousands)

	<u>Outstanding Balance 12/31/2013</u>	<u>Outstanding Balance 9/30/2014</u>	<u>Stated Interest Rate</u>	<u>Effective Interest Rate</u> ¹⁾	<u>Maturity Date</u>	<u>Callable/ Redeemable</u>
Fixed Rate:						
\$350 Million Senior Notes	\$ 350,000	\$ 350,000	4.625%	4.80%	May 2023	Prior to February 1, 2023, redeemable at a "make-whole" redemption price, plus accrued and unpaid interest; thereafter the notes are redeemable at 100% of the aggregate principal amount plus accrued and unpaid interest.
\$325 Million Senior Notes	325,000	325,000	4.125%	4.38%	April 2020	Prior to January 1, 2020, redeemable at a "make-whole" redemption price, plus accrued and unpaid interest; thereafter the notes are redeemable at 100% of the aggregate principal amount plus accrued and unpaid interest.
Total Fixed Rate Debt	<u>675,000</u>	<u>675,000</u>				
Floating Rate:						
Revolving Credit Facility	<u>530,000</u>	<u>565,000</u>	2.26%	2.57% ²⁾	December 2017	
Grand Total Debt	<u>\$ 1,205,000</u>	<u>\$ 1,240,000</u>	3.42%	3.67%	5.35 ³⁾	

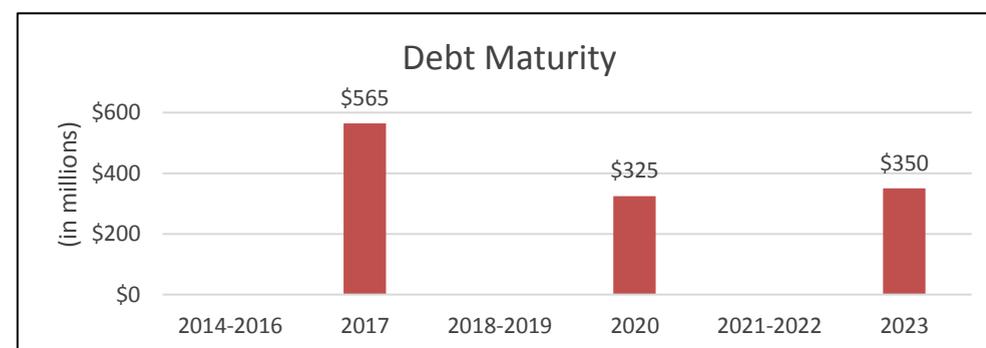
¹⁾ Includes amortization of debt issuance costs.

²⁾ During March 2013, the Company amended and extended the revolving credit facility to an aggregate capacity of \$900.0 million with a maturity of December 2017. The Company also has \$16.3 million of letters of credit outstanding under a sub-facility reducing the available capacity under the revolving credit facility to \$318.7 million as of September 30, 2014. The Revolving Credit facility currently bears interest at LIBOR plus a margin of 1.75%.

³⁾ Represents the weighted average debt maturity in years.

Debt Maturity Schedule at September 30, 2014:

<u>Year</u>	<u>Total Debt Maturing</u>	<u>% of Debt Maturing</u>	<u>% of Debt Maturing</u>
2014	\$ -	0.00%	0.00%
2015	-	0.00%	0.00%
2016	-	0.00%	0.00%
2017	565,000	45.56%	45.56%
2018	-	0.00%	45.56%
Thereafter	<u>675,000</u>	<u>54.44%</u>	<u>100.00%</u>
	<u>\$ 1,240,000</u>	<u>100.00%</u>	



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

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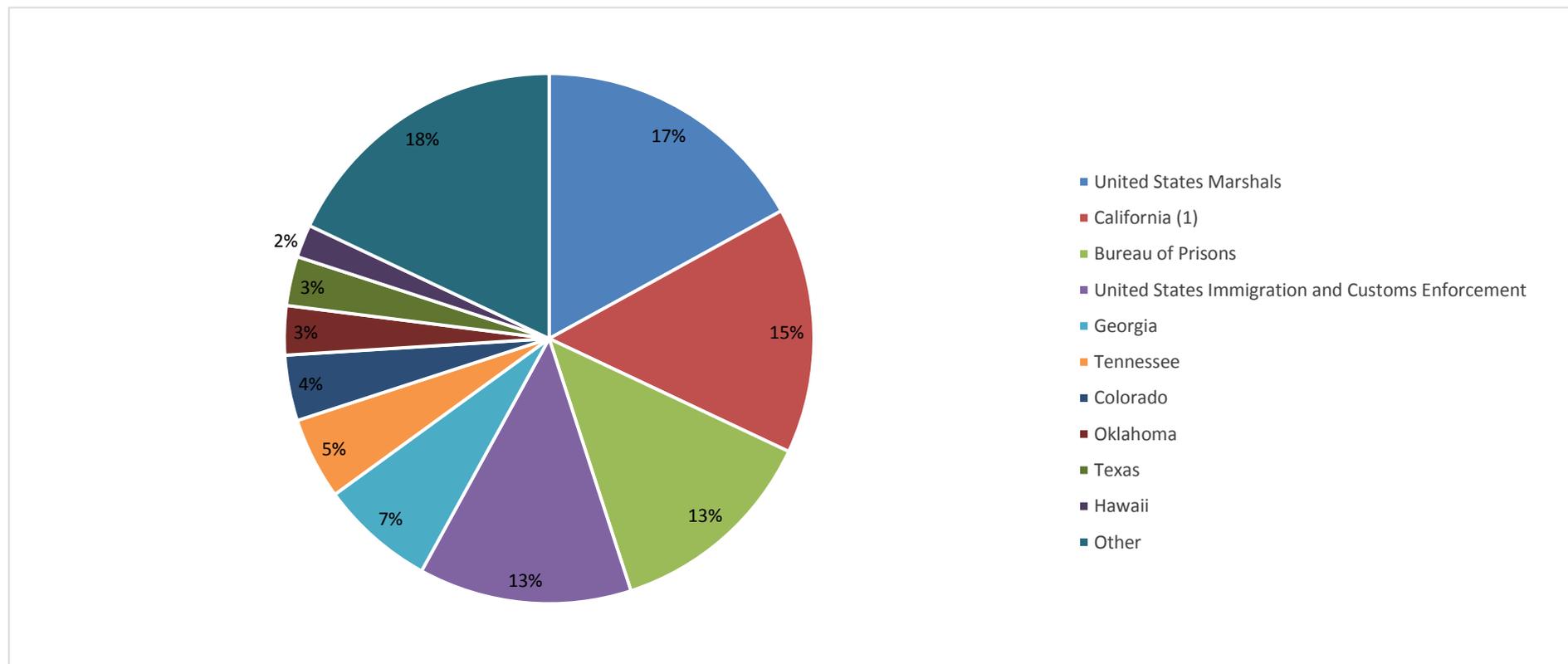
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
<u>COVERAGE RATIOS:</u>				
Interest coverage ratio (Adjusted EBITDA/Interest incurred) (x)	9.2x	9.4x	9.1x	8.5x
Fixed charge coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled prin pmts)) (x)	9.2x	9.4x	9.1x	8.5x
Senior debt coverage ratio (Senior debt/Annualized Adjusted EBITDA) (x)	3.2x	3.0x	3.2x	3.1x
Total debt coverage ratio (Total debt/Annualized Adjusted EBITDA) (x)	3.2x	3.0x	3.2x	3.1x
Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)	7.3x	7.7x	7.3x	7.7x
<u>DEBT/EQUITY RATIOS:</u>				
Total debt/Total market capitalization	23.7%	22.8%	23.7%	22.8%
Total debt/Equity market capitalization	31.0%	29.6%	31.0%	29.6%
Total debt/Book equity capitalization	82.5%	78.6%	82.5%	78.6%
Total debt/Gross book value of real estate assets	32.9%	32.7%	32.9%	32.7%
<u>RETURN ON INVESTMENT RATIOS:</u>				
Annualized return on operating real estate investments (Annualized Adjusted EBITDA/Average operating real estate investments (undepreciated book value)*)	10.6%	10.8%	10.3%	10.7%
Annualized return on total assets (Annualized Adjusted EBITDA/Average total assets (undepreciated book value)*)	9.4%	9.7%	9.2%	9.6%
<u>OVERHEAD RATIOS:</u>				
Annualized general & administrative expenses (excl. non-recurring costs)/Average total assets (undepreciated book value)*	2.6%	2.3%	2.5%	2.3%
General & administrative expenses (excluding non-recurring costs)/Total revenues	6.8%	5.4%	6.5%	5.5%
<u>INTEREST EXPENSE, NET:</u>				
Interest income from continuing operations	\$ (440)	\$ (505)	\$ (3,187)	\$ (1,497)
Interest incurred	10,701	10,312	31,614	34,117
Amortization of debt costs and other non-cash interest	777	774	2,325	2,740
Capitalized interest	(662)	(203)	(1,664)	(504)
Interest expense, net	<u>\$ 10,376</u>	<u>\$ 10,378</u>	<u>\$ 29,088</u>	<u>\$ 34,856</u>
<u>EBITDA CALCULATION:</u>				
Net income	\$ 57,546	\$ 51,843	\$ 165,016	\$ 253,364
Interest expense, net	10,376	10,378	29,088	34,856
Depreciation and amortization	28,277	28,151	85,413	83,203
Income tax expense (benefit)	2,071	4,571	5,490	(133,253)
(Income) loss from discontinued operations, net of taxes	-	663	-	3,757
EBITDA	<u>98,270</u>	<u>95,606</u>	<u>285,007</u>	<u>241,927</u>
Expenses associated with debt refinancing transactions	-	-	-	36,528
Expenses associated with REIT conversion	-	132	-	9,861
Expenses associated with mergers and acquisitions	-	572	-	667
Asset impairments	-	985	2,238	985
ADJUSTED EBITDA	<u>\$ 98,270</u>	<u>\$ 97,295</u>	<u>\$ 287,245</u>	<u>\$ 289,968</u>

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

PARTNER INFORMATION
(Unaudited)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>YTD 2014</u>	<u>TOTAL</u>
OWNED AND MANAGED:							
# of Contracts up for Renewal	35	26	27	22	29	21	160
# of Contracts Retained	30	23	27	21	25	21	147
Retention Rate	85.7%	88.5%	100.0%	95.5%	86.2%	100.0%	91.9%
MANAGED ONLY:							
# of Contracts up for Renewal	13	13	10	7	13	7	63
# of Contracts Retained	13	11	10	6	11	4	55
Retention Rate	100.0%	84.6%	100.0%	85.7%	84.6%	57.1%	87.3%
TOTAL RETENTION RATE	89.6%	87.2%	100.0%	93.1%	85.7%	89.3%	90.6%

TOP TEN PARTNERS
Percentage of Revenue for the Nine Months Ended September 30, 2014



(1) California revenues include rental revenue generated at the California City facility under a lease agreement with the California Department of Corrections and Rehabilitation.

FACILITY PORTFOLIO

Facility Name	Year Constructed (A)	Primary Customer	Design Capacity (B)	Security Level	Facility Type (C)	Term	Remaining Renewal Options (D)	Compensated Occupancy % for the Quarter ended 9/30/14
Owned and Managed Facilities:								
Central Arizona Detention Center Florence, Arizona	1994, 1998	USMS	2,304	Multi	Detention	Sep-18	(2) 5 year	142.67%
Eloy Detention Center Eloy, Arizona	1995, 1996	ICE	1,500	Medium	Detention	Indefinite	-	97.49%
Florence Correctional Center Florence, Arizona	1999, 2004	USMS	1,824	Multi	Detention	Sep-18	(2) 5 year	112.62%
La Palma Correctional Center Eloy, Arizona	2008	State of California	3,060	Medium	Correctional	Jun-16	Indefinite	100.00%
Red Rock Correctional Center (E) Eloy, Arizona	2006	State of Arizona	1,596	Medium	Correctional	Jan-24	(2) 5 year	31.20%
Saguaro Correctional Facility Eloy, Arizona	2007	State of Hawaii	1,896	Medium	Correctional	Jun-15	(1) 1 year	73.41%
CAI Boston Avenue San Diego, California	1980, 2011	BOP	120	Non-secure	Community Corrections	May-15	(1) 1 year	101.78%
CAI Ocean View San Diego, California	1930, 2011	County of San Diego	483	Non-secure	Community Corrections	Jun-15	(2) 1 year	85.89%
San Diego Correctional Facility (F) San Diego, California	1999, 2000	ICE	1,154	Minimum/ Medium	Detention	Jun-17	(2) 3 year	87.47%
Bent County Correctional Facility Las Animas, Colorado	1992, 1997, 2008	State of Colorado	1,420	Medium	Correctional	Jun-15	-	97.37%
Crowley County Correctional Facility Olney Springs, Colorado	1998, 2004	State of Colorado	1,794	Medium	Correctional	Jun-15	-	80.13%
Huerfano County Correctional Center Walsenburg, Colorado	1997	-	752	Medium	Correctional	-	-	0.00%
Kit Carson Correctional Center Burlington, Colorado	1998, 2008	State of Colorado	1,488	Medium	Correctional	Jun-15	-	47.05%
Coffee Correctional Facility (G) Nicholls, Georgia	1998, 1999, 2010	State of Georgia	2,312	Medium	Correctional	Jun-15	(19) 1 year	112.85%
Jenkins Correctional Center (G) Millen, Georgia	2012	State of Georgia	1,124	Medium	Correctional	Jun-15	(20) 1 year	101.21%
McRae Correctional Facility McRae, Georgia	2000, 2002, 2012	BOP	1,978	Medium	Correctional	Nov-16	(3) 2 year	108.79%

FACILITY PORTFOLIO

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Facility Name	Year Constructed (A)	Primary Customer	Design Capacity (B)	Security Level	Facility Type (C)	Term	Remaining Renewal Options (D)	Compensated Occupancy % for the Quarter ended 9/30/14
Stewart Detention Center Lumpkin, Georgia	2004	ICE	1,752	Medium	Detention	Indefinite	-	105.81%
Wheeler Correctional Facility (G) Alamo, Georgia	1998, 1999, 2010	State of Georgia	2,312	Medium	Correctional	Jun-15	(19) 1 year	115.35%
Leavenworth Detention Center Leavenworth, Kansas	1992, 2000, 2004, 2008	USMS	1,033	Maximum	Detention	Dec-16	(2) 5 year	88.65%
Lee Adjustment Center Beattyville, Kentucky	1990	State of Vermont	816	Minimum/ Medium	Correctional	Jun-15	-	54.78%
Marion Adjustment Center St. Mary, Kentucky	1955, 1988	-	826	Minimum/ Medium	Correctional	-	-	0.00%
Otter Creek Correctional Center (H) Wheelwright, Kentucky	1993	-	656	Minimum/ Medium	Correctional	-	-	0.00%
Prairie Correctional Facility Appleton, Minnesota	1991	-	1,600	Medium	Correctional	-	-	0.00%
Adams County Correctional Center Adams County, Mississippi	2008	BOP	2,232	Medium	Correctional	Jul-15	(2) 2 year	108.17%
Tallahatchie County Correctional Facility (I) Tutwiler, Mississippi	2000, 2007, 2008	State of California	2,672	Medium	Correctional	Jun-16	Indefinite	100.80%
Crossroads Correctional Center (J) Shelby, Montana	1999	State of Montana	664	Multi	Correctional	Jun-15	(2) 2 year	97.88%
Nevada Southern Detention Center Pahrump, Nevada	2010	Office of the Federal Detention Trustee	1,072	Medium	Detention	Sep-15	(3) 5 year	72.05%
Elizabeth Detention Center Elizabeth, New Jersey	1963	ICE	300	Minimum	Detention	Sep-15	(6) 1 year	96.63%
Cibola County Corrections Center Milan, New Mexico	1994, 1999	BOP	1,129	Medium	Correctional	Sep-16	(2) 2 year	99.54%
New Mexico Women's Correctional Facility Grants, New Mexico	1989, 2000	State of New Mexico	596	Multi	Correctional	Jun-15	(1) 1 year	117.50%
Torrance County Detention Facility Estancia, New Mexico	1990, 1997	USMS	910	Multi	Detention	Indefinite	-	91.35%
Lake Erie Correctional Institution (K) Conneaut, Ohio	1999	State of Ohio	1,798	Medium	Correctional	Jun-32	Indefinite	98.39%
Northeast Ohio Correctional Center Youngstown, Ohio	1997	BOP	2,016	Medium	Correctional	May-15	-	101.07%

FACILITY PORTFOLIO

Facility Name	Year Constructed (A)	Primary Customer	Design Capacity (B)	Security Level	Facility Type (C)	Term	Remaining Renewal Options (D)	Compensated Occupancy % for the Quarter ended 9/30/14
Queensgate Correctional Facility Cincinnati, Ohio	1906	-	850	Medium	-	-	-	0.00%
Cimarron Correctional Facility (L) Cushing, Oklahoma	1997, 2008	State of Oklahoma	1,692	Medium	Correctional	Jun-15	(4) 1 year	97.39%
Davis Correctional Facility (L) Holdenville, Oklahoma	1996, 2008	State of Oklahoma	1,670	Medium	Correctional	Jun-15	(4) 1 year	99.68%
Diamondback Correctional Facility Watonga, Oklahoma	1998, 2000	-	2,160	Medium	Correctional	-	-	0.00%
North Fork Correctional Facility Sayre, Oklahoma	1998, 2007	State of California	2,400	Medium	Correctional	Jun-16	Indefinite	105.64%
West Tennessee Detention Facility Mason, Tennessee	1990, 1996	USMS	600	Multi	Detention	Sep-15	(7) 2 year	56.19%
Shelby Training Center Memphis, Tennessee	1986, 1995	-	200	Secure	-	-	-	0.00%
Whiteville Correctional Facility (M) Whiteville, Tennessee	1998	State of Tennessee	1,536	Medium	Correctional	Jun-16	-	97.44%
Eden Detention Center Eden, Texas	1990	BOP	1,422	Medium	Correctional	Apr-15	(1) 2 year	103.49%
Houston Processing Center Houston, Texas	1984, 2005	ICE	1,000	Medium	Detention	Mar-15	-	94.34%
Houston Educational Facility (N) Houston, Texas	1998	-	650	Non-secure	Community Corrections	-	-	0.00%
Laredo Processing Center Laredo, Texas	1985, 1990	ICE	258	Minimum/ Medium	Detention	Jun-18	-	117.18%
Webb County Detention Center Laredo, Texas	1998	USMS	480	Medium	Detention	Nov-17	-	91.47%
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	1995	-	2,103	Minimum	Correctional	-	-	0.00%
T. Don Hutto Residential Center Taylor, Texas	1997	ICE	512	Non-secure	Detention	Jan-15	Indefinite	99.03%
D.C. Correctional Treatment Facility (O) Washington D.C.	1992	District of Columbia	1,500	Medium	Detention	Jan-17	-	42.18%
Total design capacity for Owned and Managed Facilities (49 Owned and Managed Facilities)			<u>66,222</u>					<u>81.3%</u>

FACILITY PORTFOLIO

Facility Name	Year Constructed (A)	Primary Customer	Design Capacity (B)	Security Level	Facility Type (C)	Term	Remaining Renewal Options (D)	Compensated Occupancy % for the Quarter ended 9/30/14
Managed Only Facilities:								
Citrus County Detention Facility Lecanto, Florida	1992, 2007	Citrus County, FL	760	Multi	Detention	Sep-15	Indefinite	65.44%
Lake City Correctional Facility Lake City, Florida	1997, 2005	State of Florida	893	Secure	Correctional	Jun-16	Indefinite	99.40%
Marion County Jail Indianapolis, Indiana	1997, 2005	Marion County, IN	1,030	Multi	Detention	Dec-17	(1) 10 year	104.09%
Winn Correctional Center Winnfield, Louisiana	1990, 1992, 1996	State of Louisiana	1,538	Medium/ Maximum	Correctional	Jun-20	-	102.18%
Silverdale Facilities Chattanooga, Tennessee	1985, 1997, 1998, 2005, 2008	Hamilton County, TN	1,046	Multi	Detention	Apr-16	-	95.63%
South Central Correctional Center Clifton, Tennessee	1992, 1994, 1995, 2005	State of Tennessee	1,676	Medium	Correctional	Jun-16	(1) 2 year	97.72%
Metro-Davidson County Detention Facility Nashville, Tennessee	1992, 1995, 2011	Davidson County, TN	1,348	Multi	Detention	Jan-15	-	74.79%
Hardeman County Correctional Facility Whiteville, Tennessee	1997	State of Tennessee	2,016	Medium	Correctional	May-17	-	97.40%
Bartlett State Jail Bartlett, Texas	1995	State of Texas	1,049	Minimum/ Medium	Correctional	Aug-15	(1) 2 year	99.12%
Bradshaw State Jail Henderson, Texas	1995	State of Texas	1,980	Minimum/ Medium	Correctional	Aug-15	(1) 2 year	99.20%
Lindsey State Jail Jacksboro, Texas	1995	State of Texas	1,031	Minimum/ Medium	Correctional	Aug-15	(1) 2 year	94.67%
Willacy State Jail Raymondville, Texas	1995	State of Texas	1,069	Minimum/ Medium	Correctional	Aug-15	(1) 2 year	99.96%
Total design capacity for Managed Only Facilities (12 Managed Only Facilities)			<u>15,436</u>					<u>95.1%</u>
Total design capacity for All Owned and Managed and Managed Only Facilities as of September 30, 2014			<u>81,658</u>					<u>83.9%</u>

FACILITY PORTFOLIO

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Facility Name	Year Constructed (A)	Primary Customer	Design Capacity (B)	Security Level	Facility Type (C)	Term	Remaining Renewal Options (D)	Compensated Occupancy % for the Quarter ended 9/30/14
Leased Facilities:								
California City Correctional Center (P) California City, California	1999	CDCR	2,560	Medium	Owned/Leased	Dec-16	Indefinite	100.00%
Leo Chesney Correctional Center Live Oak, California	1989	GEO Group	240	Minimum	Owned/Leased	Sep-15	-	100.00%
Bridgeport Pre-Parole Transfer Facility (Q) Bridgeport, Texas	1989	MTC	200	Medium	Owned/Leased	Aug-15	(1) 2 year	100.00%
Total design capacity for Leased Facilities (3 Facilities)			3,000					100.00%
Total Portfolio			84,658					84.5%
Less Idle Facilities:			(9,797)					0.0%
Total Portfolio, Excluding Idle Facilities			74,861					95.6%

Expansion and Development Projects:

Facility Name	Estimated Completion	Potential Customer(s)	Design Capacity (B)	Project Description	Estimated Total Investment (in millions)	Spent to Date (in millions)
Otay Mesa Detention Center San Diego, California	Third quarter 2015	ICE	1,492	New owned facility	\$156.0 - \$160.0	\$102.9
Trousdale Turner Correctional Center Hartsville, Tennessee	Fourth quarter 2015	State of Tennessee	2,552	New owned facility	\$140.0 - \$145.0	\$38.0
South Texas Family Residential Center (R) Dilley, Texas	Fourth quarter 2014	ICE	2,400	New leased/ controlled facility	\$18.4	-
Projected Design Capacity for Expansion and Development Projects			6,444			

(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 September 30, 2014. 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 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.

FACILITY PORTFOLIO

Facility Name	Year Constructed (A)	Primary Customer	Design Capacity (B)	Security Level	Facility Type (C)	Term	Remaining Renewal Options (D)	Compensated Occupancy % for the Quarter ended 9/30/14
<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, as defined, or fair market value at any time during the term of the contract between us and the GDOC.</p> <p>(H) In late January 2012, the governor of Kentucky submitted his proposed budget which included the transfer of the inmates 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. In December 2013, we entered into an agreement with the city of Wheelwright that extends the reversion by up to two years in exchange for \$20,000 per month or until we resume operations, as defined in the agreement.</p> <p>(I) 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.</p> <p>(J) 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.</p> <p>(K) 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.</p> <p>(L) 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>(M) 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.</p> <p>(N) In the third quarter of 2014, we entered into a purchase and sale agreement with a third party to purchase this currently idle facility. We expect to close on the sale during the fourth quarter of 2014.</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 in 2017, ownership of the facility automatically reverts to the District of Columbia.</p> <p>(P) Effective December 1, 2013, we entered into a lease for our California City Correctional Center with the state of California Department of Corrections and Rehabilitation, or CDCR. The lease agreement includes a three-year base term with unlimited two-year renewal options upon mutual agreement.</p> <p>(Q) During September 2013, we entered into a lease agreement with Management and Training Corporation to assume the operation of this facility.</p> <p>(R) In September 2014, we began leasing this facility and the 50-acre site upon which it is being constructed from a third-party lessor. We expect ICE to begin housing the first residents at the facility in early December 2014, and the site is expected to be ready for full capacity during the second quarter of 2015. We expect to incur \$18.4 million in certain leasehold improvements and furniture, fixtures and equipment, which amount is in addition to the lease payments under the lease agreement. We expect to complete these additions by the end of the second quarter of 2015 when the South Texas facility is expected to be ready for full occupancy.</p>								

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Credit Ratings:

	Fitch	Standard & Poor's	Moody's
Corporate Credit Rating	BB +	BB+	Not rated
Senior Unsecured Debt	BB +	BB+	Ba1
Senior Bank Credit Facility	BBB -	BBB	Not Rated

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