



**CORRECTIONS CORPORATION OF AMERICA**

**Supplemental Financial Information  
For the Quarter Ended September 30, 2006**

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, 2006

### TABLE OF CONTENTS

Consolidated Balance Sheets .....	1
Consolidated Statements of Operations .....	2
Reconciliation of Basic to Diluted Earnings Per Share .....	3
Selected Financial Information .....	4
Analysis of Outstanding Debt .....	7
Selected Operating Ratios .....	8
Facility Portfolio .....	9
Diversification of Revenue .....	15
Research Coverage / Credit Ratings .....	16

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

1 of 16

<b>ASSETS</b>	<b>September 30, 2006</b>	<b>June 30, 2006</b>	<b>March 31, 2006</b>	<b>December 31, 2005</b>	<b>September 30, 2005</b>
Cash and cash equivalents	\$ 58,066	\$ 55,395	\$ 64,924	\$ 64,901	\$ 66,402
Restricted cash	11,676	11,531	11,399	11,284	11,182
Investments	71,728	60,822	49,481	19,014	8,897
Accounts receivable, net of allowance	211,185	188,739	167,554	176,560	173,787
Deferred tax assets	18,198	16,386	27,076	32,488	38,365
Prepaid expenses and other current assets	19,965	22,043	9,453	15,884	18,816
Total current assets	<u>390,818</u>	<u>354,916</u>	<u>329,887</u>	<u>320,131</u>	<u>317,449</u>
Property and equipment, net	1,772,634	1,742,441	1,722,742	1,710,794	1,691,009
Investment in direct financing lease	15,691	15,908	16,118	16,322	16,520
Goodwill	15,246	15,246	15,246	15,246	15,425
Other assets	24,755	25,819	26,057	23,820	24,862
Total assets	<u>\$ 2,219,144</u>	<u>\$ 2,154,330</u>	<u>\$ 2,110,050</u>	<u>\$ 2,086,313</u>	<u>\$ 2,065,265</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Accounts payable and accrued expenses	\$ 166,239	\$ 146,435	\$ 138,479	\$ 142,864	\$ 142,320
Income tax payable	2,660	2,637	1,715	1,435	2,032
Current portion of long-term debt	296	331	381	11,836	21,871
Total current liabilities	<u>169,195</u>	<u>149,403</u>	<u>140,575</u>	<u>156,135</u>	<u>166,223</u>
Long-term debt, net of current portion	976,040	976,113	976,185	963,800	964,236
Deferred tax liabilities	27,203	15,409	13,906	12,087	8,777
Other liabilities	38,357	38,326	37,719	37,660	38,264
Total liabilities	<u>1,210,795</u>	<u>1,179,251</u>	<u>1,168,385</u>	<u>1,169,682</u>	<u>1,177,500</u>
Commitments and contingencies					
Common stock - \$0.01 par value	607	604	601	595	593
Additional paid-in capital	1,519,042	1,511,905	1,504,122	1,505,986	1,501,395
Deferred compensation	-	-	-	(5,563)	(6,431)
Retained deficit	(511,300)	(537,430)	(563,058)	(584,387)	(607,792)
Total stockholders' equity	<u>1,008,349</u>	<u>975,079</u>	<u>941,665</u>	<u>916,631</u>	<u>887,765</u>
Total liabilities and stockholders' equity	<u>\$ 2,219,144</u>	<u>\$ 2,154,330</u>	<u>\$ 2,110,050</u>	<u>\$ 2,086,313</u>	<u>\$ 2,065,265</u>

## CONSOLIDATED STATEMENTS OF OPERATIONS

2 of 16

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005	2006	2005
<b>REVENUE:</b>				
Management:				
Federal	\$ 134,228	\$ 118,511	\$ 388,339	\$ 341,565
State	164,698	149,207	476,523	424,645
Local	21,571	20,313	62,332	59,473
Other	13,113	11,947	39,455	35,450
Total management revenue	<u>333,610</u>	<u>299,978</u>	<u>966,649</u>	<u>861,133</u>
Transportation	4,555	3,254	11,593	11,123
Rental	1,061	999	3,146	2,955
Other	41	136	113	232
	<u>339,267</u>	<u>304,367</u>	<u>981,501</u>	<u>875,443</u>
<b>EXPENSES:</b>				
Operating:				
Facility fixed	180,871	166,292	526,275	490,156
Facility variable	62,555	54,695	181,501	157,746
Transportation	5,246	4,952	15,008	16,208
Other	449	67	1,185	243
Total operating expenses	<u>249,121</u>	<u>226,006</u>	<u>723,969</u>	<u>664,353</u>
General and administrative	16,379	14,352	46,717	40,477
Depreciation and amortization	17,538	15,315	49,567	44,132
	<u>283,038</u>	<u>255,673</u>	<u>820,253</u>	<u>748,962</u>
<b>OPERATING INCOME</b>	<u>56,229</u>	<u>48,694</u>	<u>161,248</u>	<u>126,481</u>
<b>OTHER (INCOME) EXPENSE:</b>				
Interest expense, net	14,825	15,273	44,503	48,245
Expenses associated with debt refinancing and recapitalization transactions	-	-	982	35,269
Other (income) expenses	(299)	191	(413)	240
	<u>14,526</u>	<u>15,464</u>	<u>45,072</u>	<u>83,754</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	41,703	33,230	116,176	42,727
Income tax expense	<u>(15,573)</u>	<u>(12,437)</u>	<u>(43,089)</u>	<u>(15,817)</u>
<b>INCOME FROM CONTINUING OPERATIONS</b>	26,130	20,793	73,087	26,910
Loss from discontinued operations, net of taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>(193)</u>
<b>NET INCOME</b>	<u>\$ 26,130</u>	<u>\$ 20,793</u>	<u>\$ 73,087</u>	<u>\$ 26,717</u>
<b>BASIC EARNINGS PER SHARE</b>	<u>\$ 0.44</u>	<u>\$ 0.35</u>	<u>\$ 1.22</u>	<u>\$ 0.47</u>
<b>DILUTED EARNINGS PER SHARE</b>	<u>\$ 0.42</u>	<u>\$ 0.34</u>	<u>\$ 1.19</u>	<u>\$ 0.45</u>

## RECONCILIATION OF BASIC TO DILUTED EARNINGS PER SHARE

3 of 16

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

	<b>For the Three Months Ended September 30,</b>		<b>For the Nine Months Ended September 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Basic:</b>				
Income from continuing operations	\$ 26,130	\$ 20,793	\$ 73,087	\$ 26,910
Loss from discontinued operations, net of taxes	-	-	-	(193)
Net income	<u>\$ 26,130</u>	<u>\$ 20,793</u>	<u>\$ 73,087</u>	<u>\$ 26,717</u>
<b>Diluted:</b>				
Income from continuing operations	\$ 26,130	\$ 20,793	\$ 73,087	\$ 26,910
Interest expense applicable to convertible notes, net of taxes	-	-	-	124
Diluted income from continuing operations	26,130	20,793	73,087	27,034
Loss from discontinued operations, net of taxes	-	-	-	(193)
Diluted net income	<u>\$ 26,130</u>	<u>\$ 20,793</u>	<u>\$ 73,087</u>	<u>\$ 26,841</u>
<b>Basic:</b>				
Weighted average common shares outstanding	60,530	59,145	60,206	57,726
Unvested restricted common stock	(509)	(484)	(513)	(435)
Weighted average common shares outstanding-basic	<u>60,021</u>	<u>58,661</u>	<u>59,693</u>	<u>57,291</u>
<b>Diluted:</b>				
Weighted average common shares outstanding-basic	60,021	58,661	59,693	57,291
<b>Effect of dilutive securities:</b>				
Stock options and warrants	1,540	1,627	1,500	1,761
Convertible notes	-	-	-	1,091
Restricted stock-based compensation	147	186	166	153
Weighted average shares and assumed conversions-diluted	<u>61,708</u>	<u>60,474</u>	<u>61,359</u>	<u>60,296</u>
<b>Basic earnings per share:</b>				
Income from continuing operations	\$ 0.44	\$ 0.35	\$ 1.22	\$ 0.47
Loss from discontinued operations, net of taxes	-	-	-	-
Net income	<u>\$ 0.44</u>	<u>\$ 0.35</u>	<u>\$ 1.22</u>	<u>\$ 0.47</u>
<b>Diluted earnings per share:</b>				
Income from continuing operations	\$ 0.42	\$ 0.34	\$ 1.19	\$ 0.45
Loss from discontinued operations, net of taxes	-	-	-	-
Diluted net income	<u>\$ 0.42</u>	<u>\$ 0.34</u>	<u>\$ 1.19</u>	<u>\$ 0.45</u>

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

	<u>September 30, 2006</u>	<u>June 30, 2006</u>	<u>March 31, 2006</u>	<u>December 31, 2005</u>	<u>September 30, 2005</u>
<b>BALANCE SHEET:</b>					
Property and equipment	\$ 2,184,824	\$ 2,136,231	\$ 2,099,186	\$ 2,070,941	\$ 2,034,759
Accumulated depreciation and amortization	(412,190)	(393,790)	(376,444)	(360,147)	(343,750)
Property and equipment, net	<u>\$ 1,772,634</u>	<u>\$ 1,742,441</u>	<u>\$ 1,722,742</u>	<u>\$ 1,710,794</u>	<u>\$ 1,691,009</u>
Total assets	\$ 2,219,144	\$ 2,154,330	\$ 2,110,050	\$ 2,086,313	\$ 2,065,265
Maintenance & technology capital expenditures for the quarter ended	\$ 13,111	\$ 12,848	\$ 9,519	\$ 11,326	\$ 6,628
Total debt	\$ 976,336	\$ 976,444	\$ 976,566	\$ 975,636	\$ 986,107
Equity book value	\$ 1,008,349	\$ 975,079	\$ 941,665	\$ 916,631	\$ 887,765
<b>LIQUIDITY:</b>					
Cash and cash equivalents	\$ 58,066	\$ 55,395	\$ 64,924	\$ 64,901	\$ 66,402
Investments	\$ 71,728	\$ 60,822	\$ 49,481	\$ 19,014	\$ 8,897
Availability under revolving credit facility	\$ 112,560	\$ 113,060	\$ 113,519	\$ 78,519	\$ 66,380
<b>CAPITALIZATION:</b>					
Common shares outstanding	60,670	60,392	60,143	59,541	59,328
Common share price at end of period	\$ 43.25	\$ 35.29	\$ 30.13	\$ 29.98	\$ 26.47
Market value of common equity at end of period	<u>\$ 2,623,978</u>	<u>\$ 2,131,417</u>	<u>\$ 1,812,294</u>	<u>\$ 1,785,039</u>	<u>\$ 1,570,214</u>
Total equity market capitalization	<u>\$ 2,623,978</u>	<u>\$ 2,131,417</u>	<u>\$ 1,812,294</u>	<u>\$ 1,785,039</u>	<u>\$ 1,570,214</u>
Total market capitalization (market value of equity plus debt)	<u>\$ 3,600,314</u>	<u>\$ 3,107,861</u>	<u>\$ 2,788,860</u>	<u>\$ 2,760,675</u>	<u>\$ 2,556,321</u>
<b>EBITDA</b>	\$ 74,066	\$ 71,547	\$ 64,633	\$ 66,158	\$ 63,818
<b>ADJUSTED EBITDA</b>	\$ 74,066	\$ 71,547	\$ 65,615	\$ 67,147	\$ 63,818
<b>ADJUSTED FREE CASH FLOW</b>	\$ 44,589	\$ 43,985	\$ 42,983	\$ 41,450	\$ 43,585
<b>ADJUSTED FREE CASH FLOW PER SHARE:</b>					
Basic adjusted free cash flow per share	<u>\$ 0.74</u>	<u>\$ 0.74</u>	<u>\$ 0.72</u>	<u>\$ 0.70</u>	<u>\$ 0.74</u>
Diluted adjusted free cash flow per share	<u>\$ 0.72</u>	<u>\$ 0.72</u>	<u>\$ 0.70</u>	<u>\$ 0.68</u>	<u>\$ 0.72</u>

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

	<b>For the Three Months Ended September 30,</b>		<b>For the Nine Months Ended September 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Number of days per period	92	92	273	273
<b>ALL FACILITIES:</b>				
Average available beds	<u>72,639</u>	<u>69,236</u>	<u>71,527</u>	<u>68,990</u>
Average compensated occupancy	<u>94.5%</u>	<u>92.7%</u>	<u>94.4%</u>	<u>90.8%</u>
Total compensated man-days	<u>6,316,621</u>	<u>5,902,426</u>	<u>18,425,894</u>	<u>17,102,008</u>
Revenue per compensated man-day	\$ 52.81	\$ 50.82	\$ 52.46	\$ 50.35
Operating expenses per compensated man-day:				
Fixed expense	28.63	28.17	28.56	28.66
Variable expense	<u>9.90</u>	<u>9.27</u>	<u>9.85</u>	<u>9.22</u>
Total	<u>38.53</u>	<u>37.44</u>	<u>38.41</u>	<u>37.88</u>
Operating margin per compensated man-day	<u>\$ 14.28</u>	<u>\$ 13.38</u>	<u>\$ 14.05</u>	<u>\$ 12.47</u>
Operating margin rate	<u>27.0%</u>	<u>26.3%</u>	<u>26.8%</u>	<u>24.8%</u>
<b>DEPRECIATION AND AMORTIZATION:</b>				
Depreciation expense	18,676	16,309	52,981	47,242
Amortization of intangible assets	28	32	84	96
Amortization of negative contract values	(1,166)	(1,026)	(3,498)	(3,206)
Depreciation and amortization	<u>\$ 17,538</u>	<u>\$ 15,315</u>	<u>\$ 49,567</u>	<u>\$ 44,132</u>
<b>ADJUSTED FREE CASH FLOW:</b>				
Pre-tax income	\$ 41,703	\$ 33,230	\$ 116,176	\$ 42,534
Expenses associated with debt refinancing and recapitalization transactions	-	-	982	35,269
Income taxes paid	(3,746)	(171)	(6,790)	(15,636)
Depreciation and amortization	17,538	15,315	49,567	44,132
Depreciation and amortization for discontinued operations	-	-	-	186
Income tax (benefit) expense for discontinued operations	-	-	-	(101)
Stock-based compensation reflected in G&A expenses	1,135	510	3,704	1,174
Amortization of debt costs and other non-cash interest	1,070	1,329	3,396	4,034
Maintenance and technology capital expenditures	(13,111)	(6,628)	(35,478)	(24,879)
Adjusted free cash flow	<u>\$ 44,589</u>	<u>\$ 43,585</u>	<u>\$ 131,557</u>	<u>\$ 86,713</u>
<b>ADJUSTED FREE CASH FLOW PER SHARE:</b>				
Basic	<u>\$ 0.74</u>	<u>\$ 0.74</u>	<u>\$ 2.20</u>	<u>\$ 1.51</u>
Diluted	<u>\$ 0.72</u>	<u>\$ 0.72</u>	<u>\$ 2.14</u>	<u>\$ 1.44</u>

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

	<b>For the Three Months Ended September 30,</b>		<b>For the Nine Months Ended September 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>MANAGED ONLY FACILITIES:</b>				
Management revenue	\$ 88,308	\$ 85,882	\$ 261,458	\$ 246,115
Operating expenses:				
Fixed expense	57,379	51,631	166,918	153,954
Variable expense	19,462	18,014	57,359	53,649
Total	<u>76,841</u>	<u>69,645</u>	<u>224,277</u>	<u>207,603</u>
Contribution	<u>\$ 11,467</u>	<u>\$ 16,237</u>	<u>\$ 37,181</u>	<u>\$ 38,512</u>
Average available beds	<u>25,958</u>	<u>25,284</u>	<u>25,831</u>	<u>25,038</u>
Average compensated occupancy	<u>96.8%</u>	<u>97.4%</u>	<u>96.6%</u>	<u>96.7%</u>
Total compensated man-days	<u>2,312,810</u>	<u>2,266,306</u>	<u>6,810,002</u>	<u>6,608,938</u>
Revenue per compensated man-day	\$ 38.18	\$ 37.90	\$ 38.39	\$ 37.24
Operating expenses per compensated man-day:				
Fixed expense	24.81	22.78	24.51	23.29
Variable expense	8.41	7.95	8.42	8.12
Total	<u>33.22</u>	<u>30.73</u>	<u>32.93</u>	<u>31.41</u>
Operating margin per compensated man-day	<u>\$ 4.96</u>	<u>\$ 7.17</u>	<u>\$ 5.46</u>	<u>\$ 5.83</u>
Operating margin rate	<u>13.0%</u>	<u>18.9%</u>	<u>14.2%</u>	<u>15.7%</u>
<b>OWNED AND MANAGED FACILITIES:</b>				
Management revenue	\$ 245,302	\$ 214,096	\$ 705,191	\$ 615,018
Operating expenses:				
Fixed expense	123,492	114,661	359,357	336,202
Variable expense	43,093	36,681	124,142	104,097
Total	<u>166,585</u>	<u>151,342</u>	<u>483,499</u>	<u>440,299</u>
Contribution	<u>\$ 78,717</u>	<u>\$ 62,754</u>	<u>\$ 221,692</u>	<u>\$ 174,719</u>
Average available beds	<u>46,681</u>	<u>43,952</u>	<u>45,696</u>	<u>43,952</u>
Average compensated occupancy	<u>93.2%</u>	<u>89.9%</u>	<u>93.1%</u>	<u>87.5%</u>
Total compensated man-days	<u>4,003,811</u>	<u>3,636,120</u>	<u>11,615,892</u>	<u>10,493,070</u>
Revenue per compensated man-day	\$ 61.27	\$ 58.88	\$ 60.71	\$ 58.61
Operating expenses per compensated man-day:				
Fixed	30.84	31.53	30.94	32.04
Variable	10.76	10.09	10.69	9.92
Total	<u>41.60</u>	<u>41.62</u>	<u>41.63</u>	<u>41.96</u>
Operating margin per compensated man-day	<u>\$ 19.67</u>	<u>\$ 17.26</u>	<u>\$ 19.08</u>	<u>\$ 16.65</u>
Operating margin rate	<u>32.1%</u>	<u>29.3%</u>	<u>31.4%</u>	<u>28.4%</u>



## ANALYSIS OF OUTSTANDING DEBT

(Unaudited and amounts in thousands)

	<u>Outstanding Balance 12/31/2005</u>	<u>Outstanding Balance 9/30/2006</u>	<u>Stated Interest Rate</u>	<u>Effective Interest Rate</u> <sup>1)</sup>	<u>Maturity Date</u>	<u>Callable/ Redeemable</u>
<b>Fixed Rate:</b>						
\$250.0 Million Senior Notes	250,000	250,000	7.50%	7.88%	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	201,548	201,331	7.50%	7.65%	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
\$375.0 Million Senior Notes	375,000	375,000	6.25%	6.50%	March 2013	On or prior to March 15, 2008, 35% redeemable at 106.25% with proceeds from equity offerings; on or after March 15, 2009, 100% redeemable at various premium prices until March 15, 2011 at par
\$150.0 Million Senior Notes	-	150,000	6.75%	7.00%	January 2014	On or prior to January 31, 2009, 35% redeemable at 106.75% with proceeds from equity offerings; on or after January 31, 2010, 100% redeemable at various premium prices until January 31, 2012 at par
Other Debt	138	5	6.00%	6.00%	December 2006	
Total Fixed Rate Debt	<u>826,686</u>	<u>976,336</u>				
<b>Floating Rate:</b>						
\$150.0 Million Revolving Credit Facility	-	-			2) February 2011	
Lehman Credit Facility, Term	138,950	-			3) March 31, 2008	
\$125.0 Million Revolver	10,000	-			4) March 31, 2006	
Total Floating Rate Debt	<u>148,950</u>	<u>-</u>			5)	
Grand Total Debt	<u>\$ 975,636</u>	<u>\$ 976,336</u>	6.99%	7.28%	5.71	6)

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

<sup>2)</sup> On Feb 3, 2006 the Company replaced the old credit facility with a new \$150 million Revolving Credit Facility. The Company has \$37.4 million of letters of credit outstanding under a sub-facility, which effectively reduces the Company's borrowing capacity under the New Revolving Credit Facility to \$112.6 million. The New Revolving Credit facility currently bears interest at LIBOR plus a margin of 1.00%.

<sup>3)</sup> The variable interest rate on the Term portion of the Lehman Credit Facility was LIBOR + 1.75%. This loan was fully repaid and was retired in January 2006.

<sup>4)</sup> The variable interest rate was LIBOR + 1.5%. This credit facility was retired in February 2006.

<sup>5)</sup> The stated and effective interest rates are zero on the New Revolving Credit Facility as there are currently no amounts outstanding.

<sup>6)</sup> 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>
<b>2006</b>	79	0.01%	0.01%
<b>2007</b>	290	0.03%	0.04%
<b>2008</b>	290	0.03%	0.07%
<b>2009</b>	290	0.03%	0.10%
<b>2010</b>	290	0.03%	0.13%
<b>2011</b>	450,097	46.10%	46.23%
<b>Thereafter</b>	<u>525,000</u>	<u>53.77%</u>	100.00%
	<u>\$ 976,336</u>	<u>100.00%</u>	

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

8 of 16

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005	2006	2005
<b><u>COVERAGE RATIOS:</u></b>				
Interest coverage ratio (Adjusted EBITDA/Interest incurred) (x)	4.4	3.8	4.1	3.3
Fixed charge coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled prin pmts)) (x)	4.3	3.7	4.1	3.2
Senior debt coverage ratio (Senior debt/Annualized Adjusted EBITDA) (x)	3.3	3.9	3.5	4.3
Total debt coverage ratio (Total debt/Annualized Adjusted EBITDA) (x)	3.3	3.9	3.5	4.3
Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)	6.4	7.0	6.2	6.7
<b><u>DEBT/EQUITY RATIOS:</u></b>				
Total debt/Total market capitalization	27.1%	38.6%	27.1%	38.6%
Total debt/Equity market capitalization	37.2%	62.8%	37.2%	62.8%
Total debt/Book equity capitalization	96.8%	111.1%	96.8%	111.1%
Total debt/Gross book value of real estate assets	44.4%	48.1%	44.4%	48.1%
<b><u>RETURN ON INVESTMENT RATIOS:</u></b>				
Annualized return on operating real estate investments (Annualized Adjusted EBITDA/Average operating real estate investments (undepreciated book value)*)	13.6%	12.5%	13.1%	11.3%
Annualized return on total assets (Annualized Adjusted EBITDA/Average total assets (undepreciated book value)*)	11.4%	10.7%	11.1%	9.6%
<b><u>OVERHEAD RATIOS:</u></b>				
Annualized general & administrative expenses/Average total assets (undepreciated book value)*	2.5%	2.4%	2.5%	2.3%
General & administrative expenses/Total revenues	4.8%	4.7%	4.8%	4.6%
<b><u>INTEREST EXPENSE, NET:</u></b>				
Interest income from continuing operations	\$ (2,654)	\$ (1,404)	\$ (6,547)	\$ (3,803)
Interest incurred	17,025	16,773	51,088	51,703
Amortization of debt costs and other non-cash interest	1,070	1,329	3,396	4,034
Capitalized interest	(616)	(1,425)	(3,434)	(3,689)
Interest expense, net	<u>\$ 14,825</u>	<u>\$ 15,273</u>	<u>\$ 44,503</u>	<u>\$ 48,245</u>
<b><u>EBITDA CALCULATION:</u></b>				
Net income	\$ 26,130	\$ 20,793	\$ 73,087	\$ 26,717
Interest expense, net	14,825	15,273	44,503	48,245
Depreciation and amortization	17,538	15,315	49,567	44,132
Income tax (benefit) expense	15,573	12,437	43,089	15,817
(Income) loss from discontinued operations, net of taxes	-	-	-	193
EBITDA	<u>74,066</u>	<u>63,818</u>	<u>210,246</u>	<u>135,104</u>
Expenses associated with debt refinancing and recapitalization transactions	-	-	982	35,269
ADJUSTED EBITDA	<u>\$ 74,066</u>	<u>\$ 63,818</u>	<u>\$ 211,228</u>	<u>\$ 170,373</u>

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

**FACILITY PORTFOLIO**

<b>Facility Name</b>	<b>Year Constructed (A)</b>	<b>Primary Customer</b>	<b>Design Capacity (B)</b>	<b>Security Level</b>	<b>Facility Type (C)</b>	<b>Term</b>	<b>Remaining Renewal Options (D)</b>	<b>Compensated Occupancy % for the Quarter ended 9/30/06</b>
<b>Owned and Managed Facilities:</b>								
Central Arizona Detention Center Florence, Arizona	1994, 1998	USMS	2,304	Multi	Detention	May-07	(1) 1 year	142.35%
Eloy Detention Center Eloy, Arizona	1995, 1996	ICE	1,500	Low	Detention	Indefinite	-	91.41%
Florence Correctional Center Florence, Arizona	1999, 2004	USMS	1,824	Multi	Correctional	May-07	(1) 1 year	83.37%
Red Rock Correctional Center Eloy, Arizona	2006	State of Alaska	1,596	Medium	Correctional	Jun-08	(6) 1 year	39.23%
California City Correctional Center California City, California	1999	BOP	2,304	Medium	Correctional	Sep-07	(3) 1 year	114.00%
San Diego Correctional Facility (E) San Diego, California	1999, 2000	ICE	1,016	Minimum/ Medium	Detention	Jun-08	(5) 3 year	121.26%
Bent County Correctional Facility Las Animas, Colorado	1992, 1997	State of Colorado	700	Medium	Correctional	Jun-07	(1) 1 year	102.88%
Crowley County Correctional Facility Olney Springs, Colorado	1998, 2004	State of Colorado	1,794	Medium	Correctional	Jun-07	(1) 1 year	77.12%
Huerfano County Correctional Center (F) Walsenburg, Colorado	1997	State of Colorado	752	Medium	Correctional	Jun-07	(1) 1 year	102.14%
Kit Carson Correctional Center Burlington, Colorado	1998	State of Colorado	768	Medium	Correctional	Jun-07	(1) 1 year	103.93%
Coffee Correctional Facility (G) Nicholls, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jun-06	(23) 1 year	109.72%
McRae Correctional Facility McRae, Georgia	2000, 2002	BOP	1,524	Low	Correctional	Nov-06	(6) 1 year	107.13%
Stewart Detention Center (H) Lumpkin, Georgia	2004	-	1,524	Medium	Correctional	-	-	0.00%
Wheeler Correctional Facility (G) Alamo, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jun-06	(23) 1 year	109.75%
Leavenworth Detention Center Leavenworth, Kansas	1992, 2000, 2004	USMS	767	Maximum	Detention	Oct-06	(7) 2 month	110.95%
Lee Adjustment Center Beattyville, Kentucky	1990	State of Vermont	816	Minimum/ Medium	Correctional	Jun-07	-	91.97%
Marion Adjustment Center St. Mary, Kentucky	1955, 1988	Commonwealth of Kentucky	826	Minimum	Correctional	Dec-07	(3) 2 year	99.12%

**FACILITY PORTFOLIO**

<b>Facility Name</b>	<b>Year Constructed (A)</b>	<b>Primary Customer</b>	<b>Design Capacity (B)</b>	<b>Security Level</b>	<b>Facility Type (C)</b>	<b>Term</b>	<b>Remaining Renewal Options (D)</b>	<b>Compensated Occupancy % for the Quarter ended 9/30/06</b>
Otter Creek Correctional Center (I) Wheelwright, Kentucky	1993	Commonwealth of Kentucky	656	Minimum/ Medium	Correctional	Jul-07	(4) 2 year	91.17%
Prairie Correctional Facility Appleton, Minnesota	1991	State of Washington	1,600	Medium	Correctional	Jun-07	-	90.62%
Tallahatchie County Correctional Facility (J) Tutwiler, Mississippi	2000	State of Hawaii	1,104	Medium	Correctional	Jun-07	(2) 2 year	89.66%
Crossroads Correctional Center (K) Shelby, Montana	1999	State of Montana	568	Multi	Correctional	Aug-07	(6) 2 year	97.87%
Cibola County Corrections Center Milan, New Mexico	1994, 1999	BOP	1,129	Low	Correctional	Sep-07	(3) 1 year	98.73%
New Mexico Women's Correctional Facility Grants, New Mexico	1989, 2000	State of New Mexico	596	Multi	Correctional	Jun-09	-	100.09%
Torrance County Detention Facility Estancia, New Mexico	1990, 1997	USMS	910	Multi	Detention	Indefinite	-	94.40%
Northeast Ohio Correctional Center Youngstown, Ohio	1997	BOP	2,016	Low	Correctional	May-09	(3) 2 year	95.99%
Cimarron Correctional Facility (L) Cushing, Oklahoma	1997	State of Oklahoma	960	Medium	Correctional	Jun-07	(2) 1 year	99.71%
Davis Correctional Facility (L) Holdenville, Oklahoma	1996	State of Oklahoma	960	Medium	Correctional	Jun-07	(2) 1 year	100.53%
Diamondback Correctional Facility Watonga, Oklahoma	1998, 2000	State of Arizona	2,160	Medium	Correctional	Jun-07	-	91.29%
North Fork Correctional Facility (M) Sayre, Oklahoma	1998	State of Wyoming	1,440	Medium	Correctional	Jun-08	-	33.50%
West Tennessee Detention Facility Mason, Tennessee	1990, 1996	USMS	600	Multi	Detention	Feb-07	-	73.12%
Shelby Training Center (N) Memphis, Tennessee	1986, 1995	Shelby County, TN	200	Secure	Juvenile	Apr-15	-	91.15%
Whiteville Correctional Facility (O) Whiteville, Tennessee	1998	State of Tennessee	1,536	Medium	Correctional	Sep-07	(1) 1 year	97.10%
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	1989	State of Texas	200	Medium	Correctional	Feb-07	(4) 1 year	98.37%

**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 9/30/06</u>
Eden Detention Center Eden, Texas	1990	BOP	1,225	Low	Correctional	Apr-06	(1) 1 year	115.10%
Houston Processing Center Houston, Texas	1984, 2005	ICE	905	Medium	Detention	Sep-07	(1) 1 year	96.31%
Laredo Processing Center Laredo, Texas	1985, 1990	ICE	258	Minimum/ Medium	Detention	Indefinite	-	139.02%
Webb County Detention Center Laredo, Texas	1998	USMS	480	Medium	Detention	Feb-07	-	117.30%
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	1995	State of Texas	2,103	Minimum	Correctional	Feb-07	(4) 1 year	98.94%
T. Don Hutto Residential Center Taylor, Texas	1997	ICE	512	Non-secure	Detention	Indefinite	-	100.00%
D.C. Correctional Treatment Facility (P) Washington D.C.	1992	District of Columbia	1,500	Medium	Detention	Mar-17	-	85.92%
Total design capacity for Owned and Managed Facilities (40 Owned and Managed Facilities)			<u>46,681</u>					
<b>Managed Only Facilities:</b>								
Bay Correctional Facility Panama City, Florida	N/A	State of Florida	750	Medium	Correctional	Jun-07	-	99.39%
Bay County Jail and Annex Panama City, Florida	N/A	Bay County, FL	1,150	Multi	Detention	Sep-12	(1) 6 year	82.99%
Citrus County Detention Facility Lecanto, Florida	N/A	Citrus County, FL	400	Multi	Detention	Sep-15	(1) 5 year	106.36%
Gadsden Correctional Institution Quincy, Florida	N/A	State of Florida	1,136	Minimum/ Medium	Correctional	Jun-07	-	99.48%
Hernando County Jail Brooksville, Florida	N/A	Hernando County, FL	730	Multi	Detention	Oct-10	-	92.72%
Lake City Correctional Facility Lake City, Florida	N/A	State of Florida	893	Secure	Correctional	Jun-09	-	99.47%
Idaho Correctional Center Boise, Idaho	N/A	State of Idaho	1,270	Minimum/ Medium	Correctional	Jun-09	-	103.49%
Marion County Jail Indianapolis, Indiana	N/A	Marion County, IN	1,030	Multi	Detention	Dec-06	-	99.54%

**FACILITY PORTFOLIO**

<b>Facility Name</b>	<b>Year Constructed (A)</b>	<b>Primary Customer</b>	<b>Design Capacity (B)</b>	<b>Security Level</b>	<b>Facility Type (C)</b>	<b>Term</b>	<b>Remaining Renewal Options (D)</b>	<b>Compensated Occupancy % for the Quarter ended 9/30/06</b>
Winn Correctional Center Winnfield, Louisiana	N/A	State of Louisiana	1,538	Medium/ Maximum	Correctional	Sep-08	-	99.42%
Delta Correctional Facility Greenwood, Mississippi	N/A	State of Mississippi	1,172	Minimum/ Medium	Correctional	Oct-06	(1) 1 year	93.43%
Wilkinson County Correctional Facility Woodville, Mississippi	N/A	State of Mississippi	1,000	Medium	Correctional	Sep-07	(2) 1 year	96.40%
Elizabeth Detention Center Elizabeth, New Jersey	N/A	ICE	300	Minimum	Detention	Sep-08	(5) 3 year	100.00%
Camino Nuevo Correctional Center Albuquerque, New Mexico	N/A	State of New Mexico	192	Multi	Correctional	Mar-10	-	44.00%
Silverdale Facilities Chattanooga, Tennessee	N/A	Hamilton County, TN	918	Multi	Detention	Jan-08	Indefinite	93.63%
South Central Correctional Center Clifton, Tennessee	N/A	State of Tennessee	1,676	Medium	Correctional	Jul-07	-	97.40%
Metro-Davidson County Detention Facility Nashville, Tennessee	N/A	Davidson County, TN	1,092	Multi	Detention	Jul-07	(1) 1 year	88.52%
Hardeman County Correctional Facility Whiteville, Tennessee	N/A	State of Tennessee	2,016	Medium	Correctional	May-09	(3) 3 year	97.53%
B. M. Moore Correctional Center Overton, Texas	N/A	State of Texas	500	Minimum/ Medium	Correctional	Jan-07	(2) 1 year	99.69%
Bartlett State Jail Bartlett, Texas	N/A	State of Texas	1,001	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	99.88%
Bradshaw State Jail Henderson, Texas	N/A	State of Texas	1,980	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	99.60%
Dawson State Jail Dallas, Texas	N/A	State of Texas	2,216	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	98.34%
Diboll Correctional Center Diboll, Texas	N/A	State of Texas	518	Minimum/ Medium	Correctional	Jan-07	(2) 1 year	99.84%
Liberty County Jail/Juvenile Center (Q) Liberty, Texas	N/A	Liberty County, Texas	380	Multi	Detention	Jan-07	-	86.07%

**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 9/30/06</u>
Lindsey State Jail Jacksboro, Texas	N/A	State of Texas	1,031	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	99.53%
Willacy State Jail Raymondville, Texas	N/A	State of Texas	1,069	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	99.32%
Total design capacity for Managed Only Facilities (25 Managed Only Facilities)			<u>25,958</u>					
Total design capacity for All Facilities as of September 30, 2006			<u>72,639</u>					

**Expansion and Development Projects:**

<u>Facility Name</u>	<u>Estimated Completion</u>	<u>Potential Customer(s)</u>	<u>Design Capacity (B)</u>	<u>Project Description</u>
Citrus County Detention Facility Lecanto, Florida	First quarter 2007	Citrus County, FL	360	Expansion of managed only facility
Crossroads Correctional Center (K) Shelby, Montana	First quarter 2007	State of Montana & USMS	96	Expansion of owned facility
Bay Correctional Facility Panama City, Florida	Third quarter 2007	State of Florida	235	Expansion of managed only facility
Gadsden Correctional Institution Quincy, Florida	Third quarter 2007	State of Florida	384	Expansion of managed only facility
Saguaro Correctional Facility Eloy, Arizona	Mid-2007	State of Hawaii	1,896	New owned facility
North Fork Correctional Facility (M) Sayre, Oklahoma	Fourth quarter 2007	Various states	960	Expansion of owned facility
Tallahatchie County Correctional Facility (J) Tutwiler, Mississippi	Fourth quarter 2007	Federal and/or various states	360	Expansion of owned facility
Bent County Correctional Facility Las Animas, Colorado	Second quarter 2008	State of Colorado	720	Expansion of owned facility
Kit Carson Correctional Center Burlington, Colorado	Second quarter 2008	State of Colorado	720	Expansion of owned facility
<b>Projected design capacity for All Facilities</b>			<u>78,370</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 9/30/06
<b>Leased Facilities:</b>								
Leo Chesney Correctional Center Live Oak, California	1989	Cornell Corrections	240	Minimum	Owned/Leased	Sep-10	-	N/A
Queensgate Correctional Facility Cincinnati, Ohio	1906	Hamilton County, OH	850	Medium	Owned/Leased	Feb-07	-	N/A
Community Education Partners (R) 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. 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, 2006. 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.

(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.

(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.

(H) In June 2006, we entered into a new agreement with Stewart County, Georgia to house detainees from ICE under an Inter-Governmental Service Agreement between Stewart County and ICE. The agreement will enable ICE to accommodate detainees at our Stewart Detention Center. The agreement between Stewart County and CCA is effective through December 31, 2011, and provides for an indefinite number of renewal options. We began receiving ICE detainees during October 2006, and expect that ICE will substantially occupy the Stewart facility sometime during 2007.

(I) 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) 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. During October 2005, we completed an amendment to extend the amortization period through 2035, which could be further extended to 2050 in the event we expand the facility by at least 200 beds.

(K) 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.

(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.

(M) During the first quarter of 2006, we reopened the North Fork Correctional Facility by transferring Vermont inmates from another one of our owned and operated facilities. In June 2006, we announced a new agreement with the state of Wyoming to house up to 600 of the state's male medium-security inmates at our North Fork Correctional Facility. Under the new agreement, we expect to manage an estimated population of approximately 600 inmates.

(N) 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.

(O) 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) 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.

(Q) During September 2006, we received notification from the Liberty County Commission in Liberty County, Texas that, as a result of a contract bidding process, the County elected to transfer management of the 380-bed Liberty County Jail/Juvenile Center to another operator. Our current contract expires in January 2007.

(R) 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.



**DIVERSIFICATION OF REVENUE**

(Unaudited and amounts in thousands)

15 of 16

<b>Customer</b>	<b>Management Revenue For the Nine Months Ended September 30, 2006</b>	<b>Percent of Management Revenue For the Nine Months Ended September 30, 2006</b>
United States Marshals	\$ 145,385	15.04%
Bureau of Prisons	143,613	14.86%
United States Immigration and Customs Enforcement	99,588	10.30%
Texas	72,249	7.47%
Tennessee	55,764	5.77%
Colorado	47,521	4.92%
Florida	43,943	4.55%
Georgia	38,600	3.99%
Hawaii	24,431	2.53%
Oklahoma	23,512	2.43%
	<u>\$ 694,606</u>	<u>71.86%</u>
Total Management Revenue	<u>\$ 966,649</u>	<u>100.00%</u>

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


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Standard & Poor's	Jean Stout	(212) 438-7865

Credit Ratings:


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	Standard & Poor's	Moody's
Corporate Credit Rating	BB-	Not rated
Senior Unsecured Debt	BB-	Ba3

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