



**CORRECTIONS CORPORATION OF AMERICA**

**Supplemental Financial Information  
For the Quarter Ended June 30, 2005**

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 June 30, 2005

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John D. Ferguson, President and CEO  
Irving E. Lingo, Jr., Chief Financial Officer  
10 Burton Hills Boulevard  
Nashville, TN 37215  
Tel.: (615) 263-3000 Fax: (615) 263-3010

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

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<b>ASSETS</b>	<b>June 30, 2005</b>	<b>March 31, 2005</b>	<b>December 31, 2004</b>	<b>September 30, 2004</b>	<b>June 30, 2004</b>
Cash and cash equivalents	\$ 45,951	\$ 48,407	\$ 50,938	\$ 60,010	\$ 41,528
Restricted cash	11,094	11,021	12,965	12,912	12,876
Investments	8,816	8,744	8,686	8,641	8,609
Accounts receivable, net of allowance	173,023	150,253	156,653	157,650	158,489
Deferred tax assets	50,271	56,756	56,410	51,662	46,092
Prepaid expenses and other current assets	26,456	18,830	16,636	15,791	14,532
Total current assets	<u>315,611</u>	<u>294,011</u>	<u>302,288</u>	<u>306,666</u>	<u>282,126</u>
Property and equipment, net	1,677,577	1,665,162	1,660,010	1,650,434	1,630,612
Investment in direct financing lease	16,713	16,899	17,073	17,255	17,426
Goodwill	15,425	15,425	15,563	15,563	15,563
Other assets	26,619	26,875	28,144	29,926	32,492
Total assets	<u>\$ 2,051,945</u>	<u>\$ 2,018,372</u>	<u>\$ 2,023,078</u>	<u>\$ 2,019,844</u>	<u>\$ 1,978,219</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Accounts payable and accrued expenses	\$ 170,420	\$ 152,139	\$ 146,876	\$ 178,261	\$ 168,685
Income tax payable	2,058	6,404	22,207	2,572	489
Current portion of long-term debt	21,883	2,014	3,182	3,220	2,529
Total current liabilities	<u>194,361</u>	<u>160,557</u>	<u>172,265</u>	<u>184,053</u>	<u>171,703</u>
Long-term debt, net of current portion	964,694	985,166	999,113	999,868	1,000,676
Deferred tax liabilities	9,381	9,701	14,132	17,668	6,002
Other liabilities	21,083	21,408	21,574	21,673	21,799
Total liabilities	<u>1,189,519</u>	<u>1,176,832</u>	<u>1,207,084</u>	<u>1,223,262</u>	<u>1,200,180</u>
Commitments and contingencies					
Common stock - \$0.01 par value	394	391	354	352	352
Additional paid-in capital	1,497,955	1,492,238	1,451,885	1,447,685	1,446,455
Deferred compensation	(7,338)	(7,641)	(1,736)	(2,019)	(2,324)
Retained deficit	(628,585)	(643,448)	(634,509)	(649,436)	(666,444)
Total stockholders' equity	<u>862,426</u>	<u>841,540</u>	<u>815,994</u>	<u>796,582</u>	<u>778,039</u>
Total liabilities and stockholders' equity	<u>\$ 2,051,945</u>	<u>\$ 2,018,372</u>	<u>\$ 2,023,078</u>	<u>\$ 2,019,844</u>	<u>\$ 1,978,219</u>

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited and amounts in thousands, except per share amounts)

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2005	2004	2005	2004
<b>REVENUE:</b>				
Management:				
Federal	\$ 113,739	\$ 107,914	\$ 223,054	\$ 209,325
State	139,976	137,888	275,438	271,542
Local	25,044	25,239	49,841	50,026
Other	11,940	10,915	23,503	21,832
Total management revenue	<u>290,699</u>	<u>281,956</u>	<u>571,836</u>	<u>552,725</u>
Transportation	4,129	4,312	7,869	9,389
Rental	984	955	1,956	1,903
Other	15	161	96	178
	<u>295,827</u>	<u>287,384</u>	<u>581,757</u>	<u>564,195</u>
<b>EXPENSES:</b>				
Operating:				
Facility fixed	167,102	158,468	331,020	311,572
Facility variable	55,360	52,774	106,699	103,228
Transportation	6,058	6,686	11,256	13,288
Other	49	195	176	376
Total operating expenses	<u>228,569</u>	<u>218,123</u>	<u>449,151</u>	<u>428,464</u>
General and administrative	13,587	12,053	26,125	23,022
Depreciation and amortization	14,803	13,162	29,003	26,014
	<u>256,959</u>	<u>243,338</u>	<u>504,279</u>	<u>477,500</u>
<b>OPERATING INCOME</b>	<u>38,868</u>	<u>44,046</u>	<u>77,478</u>	<u>86,695</u>
<b>OTHER (INCOME) EXPENSE:</b>				
Interest expense, net	15,544	17,337	32,972	34,978
Expenses associated with debt refinancing and recapitalization transactions	237	76	35,269	101
Other (income) expenses	158	209	34	255
	<u>15,939</u>	<u>17,622</u>	<u>68,275</u>	<u>35,334</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	22,929	26,424	9,203	51,361
Income tax expense	<u>(8,066)</u>	<u>(10,931)</u>	<u>(3,279)</u>	<u>(20,906)</u>
<b>INCOME FROM CONTINUING OPERATIONS</b>	14,863	15,493	5,924	30,455
Income (loss) from discontinued operations, net of taxes	<u>-</u>	<u>(69)</u>	<u>-</u>	<u>153</u>
<b>NET INCOME</b>	14,863	15,424	5,924	30,608
Distributions to preferred stockholders	<u>-</u>	<u>(648)</u>	<u>-</u>	<u>(1,462)</u>
<b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS</b>	<u>\$ 14,863</u>	<u>\$ 14,776</u>	<u>\$ 5,924</u>	<u>\$ 29,146</u>
<b>BASIC EARNINGS PER SHARE</b>	<u>\$ 0.38</u>	<u>\$ 0.42</u>	<u>\$ 0.16</u>	<u>\$ 0.83</u>
<b>DILUTED EARNINGS PER SHARE</b>	<u>\$ 0.37</u>	<u>\$ 0.38</u>	<u>\$ 0.15</u>	<u>\$ 0.74</u>

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

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

	<u>For the Three Months Ended June 30,</u>		<u>For the Six Months Ended June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Basic:				
Income from continuing operations	\$ 14,863	\$ 14,845	\$ 5,924	\$ 28,993
Income (loss) from discontinued operations, net of taxes	-	(69)	-	153
Net income available to common stockholders	<u>\$ 14,863</u>	<u>\$ 14,776</u>	<u>\$ 5,924</u>	<u>\$ 29,146</u>
Diluted:				
Income from continuing operations	\$ 14,863	\$ 14,845	\$ 5,924	\$ 28,993
Interest expense applicable to convertible notes, net of taxes	-	175	128	354
Diluted income from continuing operations	14,863	15,020	6,052	29,347
Income (loss) from discontinued operations, net of taxes	-	(69)	-	153
Diluted net income available to common stockholders	<u>\$ 14,863</u>	<u>\$ 14,951</u>	<u>\$ 6,052</u>	<u>\$ 29,500</u>
Basic:				
Weighted average common shares outstanding	39,227	35,160	38,002	35,121
Unvested restricted common stock	(318)	(144)	(273)	(130)
Weighted average common shares outstanding-basic	<u>38,909</u>	<u>35,016</u>	<u>37,729</u>	<u>34,991</u>
Diluted:				
Weighted average common shares outstanding-basic	38,909	35,016	37,729	34,991
Effect of dilutive securities:				
Stock options and warrants	1,160	1,391	1,219	1,290
Convertible notes	-	3,362	1,096	3,362
Restricted stock-based compensation	107	57	91	50
Weighted average shares and assumed conversions-diluted	<u>40,176</u>	<u>39,826</u>	<u>40,135</u>	<u>39,693</u>
Basic earnings per share:				
Income from continuing operations	\$ 0.38	\$ 0.42	\$ 0.16	\$ 0.83
Income (loss) from discontinued operations, net of taxes	-	-	-	-
Net income available to common stockholders	<u>\$ 0.38</u>	<u>\$ 0.42</u>	<u>\$ 0.16</u>	<u>\$ 0.83</u>
Diluted earnings per share:				
Income from continuing operations	\$ 0.37	\$ 0.38	\$ 0.15	\$ 0.74
Income (loss) from discontinued operations, net of taxes	-	-	-	-
Diluted net income available to common stockholders	<u>\$ 0.37</u>	<u>\$ 0.38</u>	<u>\$ 0.15</u>	<u>\$ 0.74</u>

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

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	<u>June 30, 2005</u>	<u>March 31, 2005</u>	<u>December 31, 2004</u>	<u>September 30, 2004</u>	<u>June 30, 2004</u>
<b>BALANCE SHEET:</b>					
Property and equipment	\$ 2,005,134	\$ 1,977,176	\$ 1,957,030	\$ 1,933,564	\$ 1,899,179
Accumulated depreciation and amortization	(327,557)	(312,014)	(297,020)	(283,130)	(268,567)
Property and equipment, net	<u>\$ 1,677,577</u>	<u>\$ 1,665,162</u>	<u>\$ 1,660,010</u>	<u>\$ 1,650,434</u>	<u>\$ 1,630,612</u>
Total assets	\$ 2,051,945	\$ 2,018,372	\$ 2,023,078	\$ 2,019,844	\$ 1,978,219
Maintenance & technology capital expenditures for the quarter ended	\$ 10,619	\$ 7,632	\$ 12,770	\$ 11,145	\$ 12,687
Total debt	\$ 986,577	\$ 987,180	\$ 1,002,295	\$ 1,003,088	\$ 1,003,205
Equity book value	\$ 862,426	\$ 841,540	\$ 815,994	\$ 796,582	\$ 778,039
<b>LIQUIDITY:</b>					
Cash and cash equivalents	\$ 45,951	\$ 48,407	\$ 50,938	\$ 60,010	\$ 41,528
Investments	\$ 8,816	\$ 8,744	\$ 8,686	\$ 8,641	\$ 8,609
Availability under revolving credit facility	\$ 64,774	\$ 88,274	\$ 88,274	\$ 89,871	\$ 89,871
<b>CAPITALIZATION:</b>					
Common shares outstanding	39,369	39,129	35,415	35,235	35,185
Common share price at end of period	\$ 39.25	\$ 38.60	\$ 40.45	\$ 35.36	\$ 39.49
Market value of common equity at end of period	<u>\$ 1,545,233</u>	<u>\$ 1,510,379</u>	<u>\$ 1,432,537</u>	<u>\$ 1,245,910</u>	<u>\$ 1,389,456</u>
Total equity market capitalization	<u>\$ 1,545,233</u>	<u>\$ 1,510,379</u>	<u>\$ 1,432,537</u>	<u>\$ 1,245,910</u>	<u>\$ 1,389,456</u>
Total market capitalization (market value of equity plus debt)	<u><u>\$ 2,531,810</u></u>	<u><u>\$ 2,497,559</u></u>	<u><u>\$ 2,434,832</u></u>	<u><u>\$ 2,248,998</u></u>	<u><u>\$ 2,392,661</u></u>
<b>EBITDA</b>	\$ 53,276	\$ 17,902	\$ 59,104	\$ 56,999	\$ 56,923
<b>ADJUSTED EBITDA</b>	\$ 53,513	\$ 52,934	\$ 59,104	\$ 56,999	\$ 56,999
<b>ADJUSTED FREE CASH FLOW</b>	\$ 27,431	\$ 15,697	\$ 30,116	\$ 29,690	\$ 25,764
<b>ADJUSTED FREE CASH FLOW PER SHARE:</b>					
Basic adjusted free cash flow per share	<u>\$ 0.71</u>	<u>\$ 0.43</u>	<u>\$ 0.86</u>	<u>\$ 0.85</u>	<u>\$ 0.74</u>
Diluted adjusted free cash flow per share	<u><u>\$ 0.68</u></u>	<u><u>\$ 0.39</u></u>	<u><u>\$ 0.76</u></u>	<u><u>\$ 0.75</u></u>	<u><u>\$ 0.65</u></u>

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2005	2004	2005	2004
Number of days per period	91	91	181	182
<b>ALL FACILITIES:</b>				
Average available beds	70,542	65,770	70,305	64,740
Average compensated occupancy	90.1%	95.9%	89.7%	95.8%
Total compensated man-day:	5,783,994	5,736,886	11,420,813	11,282,255
Revenue per compensated man-day	\$ 50.26	\$ 49.15	\$ 50.07	\$ 48.99
Operating expenses per compensated man-day:				
Fixed expense	28.89	27.62	28.98	27.62
Variable expense	9.57	9.20	9.34	9.15
Total	38.46	36.82	38.32	36.77
Operating margin per compensated man-day:	\$ 11.80	\$ 12.33	\$ 11.75	\$ 12.22
Operating margin rate	23.5%	25.1%	23.5%	24.9%
<b>DEPRECIATION AND AMORTIZATION:</b>				
Depreciation expense	15,861	14,008	30,981	27,707
Amortization of goodwill	-	-	138	-
Amortization of intangible assets	32	32	64	64
Amortization of negative contract values	(1,090)	(878)	(2,180)	(1,757)
Depreciation and amortization	\$ 14,803	\$ 13,162	\$ 29,003	\$ 26,014
<b>ADJUSTED FREE CASH FLOW:</b>				
Pre-tax income available to common stockholders	\$ 22,929	\$ 25,707	\$ 9,203	\$ 50,052
Expenses associated with debt refinancing and recapitalization transactions	237	76	35,269	101
Income taxes paid	(1,704)	(2,263)	(15,465)	(2,648)
Depreciation and amortization	14,803	13,162	29,003	26,014
Depreciation and amortization for discontinued operations	-	23	-	41
Income tax (benefit) expense for discontinued operations	-	(52)	-	96
Amortization of stock-based compensation reflected in G&A expenses	458	-	664	-
Amortization of debt costs and other non-cash interest	1,327	1,798	2,705	3,674
Maintenance and technology capital expenditures	(10,619)	(12,687)	(18,251)	(24,508)
Adjusted free cash flow	\$ 27,431	\$ 25,764	\$ 43,128	\$ 52,822
<b>ADJUSTED FREE CASH FLOW PER SHARE:</b>				
Basic	\$ 0.71	\$ 0.74	\$ 1.14	\$ 1.51
Diluted	\$ 0.68	\$ 0.65	\$ 1.08	\$ 1.34

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

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>MANAGED ONLY FACILITIES:</b>				
Management revenue	\$ 86,983	\$ 84,540	\$ 170,914	\$ 164,877
Operating expenses:				
Fixed expense	55,048	52,942	109,479	102,066
Variable expense	19,491	18,253	39,283	35,736
Total	<u>74,539</u>	<u>71,195</u>	<u>148,762</u>	<u>137,802</u>
Contribution	<u>\$ 12,444</u>	<u>\$ 13,345</u>	<u>\$ 22,152</u>	<u>\$ 27,075</u>
Average available beds	<u>26,590</u>	<u>24,726</u>	<u>26,353</u>	<u>23,696</u>
Average compensated occupancy	<u>95.4%</u>	<u>101.4%</u>	<u>95.7%</u>	<u>102.0%</u>
Total compensated man-day	<u>2,308,256</u>	<u>2,280,459</u>	<u>4,563,863</u>	<u>4,399,749</u>
Revenue per compensated man-day	\$ 37.68	\$ 37.07	\$ 37.45	\$ 37.47
Operating expenses per compensated man-day:				
Fixed expense	23.85	23.22	23.99	23.20
Variable expense	8.44	8.00	8.61	8.12
Total	<u>32.29</u>	<u>31.22</u>	<u>32.60</u>	<u>31.32</u>
Operating margin per compensated man-day	<u>\$ 5.39</u>	<u>\$ 5.85</u>	<u>\$ 4.85</u>	<u>\$ 6.15</u>
Operating margin rate	<u>14.3%</u>	<u>15.8%</u>	<u>12.9%</u>	<u>16.4%</u>
<b>OWNED AND MANAGED FACILITIES:</b>				
Management revenue	\$ 203,716	\$ 197,416	\$ 400,922	\$ 387,848
Operating expenses:				
Fixed expense	112,054	105,526	221,541	209,506
Variable expense	35,869	34,521	67,416	67,492
Total	<u>147,923</u>	<u>140,047</u>	<u>288,957</u>	<u>276,998</u>
Contribution	<u>\$ 55,793</u>	<u>\$ 57,369</u>	<u>\$ 111,965</u>	<u>\$ 110,850</u>
Average available beds	<u>43,952</u>	<u>41,044</u>	<u>43,952</u>	<u>41,044</u>
Average compensated occupancy	<u>86.9%</u>	<u>92.5%</u>	<u>86.2%</u>	<u>92.1%</u>
Total compensated man-day	<u>3,475,738</u>	<u>3,456,427</u>	<u>6,856,950</u>	<u>6,882,506</u>
Revenue per compensated man-day	\$ 58.61	\$ 57.12	\$ 58.47	\$ 56.35
Operating expenses per compensated man-day:				
Fixed	32.24	30.53	32.31	30.44
Variable	10.32	9.99	9.83	9.81
Total	<u>42.56</u>	<u>40.52</u>	<u>42.14</u>	<u>40.25</u>
Operating margin per compensated man-day	<u>\$ 16.05</u>	<u>\$ 16.60</u>	<u>\$ 16.33</u>	<u>\$ 16.10</u>
Operating margin rate	<u>27.4%</u>	<u>29.1%</u>	<u>27.9%</u>	<u>28.6%</u>



**ANALYSIS OF OUTSTANDING DEBT**  
(Unaudited and amounts in thousands)

	<b>Outstanding Balance 12/31/2004</b>	<b>Outstanding Balance 6/30/2005</b>	<b>Stated Interest Rate</b>	<b>Effective Interest Rate</b> <sup>1)</sup>	<b>Maturity Date</b>	<b>Callable/ Redeemable</b>
<b>Fixed Rate:</b>						
\$250.0 Million Senior Notes	\$ 250,000	\$ -	9.875%	10.42%	May 2009	
\$250.0 Million Senior Notes	250,000	250,000	7.50%	7.87%	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	201,839	201,694	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	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
\$30.0 Million Convertible Notes	30,000	-	4.00%	4.02%	February 2007	
Other Debt	321	233	Various	Various	Various	
<b>Total Fixed Rate Debt</b>	<b>732,160</b>	<b>826,927</b>				
<b>Floating Rate:</b>						
Lehman Credit Facility, Term	270,135	139,650 <sup>2)</sup>			March 31, 2008	
\$125.0 Million Revolver	-	20,000 <sup>3)</sup>			March 31, 2006	
<b>Total Floating Rate Debt</b>	<b>270,135</b>	<b>159,650</b> <sup>4)</sup>	5.51%	6.41%		
<b>Grand Total Debt</b>	<b>\$ 1,002,295</b>	<b>\$ 986,577</b>	6.71%	7.07%	5.99 <sup>5)</sup>	

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

<sup>2)</sup> The variable interest rate on the Term portion of the Lehman Credit Facility is LIBOR + 1.75%.

<sup>3)</sup> The variable interest rate is LIBOR + 1.50%. As of June 30, 2005, the Company had outstanding letters of credit totaling \$40.2 million, reducing the available borrowing capacity to \$64.8 million.

<sup>4)</sup> The stated and effective interest rates reflect the combined interest expense and amortization of debt issuance costs on both the term portion of the Lehman Credit Facility and the revolver.

<sup>5)</sup> Represents the weighted average debt maturity in years.

**Debt Maturity Schedule:**

<b>Year</b>	<b>Total Debt Maturing</b>	<b>% of Debt Maturing</b>	<b>% of Debt Maturing</b>
<b>2005</b>	\$ 939	0.10%	0.10%
<b>2006</b>	21,829	2.21%	2.31%
<b>2007</b>	103,540	10.49%	12.80%
<b>2008</b>	34,590	3.51%	16.31%
<b>2009</b>	290	0.03%	16.34%
<b>Thereafter</b>	825,389	83.66%	100.00%
	<b>\$ 986,577</b>	<b>100.00%</b>	

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

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2005	2004	2005	2004
<b><u>COVERAGE RATIOS:</u></b>				
Interest coverage ratio (Adjusted EBITDA/Interest incurred) (x)	3.2	3.2	3.0	3.1
Debt service coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled principal pmts)) (x)	3.2	3.2	3.0	3.1
Fixed charge coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled prin pmts + Pfd dist.)) (x)	3.2	3.1	3.0	3.0
Senior debt coverage ratio (Senior debt/Annualized Adjusted EBITDA) (x)	4.6	4.3	4.6	4.3
Total debt and preferred stock coverage ratio (Total debt and pfd stk/Annualized Adjusted EBITDA) (x)	4.6	4.4	4.6	4.5
Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)	6.8	7.3	6.7	7.1
<b><u>DEBT/EQUITY RATIOS:</u></b>				
Total debt/Total market capitalization	39.0%	41.9%	39.0%	41.9%
Total debt/Equity market capitalization	63.8%	72.2%	63.8%	72.2%
Total debt/Book equity capitalization	114.4%	128.9%	114.4%	128.9%
Total debt/Gross book value of real estate assets	48.8%	52.3%	48.8%	52.3%
<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)*)	10.7%	12.0%	10.7%	12.0%
Annualized return on total assets (Annualized Adjusted EBITDA/Average total assets (undepreciated book value)*)	9.1%	10.2%	9.1%	10.1%
<b><u>OVERHEAD RATIOS:</u></b>				
Annualized general & administrative expenses/Average total assets (undepreciated book value)*	2.3%	2.2%	2.2%	2.1%
General & administrative expenses/Total revenues	4.6%	4.2%	4.5%	4.1%
<b><u>INTEREST EXPENSE, NET</u></b>				
Interest income from continuing operations	\$ (1,192)	\$ (946)	\$ (2,399)	\$ (1,937)
Interest incurred	16,578	17,950	34,930	35,941
Amortization of debt costs and other non-cash interest	1,327	1,798	2,705	3,674
Capitalized interest	(1,169)	(1,465)	(2,264)	(2,700)
Interest expense, net	<u>\$ 15,544</u>	<u>\$ 17,337</u>	<u>\$ 32,972</u>	<u>\$ 34,978</u>
<b><u>EBITDA CALCULATION:</u></b>				
Net income	\$ 14,863	\$ 15,424	\$ 5,924	\$ 30,608
Interest expense, net	15,544	17,337	32,972	34,978
Depreciation and amortization	14,803	13,162	29,003	26,014
Income tax (benefit) expense	8,066	10,931	3,279	20,906
(Income) loss from discontinued operations, net of taxes	-	69	-	(153)
EBITDA	<u>53,276</u>	<u>56,923</u>	<u>71,178</u>	<u>112,353</u>
Expenses associated with debt refinancing and recapitalization transactions	<u>237</u>	<u>76</u>	<u>35,269</u>	<u>101</u>
ADJUSTED EBITDA	<u>\$ 53,513</u>	<u>\$ 56,999</u>	<u>\$ 106,447</u>	<u>\$ 112,454</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 6/30/05</b>
<b>Owned and Managed Facilities:</b>								
Central Arizona Detention Center Florence, Arizona	1994, 1998	USMS	2,304	Multi	Detention	May-06	(2) 1 year	138.80%
Eloy Detention Center Eloy, Arizona	1995, 1996	BOP, ICE	1,500	Low	Detention	Feb-06	(3) 1 year	94.30%
Florence Correctional Center Florence, Arizona	1999, 2004	State of Alaska	1,824	Multi	Correctional	Jun-08	(6) 1 year	95.01%
California City Correctional Center California City, California	1999	BOP	2,304	Medium	Correctional	Sep-05	(5) 1 year	114.26%
San Diego Correctional Facility (E) San Diego, California	1999, 2000	ICE	1,216	Minimum/ Medium	Detention	Jun-08	(5) 3 year	82.96%
Bent County Correctional Facility Las Animas, Colorado	1992, 1997	State of Colorado	700	Medium	Correctional	Aug-05	-	100.05%
Crowley County Correctional Facility Olney Springs, Colorado	1998, 2004	State of Colorado	1,794	Medium	Correctional	Aug-05	-	50.14%
Huerfano County Correctional Center (F) Walsenburg, Colorado	1997	State of Colorado	752	Medium	Correctional	Aug-05	-	98.11%
Kit Carson Correctional Center Burlington, Colorado	1998	State of Colorado	768	Medium	Correctional	Aug-05	-	96.20%
Coffee Correctional Facility (G) Nicholls, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jul-05	(14) 1 year	97.94%
McRae Correctional Facility McRae, Georgia	2000, 2002	BOP	1,524	Low	Correctional	Dec-05	(7) 1 year	106.34%
Stewart County Correctional Facility (H) Lumpkin, Georgia	2004	-	273	Medium	Correctional	-	-	0.00%
Wheeler Correctional Facility (G) Alamo, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jul-05	(14) 1 year	97.78%
Leavenworth Detention Center Leavenworth, Kansas	1992, 2000, 2004	USMS	767	Maximum	Detention	Dec-05	-	114.23%
Lee Adjustment Center Beattyville, Kentucky	1990	State of Vermont	816	Minimum/ Medium	Correctional	Jun-07	-	87.88%
Marion Adjustment Center St. Mary, Kentucky	1955, 1988	Commonwealth of Kentucky	826	Minimum	Correctional	Dec-07	(3) 2 year	95.93%

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 6/30/05</u>
Otter Creek Correctional Center (I) Wheelwright, Kentucky	1993	-	656	Minimum/ Medium	Correctional	-	-	18.98%
Prairie Correctional Facility Appleton, Minnesota	1991	State of Minnesota	1,550	Medium	Correctional	Jun-06	(1) 1 year	42.89%
Tallahatchie County Correctional Facility (J) Tutwiler, Mississippi	2000	State of Hawaii	1,104	Medium	Correctional	Jun-06	-	91.59%
Crossroads Correctional Center (K) Shelby, Montana	1999	State of Montana	568	Multi	Correctional	Jun-05	(7) 2 year	94.11%
Cibola County Corrections Center Milan, New Mexico	1994, 1999	BOP	1,129	Low	Correctional	Sep-05	(5) 1 year	97.54%
New Mexico Women's Correctional Facility Grants, New Mexico	1989, 2000	State of New Mexico	596	Multi	Correctional	Jun-05	-	101.90%
Torrance County Detention Facility Estancia, New Mexico	1990, 1997	USMS	910	Multi	Detention	Indefinite	-	97.35%
Northeast Ohio Correctional Center Youngstown, Ohio	1997	BOP	2,016	Low	Correctional	May-09	(3) 2 year	36.02%
Cimarron Correctional Facility (L) Cushing, Oklahoma	1997	State of Oklahoma	960	Medium	Correctional	Jun-05	(4) 1 year	95.31%
Davis Correctional Facility (L) Holdenville, Oklahoma	1996	State of Oklahoma	960	Medium	Correctional	Jun-05	(4) 1 year	100.82%
Diamondback Correctional Facility Watonga, Oklahoma	1998, 2000	State of Arizona	2,160	Medium	Correctional	Jun-06	(1) 1 year	89.16%
North Fork Correctional Facility (M) Sayre, Oklahoma	1998	-	1,440	Medium	Correctional	-	-	0.00%
West Tennessee Detention Facility Mason, Tennessee	1990, 1996	USMS	600	Multi	Detention	Feb-06	(1) 1 year	73.01%
Shelby Training Center (N) Memphis, Tennessee	1986, 1995	Shelby County, TN	200	Secure	Juvenile	Apr-15	-	91.80%
Whiteville Correctional Facility (O) Whiteville, Tennessee	1998	State of Tennessee	1,536	Medium	Correctional	Sep-05	(2) 1 year	96.83%
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	1989	State of Texas	200	Medium	Correctional	Feb-07	(4) 1 year	98.79%

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 6/30/05</u>
Eden Detention Center Eden, Texas	1990	BOP	1,225	Low	Correctional	Apr-06	(1) 1 year	115.46%
Houston Processing Center Houston, Texas	1984, 2005	ICE	905	Medium	Detention	Sep-05	(3) 1 year	81.05%
Laredo Processing Center Laredo, Texas	1985, 1990	ICE	258	Minimum/ Medium	Detention	Dec-09	Indefinite	130.30%
Webb County Detention Center Laredo, Texas	1998	USMS	480	Medium	Detention	Aug-05	-	105.12%
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	1995	State of Texas	2,103	Minimum	Correctional	Feb-07	(4) 1 year	98.70%
T. Don Hutto Correctional Center Taylor, Texas	1997	USMS	480	Minimum	Correctional	Aug-05	Indefinite	49.55%
D.C. Correctional Treatment Facility (P) Washington D.C.	1992	District of Columbia	1,500	Medium	Detention	Mar-17	-	71.32%
Total design capacity for Owned and Managed Facilities (39 Owned and Managed Facilities)			<u>43,952</u>					
<b>Managed Only Facilities:</b>								
Bay Correctional Facility Panama City, Florida	N/A	State of Florida	750	Medium	Correctional	Jun-07	-	99.45%
Bay County Jail and Annex Panama City, Florida	N/A	Bay County, FL	1,150	Multi	Detention	Sep-06	-	76.87%
Citrus County Detention Facility Lecanto, Florida	N/A	Citrus County, FL	400	Multi	Detention	Sep-05	(1) 5 year	105.47%
Gadsden Correctional Institution Quincy, Florida	N/A	State of Florida	1,036	Minimum/ Medium	Correctional	Jun-07	-	99.55%
Hernando County Jail Brooksville, Florida	N/A	Hernando County, FL	348	Multi	Detention	Oct-10	-	132.92%
Lake City Correctional Facility Lake City, Florida	N/A	State of Florida	893	Secure	Correctional	Jun-06	-	68.91%
Idaho Correctional Center Boise, Idaho	N/A	State of Idaho	1,270	Minimum/ Medium	Correctional	Jun-09	-	100.28%
Marion County Jail Indianapolis, Indiana	N/A	Marion County, IN	1,030	Multi	Detention	Aug-05	-	95.23%

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 6/30/05</u>
Winn Correctional Center Winnfield, Louisiana	N/A	State of Louisiana	1,538	Medium/ Maximum	Correctional	Sep-06	(1) 2 year	95.00%
Delta Correctional Facility Greenwood, Mississippi	N/A	State of Mississippi	1,172	Minimum/ Medium	Correctional	Jul-05	(1) 2 year	92.50%
Wilkinson County Correctional Facility Woodville, Mississippi	N/A	State of Mississippi	1,000	Medium	Correctional	Sep-05	(3) 1 year	98.27%
Elizabeth Detention Center Elizabeth, New Jersey	N/A	ICE	300	Minimum	Detention	Sep-08	(5) 3 year	84.18%
David L. Moss Criminal Justice Center (Q) Tulsa, Oklahoma	N/A	Tulsa County, OK	1,440	Multi	Detention	Jun-05	-	89.62%
Silverdale Facilities Chattanooga, Tennessee	N/A	Hamilton County, TN	784	Multi	Detention	Feb-07	Indefinite	98.28%
South Central Correctional Center Clifton, Tennessee	N/A	State of Tennessee	1,676	Medium	Correctional	Jul-07	-	97.14%
Metro-Davidson County Detention Facility Nashville, Tennessee	N/A	Davidson County, TN	1,092	Multi	Detention	Jul-06	(2) 1 year	86.58%
Hardeman County Correctional Facility Whiteville, Tennessee	N/A	State of Tennessee	2,016	Medium	Correctional	Jul-07	-	97.22%
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	99.76%
Bradshaw State Jail Henderson, Texas	N/A	State of Texas	1,980	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	99.65%
Dawson State Jail Dallas, Texas	N/A	State of Texas	2,216	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	97.84%
Diboll Correctional Center Diboll, Texas	N/A	State of Texas	518	Minimum/ Medium	Correctional	Jan-07	(2) 1 year	99.88%

**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 6/30/05</u>
Liberty County Jail/Juvenile Center Liberty, Texas	N/A	Liberty County, Texas	380	Multi	Detention	Jan-07	(1) 3 year	92.27%
Lindsey State Jail Jacksboro, Texas	N/A	State of Texas	1,031	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	99.23%
Willacy State Jail Raymondville, Texas	N/A	State of Texas	1,069	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	97.83%
Total design capacity for Managed Only Facilities (25 Managed Only Facilities)			<u>26,590</u>					
<b>Total design capacity for All Facilities</b>			<u><u>70,542</u></u>					
<b>Leased Facilities:</b>								
Leo Chesney Correctional Center Live Oak, California	1989	Cornell Corrections	240	Minimum	Owned/Leased	Jun-06	-	N/A
Queensgate Correctional Facility Cincinnati, Ohio	1906	Hamilton County, OH	850	Medium	Owned/Leased	Feb-06	(1) 1 year	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 June 30, 2005. 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) During the fourth quarter of 2004, 273 beds were completed and available for use while construction continues on the remaining 1,251 beds. We are currently pursuing new management contracts and other opportunities to take advantage of the beds that are available at the Stewart County Correctional Facility, but can provide no assurance that we will be successful in doing so.

## 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 6/30/05
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(I) We were notified by the state of Indiana that during the second quarter of 2005 it would remove all of its inmates from our 656-bed Otter Creek Correctional Facility to utilize available capacity within the State's correctional system. As of June 30, 2005, we did not house any Indiana inmates at the Otter Creek Correctional Facility. However, during July 2005, we entered into an agreement with the Kentucky Department of Corrections to manage up to 400 female inmates at this facility. The terms of the contract include an initial two-year period, with four two-year renewal options. We expect to begin receiving these inmates on or before September 1, 2005. We are currently pursuing additional opportunities with a number of potential customers to fill the remaining vacant space, but can provide no assurance that we will be successful.

(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.

(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 then present value 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 third quarter of 2003, 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. We are 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 we will be successful in doing so.

(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) On March 21, 2005, we announced that we received notification from the Tulsa County Commission in Oklahoma that, as a result of a contract bidding process, the County elected to have the Tulsa County Sheriff's Office manage the 1,440-bed David L. Moss Criminal Justice Center, located in Tulsa. Our current contract expired on June 30, 2005.

(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)

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<u>Customer</u>	<u>Management Revenue For the Six Months Ended June 30, 2005</u>	<u>Percent of Management Revenue For the Six Months Ended June 30, 2005</u>
Bureau of Prisons	\$ 92,280	16.14%
United States Marshals	87,683	15.33%
Texas	45,962	8.04%
United States Immigration and Customs Enforcement	43,112	7.54%
Tennessee	35,418	6.19%
Colorado	26,122	4.57%
Florida	24,015	4.20%
Georgia	23,961	4.19%
Oklahoma	15,059	2.63%
Hawaii	13,664	2.39%
	<u>\$ 407,276</u>	<u>71.22%</u>
Total Management Revenue	<u>\$ 571,836</u>	<u>100.00%</u>

Equity Research Coverage:


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Avondale Partners	Patrick Swindle	(615) 467-3462
BB&T Capital Markets	Barry Stouffer	(615) 340-8283
First Analysis Corporation	James Macdonald	(312) 258-1400
Jefferies & Company, Inc.	Andrew May	(615) 963-8310
Lehman Brothers	Jeffery T. Kessler	(212) 526-5162
Morgan Joseph & Co. Inc.	Devlin Lander	(212) 218-3759
Utendahl Capital Partners	Daniel O'Sullivan	(212) 612-9113

Debt Research Coverage:


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Lehman Brothers	Susan Jansen	(212) 526-6470
SG Cowen Securities Corporation	Brad E. Eilert	(212) 278-5290

Rating Agency Coverage:


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Moody's Investors Service	Christopher Wimmer	(212) 553-2947
Standard & Poor's	Jean Stout	(212) 438-7865

Credit Ratings:


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

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