



**CORRECTIONS CORPORATION OF AMERICA**

**Supplemental Financial Information  
For the Quarter Ended December 31, 2004**

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

# **CORRECTIONS CORPORATION OF AMERICA**

## **Supplemental Financial Information For the Quarter Ended December 31, 2004**

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

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<b>ASSETS</b>	<b>December 31, 2004</b>	<b>September 30, 2004</b>	<b>June 30, 2004</b>	<b>March 31, 2004</b>	<b>December 31, 2003</b>
Cash and cash equivalents	\$ 59,624	\$ 68,651	\$ 50,137	\$ 88,451	\$ 84,231
Restricted cash	12,965	12,912	12,876	12,849	12,823
Accounts receivable, net of allowance	156,653	157,650	158,489	153,134	137,623
Deferred tax assets	56,410	51,662	46,092	47,442	50,473
Prepaid expenses and other current assets	16,636	15,791	14,532	6,502	8,028
Total current assets	<u>302,288</u>	<u>306,666</u>	<u>282,126</u>	<u>308,378</u>	<u>293,178</u>
Property and equipment, net	1,660,010	1,650,434	1,630,612	1,604,024	1,586,979
Investment in direct financing lease	17,073	17,255	17,426	17,591	17,751
Goodwill	15,563	15,563	15,563	15,563	15,563
Deferred tax assets	-	-	-	-	6,739
Other assets	28,144	29,926	32,492	32,646	38,818
Total assets	<u>\$ 2,023,078</u>	<u>\$ 2,019,844</u>	<u>\$ 1,978,219</u>	<u>\$ 1,978,202</u>	<u>\$ 1,959,028</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Accounts payable and accrued expenses	\$ 146,876	\$ 178,261	\$ 168,685	\$ 168,168	\$ 157,417
Income tax payable	22,207	2,572	489	541	913
Distributions payable	-	-	-	-	150
Current portion of long-term debt	3,182	3,220	2,529	1,837	1,146
Total current liabilities	<u>172,265</u>	<u>184,053</u>	<u>171,703</u>	<u>170,546</u>	<u>159,626</u>
Long-term debt, net of current portion	999,113	999,868	1,000,676	1,001,482	1,002,282
Deferred tax liabilities	14,132	17,668	6,002	353	-
Other liabilities	21,574	21,673	21,799	21,898	21,655
Total liabilities	<u>1,207,084</u>	<u>1,223,262</u>	<u>1,200,180</u>	<u>1,194,279</u>	<u>1,183,563</u>
Commitments and contingencies					
Preferred stock - \$0.01 par value:					
Series A - stated at liquidation preference of \$25.00 per share	-	-	-	-	7,500
Series B - stated at liquidation preference of \$24.46 per share	-	-	-	23,528	23,528
Common stock - \$0.01 par value	354	352	352	351	350
Additional paid-in capital	1,451,885	1,447,685	1,446,455	1,444,240	1,441,742
Deferred compensation	(1,736)	(2,019)	(2,324)	(2,720)	(1,479)
Retained deficit	(634,509)	(649,436)	(666,444)	(681,220)	(695,590)
Accumulated other comprehensive loss	-	-	-	(256)	(586)
Total stockholders' equity	<u>815,994</u>	<u>796,582</u>	<u>778,039</u>	<u>783,923</u>	<u>775,465</u>
Total liabilities and stockholders' equity	<u>\$ 2,023,078</u>	<u>\$ 2,019,844</u>	<u>\$ 1,978,219</u>	<u>\$ 1,978,202</u>	<u>\$ 1,959,028</u>

## CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2004	2003	2004	2003
<b>REVENUE:</b>				
Management:				
Federal	\$ 111,467	\$ 100,253	\$ 429,641	\$ 384,128
State	140,143	125,509	549,580	485,539
Local	25,245	25,224	101,364	97,311
Other	11,414	10,203	44,316	39,509
Total management revenue	288,269	261,189	1,124,901	1,006,487
Transportation	4,455	4,760	19,142	18,901
Rental	971	945	3,845	3,742
Other	92	29	370	105
	<u>293,787</u>	<u>266,923</u>	<u>1,148,258</u>	<u>1,029,235</u>
<b>EXPENSES:</b>				
Operating:				
Facility fixed	160,391	141,494	633,384	552,107
Facility variable	55,628	50,054	211,489	192,469
Transportation	5,347	5,592	25,081	20,944
Other	32	137	618	948
Total operating expenses	221,398	197,277	870,572	766,468
General and administrative	12,836	11,101	48,186	40,467
Depreciation and amortization	14,511	13,828	54,511	52,930
	<u>248,745</u>	<u>222,206</u>	<u>973,269</u>	<u>859,865</u>
<b>OPERATING INCOME</b>	<u>45,042</u>	<u>44,717</u>	<u>174,989</u>	<u>169,370</u>
<b>OTHER (INCOME) EXPENSE:</b>				
Interest expense, net	17,368	17,987	69,177	74,446
Expenses associated with debt refinancing and recapitalization transactions	-	-	101	6,687
Change in fair value of derivative instruments	-	-	-	(2,900)
Other (income) expenses	449	(150)	943	(414)
	<u>17,817</u>	<u>17,837</u>	<u>70,221</u>	<u>77,819</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	27,225	26,880	104,768	91,551
Income tax benefit (expense)	(12,182)	52,459	(42,126)	52,352
<b>INCOME FROM CONTINUING OPERATIONS</b>	15,043	79,339	62,642	143,903
Income (loss) from discontinued operations, net of taxes	(116)	275	(99)	(2,120)
<b>NET INCOME</b>	14,927	79,614	62,543	141,783
Distributions to preferred stockholders	-	(856)	(1,462)	(15,262)
<b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS</b>	<u>\$ 14,927</u>	<u>\$ 78,758</u>	<u>\$ 61,081</u>	<u>\$ 126,521</u>
<b>BASIC EARNINGS PER SHARE</b>	<u>\$ 0.42</u>	<u>\$ 2.27</u>	<u>\$ 1.74</u>	<u>\$ 3.92</u>
<b>DILUTED EARNINGS PER SHARE</b>	<u>\$ 0.38</u>	<u>\$ 2.01</u>	<u>\$ 1.55</u>	<u>\$ 3.44</u>

## CONSOLIDATED STATEMENTS OF OPERATIONS

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

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	<b>As Adjusted for Discontinued Operations</b>			
	For the Three Months Ended			
	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004
<b>REVENUE:</b>				
Management:				
Federal	\$ 101,411	\$ 107,914	\$ 108,849	\$ 111,467
State	133,654	137,888	137,895	140,143
Local	24,787	25,239	26,093	25,245
Other	10,917	10,915	11,070	11,414
Total management revenue	<u>270,769</u>	<u>281,956</u>	<u>283,907</u>	<u>288,269</u>
Transportation	5,077	4,312	5,298	4,455
Rental	948	955	971	971
Other	17	161	100	92
	<u>276,811</u>	<u>287,384</u>	<u>290,276</u>	<u>293,787</u>
<b>EXPENSES:</b>				
Operating:				
Facility fixed	153,104	158,468	161,421	160,391
Facility variable	50,454	52,774	52,633	55,628
Transportation	6,602	6,686	6,446	5,347
Other	181	195	210	32
Total operating expenses	<u>210,341</u>	<u>218,123</u>	<u>220,710</u>	<u>221,398</u>
General and administrative	10,969	12,053	12,328	12,836
Depreciation and amortization	12,852	13,162	13,986	14,511
	<u>234,162</u>	<u>243,338</u>	<u>247,024</u>	<u>248,745</u>
<b>OPERATING INCOME</b>	<u>42,649</u>	<u>44,046</u>	<u>43,252</u>	<u>45,042</u>
<b>OTHER (INCOME) EXPENSE:</b>				
Interest expense, net	17,641	17,337	16,831	17,368
Expenses associated with debt refinancing and recapitalization transactions	25	76	-	-
Other (income) expenses	46	209	239	449
	<u>17,712</u>	<u>17,622</u>	<u>17,070</u>	<u>17,817</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	24,937	26,424	26,182	27,225
Income tax expense	(9,975)	(10,931)	(9,038)	(12,182)
<b>INCOME FROM CONTINUING OPERATIONS</b>	14,962	15,493	17,144	15,043
Income (loss) from discontinued operations, net of taxes	222	(69)	(136)	(116)
<b>NET INCOME</b>	15,184	15,424	17,008	14,927
Distributions to preferred stockholders	(814)	(648)	-	-
<b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS</b>	<u>\$ 14,370</u>	<u>\$ 14,776</u>	<u>\$ 17,008</u>	<u>\$ 14,927</u>
<b>BASIC EARNINGS PER SHARE</b>	<u>\$ 0.41</u>	<u>\$ 0.42</u>	<u>\$ 0.49</u>	<u>\$ 0.42</u>
<b>DILUTED EARNINGS PER SHARE</b>	<u>\$ 0.37</u>	<u>\$ 0.38</u>	<u>\$ 0.43</u>	<u>\$ 0.38</u>
<b>TOTAL COMPENSATED MAN-DAYS</b>	5,545,369	5,736,886	5,796,989	5,795,766
<b>TOTAL AVAILABLE BED-DAYS</b>	5,797,696	5,985,070	6,106,345	6,255,777
<b>AVERAGE COMPENSATED OCCUPANCY</b>	95.6%	95.9%	94.9%	92.6%

## CONSOLIDATED STATEMENTS OF OPERATIONS

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

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	<b>As Adjusted for Discontinued Operations</b>			
	<b>March 31, 2003</b>	<b>For the Three Months Ended</b>		<b>December 31, 2003</b>
	<b>2003</b>	<b>June 30, 2003</b>	<b>September 30, 2003</b>	<b>2003</b>
<b>REVENUE:</b>				
Management:				
Federal	\$ 91,457	\$ 94,709	\$ 97,709	\$ 100,253
State	119,247	118,220	122,563	125,509
Local	22,906	23,932	25,249	25,224
Other	9,493	9,902	9,911	10,203
Total management revenue	243,103	246,763	255,432	261,189
Transportation	4,438	4,598	5,105	4,760
Rental	923	929	945	945
Other	21	22	33	29
	<u>248,485</u>	<u>252,312</u>	<u>261,515</u>	<u>266,923</u>
<b>EXPENSES:</b>				
Operating:				
Facility fixed	133,339	136,922	140,352	141,494
Facility variable	45,560	46,508	50,347	50,054
Transportation	4,346	4,568	6,438	5,592
Other	282	329	200	137
Total operating expenses	183,527	188,327	197,337	197,277
General and administrative	9,537	10,010	9,819	11,101
Depreciation and amortization	12,913	13,034	13,155	13,828
	<u>205,977</u>	<u>211,371</u>	<u>220,311</u>	<u>222,206</u>
<b>OPERATING INCOME</b>	<u>42,508</u>	<u>40,941</u>	<u>41,204</u>	<u>44,717</u>
<b>OTHER (INCOME) EXPENSE:</b>				
Interest expense, net	17,722	19,659	19,078	17,987
Expenses associated with debt refinancing and recapitalization transactions	-	4,135	2,552	-
Change in fair value of derivative instruments	-	(2,900)	-	-
Other (income) expenses	201	(322)	(143)	(150)
	<u>17,923</u>	<u>20,572</u>	<u>21,487</u>	<u>17,837</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	24,585	20,369	19,717	26,880
Income tax benefit (expense)	170	-	(277)	52,459
<b>INCOME FROM CONTINUING OPERATIONS</b>	24,755	20,369	19,440	79,339
Income (loss) from discontinued operations, net of taxes	(1,853)	(139)	(403)	275
<b>NET INCOME</b>	22,902	20,230	19,037	79,614
Distributions to preferred stockholders	(5,480)	(8,090)	(836)	(856)
<b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS</b>	<u>\$ 17,422</u>	<u>\$ 12,140</u>	<u>\$ 18,201</u>	<u>\$ 78,758</u>
<b>BASIC EARNINGS PER SHARE</b>	<u>\$ 0.63</u>	<u>\$ 0.38</u>	<u>\$ 0.53</u>	<u>\$ 2.27</u>
<b>DILUTED EARNINGS PER SHARE</b>	<u>\$ 0.56</u>	<u>\$ 0.34</u>	<u>\$ 0.47</u>	<u>\$ 2.01</u>
<b>TOTAL COMPENSATED MAN-DAYS</b>	4,784,038	4,827,629	5,023,588	5,111,879
<b>TOTAL AVAILABLE BED-DAYS</b>	5,220,473	5,299,112	5,357,344	5,357,344
<b>AVERAGE COMPENSATED OCCUPANCY</b>	91.6%	91.1%	93.8%	95.4%

## RECONCILIATION OF BASIC TO DILUTED EARNINGS PER SHARE

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

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2004	2003	2004	2003
<b>Basic:</b>				
Income from continuing operations	\$ 15,043	\$ 78,483	\$ 61,180	\$ 128,641
Income (loss) from discontinued operations, net of taxes	(116)	275	(99)	(2,120)
Net income available to common stockholders	<u>\$ 14,927</u>	<u>\$ 78,758</u>	<u>\$ 61,081</u>	<u>\$ 126,521</u>
<b>Diluted:</b>				
Income from continuing operations	\$ 15,043	\$ 78,483	\$ 61,180	\$ 128,641
Interest expense applicable to convertible notes, net of taxes	167	302	720	4,496
Diluted income from continuing operations	<u>15,210</u>	<u>78,785</u>	<u>61,900</u>	<u>133,137</u>
Income (loss) from discontinued operations, net of taxes	(116)	275	(99)	(2,120)
Diluted net income available to common stockholders	<u>\$ 15,094</u>	<u>\$ 79,060</u>	<u>\$ 61,801</u>	<u>\$ 131,017</u>
<b>Basic:</b>				
Weighted average common shares outstanding	35,331	35,039	35,194	32,603
Unvested restricted common stock	(140)	(367)	(135)	(358)
Weighted average common shares outstanding-basic	<u>35,191</u>	<u>34,672</u>	<u>35,059</u>	<u>32,245</u>
<b>Diluted:</b>				
Weighted average common shares outstanding-basic	35,191	34,672	35,059	32,245
<b>Effect of dilutive securities:</b>				
Stock options and warrants	1,289	1,046	1,301	917
Stockholder litigation	-	-	-	115
Convertible notes	3,362	3,362	3,362	4,523
Restricted stock-based compensation	69	273	58	249
Weighted average shares and assumed conversions-diluted	<u>39,911</u>	<u>39,353</u>	<u>39,780</u>	<u>38,049</u>
<b>Basic earnings (loss) per share:</b>				
Income from continuing operations	\$ 0.42	\$ 2.26	\$ 1.74	\$ 3.99
Income (loss) from discontinued operations, net of taxes	-	0.01	-	(0.07)
Net income available to common stockholders	<u>\$ 0.42</u>	<u>\$ 2.27</u>	<u>\$ 1.74</u>	<u>\$ 3.92</u>
<b>Diluted earnings (loss) per share:</b>				
Income from continuing operations	\$ 0.38	\$ 2.00	\$ 1.55	\$ 3.50
Income (loss) from discontinued operations, net of taxes	-	0.01	-	(0.06)
Diluted net income available to common stockholders	<u>\$ 0.38</u>	<u>\$ 2.01</u>	<u>\$ 1.55</u>	<u>\$ 3.44</u>

## ILLUSTRATION OF 2003 RESULTS, ADJUSTED FOR SPECIAL ITEMS AND ASSUMING A TAX PROVISION

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

	For the Three Months Ended				For the Year Ended December 31, 2003
	March 31, 2003	June 30, 2003	September 30, 2003	December 31, 2003	
Pre-tax net income, as reported	\$ 22,732	\$ 20,230	\$ 19,314	\$ 26,235	\$ 88,511
Special items:					
Expenses associated with debt refinancing and recapitalization transactions	-	4,135	2,552	-	6,687
Change in fair value of derivative instruments	-	(2,900)	-	-	(2,900)
	<u>22,732</u>	<u>21,465</u>	<u>21,866</u>	<u>26,235</u>	<u>92,298</u>
Income tax adjustment	(9,093)	(8,586)	(8,746)	(10,494)	(36,919)
Net income, as adjusted for special items	13,639	12,879	13,120	15,741	55,379
Preferred stock distributions, as reported	(5,480)	(8,090)	(836)	(856)	(15,262)
Special item: Excess distributions to series B preferred stockholders	-	4,472	-	-	4,472
Net income available to common stockholders, as adjusted for special items	<u>\$ 8,159</u>	<u>\$ 9,261</u>	<u>\$ 12,284</u>	<u>\$ 14,885</u>	<u>\$ 44,589</u>
Basic:					
Income from continuing operations, as adjusted for special items	\$ 9,271	\$ 9,344	\$ 12,526	\$ 15,272	\$ 46,413
Income (loss) from discontinued operations, net of taxes	(1,112)	(83)	(242)	(387)	(1,824)
Net income available to common stockholders, as adjusted for special items	<u>\$ 8,159</u>	<u>\$ 9,261</u>	<u>\$ 12,284</u>	<u>\$ 14,885</u>	<u>\$ 44,589</u>
Diluted:					
Income from continuing operations, as adjusted for special items	\$ 9,271	\$ 9,344	\$ 12,526	\$ 15,272	\$ 46,413
Interest expense applicable to convertible notes, net of taxes *	355	235	181	181	952
Diluted income from continuing operations, as adjusted for special items	<u>9,626</u>	<u>9,579</u>	<u>12,707</u>	<u>15,453</u>	<u>47,365</u>
Income (loss) from discontinued operations, net of taxes	(1,112)	(83)	(242)	(387)	(1,824)
Diluted net income available to common stockholders, as adjusted for special items	<u>\$ 8,514</u>	<u>\$ 9,496</u>	<u>\$ 12,465</u>	<u>\$ 15,066</u>	<u>\$ 45,541</u>
Basic:					
Weighted average common shares outstanding	27,714	31,840	34,649	34,672	32,245
Effect of dilutive securities:					
Stock options and warrants	667	934	937	1,046	917
Stockholder litigation	310	153	-	-	115
Convertible notes **	3,370	3,362	3,362	3,362	3,362
Restricted stock-based compensation	222	252	263	273	249
Diluted:					
Weighted average common shares outstanding	<u>32,283</u>	<u>36,541</u>	<u>39,211</u>	<u>39,353</u>	<u>36,888</u>
Basic earnings (loss) per share:					
Income from continuing operations, as adjusted for special items	\$ 0.33	\$ 0.29	\$ 0.36	\$ 0.44	\$ 1.44
Income (loss) from discontinued operations, net of taxes	(0.04)	-	(0.01)	(0.01)	(0.06)
Net income available to common stockholders, as adjusted for special items	<u>\$ 0.29</u>	<u>\$ 0.29</u>	<u>\$ 0.35</u>	<u>\$ 0.43</u>	<u>\$ 1.38</u>
Diluted earnings (loss) per share:					
Income from continuing operations, as adjusted for special items	\$ 0.29	\$ 0.26	\$ 0.33	\$ 0.39	\$ 1.28
Income (loss) from discontinued operations, net of taxes	(0.03)	-	(0.01)	(0.01)	(0.05)
Net income available to common stockholders, as adjusted for special items	<u>\$ 0.26</u>	<u>\$ 0.26</u>	<u>\$ 0.32</u>	<u>\$ 0.38</u>	<u>\$ 1.23</u>

\* For the first and second quarters of 2003, and for the year ended December 31, 2003, \$1,223, \$522, and \$1,745, respectively, have been excluded as the effect is anti-dilutive.

\*\* For the first and second quarters of 2003, and for the year ended December 31, 2003, 3,363, 1,330 and 1,161 shares, respectively, have been excluded as the effect is anti-dilutive.



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

	<u>December 31, 2004</u>	<u>September 30, 2004</u>	<u>June 30, 2004</u>	<u>March 31, 2004</u>	<u>December 31, 2003</u>
<b>BALANCE SHEET:</b>					
Property and equipment	\$ 1,957,030	\$ 1,933,564	\$ 1,899,179	\$ 1,858,817	\$ 1,828,482
Accumulated depreciation and amortization	(297,020)	(283,130)	(268,567)	(254,793)	(241,503)
Property and equipment, net	<u>\$ 1,660,010</u>	<u>\$ 1,650,434</u>	<u>\$ 1,630,612</u>	<u>\$ 1,604,024</u>	<u>\$ 1,586,979</u>
Total assets	\$ 2,023,078	\$ 2,019,844	\$ 1,978,219	\$ 1,978,202	\$ 1,959,028
Maintenance & technology capital expenditures for the quarter ended	\$ 12,770	\$ 11,145	\$ 12,687	\$ 11,821	\$ 13,167
Total debt	\$ 1,002,295	\$ 1,003,088	\$ 1,003,205	\$ 1,003,319	\$ 1,003,428
Equity book value	\$ 815,994	\$ 796,582	\$ 778,039	\$ 783,923	\$ 775,465
<b>LIQUIDITY:</b>					
Cash and cash equivalents	\$ 59,624	\$ 68,651	\$ 50,137	\$ 88,451	\$ 84,231
Availability under revolving credit facility	\$ 88,274	\$ 89,871	\$ 89,871	\$ 97,671	\$ 97,741
<b>CAPITALIZATION:</b>					
Common shares outstanding	35,415	35,235	35,185	35,139	35,020
Common share price at end of period	\$ 40.45	\$ 35.36	\$ 39.49	\$ 35.60	\$ 28.83
Market value of common equity at end of period	<u>\$ 1,432,537</u>	<u>\$ 1,245,910</u>	<u>\$ 1,389,456</u>	<u>\$ 1,250,948</u>	<u>\$ 1,009,627</u>
Preferred shares outstanding - Series A	-	-	-	-	\$ 300
Preferred share price at end of period - Series A	\$ -	\$ -	\$ -	\$ -	\$ 25
Market value of preferred equity at end of period - Series A	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,530</u>
Preferred shares outstanding - Series B	-	-	-	962	\$ 962
Preferred share price at end of period - Series B	\$ -	\$ -	\$ -	\$ 25.02	\$ 25
Market value of preferred equity at end of period - Series B	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,069</u>	<u>\$ 24,291</u>
Total equity market capitalization	<u>\$ 1,432,537</u>	<u>\$ 1,245,910</u>	<u>\$ 1,389,456</u>	<u>\$ 1,275,018</u>	<u>\$ 1,041,447</u>
Total market capitalization (market value of equity plus debt)	<u>\$ 2,434,832</u>	<u>\$ 2,248,998</u>	<u>\$ 2,392,661</u>	<u>\$ 2,278,337</u>	<u>\$ 2,044,875</u>
<b>EBITDA</b>	\$ 59,104	\$ 56,999	\$ 56,923	\$ 55,430	\$ 58,695
<b>ADJUSTED EBITDA</b>	\$ 59,104	\$ 56,999	\$ 56,999	\$ 55,455	\$ 58,695
<b>ADJUSTED FREE CASH FLOW</b>	\$ 30,116	\$ 29,690	\$ 25,764	\$ 27,058	\$ 27,387
<b>ADJUSTED FREE CASH FLOW PER SHARE:</b>					
Basic adjusted free cash flow per share	<u>\$ 0.86</u>	<u>\$ 0.85</u>	<u>\$ 0.74</u>	<u>\$ 0.77</u>	<u>\$ 0.79</u>
Diluted adjusted free cash flow per share	<u>\$ 0.76</u>	<u>\$ 0.75</u>	<u>\$ 0.65</u>	<u>\$ 0.69</u>	<u>\$ 0.70</u>

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

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2004	2003	2004	2003
Number of days per period	92	92	366	365
<b>ALL FACILITIES:</b>				
Average available beds	<u>67,998</u>	<u>58,232</u>	<u>65,970</u>	<u>58,176</u>
Average compensated occupancy	<u>92.6%</u>	<u>95.4%</u>	<u>94.7%</u>	<u>93.0%</u>
Total compensated man-days	<u>5,795,766</u>	<u>5,111,879</u>	<u>22,875,010</u>	<u>19,747,134</u>
Revenue per compensated man-day	\$ 49.74	\$ 51.09	\$ 49.18	\$ 50.97
Operating expenses per compensated man-day:				
Fixed expense	27.67	27.68	27.69	27.96
Variable expense	<u>9.60</u>	<u>9.79</u>	<u>9.25</u>	<u>9.75</u>
Total	<u>37.27</u>	<u>37.47</u>	<u>36.94</u>	<u>37.71</u>
Operating margin per compensated man-day	<u>\$ 12.47</u>	<u>\$ 13.62</u>	<u>\$ 12.24</u>	<u>\$ 13.26</u>
Operating margin rate	<u>25.1%</u>	<u>26.7%</u>	<u>24.9%</u>	<u>26.0%</u>
<b>DEPRECIATION AND AMORTIZATION:</b>				
Depreciation expense	15,357	14,356	57,896	56,292
Amortization of goodwill	-	244	-	244
Amortization of intangible assets	32	107	128	157
Amortization of negative contract values	(878)	(879)	(3,513)	(3,763)
Depreciation and amortization	<u>\$ 14,511</u>	<u>\$ 13,828</u>	<u>\$ 54,511</u>	<u>\$ 52,930</u>
<b>ADJUSTED FREE CASH FLOW:</b>				
Pre-tax income (loss) available to common stockholders	\$ 27,109	\$ 26,299	\$ 103,207	\$ 74,169
Expenses associated with debt refinancing and recapitalization transactions	-	-	101	6,687
Income taxes paid	(170)	(454)	(3,511)	(2,183)
Depreciation and amortization	14,511	13,828	54,511	52,930
Depreciation and amortization for discontinued operations	-	3	63	1,081
Income tax (benefit) expense for discontinued operations	(94)	(920)	(70)	(920)
Amortization of debt costs and other non-cash interest	1,530	1,798	6,750	7,505
Change in fair value of derivative instruments	-	-	-	(2,900)
Series B preferred stock dividends satisfied with series B preferred stock and non-recurring tender premium	-	-	-	10,476
Maintenance and technology capital expenditures	<u>(12,770)</u>	<u>(13,167)</u>	<u>(48,423)</u>	<u>(35,522)</u>
Adjusted free cash flow	<u>\$ 30,116</u>	<u>\$ 27,387</u>	<u>\$ 112,628</u>	<u>\$ 111,323</u>
<b>ADJUSTED FREE CASH FLOW PER SHARE:</b>				
Basic	<u>\$ 0.86</u>	<u>\$ 0.79</u>	<u>\$ 3.21</u>	<u>\$ 3.45</u>
Diluted	<u>\$ 0.76</u>	<u>\$ 0.70</u>	<u>\$ 2.85</u>	<u>\$ 3.04</u>

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

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2004	2003	2004	2003
<b>MANAGED ONLY FACILITIES:</b>				
Management revenue	\$ 85,856	\$ 70,000	\$ 337,504	\$ 274,022
Operating expenses:				
Fixed expense	53,040	41,768	207,923	163,150
Variable expense	19,616	15,100	73,892	58,224
Total	<u>72,656</u>	<u>56,868</u>	<u>281,815</u>	<u>221,374</u>
Contribution	<u>\$ 13,200</u>	<u>\$ 13,132</u>	<u>\$ 55,689</u>	<u>\$ 52,648</u>
Average available beds	<u>24,663</u>	<u>17,188</u>	<u>24,189</u>	<u>17,188</u>
Average compensated occupancy	<u>102.3%</u>	<u>104.5%</u>	<u>102.4%</u>	<u>103.5%</u>
Total compensated man-days	<u>2,321,569</u>	<u>1,653,175</u>	<u>9,065,478</u>	<u>6,490,431</u>
Revenue per compensated man-day	\$ 36.98	\$ 42.34	\$ 37.23	\$ 42.22
Operating expenses per compensated man-day:				
Fixed expense	22.85	25.27	22.94	25.14
Variable expense	8.45	9.13	8.15	8.97
Total	<u>31.30</u>	<u>34.40</u>	<u>31.09</u>	<u>34.11</u>
Operating margin per compensated man-day	<u>\$ 5.68</u>	<u>\$ 7.94</u>	<u>\$ 6.14</u>	<u>\$ 8.11</u>
Operating margin rate	<u>15.4%</u>	<u>18.8%</u>	<u>16.5%</u>	<u>19.2%</u>
 <b>OWNED AND MANAGED FACILITIES:</b>				
Management revenue	\$ 202,413	\$ 191,189	\$ 787,397	\$ 732,465
Operating expenses:				
Fixed expense	107,351	99,726	425,461	388,957
Variable expense	36,012	34,954	137,597	134,245
Total	<u>143,363</u>	<u>134,680</u>	<u>563,058</u>	<u>523,202</u>
Contribution	<u>\$ 59,050</u>	<u>\$ 56,509</u>	<u>\$ 224,339</u>	<u>\$ 209,263</u>
Average available beds	<u>43,335</u>	<u>41,044</u>	<u>41,781</u>	<u>40,988</u>
Average compensated occupancy	<u>87.1%</u>	<u>91.6%</u>	<u>90.3%</u>	<u>88.6%</u>
Total compensated man-days	<u>3,474,197</u>	<u>3,458,704</u>	<u>13,809,532</u>	<u>13,256,703</u>
Revenue per compensated man-day	\$ 58.26	\$ 55.28	\$ 57.02	\$ 55.25
Operating expenses per compensated man-day:				
Fixed	30.90	28.83	30.81	29.34
Variable	10.37	10.11	9.96	10.13
Total	<u>41.27</u>	<u>38.94</u>	<u>40.77</u>	<u>39.47</u>
Operating margin per compensated man-day	<u>\$ 16.99</u>	<u>\$ 16.34</u>	<u>\$ 16.25</u>	<u>\$ 15.78</u>
Operating margin rate	<u>29.2%</u>	<u>29.6%</u>	<u>28.5%</u>	<u>28.6%</u>

## ANALYSIS OF OUTSTANDING DEBT AND PREFERRED STOCK

(Unaudited and amounts in thousands)

	<u>Outstanding Balance 12/31/2003</u>	<u>Outstanding Balance 12/31/2004</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	9.875%	10.42%	May 2009	On or prior to May 1, 2005, 35% redeemable at 109.875% with proceeds from equity offerings; on or after May 1, 2006, 100% redeemable at various premium prices until May 1, 2008 at par
\$250.0 Million Senior Notes	250,000	250,000	7.50%	7.91%	May 2011	On or prior to May 1, 2006, 35% redeemable at 107.5% with proceeds from equity offerings; on or after May 1, 2007, 100% redeemable at various premium prices until May 1, 2009 at par
\$200.0 Million Senior Notes	202,129	201,839	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
\$30.0 Million Convertible Notes	30,000	30,000	4.00%	4.02%	February 2007	Beginning March 1, 2005, may force conversion if the common stock price is greater than \$13.38
Other Debt	486	321	Various	Various	Various	
Total Fixed Rate Debt	<u>732,615</u>	<u>732,160</u>				
<b>Floating Rate:</b>						
Lehman Credit Facility:						
Term C	270,813					
Term D		270,135	5.12%	5.64%	March 31, 2008	
\$125.0 Million Revolver	-	-	None	None	March 31, 2006	
Total Floating Rate Debt	<u>270,813</u>	<u>270,135</u>				
Grand Total Debt	<u>\$ 1,003,428</u>	<u>\$ 1,002,295</u>	7.39%	7.80%	4.88 Years	<sup>4)</sup>

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

<sup>2)</sup> The variable interest rate on the Term D portion of the Lehman Credit Facility is LIBOR + 2.25%.

<sup>3)</sup> The variable interest rate is LIBOR + 3.50%. As of December 31, 2004, the Company had outstanding letters of credit totaling \$36.7 million, reducing the available borrowing capacity to \$88.3 million.

<sup>4)</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>
2005	\$ 3,181	0.32%	0.32%
2006	3,137	0.31%	0.63%
2007	228,999	22.85%	23.48%
2008	66,301	6.61%	30.09%
2009	250,290	24.97%	55.06%
Thereafter	450,387	44.94%	100.00%
	<u>\$ 1,002,295</u>	<u>100.00%</u>	

	<u>Outstanding Balance 12/31/2003</u>	<u>Outstanding Balance 12/31/2004</u>	<u>Dividend Rate</u>	
Preferred Stock:				
Series A Preferred Stock	\$ 7,500	\$ -	8.0% cash	Redeemed during the first quarter of 2004 at \$25.00 per share plus dividends accrued and unpaid through the redemption date
Series B Preferred Stock	\$ 23,528	\$ -	12.0% cash	Redeemed during the second quarter of 2004 at \$24.46 per share plus dividends accrued and unpaid through the redemption date

## SELECTED OPERATING RATIOS

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

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2004	2003	2004	2003
<b><u>COVERAGE RATIOS:</u></b>				
Interest coverage ratio (Adjusted EBITDA/Interest incurred) (x)	3.2	3.3	3.2	3.1
Debt service coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled principal pmts)) (x)	3.1	3.2	3.1	2.8
Fixed charge coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled prin pmts + Pfd dist.)) (x)	3.1	3.1	3.1	2.4
Senior debt coverage ratio (Senior debt/Annualized Adjusted EBITDA) (x)	4.1	4.1	4.3	4.4
Total debt and preferred stock coverage ratio (Total debt and pfd stk/Annualized Adjusted EBITDA) (x)	4.2	4.4	4.4	4.6
Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)	7.5	7.8	7.3	7.5
<b><u>DEBT/EQUITY RATIOS:</u></b>				
Total debt/Total market capitalization	41.2%	49.1%	41.2%	49.1%
Total debt/Equity market capitalization	70.0%	96.3%	70.0%	96.3%
Total debt/Book equity capitalization	122.8%	129.4%	122.8%	129.4%
Total debt/Gross book value of real estate assets	50.8%	54.4%	50.8%	54.4%
<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)*)	12.0%	12.8%	12.0%	12.4%
Annualized return on total assets (Annualized Adjusted EBITDA/Average total assets (undepreciated book value)*)	10.2%	10.9%	10.1%	10.5%
<b><u>OVERHEAD RATIOS:</u></b>				
Annualized general & administrative expenses/Average total assets (undepreciated book value)*	2.2%	2.1%	2.1%	1.9%
General & administrative expenses/Total revenues	4.4%	4.2%	4.2%	3.9%
<b><u>INTEREST EXPENSE, NET</u></b>				
Interest income from continuing operations	\$ (1,105)	\$ (965)	\$ (4,017)	\$ (3,602)
Interest incurred	18,334	18,040	72,283	71,443
Amortization of debt costs and other non-cash interest	1,530	1,798	6,750	7,505
Capitalized interest	(1,391)	(886)	(5,839)	(900)
Interest expense, net	<u>\$ 17,368</u>	<u>\$ 17,987</u>	<u>\$ 69,177</u>	<u>\$ 74,446</u>
<b><u>EBITDA CALCULATION:</u></b>				
Net income	\$ 14,927	\$ 79,614	\$ 62,543	\$ 141,783
Interest expense, net	17,368	17,987	69,177	74,446
Depreciation and amortization	14,511	13,828	54,511	52,930
Income tax (benefit) expense	12,182	(52,459)	42,126	(52,352)
(Income) loss from discontinued operations, net of taxes	116	(275)	99	2,120
EBITDA	59,104	58,695	228,456	218,927
Expenses associated with debt refinancing and recapitalization transactions	-	-	101	6,687
Change in fair value of derivative instruments	-	-	-	(2,900)
ADJUSTED EBITDA	<u>\$ 59,104</u>	<u>\$ 58,695</u>	<u>\$ 228,557</u>	<u>\$ 222,714</u>

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

**FACILITY PORTFOLIO**

<u>Facility Name</u>	<u>Year Constructed (A)</u>	<u>Primary Customer</u>	<u>Design Capacity (B)</u>	<u>Security Level</u>	<u>Facility Type (C)</u>	<u>Term</u>	<u>Remaining Renewal Options (D)</u>	<u>Compensated Occupancy % for the Quarter ended 12/31/04</u>
<b>Owned and Managed Facilities:</b>								
Central Arizona Detention Center Florence, Arizona	1994, 1998	USMS	2,304	Multi	Detention	May-05	(3) 1 year	139.13%
Eloy Detention Center Eloy, Arizona	1995, 1996	BOP, ICE	1,500	Medium	Detention	Feb-05	(4) 1 year	96.30%
Florence Correctional Center Florence, Arizona	1999	State of Alaska	1,824	Multi	Correctional	Jun-08	(6) 1 year	95.81%
California City Correctional Center California City, California	1999	BOP	2,304	Medium	Correctional	Sep-05	(5) 1 year	113.90%
San Diego Correctional Facility (E) San Diego, California	1999, 2000	ICE	1,232	Minimum/ Medium	Detention	Mar-05	-	112.49%
Bent County Correctional Facility Las Animas, Colorado	1992, 1997	State of Colorado	700	Medium	Correctional	Jun-05	(1) 2 year	100.59%
Crowley County Correctional Facility Olney Springs, Colorado	1998, 2004	State of Colorado	1,794	Medium	Correctional	Jun-05	(1) 2 year	38.02%
Huerfano County Correctional Center (F) Walsenburg, Colorado	1997	State of Colorado	752	Medium	Correctional	Jun-05	(1) 2 year	100.67%
Kit Carson Correctional Center Burlington, Colorado	1998	State of Colorado	768	Medium	Correctional	Jun-05	(1) 2 year	103.80%
Coffee Correctional Facility (G) Nicholls, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jun-05	(14) 1 year	97.73%
McRae Correctional Facility McRae, Georgia	2000, 2002	BOP	1,524	Medium	Correctional	Dec-05	(7) 1 year	109.23%
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	Jun-05	(14) 1 year	97.74%
Leavenworth Detention Center Leavenworth, Kansas	1992, 2000	USMS	767	Maximum	Detention	Dec-05	-	106.19%
Lee Adjustment Center Beattyville, Kentucky	1990	State of Vermont	756	Minimum/ Medium	Correctional	Jun-07	-	96.60%
Marion Adjustment Center St. Mary, Kentucky	1955, 1988	Commonwealth of Kentucky	790	Minimum	Correctional	Dec-07	(3) 2 year	102.49%

## 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 12/31/04
Otter Creek Correctional Center Wheelwright, Kentucky	1993	State of Indiana	656	Minimum/ Medium	Correctional	Jan-11	-	99.30%
Prairie Correctional Facility Appleton, Minnesota	1991	State of Wisconsin	1,550	Medium	Correctional	Dec-05	(2) 1 year	36.91%
Tallahatchie County Correctional Facility (I) Tutwiler, Mississippi	2000	State of Hawaii	1,104	Medium	Correctional	Jun-06	-	83.80%
Crossroads Correctional Center (J) Shelby, Montana	1999	State of Montana	568	Multi	Correctional	Jun-05	(7) 2 year	94.13%
Cibola County Corrections Center Milan, New Mexico	1994, 1999	BOP	1,072	Medium	Correctional	Sep-05	(5) 1 year	96.49%
New Mexico Women's Correctional Facility Grants, New Mexico	1989, 2000	State of New Mexico	596	Multi	Correctional	Jun-05	-	96.75%
Torrance County Detention Facility Estancia, New Mexico	1990, 1997	USMS	910	Multi	Detention	Indefinite	-	83.04%
Northeast Ohio Correctional Center Youngstown, Ohio	1997	USMS	2,016	Medium	Correctional	Nov-04	(4) 1 year	15.33%
Cimarron Correctional Facility (K) Cushing, Oklahoma	1997	State of Oklahoma	960	Medium	Correctional	Jun-05	(4) 1 year	100.01%
Davis Correctional Facility (K) Holdenville, Oklahoma	1996	State of Oklahoma	960	Medium	Correctional	Jun-05	(4) 1 year	100.76%
Diamondback Correctional Facility Watonga, Oklahoma	1998, 2000	State of Arizona	2,160	Medium	Correctional	Jun-05	(2) 1 year	72.07%
North Fork Correctional Facility (L) 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	70.04%
Shelby Training Center (M) Memphis, Tennessee	1986, 1995	Shelby County, TN	200	Secure	Juvenile	Apr-15	-	92.83%
Whiteville Correctional Facility (N) Whiteville, Tennessee	1998	State of Tennessee	1,536	Medium	Correctional	Sep-05	(2) 1 year	95.91%
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	1989	State of Texas	200	Medium	Correctional	Feb-07	(4) 1 year	96.83%

## 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 12/31/04
Eden Detention Center Eden, Texas	1990	BOP	1,225	Medium	Correctional	Apr-05	(2) 1 year	112.14%
Houston Processing Center Houston, Texas	1984	ICE	905	Medium	Detention	Sep-05	(3) 1 year	77.26%
Laredo Processing Center Laredo, Texas	1985, 1990	ICE	258	Minimum/ Medium	Detention	Mar-05	-	146.23%
Webb County Detention Center Laredo, Texas	1998	USMS	480	Medium	Detention	Aug-05	-	107.34%
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	1995	State of Texas	2,103	Minimum	Correctional	Feb-07	(4) 1 year	98.40%
T. Don Hutto Correctional Center Taylor, Texas	1997	USMS	480	Minimum	Correctional	Nov-04	Indefinite	67.71%
D.C. Correctional Treatment Facility (O) Washington D.C.	1992	District of Columbia	1,500	Medium	Detention	Mar-17	-	80.29%
Total design capacity for Owned and Managed Facilities (39 Owned and Managed Facilities)			<u>43,815</u>					
<b>Managed Only Facilities:</b>								
Bay Correctional Facility Panama City, Florida	N/A	State of Florida	750	Medium	Correctional	Jun-05	-	99.38%
Bay County Jail and Annex Panama City, Florida	N/A	Bay County, FL	677	Multi	Detention	Sep-06	-	139.60%
Citrus County Detention Facility Lecanto, Florida	N/A	Citrus County, FL	400	Multi	Detention	Sep-05	(1) 5 year	104.48%
Gadsden Correctional Institution Quincy, Florida	N/A	State of Florida	896	Minimum/ Medium	Correctional	Jun-05	-	115.08%
Hernando County Jail Brooksville, Florida	N/A	Hernando County, FL	302	Multi	Detention	Oct-10	-	126.90%
Lake City Correctional Facility Lake City, Florida	N/A	State of Florida	350	Secure	Correctional	Jun-05	-	99.52%
Idaho Correctional Center Boise, Idaho	N/A	State of Idaho	1,270	Minimum/ Medium	Correctional	Jun-05	-	100.27%
Marion County Jail Indianapolis, Indiana	N/A	Marion County, IN	670	Multi	Detention	Aug-05	-	146.12%



**FACILITY PORTFOLIO**

<u>Facility Name</u>	<u>Year Constructed (A)</u>	<u>Primary Customer</u>	<u>Design Capacity (B)</u>	<u>Security Level</u>	<u>Facility Type (C)</u>	<u>Term</u>	<u>Remaining Renewal Options (D)</u>	<u>Compensated Occupancy % for the Quarter ended 12/31/04</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	1,016	Minimum/ Medium	Correctional	Mar-05	(1) 2 year	106.22%
Wilkinson County Correctional Facility Woodville, Mississippi	N/A	State of Mississippi	1,000	Medium	Correctional	Sep-05	(3) 1 year	98.91%
Elizabeth Detention Center Elizabeth, New Jersey	N/A	ICE	300	Minimum	Detention	Apr-05	-	89.99%
David L. Moss Criminal Justice Center Tulsa, Oklahoma	N/A	Tulsa County, OK	1,440	Multi	Detention	Jun-05	(2) 1 year	82.58%
Silverdale Facilities Chattanooga, Tennessee	N/A	Hamilton County, TN	784	Multi	Detention	Feb-07	Indefinite	91.83%
South Central Correctional Center Clifton, Tennessee	N/A	State of Tennessee	1,506	Medium	Correctional	Jun-05	(1) 2 year	106.99%
Metro-Davidson County Detention Facility Nashville, Tennessee	N/A	Davidson County, TN	1,092	Multi	Detention	Jul-06	(2) 1 year	118.35%
Hardeman County Correctional Facility Whiteville, Tennessee	N/A	State of Tennessee	2,016	Medium	Correctional	Jul-05	(1) 2 year	96.92%
B. M. Moore Correctional Center Overton, Texas	N/A	State of Texas	500	Minimum/ Medium	Correctional	Jan-07	(2) 1 year	99.64%
Bartlett State Jail Bartlett, Texas	N/A	State of Texas	962	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	103.79%
Bradshaw State Jail Henderson, Texas	N/A	State of Texas	1,980	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	99.68%
Dawson State Jail Dallas, Texas	N/A	State of Texas	2,216	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	97.65%
Diboll Correctional Center Diboll, Texas	N/A	State of Texas	518	Minimum/ Medium	Correctional	Jan-07	(2) 1 year	99.82%

## 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 12/31/04
Liberty County Jail/Juvenile Center Liberty, Texas	N/A	Liberty County, Texas	380	Multi	Detention	Jan-05	(1) 3 year	91.66%
Lindsey State Jail Jacksboro, Texas	N/A	State of Texas	1,031	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	98.78%
Willacy State Jail Raymondville, Texas	N/A	State of Texas	1,069	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	96.05%
Total design capacity for Managed Only Facilities (25 Managed Only Facilities)			<u>24,663</u>					
<b>Total design capacity for All Facilities</b>			<u><u>68,478</u></u>					
<b>January 1, 2005 Design Changes (B)</b>								
Bartlett State Jail			39					
Bay County Jail and Annex			473					
Cibola County Corrections Center			57					
Delta Correctional Facility			156					
Gadsden Correctional Institution			140					
Hernando County Jail			46					
Lee Adjustment Center			60					
Marion Adjustment Center			36					
Marion County Jail			360					
San Diego Correctional Facility			(16)					
South Central Correctional Center			<u>170</u>					
<b>Total design capacity for All Facilities (January 1, 2005)</b>			<u><u>69,999</u></u>					
<b>Leased Facilities:</b>								
Leo Chesney Correctional Center Live Oak, California	1989	Cornell Corrections	240	Minimum	Owned/Leased	Jun-05	(1) 1 year	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 (P) Houston, Texas	N/A	Community Education Partners	-	Non-secure	Owned/Leased	Jun-08	(3) 5 year	N/A

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

(B) Design capacity measures the number of beds, and accordingly, the number of inmates each facility is designed to accommodate. Facilities housing detainees on a short term basis may exceed the original intended design capacity for sentenced inmates due to the lower level of services required by detainees in custody for a brief period. 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.

## 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 12/31/04
<p>(C) We manage numerous facilities that have more than a single function (i.e., housing both long-term sentenced adult prisoners and pre-trial detainees). The primary functional categories into which facility types are identified was determined by the relative size of prisoner populations in a particular facility on December 31, 2004. 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.</p> <p>(D) Remaining renewal options represents the number of renewals options, if applicable, and the remaining term of each option renewal.</p> <p>(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.</p> <p>(F) The facility is subject to a purchase option held by Huerfano County which grants Huerfano County the right to purchase the facility upon an early termination of the contract at a price generally equal to the cost of the facility plus 80% of the percentage increase in the Consumer Price Index, cumulated annually.</p> <p>(G) The facility is subject to a purchase option held by the Georgia Department of Corrections, or GDOC, which grants the GDOC the right to purchase the facility for the lesser of the facility's depreciated book value or fair market value at any time during the term of the contract between us and the GDOC.</p> <p>(H) 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.</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 over a 20-year period.</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 then present value of a pre-determined portion of per-diem payments made to us by the State of Montana.</p> <p>(K) The facility is subject to a purchase option held by the Oklahoma Department of Corrections, or ODC, which grants the ODC the right to purchase the facility at its fair market value at any time.</p> <p>(L) 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.</p> <p>(M) Upon conclusion of the thirty-year lease with Shelby County, Tennessee, the facility will become the property of Shelby County. Prior to such time, if the County terminates the lease without cause, or breaches the lease or the State fails to fund the contract, we may purchase the property for \$150,000. If we terminate the lease without cause, or breach the contract, we will be required to purchase the property for its fair market value as agreed to by the County and us.</p> <p>(N) The State of Tennessee has the option to purchase the facility in the event of our bankruptcy, or upon an operational breach, as defined, at a price equal to the book value, as defined.</p> <p>(O) The District of Columbia has the right to purchase the facility at any time during the term of the contract at a price generally equal to the present value of the remaining lease payments for the premises. Upon expiration of the lease, ownership of the facility automatically reverts to the District of Columbia.</p> <p>(P) The alternative educational facility is currently configured to accommodate 900 at-risk juveniles and may be expanded to accommodate a total of 1,400 at-risk juveniles.</p>								

**DIVERSIFICATION OF REVENUE**

(Unaudited and amounts in thousands)

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<u>Customer</u>	<u>Management Revenue For the Twelve Months Ended December 31, 2004</u>	<u>Percent of Management Revenue For the Twelve Months Ended December 31, 2004</u>
Bureau of Prisons	\$ 177,914	15.82%
United States Marshals	165,423	14.71%
Texas	90,677	8.06%
United States Immigration and Customs Enforcement	86,286	7.67%
Tennessee	70,394	6.26%
Colorado	52,444	4.66%
Georgia	48,453	4.31%
Florida	44,798	3.98%
Oklahoma	30,206	2.69%
District of Columbia	26,833	2.39%
	<u>\$ 793,428</u>	<u>70.53%</u>
Total Management Revenue	<u>\$ 1,124,901</u>	<u>100.00%</u>

## RESEARCH / ANALYST COVERAGE

### 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	B+	Not rated
Senior Secured Bank Credit	BB-	Ba3
Senior Unsecured Debt	B	B1
Preferred Stock	Not rated	B3

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