



**CORRECTIONS CORPORATION OF AMERICA**

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

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

# CORRECTIONS CORPORATION OF AMERICA

Supplemental Financial Information  
For the Quarter Ended June 30, 2003

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## CONSOLIDATED BALANCE SHEETS

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

	June 30, 2003	March 31, 2003	December 31, 2002	September 30, 2002	June 30, 2002
<b>ASSETS</b>					
Cash and cash equivalents	\$ 70,464	\$ 69,955	\$ 65,406	\$ 101,832	\$ 65,785
Restricted cash	13,186	13,577	7,363	7,338	12,674
Accounts receivable, net of allowance	133,911	137,741	136,644	138,167	136,289
Income tax receivable	60	33,426	32,499	370	374
Prepaid expenses and other current assets	9,206	6,329	12,435	13,277	15,063
Total current assets	226,827	261,028	254,347	260,984	230,185
Property and equipment, net	1,584,825	1,591,119	1,552,265	1,559,367	1,568,289
Investment in direct financing lease	18,057	18,204	18,346	18,484	18,617
Assets held for sale	-	-	-	836	836
Goodwill	20,294	20,294	20,902	24,432	24,432
Other assets	32,636	27,085	28,211	25,920	26,356
Total assets	\$ 1,882,639	\$ 1,917,730	\$ 1,874,071	\$ 1,890,023	\$ 1,868,715
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Accounts payable and accrued expenses	\$ 132,480	\$ 148,441	\$ 152,977	\$ 150,836	\$ 138,956
Income tax payable	4,467	5,608	4,605	56,844	6,798
Distributions payable	150	2,150	5,330	5,294	5,205
Current portion of long-term debt	5,377	24,107	23,054	22,261	21,508
Total current liabilities	142,474	180,306	185,966	235,235	172,467
Long-term debt, net of current portion	1,043,780	956,515	932,905	938,712	944,653
Deferred tax liabilities	-	-	-	4,767	55,106
Other liabilities	22,075	22,482	21,202	19,131	18,916
Total liabilities	1,208,329	1,159,303	1,140,073	1,197,845	1,191,142
Commitments and contingencies					
Preferred stock - \$0.01 par value:					
Series A - stated at liquidation preference of \$25.00 per share	7,500	107,500	107,500	107,500	107,500
Series B - stated at liquidation preference of \$24.46 per share	22,933	114,281	107,831	104,749	101,753
Common stock - \$0.01 par value	350	281	280	280	280
Additional paid-in capital	1,439,347	1,344,822	1,343,066	1,342,958	1,342,881
Deferred compensation	(2,323)	(2,779)	(1,604)	(1,824)	(2,176)
Retained deficit	(792,549)	(804,689)	(822,111)	(859,987)	(870,960)
Accumulated other comprehensive loss	(948)	(989)	(964)	(1,498)	(1,705)
Total stockholders' equity	674,310	758,427	733,998	692,178	677,573
Total liabilities and stockholders' equity	\$ 1,882,639	\$ 1,917,730	\$ 1,874,071	\$ 1,890,023	\$ 1,868,715

## 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,	
	2003	2002	2003	2002
<b>REVENUE:</b>				
Management:				
Federal	\$ 94,709	\$ 77,783	\$ 186,166	\$ 148,468
State	120,050	118,802	241,112	238,524
Local	23,932	20,989	46,838	40,894
Other	9,902	9,268	19,399	18,555
Total management revenue	248,593	226,842	493,515	446,441
Transportation	4,598	4,040	9,036	7,878
Rental	929	950	1,852	1,897
Other	22	25	43	68
	254,142	231,857	504,446	456,284
<b>EXPENSES:</b>				
Operating:				
Facility fixed	138,222	127,688	272,825	255,334
Facility variable	47,175	46,718	93,451	89,880
Transportation	4,568	4,055	8,914	8,241
Other	329	185	611	535
Total operating expenses	190,294	178,646	375,801	353,990
General and administrative	10,010	8,344	19,547	15,535
Depreciation and amortization	13,036	12,479	25,949	24,625
	213,340	199,469	421,297	394,150
<b>OPERATING INCOME</b>	40,802	32,388	83,149	62,134
<b>OTHER (INCOME) EXPENSE:</b>				
Equity in (earnings) loss of joint venture	(46)	90	44	(27)
Interest expense, net	19,659	22,532	37,381	51,418
Expenses associated with debt refinancing and recapitalization transactions	4,135	36,670	4,135	36,670
Change in fair value of derivative instruments	(2,900)	(51)	(2,900)	(3,462)
(Gain) loss on disposal of assets	1	54	(15)	51
Unrealized foreign currency transaction gain	(277)	(422)	(150)	(327)
	20,572	58,873	38,495	84,323
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b>	20,230	(26,485)	44,654	(22,189)
Income tax benefit	-	119	170	32,888
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b>	20,230	(26,366)	44,824	10,699
Income (loss) from discontinued operations, net of taxes	-	176	(1,692)	2,135
Cumulative effect of accounting change	-	-	-	(80,276)
<b>NET INCOME (LOSS)</b>	20,230	(26,190)	43,132	(67,442)
Distributions to preferred stockholders	(8,090)	(5,205)	(13,570)	(10,282)
<b>NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS</b>	\$ 12,140	\$ (31,395)	\$ 29,562	\$ (77,724)
<b>BASIC EARNINGS (LOSS) PER SHARE</b>	\$ 0.38	\$ (1.14)	\$ 0.99	\$ (2.81)
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>	\$ 0.34	\$ (1.14)	\$ 0.89	\$ (2.69)

## RECONCILIATION OF BASIC TO DILUTED EARNINGS PER SHARE

(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>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Basic:</b>				
Income (loss) from continuing operations before cumulative effect of accounting change	\$ 12,140	\$ (31,571)	\$ 31,254	\$ 417
Income (loss) from discontinued operations, net of taxes	-	176	(1,692)	2,135
Cumulative effect of accounting change	-	-	-	(80,276)
Net income (loss) available to common stockholders	\$ 12,140	\$ (31,395)	\$ 29,562	\$ (77,724)
<b>Diluted:</b>				
Income (loss) from continuing operations before cumulative effect of accounting change	\$ 12,140	\$ (31,571)	\$ 31,254	\$ 417
Interest expense applicable to convertible notes *	391	-	983	-
Diluted income (loss) from continuing operations before cumulative effect of accounting change	12,531	(31,571)	32,237	417
Income (loss) from discontinued operations, net of taxes	-	176	(1,692)	2,135
Cumulative effect of accounting change	-	-	-	(80,276)
Diluted net income (loss) available to common stockholders	\$ 12,531	\$ (31,395)	\$ 30,545	\$ (77,724)
<b>Basic:</b>				
Weighted average common shares outstanding	32,214	27,978	30,141	27,969
Unvested restricted common stock	(374)	(319)	(353)	(319)
Weighted average common shares outstanding-basic	31,840	27,659	29,788	27,650
<b>Diluted:</b>				
Weighted average common shares outstanding-basic	31,840	27,659	29,788	27,650
<b>Effect of dilutive securities:</b>				
Stock options and warrants	934	-	808	646
Stockholder litigation	153	-	231	310
Convertible notes	3,362	-	3,362	-
Restricted stock-based compensation	252	-	232	255
Weighted average shares and assumed conversions-diluted	36,541	27,659	34,421	28,861
<b>Basic earnings (loss) per share:</b>				
Income (loss) from continuing operations before cumulative effect of accounting change	\$ 0.38	\$ (1.15)	\$ 1.05	\$ 0.01
Income (loss) from discontinued operations, net of taxes	-	0.01	(0.06)	0.08
Cumulative effect of accounting change	-	-	-	(2.90)
Net income (loss) available to common stockholders	\$ 0.38	\$ (1.14)	\$ 0.99	\$ (2.81)
<b>Diluted earnings (loss) per share:</b>				
Income (loss) from continuing operations before cumulative effect of accounting change	\$ 0.34	\$ (1.15)	\$ 0.94	\$ 0.01
Income (loss) from discontinued operations, net of taxes	-	0.01	(0.05)	0.08
Cumulative effect of accounting change	-	-	-	(2.78)
Diluted net income (loss) available to common stockholders	\$ 0.34	\$ (1.14)	\$ 0.89	\$ (2.69)
* For the three and six months ended June 30, 2003, \$870 and \$2,908, respectively, are not presented, as the effects are anti-dilutive. Also, for the three and six months ended June 30, 2002, \$2,560 and \$5,045, respectively, are not presented, as the effects are anti-dilutive.				
** Although amounts are not included for the periods presented, as the effects are anti-dilutive, additional shares would have been as follows, if dilutive:				
Stock options and warrants using the treasury stock method	-	637	-	-
Stockholder litigation	-	310	-	-
Convertible notes using the if-converted method	1,330	6,733	2,341	6,741
Restricted stock-based compensation using the treasury stock method	-	255	-	-
	1,330	7,935	2,341	6,741

## SELECTED FINANCIAL INFORMATION

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

	<u>June 30, 2003</u>	<u>March 31, 2003</u>	<u>December 31, 2002</u>	<u>September 30, 2002</u>	<u>June 30, 2002</u>
<b>BALANCE SHEET:</b>					
Property and equipment	\$ 1,798,146	\$ 1,790,422	\$ 1,738,650	\$ 1,733,139	\$ 1,728,842
Accumulated depreciation and amortization	(213,321)	(199,303)	(186,385)	(173,772)	(160,553)
Property and equipment, net	<u>\$ 1,584,825</u>	<u>\$ 1,591,119</u>	<u>\$ 1,552,265</u>	<u>\$ 1,559,367</u>	<u>\$ 1,568,289</u>
Assets held for sale	\$ -	\$ -	\$ -	\$ 836	\$ 836
Total assets	\$ 1,882,639	\$ 1,917,730	\$ 1,874,071	\$ 1,890,023	\$ 1,868,715
Maintenance capital expenditures for the quarter ended	\$ 7,438	\$ 5,482	\$ 3,428	\$ 2,132	\$ 2,792
Total debt	\$ 1,049,157	\$ 980,622	\$ 955,959	\$ 960,973	\$ 966,161
Equity book value	\$ 674,310	\$ 758,427	\$ 733,998	\$ 692,178	\$ 677,573
<b>LIQUIDITY:</b>					
Cash and cash equivalents	\$ 70,464	\$ 69,955	\$ 65,406	\$ 101,832	\$ 65,785
Availability under revolving credit facility	\$ 45,891	\$ 51,891	\$ 57,969	\$ 60,175	\$ 61,175
<b>CAPITALIZATION:</b>					
Common shares outstanding	35,016	28,103	27,986	27,989	27,990
Common share price at end of period	\$ 25.33	\$ 17.46	\$ 17.15	\$ 14.05	\$ 17.30
Market value of common equity at end of period	<u>\$ 886,955</u>	<u>\$ 490,678</u>	<u>\$ 479,960</u>	<u>\$ 393,245</u>	<u>\$ 484,227</u>
Preferred shares outstanding - Series A	300	4,300	4,300	4,300	4,300
Preferred share price at end of period - Series A	\$ 25.20	\$ 22.40	\$ 21.50	\$ 20.25	\$ 20.30
Market value of preferred equity at end of period - Series A	<u>\$ 7,560</u>	<u>\$ 96,320</u>	<u>\$ 92,450</u>	<u>\$ 87,075</u>	<u>\$ 87,290</u>
Preferred shares outstanding - Series B	938	4,672	4,408	4,282	4,160
Preferred share price at end of period - Series B	\$ 25.49	\$ 24.85	\$ 25.00	\$ 23.23	\$ 23.63
Market value of preferred equity at end of period - Series B	<u>\$ 23,910</u>	<u>\$ 116,099</u>	<u>\$ 110,200</u>	<u>\$ 99,471</u>	<u>\$ 98,301</u>
Total equity market capitalization	<u>\$ 918,425</u>	<u>\$ 703,098</u>	<u>\$ 682,610</u>	<u>\$ 579,791</u>	<u>\$ 669,818</u>
Total market capitalization (market value of equity plus debt)	<u>\$ 1,967,582</u>	<u>\$ 1,683,720</u>	<u>\$ 1,638,569</u>	<u>\$ 1,540,764</u>	<u>\$ 1,635,979</u>
<b>EBITDA</b>	\$ 52,925	\$ 55,059	\$ 44,178	\$ 47,355	\$ 8,526
<b>ADJUSTED EBITDA</b>	\$ 54,160	\$ 55,059	\$ 44,806	\$ 47,983	\$ 45,145
<b>ADJUSTED FREE CASH FLOW</b>	\$ 26,169	\$ 30,468	\$ 23,082	\$ 27,251	\$ 18,463
<b>ADJUSTED FREE CASH FLOW PER SHARE:</b>					
Basic adjusted free cash flow per share	<u>\$ 0.82</u>	<u>\$ 1.10</u>	<u>\$ 0.83</u>	<u>\$ 0.98</u>	<u>\$ 0.67</u>
Diluted adjusted free cash flow per share	<u>\$ 0.72</u>	<u>\$ 0.93</u>	<u>\$ 0.72</u>	<u>\$ 0.84</u>	<u>\$ 0.59</u>

## 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>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Number of days per period	91	91	181	181
<b>ALL FACILITIES:</b>				
Average available beds	<u>58,732</u>	<u>56,924</u>	<u>58,619</u>	<u>57,017</u>
Average compensated occupancy	<u>91.1%</u>	<u>88.6%</u>	<u>91.3%</u>	<u>87.7%</u>
Total compensated man-days	<u>4,867,064</u>	<u>4,587,082</u>	<u>9,690,227</u>	<u>9,053,239</u>
Revenue per compensated man-day	\$ 51.08	\$ 49.45	\$ 50.93	\$ 49.31
Operating expenses per compensated man-day:				
Fixed expense	28.40	27.84	28.15	28.20
Variable expense	<u>9.69</u>	<u>10.18</u>	<u>9.64</u>	<u>9.93</u>
Total	<u>38.09</u>	<u>38.02</u>	<u>37.80</u>	<u>38.13</u>
Operating margin per compensated man-day	<u>\$ 12.98</u>	<u>\$ 11.43</u>	<u>\$ 13.13</u>	<u>\$ 11.18</u>
Operating margin rate	<u>25.4%</u>	<u>23.1%</u>	<u>25.8%</u>	<u>22.7%</u>
<b>DEPRECIATION AND AMORTIZATION:</b>				
Depreciation expense	14,034	13,163	27,830	25,962
Amortization of intangible assets	21	93	32	218
Amortization of negative contract values	<u>(1,019)</u>	<u>(777)</u>	<u>(1,913)</u>	<u>(1,555)</u>
Depreciation and amortization	<u>\$ 13,036</u>	<u>\$ 12,479</u>	<u>\$ 25,949</u>	<u>\$ 24,625</u>
<b>ADJUSTED FREE CASH FLOW:</b>				
Pre-tax income (loss) available to common stockholders	\$ 12,140	\$ (31,514)	\$ 29,392	\$ (110,612)
Expenses associated with debt refinancing and recapitalization transactions	4,135	36,670	4,135	36,670
Cumulative effect of accounting change	-	-	-	80,276
Income taxes paid	(1,495)	(4,080)	(1,501)	(4,110)
Depreciation and amortization	13,036	12,479	25,949	24,625
Depreciation and amortization for discontinued operations	-	2,320	1,074	2,632
Income tax (benefit) expense for discontinued operations	-	(561)	-	475
Amortization of debt costs and other non-cash interest	2,231	2,937	3,618	9,123
Change in fair value of derivative instruments	(2,900)	(51)	(2,900)	(3,462)
Series B preferred stock dividends satisfied with series B preferred stock and non-recurring tender premium	6,460	3,055	9,790	5,982
Maintenance capital expenditures	<u>(7,438)</u>	<u>(2,792)</u>	<u>(12,920)</u>	<u>(6,694)</u>
Adjusted free cash flow	<u>\$ 26,169</u>	<u>\$ 18,463</u>	<u>\$ 56,637</u>	<u>\$ 34,905</u>
<b>ADJUSTED FREE CASH FLOW PER SHARE:</b>				
Basic	<u>\$ 0.82</u>	<u>\$ 0.67</u>	<u>\$ 1.90</u>	<u>\$ 1.26</u>
Diluted	<u>\$ 0.72</u>	<u>\$ 0.59</u>	<u>\$ 1.65</u>	<u>\$ 1.12</u>

## 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>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>MANAGED ONLY FACILITIES:</b>				
Management revenue	\$ 69,317	\$ 68,833	\$ 137,903	\$ 136,147
Operating expenses:				
Fixed expense	41,618	41,878	82,556	84,524
Variable expense	15,062	14,081	30,205	26,730
Total	<u>56,680</u>	<u>55,959</u>	<u>112,761</u>	<u>111,254</u>
Contribution	<u>\$ 12,637</u>	<u>\$ 12,874</u>	<u>\$ 25,142</u>	<u>\$ 24,893</u>
Average available beds	<u>17,688</u>	<u>18,604</u>	<u>17,688</u>	<u>18,697</u>
Average compensated occupancy	<u>102.1%</u>	<u>101.0%</u>	<u>102.0%</u>	<u>100.2%</u>
Total compensated man-days	<u>1,642,642</u>	<u>1,710,620</u>	<u>3,266,418</u>	<u>3,392,134</u>
Revenue per compensated man-day	\$ 42.20	\$ 40.24	\$ 42.22	\$ 40.14
Operating expenses per compensated man-day:				
Fixed expense	25.34	24.48	25.27	24.92
Variable expense	9.17	8.23	9.25	7.88
Total	<u>34.51</u>	<u>32.71</u>	<u>34.52</u>	<u>32.80</u>
Operating margin per compensated man-day	<u>\$ 7.69</u>	<u>\$ 7.53</u>	<u>\$ 7.70</u>	<u>\$ 7.34</u>
Operating margin rate	<u>18.2%</u>	<u>18.7%</u>	<u>18.2%</u>	<u>18.3%</u>
 <b>OWNED AND MANAGED FACILITIES:</b>				
Management revenue	\$ 179,276	\$ 158,009	\$ 355,612	\$ 310,294
Operating expenses:				
Fixed expense	96,604	85,810	190,269	170,810
Variable expense	32,113	32,637	63,246	63,150
Total	<u>128,717</u>	<u>118,447</u>	<u>253,515</u>	<u>233,960</u>
Contribution	<u>\$ 50,559</u>	<u>\$ 39,562</u>	<u>\$ 102,097</u>	<u>\$ 76,334</u>
Average available beds	<u>41,044</u>	<u>38,320</u>	<u>40,931</u>	<u>38,320</u>
Average compensated occupancy	<u>86.3%</u>	<u>82.5%</u>	<u>86.7%</u>	<u>81.6%</u>
Total compensated man-days	<u>3,224,422</u>	<u>2,876,462</u>	<u>6,423,809</u>	<u>5,661,105</u>
Revenue per compensated man-day	\$ 55.60	\$ 54.93	\$ 55.36	\$ 54.81
Operating expenses per compensated man-day:				
Fixed	29.96	29.83	29.62	30.17
Variable	9.96	11.35	9.85	11.16
Total	<u>39.92</u>	<u>41.18</u>	<u>39.46</u>	<u>41.33</u>
Operating margin per compensated man-day	<u>\$ 15.68</u>	<u>\$ 13.75</u>	<u>\$ 15.89</u>	<u>\$ 13.48</u>
Operating margin rate	<u>28.2%</u>	<u>25.0%</u>	<u>28.7%</u>	<u>24.6%</u>



## ANALYSIS OF OUTSTANDING DEBT AND PREFERRED STOCK

(Unaudited and amounts in thousands)

	Outstanding Balance 12/31/2002	Outstanding Balance 6/30/2003	Stated Interest Rate	Effective Interest Rate <sup>1)</sup>	Maturity Date	Callable/ Redeemable
<b>Fixed Rate:</b>						
\$100.0 Million Senior Notes	\$ 10,795	\$ 3,245	12.00%	12.79%	June 2006	
\$250.0 Million Senior Notes	250,000	250,000	9.875%	10.43%	May 2009	Prior to May 1, 2005, 35% redeemable at 109.875% with proceeds from equity offerings; on or after May 1, 2006, 100% redeemable at various premium prices until May 1, 2008 at par
\$250.0 Million Senior Notes	-	250,000	7.50%	7.93%	May 2011	Prior to May 1, 2006, 35% redeemable at 107.5% with proceeds from equity offerings; on or after May 1, 2007, 100% redeemable at various premium prices until May 1, 2009 at par
\$40.0 Million Convertible Notes	40,000	-	10.00%	10.00%		
\$30.0 Million Convertible Notes	30,000	30,000	4.00%	4.02%	February 2007	Beginning March 1, 2005, may force conversion if the common stock price is greater than \$13.38
Other Debt	651	576	Various	Various	Various	
Total Fixed Rate Debt	<u>331,446</u>	<u>533,821</u>				
<b>Floating Rate:</b>						
Lehman Credit Facility:						
Term A	63,750	-			March 31, 2006	
Term B	560,763	515,336			March 31, 2008	
	<u>624,513</u>	<u>515,336</u>	5.06%	6.14% <sup>2)</sup>		
\$75.0 Million Revolver	-	-	None	None <sup>3)</sup>	March 31, 2006	
Total Floating Rate Debt	<u>624,513</u>	<u>515,336</u>				
Grand Total Debt	<u>\$ 955,959</u>	<u>\$ 1,049,157</u>	6.75%	7.71%	5.73 Years <sup>4)</sup>	

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

<sup>2)</sup> The variable interest rate on the Lehman Credit Facility is LIBOR + 3.50%. The Company has entered into an interest rate cap agreement that caps LIBOR at 5% on outstanding balances of \$200.0 million through May 20, 2004.

<sup>3)</sup> As of June 30, 2003, the Company had outstanding letters of credit totaling \$26.9 million, reducing the available borrowing capacity to \$48.1 million.

<sup>4)</sup> Represents the weighted average debt maturity in years.

### Debt Maturity Schedule:

Year	Total Debt Maturing	% of Debt Maturing	% of Debt Maturing
2003	\$ 2,687	0.26%	0.26%
2004	5,385	0.51%	0.77%
2005	5,400	0.51%	1.28%
2006	8,607	0.82%	2.10%
2007	378,346	36.06%	38.17%
Thereafter	648,732	61.83%	100.00%
	<u>\$ 1,049,157</u>	<u>100.00%</u>	

	Outstanding Balance 12/31/2002	Outstanding Balance 6/30/2003	Dividend Rate	Yield at 6/30/2003	
<b>Preferred Stock:</b>					
Series A Preferred Stock	\$ 107,500	\$ 7,500	8.0% cash	7.94%	Redeemable at any time on or after January 30, 2003 at \$25 per share plus dividends accrued and unpaid at the redemption date
Series B Preferred Stock	\$ 107,831	\$ 22,933	12.0% PIK through Q3 2003 and cash	11.52%	Redeemable at \$24.46 at any time after six months following the later of (i) three years after the date of issuance in 2000 or (ii) the 91st day following the redemption of the 12% Senior Notes

## SELECTED OPERATING RATIOS

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
<b><u>COVERAGE RATIOS:</u></b>				
Interest coverage ratio (Adjusted EBITDA/Interest incurred) (x)	3.0	2.2	3.1	2.0
Debt service coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled principal pmts)) (x)	2.8	1.8	2.6	1.7
Fixed charge coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled prin pmts + Pfd dist.)) (x)	2.0	1.5	2.0	1.4
Senior debt coverage ratio (Senior debt/Annualized Adjusted EBITDA) (x)	4.7	5.0	4.7	5.1
Total debt and preferred stock coverage ratio (Total debt/Annualized Adjusted EBITDA) (x)	5.0	6.5	4.9	6.8
Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)	7.6	6.8	7.5	6.7
<b><u>DEBT/EQUITY RATIOS:</u></b>				
Total debt/Total market capitalization	53.3%	59.1%	53.3%	59.1%
Total debt/Equity market capitalization	114.2%	144.2%	114.2%	144.2%
Total debt/Book equity capitalization	155.6%	142.6%	155.6%	142.6%
Total debt/Gross book value of real estate assets	57.8%	55.3%	57.8%	55.3%
<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)*)	12.0%	10.3%	12.2%	10.0%
Annualized return on total assets (Annualized Adjusted EBITDA/Average total assets (undepreciated book value)*)	10.3%	8.8%	10.5%	8.4%
<b><u>OVERHEAD RATIOS:</u></b>				
Annualized general & administrative expenses/Average total assets (undepreciated book value)*	1.9%	1.6%	1.9%	1.5%
General & administrative expenses/Total revenues	3.9%	3.6%	3.9%	3.4%
<b><u>INTEREST EXPENSE, NET</u></b>				
Interest income from continuing operations	\$ (674)	\$ (919)	\$ (1,684)	\$ (2,044)
Interest incurred	18,102	20,514	35,447	44,339
Amortization of debt costs and other non-cash interest	2,231	2,937	3,618	9,123
Capitalized interest	-	-	-	-
Interest expense, net	<u>\$ 19,659</u>	<u>\$ 22,532</u>	<u>\$ 37,381</u>	<u>\$ 51,418</u>
<b><u>EBITDA CALCULATION:</u></b>				
Net income (loss)	\$ 20,230	\$ (26,190)	\$ 43,132	\$ (67,442)
Interest expense, net	19,659	22,532	37,381	51,418
Depreciation and amortization	13,036	12,479	25,949	24,625
Income tax benefit	-	(119)	(170)	(32,888)
Cumulative effect of accounting change	-	-	-	80,276
(Income) loss from discontinued operations, net of taxes	-	(176)	1,692	(2,135)
EBITDA	<u>52,925</u>	<u>8,526</u>	<u>107,984</u>	<u>53,854</u>
Expenses associated with debt refinancing and recapitalization transactions	4,135	36,670	4,135	36,670
Change in fair value of derivative instruments	(2,900)	(51)	(2,900)	(3,462)
ADJUSTED EBITDA	<u>\$ 54,160</u>	<u>\$ 45,145</u>	<u>\$ 109,219</u>	<u>\$ 87,062</u>

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

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 6/30/03
<b>Owned and Managed Facilities:</b>								
Central Arizona Detention Center Florence, Arizona	1994, 1998	USMS	2,304	Multi	Detention	May-04	(4) 1 year	132.18%
Eloy Detention Center Eloy, Arizona	1995, 1996	BOP, BICE (formerly the INS)	1,500	Medium	Detention	Feb-04	(5) 1 year	94.68%
Florence Correctional Center Florence, Arizona	1999	State of Alaska	1,600	Medium	Correctional	Jun-04	-	89.80%
California Correctional Center California City, California	1999	BOP	2,304	Medium	Correctional	Sep-03	(7) 1 year	113.77%
San Diego Correctional Facility (E) San Diego, California	1999, 2000	BICE (formerly the INS)	1,232	Minimum/ Medium	Detention	Dec-03	(1) 1 year	89.08%
Bent County Correctional Facility Las Animas, Colorado	1992, 1997	State of Colorado	700	Medium	Correctional	Jun-03	(1) 1 year	85.25%
Crowley County Correctional Facility Olney Springs, Colorado	1998	State of Colorado	1,200	Medium	Correctional	Jun-03	(1) 1 year	69.80%
Huerfano County Correctional Center (F) Walsenburg, Colorado	1997	State of Colorado	752	Medium	Correctional	Jun-03	(1) 1 year	96.71%
Kit Carson Correctional Center Burlington, Colorado	1998	State of Colorado	768	Medium	Correctional	Jun-03	(1) 1 year	72.97%
Coffee Correctional Facility (G) Nicholls, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jul-03	(16) 1 year	98.07%
McRae Correctional Facility McRae, Georgia	2000, 2002	BOP	1,524	Medium	Correctional	Dec-05	(7) 1 year	95.00%
Wheeler Correctional Facility (G) Alamo, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jul-03	(16) 1 year	96.18%
Leavenworth Detention Center Leavenworth, Kansas	1992, 2000	USMS	483	Maximum	Detention	Dec-03	-	126.54%
Lee Adjustment Center Beattyville, Kentucky	1990	Commonwealth of Kentucky	756	Minimum/ Medium	Correctional	Sep-03	(3) 2 year	68.66%
Marion Adjustment Center St. Mary, Kentucky	1955, 1988	Commonwealth of Kentucky	790	Minimum	Correctional	Dec-03	-	70.15%
Otter Creek Correctional Center Wheelwright, Kentucky	1993	State of Indiana	656	Minimum/ Medium	Correctional	Jan-03	-	98.82%

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 6/30/03
Prairie Correctional Facility Appleton, Minnesota	1991	State of Wisconsin	1,338	Medium	Correctional	Dec-05	(2) 1 year	99.64%
Tallahatchie County Correctional Facility (H) Tutwiler, Mississippi	2000	State of Alabama	1,104	Medium	Correctional	Indefinite	-	3.93%
Crossroads Correctional Center (I) Shelby, Montana	1999	State of Montana	512	Multi	Correctional	Aug-03	(8) 2 year	62.13%
Cibola County Corrections Center Milan, New Mexico	1994, 1999	BOP	1,072	Medium	Correctional	Sep-03	(7) 1 year	103.08%
New Mexico Women's Correctional Facility Grants, New Mexico	1989, 2000	State of New Mexico	596	Multi	Correctional	Jun-03	(2) 1 year	92.99%
Torrance County Detention Facility Estancia, New Mexico	1990, 1997	USMS	910	Multi	Detention	Indefinite	-	92.34%
Northeast Ohio Correctional Center (J) Youngstown, Ohio	1997	-	2,016	Medium	Correctional	-	-	0.00%
Cimarron Correctional Facility (K) Cushing, Oklahoma	1997	State of Oklahoma	960	Medium	Correctional	Jun-03	-	94.62%
Davis Correctional Facility (K) Holdenville, Oklahoma	1996	State of Oklahoma	960	Medium	Correctional	Jun-03	-	95.30%
Diamondback Correctional Facility Watonga, Oklahoma	1998, 2000	State of Hawaii	2,160	Medium	Correctional	Jun-04	-	61.39%
North Fork Correctional Facility Sayre, Oklahoma	1998	State of Wisconsin	1,440	Medium	Correctional	Dec-05	(2) 1 year	76.66%
West Tennessee Detention Facility Mason, Tennessee	1990, 1996	USMS	600	Multi	Detention	Feb-04	(3) 1 year	56.68%
Shelby Training Center (L) Memphis, Tennessee	1986, 1995	Shelby County, TN	200	Secure	Juvenile	Apr-15	-	96.95%
Whiteville Correctional Facility (M) Whiteville, Tennessee	1998	State of Tennessee	1,536	Medium	Correctional	Sep-05	(2) 1 year	87.02%
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	1989	State of Texas	200	Medium	Correctional	Aug-03	-	98.96%
Eden Detention Center Eden, Texas	1990	BOP	1,225	Medium	Correctional	Apr-04	-	103.52%
Houston Processing Center Houston, Texas	1984	BICE (formerly the INS)	411	Medium	Detention	Sep-03	-	127.99%

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 6/30/03
Laredo Processing Center Laredo, Texas	1985, 1990	BICE (formerly the INS)	258	Minimum/ Medium	Detention	Mar-04	(2) 3 month	152.58%
Webb County Detention Center Laredo, Texas	1998	USMS	480	Medium	Detention	Aug-03	-	120.61%
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	1995	State of Texas	2,103	Minimum	Correctional	Aug-03	-	98.53%
T. Don Hutto Correctional Center Taylor, Texas	1997	Williamson County, TX	480	Medium	Correctional	May-04	(2) 2 year	57.38%
D.C. Correctional Treatment Facility (N) Washington D.C.	1992	District of Columbia	866	Medium	Detention	Mar-17	-	81.36%
Total design capacity for Owned and Managed Facilities (38 Owned and Managed Facilities)			<u>41,044</u>					
<b>Managed Only Facilities:</b>								
Bay Correctional Facility Panama City, Florida	N/A	State of Florida	750	Medium	Correctional	Jun-04	(1) 2 year	99.40%
Bay County Jail and Annex Panama City, Florida	N/A	Bay County, FL	677	Multi	Detention	Sep-06	-	137.73%
Citrus County Detention Facility Lecanto, Florida	N/A	Citrus County, FL	400	Multi	Detention	Sep-05	(1) 5 year	101.05%
Gadsden Correctional Institution Quincy, Florida	N/A	State of Florida	896	Minimum/ Medium	Correctional	Jun-04	-	101.88%
Hernando County Jail Brooksville, Florida	N/A	Hernando County, FL	302	Multi	Detention	Oct-10	-	119.64%
Lake City Correctional Facility Lake City, Florida	N/A	State of Florida	350	Secure	Correctional	Jun-04	(1) 2 year	99.29%
Idaho Correctional Center Boise, Idaho	N/A	State of Idaho	1,270	Minimum/ Medium	Correctional	Jun-05	-	100.04%
Marion County Jail Indianapolis, Indiana	N/A	Marion County, IN	670	Multi	Detention	Nov-04	-	130.38%
Winn Correctional Center Winnfield, Louisiana	N/A	State of Louisiana	1,538	Medium/ Maximum	Correctional	Jun-03	(1) 2 year	95.04%
Wilkinson County Correctional Facility Woodville, Mississippi	N/A	State of Mississippi	1,000	Medium	Correctional	Jan-04	(1) 2 year	99.01%

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 6/30/03
Southern Nevada Women's Correctional Center Las Vegas, Nevada	N/A	State of Nevada	500	Multi	Correctional	Oct-04	3 year indefinite	86.67%
Elizabeth Detention Center Elizabeth, New Jersey	N/A	BICE (formerly the INS)	300	Minimum	Detention	Jan-04	(1) 1 year	89.36%
David L. Moss Criminal Justice Center Tulsa, Oklahoma	N/A	Tulsa County, OK	1,440	Multi	Detention	Jun-05	(2) 1 year	87.26%
Silverdale Facilities Chattanooga, Tennessee	N/A	Hamilton County, TN	576	Multi	Detention	Sep-04	(3) 4 year	103.42%
South Central Correctional Center Clifton, Tennessee	N/A	State of Tennessee	1,506	Medium	Correctional	Jun-05	(1) 2 year	106.21%
Tall Trees Memphis, Tennessee	N/A	State of Tennessee	63	Non-secure	Juvenile	Jun-03	-	83.45%
Metro-Davidson County Detention Facility Nashville, Tennessee	N/A	Davidson County, TN	1,092	Multi	Detention	Jul-03	-	116.18%
Hardeman County Correctional Facility Whiteville, Tennessee	N/A	State of Tennessee	2,016	Medium	Correctional	Jul-05	(1) 2 year	95.30%
Bartlett State Jail Bartlett, Texas	N/A	State of Texas	962	Minimum/ Medium	Correctional	Aug-03	-	102.63%
Liberty County Jail/Juvenile Center Liberty, Texas	N/A	USMS	380	Multi	Detention	Jan-05	(2) 1 year	97.99%
Sanders Estes Unit Venus, Texas	N/A	State of Texas	1,000	Minimum/ Medium	Correctional	Aug-03	-	99.59%
Total design capacity for Managed Only Facilities (21 Managed Only Facilities)			<u>17,688</u>					
<b>Total design capacity for All Facilities</b>			<u>58,732</u>					
<b>Leased Facilities:</b>								
Leo Chesney Correctional Center Live Oak, California	1989	Cornell Corrections	240	Minimum	Owned/Leased	Jun-04	-	N/A
Queensgate Correctional Facility Cincinnati, Ohio	1906	Hamilton County, OH	850	Medium	Owned/Leased	Feb-04	(3) 1 year	N/A
Community Education Partners (O) Houston, Texas	N/A	Community Education Partners	-	Non-secure	Owned/Leased	Jun-08	(3) 5 year	N/A

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 6/30/03
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- (A) The year constructed represents the initial completion of the facility's construction, as well as significant additions to the facility that occurred at a later date.
- (B) Design capacity measures the number of beds, and accordingly, the number of inmates each facility is designed to accommodate. Facilities housing detainees on a short term basis may exceed the original intended design capacity for sentenced inmates due to the lower level of services required by detainees in custody for a brief period. We believe design capacity is an appropriate measure for evaluating prison operations, because the revenue generated by each facility is based on a per diem or monthly rate per inmate housed at the facility paid by the corresponding contracting governmental entity.
- (C) We manage numerous facilities that have more than a single function (i.e., housing both long-term sentenced adult prisoners and pre-trial detainees). The primary functional categories into which facility types are identified was determined by the relative size of prisoner populations in a particular facility on June 30, 2003. If, for example, a 1,000-bed facility housed 900 adult prisoners with sentences in excess of one year and 100 pre-trial detainees, the primary functional category to which it would be assigned would be that of correction facilities and not detention facilities. It should be understood that the primary functional category to which multi-user facilities are assigned may change from time to time.
- (D) Remaining renewal options represents the number of renewals options, if applicable, and the remaining term of each option renewal.
- (E) The facility is subject to a ground lease with the County of San Diego whereby the initial lease term is 18 years from the commencement of the contract, as defined. The County has the right to buy out all, or designated portions of, the premises at various times prior to the expiration of the term at a price generally equal to the cost of the premises, or the designated portion of the premises, less an allowance for the amortization over a 20-year period. Upon expiration of the lease, ownership of the facility automatically reverts to the County of San Diego.
- (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) The facility is subject to a purchase option held by the Tallahatchie County Correctional Authority which grants Tallahatchie County Correctional Authority the right to purchase the facility at any time during the contract at a price generally equal to the cost of the premises less an allowance for amortization over a 20-year period. This facility is substantially vacant.
- (I) The State of Montana has an option to purchase the facility at fair market value generally at any time during the term of the contract with us.
- (J) All inmates were transferred out of this facility during 2001 due to a new law that mandated that the BOP assume jurisdiction of all D.C. offenders under the custody of the BOP by the end of 2001.
- (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.
- (L) 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.
- (M) 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.
- (N) 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.
- (O) 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)

<u>Customer</u>	<u>Management Revenue For the Six Months Ended June 30, 2003</u>	<u>Percent of Management Revenue For the Six Months Ended June 30, 2003</u>
Bureau of Prisons	\$ 82,892	16.62%
United States Marshals	66,094	13.25%
Bureau of Immigration and Customs Enforcement, formerly the "INS"	35,562	7.13%
Tennessee	30,359	6.09%
Georgia	25,245	5.06%
Wisconsin	24,412	4.89%
Texas	22,966	4.60%
Florida	21,509	4.31%
Oklahoma	19,189	3.85%
Colorado	16,296	3.27%
	<u>\$ 344,524</u>	<u>69.06%</u>
Total Management Revenue, including discontinued operations	<u>\$ 498,881</u>	<u>100.00%</u>



## RESEARCH / ANALYST COVERAGE

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### Equity Research Coverage:

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BB&T Capital Markets	Barry Stouffer	(615) 340-8283
First Analysis Corporation	James Macdonald	(312) 258-1400
Jefferies & Company, Inc.	Arthur I. Henderson	(615) 963-8341
Lehman Brothers	Jeffery T. Kessler	(212) 526-5162
Morgan Joseph & Co. Inc.	Richard Nelson	(212) 218-3702

### Debt Research Coverage:

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

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Moody's Investors Service	Philip Kibel	(215) 967-6233
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.