



**CORRECTIONS CORPORATION OF AMERICA**

**Supplemental Financial Information  
For the Quarter Ended June 30, 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 June 30, 2004

## TABLE OF CONTENTS

Consolidated Balance Sheets .....	1
Consolidated Statements of Operations .....	2
Reconciliation of Basic to Diluted Earnings Per Share .....	3
Illustration of 2003 Results, Adjusted for Special Items and Assuming a Tax Provision .....	4
Selected Financial Information .....	5
Analysis of Outstanding Debt and Preferred Stock .....	8
Selected Operating Ratios .....	9
Facility Portfolio .....	10
Diversification of Revenue .....	15
Research Coverage / Credit Ratings .....	16

---

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) 263-3150

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

1 of 16

<b>ASSETS</b>	<b>June 30, 2004</b>	<b>March 31, 2004</b>	<b>December 31, 2003</b>	<b>September 30, 2003</b>	<b>June 30, 2003</b>
Cash and cash equivalents	\$ 50,137	\$ 88,451	\$ 84,231	\$ 68,943	\$ 70,464
Restricted cash	12,876	12,849	12,823	12,796	13,186
Accounts receivable, net of allowance	158,489	153,134	137,623	140,636	133,911
Deferred tax assets	46,092	47,442	50,473	-	-
Prepaid expenses and other current assets	14,532	6,502	8,028	7,008	9,266
Total current assets	<u>282,126</u>	<u>308,378</u>	<u>293,178</u>	<u>229,383</u>	<u>226,827</u>
Property and equipment, net	1,630,612	1,604,024	1,586,979	1,580,571	1,584,825
Investment in direct financing lease	17,426	17,591	17,751	17,907	18,057
Goodwill	15,563	15,563	15,563	20,294	20,294
Deferred tax assets	-	-	6,739	-	-
Other assets	32,492	32,646	38,818	35,562	32,636
Total assets	<u>\$ 1,978,219</u>	<u>\$ 1,978,202</u>	<u>\$ 1,959,028</u>	<u>\$ 1,883,717</u>	<u>\$ 1,882,639</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Accounts payable and accrued expenses	\$ 168,685	\$ 168,168	\$ 157,417	\$ 156,304	\$ 132,480
Income tax payable	489	541	913	4,520	4,467
Distributions payable	-	-	150	150	150
Current portion of long-term debt	2,529	1,837	1,146	2,914	5,377
Total current liabilities	<u>171,703</u>	<u>170,546</u>	<u>159,626</u>	<u>163,888</u>	<u>142,474</u>
Long-term debt, net of current portion	1,000,676	1,001,482	1,002,282	1,004,128	1,043,780
Deferred tax liabilities	6,002	353	-	-	-
Other liabilities	21,799	21,898	21,655	21,817	22,075
Total liabilities	<u>1,200,180</u>	<u>1,194,279</u>	<u>1,183,563</u>	<u>1,189,833</u>	<u>1,208,329</u>
Commitments and contingencies					
Preferred stock - \$0.01 par value:					
Series A - stated at liquidation preference of \$25.00 per share	-	-	7,500	7,500	7,500
Series B - stated at liquidation preference of \$24.46 per share	-	23,528	23,528	23,528	22,933
Common stock - \$0.01 par value	352	351	350	350	350
Additional paid-in capital	1,446,455	1,444,240	1,441,742	1,439,587	1,439,347
Deferred compensation	(2,324)	(2,720)	(1,479)	(1,913)	(2,323)
Retained deficit	(666,444)	(681,220)	(695,590)	(774,348)	(792,549)
Accumulated other comprehensive loss	-	(256)	(586)	(820)	(948)
Total stockholders' equity	<u>778,039</u>	<u>783,923</u>	<u>775,465</u>	<u>693,884</u>	<u>674,310</u>
Total liabilities and stockholders' equity	<u>\$ 1,978,219</u>	<u>\$ 1,978,202</u>	<u>\$ 1,959,028</u>	<u>\$ 1,883,717</u>	<u>\$ 1,882,639</u>

# CONSOLIDATED STATEMENTS OF OPERATIONS

2 of 16

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	2003
<b>REVENUE:</b>				
Management:				
Federal	\$ 107,914	\$ 94,709	\$ 209,325	\$ 186,166
State	139,882	120,050	275,500	241,112
Local	25,239	23,932	50,026	46,838
Other	10,916	9,902	21,836	19,399
Total management revenue	<u>283,951</u>	<u>248,593</u>	<u>556,687</u>	<u>493,515</u>
Transportation	4,312	4,598	9,389	9,036
Rental	955	929	1,903	1,852
Other	161	22	178	43
	<u>289,379</u>	<u>254,142</u>	<u>568,157</u>	<u>504,446</u>
<b>EXPENSES:</b>				
Operating:				
Facility fixed	159,907	138,222	314,459	272,825
Facility variable	53,580	47,175	104,729	93,451
Transportation	6,686	4,568	13,288	8,914
Other	195	329	376	611
Total operating expenses	<u>220,368</u>	<u>190,294</u>	<u>432,852</u>	<u>375,801</u>
General and administrative	12,053	10,010	23,022	19,547
Depreciation and amortization	13,185	13,036	26,055	25,949
	<u>245,606</u>	<u>213,340</u>	<u>481,929</u>	<u>421,297</u>
<b>OPERATING INCOME</b>	<u>43,773</u>	<u>40,802</u>	<u>86,228</u>	<u>83,149</u>
<b>OTHER (INCOME) EXPENSE:</b>				
Equity in (earnings) loss of joint venture	150	(46)	300	44
Interest expense, net	17,337	19,659	34,978	37,381
Expenses associated with debt refinancing and recapitalization transactions	76	4,135	101	4,135
Change in fair value of derivative instruments	-	(2,900)	-	(2,900)
(Gain) loss on disposal of assets	(1)	1	41	(15)
Unrealized foreign currency transaction (gain) loss	60	(277)	(86)	(150)
	<u>17,622</u>	<u>20,572</u>	<u>35,334</u>	<u>38,495</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	26,151	20,230	50,894	44,654
Income tax benefit (expense)	(10,818)	-	(20,715)	170
<b>INCOME FROM CONTINUING OPERATIONS</b>	15,333	20,230	30,179	44,824
Income (loss) from discontinued operations, net of taxes	91	-	429	(1,692)
<b>NET INCOME</b>	15,424	20,230	30,608	43,132
Distributions to preferred stockholders	(648)	(8,090)	(1,462)	(13,570)
<b>NET INCOME AVAILABLE TO COMMON STOCKHOLDERS</b>	<u>\$ 14,776</u>	<u>\$ 12,140</u>	<u>\$ 29,146</u>	<u>\$ 29,562</u>
<b>BASIC EARNINGS PER SHARE</b>	<u>\$ 0.42</u>	<u>\$ 0.38</u>	<u>\$ 0.83</u>	<u>\$ 0.99</u>
<b>DILUTED EARNINGS PER SHARE</b>	<u>\$ 0.38</u>	<u>\$ 0.34</u>	<u>\$ 0.74</u>	<u>\$ 0.89</u>

## RECONCILIATION OF BASIC TO DILUTED EARNINGS PER SHARE

3 of 16

(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>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Basic:</b>				
Income from continuing operations	\$ 14,685	\$ 12,140	\$ 28,717	\$ 31,254
Income (loss) from discontinued operations, net of taxes	91	-	429	(1,692)
Net income available to common stockholders	<u>\$ 14,776</u>	<u>\$ 12,140</u>	<u>\$ 29,146</u>	<u>\$ 29,562</u>
<b>Diluted:</b>				
Income from continuing operations	\$ 14,685	\$ 12,140	\$ 28,717	\$ 31,254
Interest expense applicable to convertible notes, net of taxes *	175	391	354	983
Diluted income from continuing operations	14,860	12,531	29,071	32,237
Income (loss) from discontinued operations, net of taxes	91	-	429	(1,692)
Diluted net income available to common stockholders	<u>\$ 14,951</u>	<u>\$ 12,531</u>	<u>\$ 29,500</u>	<u>\$ 30,545</u>
<b>Basic:</b>				
Weighted average common shares outstanding	35,160	32,214	35,121	30,141
Unvested restricted common stock	(144)	(374)	(130)	(353)
Weighted average common shares outstanding-basic	<u>35,016</u>	<u>31,840</u>	<u>34,991</u>	<u>29,788</u>
<b>Diluted:</b>				
Weighted average common shares outstanding-basic	35,016	31,840	34,991	29,788
<b>Effect of dilutive securities:</b>				
Stock options and warrants	1,391	934	1,290	808
Stockholder litigation	-	153	-	231
Convertible notes**	3,362	3,362	3,362	3,362
Restricted stock-based compensation	57	252	50	232
Weighted average shares and assumed conversions-diluted	<u>39,826</u>	<u>36,541</u>	<u>39,693</u>	<u>34,421</u>
<b>Basic earnings (loss) per share:</b>				
Income from continuing operations	\$ 0.42	\$ 0.38	\$ 0.82	\$ 1.05
Income (loss) from discontinued operations, net of taxes	-	-	0.01	(0.06)
Net income available to common stockholders	<u>\$ 0.42</u>	<u>\$ 0.38</u>	<u>\$ 0.83</u>	<u>\$ 0.99</u>
<b>Diluted earnings (loss) per share:</b>				
Income from continuing operations	\$ 0.38	\$ 0.34	\$ 0.73	\$ 0.94
Income (loss) from discontinued operations, net of taxes	-	-	0.01	(0.05)
Diluted net income available to common stockholders	<u>\$ 0.38</u>	<u>\$ 0.34</u>	<u>\$ 0.74</u>	<u>\$ 0.89</u>

\* For the three and six months ended June 30, 2003, \$870 and \$2,908, 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:

Convertible notes using the if-converted method	<u>-</u>	<u>1,330</u>	<u>-</u>	<u>2,341</u>
---	----------	--------------	----------	--------------

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

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

	<u>March 31, 2003</u>	<u>For the Three Months Ended June 30, 2003</u>	<u>September 30, 2003</u>	<u>December 31, 2003</u>	<u>For the Year Ended December 31, 2003</u>
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	\$ 9,174	\$ 9,261	\$ 12,284	\$ 14,885	\$ 45,604
Income (loss) from discontinued operations, net of taxes	(1,015)	-	-	-	(1,015)
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	\$ 9,174	\$ 9,261	\$ 12,284	\$ 14,885	\$ 45,604
Interest expense applicable to convertible notes, net of taxes *	355	235	181	181	952
Diluted income from continuing operations, as adjusted for special items	9,529	9,496	12,465	15,066	46,556
Income (loss) from discontinued operations, net of taxes	(1,015)	-	-	-	(1,015)
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	\$ 0.35	\$ 0.43	\$ 1.41
Income (loss) from discontinued operations, net of taxes	(0.04)	-	-	-	(0.03)
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	\$ 0.32	\$ 0.38	\$ 1.26
Income (loss) from discontinued operations, net of taxes	(0.03)	-	-	-	(0.03)
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>June 30, 2004</u>	<u>March 31, 2004</u>	<u>December 31, 2003</u>	<u>September 30, 2003</u>	<u>June 30, 2003</u>
<b>BALANCE SHEET:</b>					
Property and equipment	\$ 1,899,179	\$ 1,858,817	\$ 1,828,482	\$ 1,807,896	\$ 1,798,146
Accumulated depreciation and amortization	(268,567)	(254,793)	(241,503)	(227,325)	(213,321)
Property and equipment, net	<u>\$ 1,630,612</u>	<u>\$ 1,604,024</u>	<u>\$ 1,586,979</u>	<u>\$ 1,580,571</u>	<u>\$ 1,584,825</u>
Total assets	\$ 1,978,219	\$ 1,978,202	\$ 1,959,028	\$ 1,883,717	\$ 1,882,639
Maintenance & technology capital expenditures for the quarter ended	\$ 12,687	\$ 11,821	\$ 13,167	\$ 9,435	\$ 7,438
Total debt	\$ 1,003,205	\$ 1,003,319	\$ 1,003,428	\$ 1,007,042	\$ 1,049,157
Equity book value	\$ 778,039	\$ 783,923	\$ 775,465	\$ 693,884	\$ 674,310
<b>LIQUIDITY:</b>					
Cash and cash equivalents	\$ 50,137	\$ 88,451	\$ 84,231	\$ 68,943	\$ 70,464
Availability under revolving credit facility	\$ 89,871	\$ 97,671	\$ 97,741	\$ 98,141	\$ 45,891
<b>CAPITALIZATION:</b>					
Common shares outstanding	35,185	35,139	35,020	35,029	35,016
Common share price at end of period	\$ 39.49	\$ 35.60	\$ 28.83	\$ 24.67	\$ 25.33
Market value of common equity at end of period	<u>\$ 1,389,456</u>	<u>\$ 1,250,948</u>	<u>\$ 1,009,627</u>	<u>\$ 864,165</u>	<u>\$ 886,955</u>
Preferred shares outstanding - Series A	-	-	300	300	300
Preferred share price at end of period - Series A	\$ -	\$ -	\$ 25.10	\$ 25.30	\$ 25.20
Market value of preferred equity at end of period - Series A	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,530</u>	<u>\$ 7,590</u>	<u>\$ 7,560</u>
Preferred shares outstanding - Series B	-	962	962	962	938
Preferred share price at end of period - Series B	\$ -	\$ 25.02	\$ 25.25	\$ 25.40	\$ 25.49
Market value of preferred equity at end of period - Series B	<u>\$ -</u>	<u>\$ 24,069</u>	<u>\$ 24,291</u>	<u>\$ 24,435</u>	<u>\$ 23,910</u>
Total equity market capitalization	<u>\$ 1,389,456</u>	<u>\$ 1,275,018</u>	<u>\$ 1,041,447</u>	<u>\$ 896,190</u>	<u>\$ 918,425</u>
Total market capitalization (market value of equity plus debt)	<u>\$ 2,392,661</u>	<u>\$ 2,278,337</u>	<u>\$ 2,044,875</u>	<u>\$ 1,903,232</u>	<u>\$ 1,967,582</u>
<b>EBITDA</b>	\$ 56,673	\$ 55,254	\$ 58,053	\$ 51,549	\$ 52,925
<b>ADJUSTED EBITDA</b>	\$ 56,749	\$ 55,279	\$ 58,053	\$ 54,101	\$ 54,160
<b>ADJUSTED FREE CASH FLOW</b>	\$ 25,764	\$ 27,058	\$ 27,387	\$ 27,299	\$ 26,169
<b>ADJUSTED FREE CASH FLOW PER SHARE:</b>					
Basic adjusted free cash flow per share	<u>\$ 0.74</u>	<u>\$ 0.77</u>	<u>\$ 0.79</u>	<u>\$ 0.79</u>	<u>\$ 0.82</u>
Diluted adjusted free cash flow per share	<u>\$ 0.65</u>	<u>\$ 0.69</u>	<u>\$ 0.70</u>	<u>\$ 0.70</u>	<u>\$ 0.72</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>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Number of days per period	91	91	182	181
<b>ALL FACILITIES:</b>				
Average available beds	<u>66,270</u>	<u>58,732</u>	<u>65,240</u>	<u>58,619</u>
Average compensated occupancy	<u>95.8%</u>	<u>91.1%</u>	<u>95.7%</u>	<u>91.3%</u>
Total compensated man-days	<u>5,778,611</u>	<u>4,867,064</u>	<u>11,365,082</u>	<u>9,690,227</u>
Revenue per compensated man-day	\$ 49.14	\$ 51.08	\$ 48.98	\$ 50.93
Operating expenses per compensated man-day:				
Fixed expense	27.67	28.40	27.67	28.15
Variable expense	9.27	9.69	9.21	9.65
Total	<u>36.94</u>	<u>38.09</u>	<u>36.88</u>	<u>37.80</u>
Operating margin per compensated man-day	<u>\$ 12.20</u>	<u>\$ 12.99</u>	<u>\$ 12.10</u>	<u>\$ 13.13</u>
Operating margin rate	<u>24.8%</u>	<u>25.4%</u>	<u>24.7%</u>	<u>25.8%</u>
<b>DEPRECIATION AND AMORTIZATION:</b>				
Depreciation expense	14,031	14,034	27,748	27,830
Amortization of intangible assets	32	21	64	32
Amortization of negative contract values	(878)	(1,019)	(1,757)	(1,913)
Depreciation and amortization	<u>\$ 13,185</u>	<u>\$ 13,036</u>	<u>\$ 26,055</u>	<u>\$ 25,949</u>
<b>ADJUSTED FREE CASH FLOW:</b>				
Pre-tax income (loss) available to common stockholders	\$ 25,594	\$ 12,140	\$ 49,861	\$ 29,392
Expenses associated with debt refinancing and recapitalization transactions	76	4,135	101	4,135
Income taxes paid	(2,263)	(1,495)	(2,648)	(1,501)
Depreciation and amortization	13,185	13,036	26,055	25,949
Depreciation and amortization for discontinued operations	-	-	-	1,074
Income tax (benefit) expense for discontinued operations	61	-	287	-
Amortization of debt costs and other non-cash interest	1,798	2,231	3,674	3,618
Change in fair value of derivative instruments	-	(2,900)	-	(2,900)
Series B preferred stock dividends satisfied with series B preferred stock and non-recurring tender premium	-	6,460	-	9,790
Maintenance and technology capital expenditures	(12,687)	(7,438)	(24,508)	(12,920)
Adjusted free cash flow	<u>\$ 25,764</u>	<u>\$ 26,169</u>	<u>\$ 52,822</u>	<u>\$ 56,637</u>
<b>ADJUSTED FREE CASH FLOW PER SHARE:</b>				
Basic	<u>\$ 0.74</u>	<u>\$ 0.82</u>	<u>\$ 1.51</u>	<u>\$ 1.90</u>
Diluted	<u>\$ 0.65</u>	<u>\$ 0.72</u>	<u>\$ 1.34</u>	<u>\$ 1.65</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>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>MANAGED ONLY FACILITIES:</b>				
Management revenue	\$ 86,535	\$ 69,317	\$ 168,839	\$ 137,903
Operating expenses:				
Fixed expense	54,381	41,618	104,953	82,556
Variable expense	19,059	15,062	37,237	30,205
Total	73,440	56,680	142,190	112,761
Contribution	<u>\$ 13,095</u>	<u>\$ 12,637</u>	<u>\$ 26,649</u>	<u>\$ 25,142</u>
Average available beds	<u>25,226</u>	<u>17,688</u>	<u>24,196</u>	<u>17,688</u>
Average compensated occupancy	<u>101.2%</u>	<u>102.1%</u>	<u>101.8%</u>	<u>102.0%</u>
Total compensated man-days	<u>2,322,184</u>	<u>1,642,642</u>	<u>4,482,576</u>	<u>3,266,418</u>
Revenue per compensated man-day	\$ 37.26	\$ 42.20	\$ 37.67	\$ 42.22
Operating expenses per compensated man-day:				
Fixed expense	23.42	25.34	23.41	25.27
Variable expense	8.21	9.17	8.31	9.25
Total	<u>31.63</u>	<u>34.51</u>	<u>31.72</u>	<u>34.52</u>
Operating margin per compensated man-day	<u>\$ 5.63</u>	<u>\$ 7.69</u>	<u>\$ 5.95</u>	<u>\$ 7.70</u>
Operating margin rate	<u>15.1%</u>	<u>18.2%</u>	<u>15.8%</u>	<u>18.2%</u>
<b>OWNED AND MANAGED FACILITIES:</b>				
Management revenue	\$ 197,416	\$ 179,276	\$ 387,848	\$ 355,612
Operating expenses:				
Fixed expense	105,526	96,604	209,506	190,269
Variable expense	34,521	32,113	67,492	63,246
Total	140,047	128,717	276,998	253,515
Contribution	<u>\$ 57,369</u>	<u>\$ 50,559</u>	<u>\$ 110,850</u>	<u>\$ 102,097</u>
Average available beds	<u>41,044</u>	<u>41,044</u>	<u>41,044</u>	<u>40,931</u>
Average compensated occupancy	<u>92.5%</u>	<u>86.3%</u>	<u>92.1%</u>	<u>86.7%</u>
Total compensated man-days	<u>3,456,427</u>	<u>3,224,422</u>	<u>6,882,506</u>	<u>6,423,809</u>
Revenue per compensated man-day	\$ 57.12	\$ 55.60	\$ 56.35	\$ 55.36
Operating expenses per compensated man-day:				
Fixed	30.53	29.96	30.44	29.62
Variable	9.99	9.96	9.81	9.85
Total	<u>40.52</u>	<u>39.92</u>	<u>40.25</u>	<u>39.47</u>
Operating margin per compensated man-day	<u>\$ 16.60</u>	<u>\$ 15.68</u>	<u>\$ 16.10</u>	<u>\$ 15.89</u>
Operating margin rate	<u>29.1%</u>	<u>28.2%</u>	<u>28.6%</u>	<u>28.7%</u>

## ANALYSIS OF OUTSTANDING DEBT AND PREFERRED STOCK

(Unaudited and amounts in thousands)

	Outstanding Balance 12/31/2003	Outstanding Balance 6/30/2004	Stated Interest Rate	Effective Interest Rate <sup>1)</sup>	Maturity Date	Callable/ Redeemable
<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	201,984	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	408	Various	Various	Various	
Total Fixed Rate Debt	<u>732,615</u>	<u>732,392</u>				
<b>Floating Rate:</b>						
Lehman Credit Facility:						
Term C	270,813					
Term D		270,813	4.20%	4.73% <sup>2)</sup>	March 31, 2008	
\$125.0 Million Revolver	-	-	None	None <sup>3)</sup>	March 31, 2006	
Total Floating Rate Debt	<u>270,813</u>	<u>270,813</u>				
Grand Total Debt	<u>\$ 1,003,428</u>	<u>\$ 1,003,205</u>	7.09%	7.50%	5.38 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 June 30, 2004, the Company had outstanding letters of credit totaling \$35.1 million, reducing the available borrowing capacity to \$89.9 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>
<b>2004</b>	\$ 913	0.09%	0.09%
<b>2005</b>	3,182	0.32%	0.41%
<b>2006</b>	3,133	0.31%	0.72%
<b>2007</b>	228,999	22.83%	23.55%
<b>2008</b>	66,301	6.61%	30.16%
<b>Thereafter</b>	700,677	69.84%	100.00%
	<u>\$ 1,003,205</u>	<u>100.00%</u>	

	Outstanding Balance 12/31/2003	Outstanding Balance 6/30/2004	Dividend Rate	
<b>Preferred Stock:</b>				
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

9 of 16

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	2003
<b><u>COVERAGE RATIOS:</u></b>				
Interest coverage ratio (Adjusted EBITDA/Interest incurred) (x)	3.2	3.0	3.1	3.1
Debt service coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled principal pmts)) (x)	3.2	2.8	3.1	2.6
Fixed charge coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled prin pmts + Pfd dist.)) (x)	3.0	2.0	3.0	2.0
Senior debt coverage ratio (Senior debt/Annualized Adjusted EBITDA) (x)	4.3	4.7	4.3	4.7
Total debt and preferred stock coverage ratio (Total debt and pfd stk/Annualized Adjusted EBITDA) (x)	4.4	5.0	4.5	4.9
Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)	7.3	7.6	7.2	7.5
<b><u>DEBT/EQUITY RATIOS:</u></b>				
Total debt/Total market capitalization	41.9%	53.3%	41.9%	53.3%
Total debt/Equity market capitalization	72.2%	114.2%	72.2%	114.2%
Total debt/Book equity capitalization	128.9%	155.6%	128.9%	155.6%
Total debt/Gross book value of real estate assets	52.3%	57.8%	52.3%	57.8%
<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%	12.0%	11.9%	12.2%
Annualized return on total assets (Annualized Adjusted EBITDA/Average total assets (undepreciated book value)*)	10.1%	10.3%	10.1%	10.5%
<b><u>OVERHEAD RATIOS:</u></b>				
Annualized general & administrative expenses/Average total assets (undepreciated book value)*	2.2%	1.9%	2.1%	1.9%
General & administrative expenses/Total revenues	4.2%	3.9%	4.1%	3.9%
<b><u>INTEREST EXPENSE, NET</u></b>				
Interest income from continuing operations	\$ (946)	\$ (674)	\$ (1,937)	\$ (1,684)
Interest incurred	17,950	18,102	35,941	35,447
Amortization of debt costs and other non-cash interest	1,798	2,231	3,674	3,618
Capitalized interest	(1,465)	-	(2,700)	-
Interest expense, net	<u>\$ 17,337</u>	<u>\$ 19,659</u>	<u>\$ 34,978</u>	<u>\$ 37,381</u>
<b><u>EBITDA CALCULATION:</u></b>				
Net income	\$ 15,424	\$ 20,230	\$ 30,608	\$ 43,132
Interest expense, net	17,337	19,659	34,978	37,381
Depreciation and amortization	13,185	13,036	26,055	25,949
Income tax (benefit) expense	10,818	-	20,715	(170)
(Income) loss from discontinued operations, net of taxes	(91)	-	(429)	1,692
EBITDA	<u>56,673</u>	<u>52,925</u>	<u>111,927</u>	<u>107,984</u>
Expenses associated with debt refinancing and recapitalization transactions	76	4,135	101	4,135
Change in fair value of derivative instruments	-	(2,900)	-	(2,900)
ADJUSTED EBITDA	<u>\$ 56,749</u>	<u>\$ 54,160</u>	<u>\$ 112,028</u>	<u>\$ 109,219</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 6/30/04</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	144.17%
Eloy Detention Center Eloy, Arizona	1995, 1996	BOP, ICE	1,500	Medium	Detention	Feb-05	(4) 1 year	93.68%
Florence Correctional Center Florence, Arizona	1999	State of Alaska	1,600	Multi	Correctional	Oct-04	-	112.76%
California City Correctional Center California City, California	1999	BOP	2,304	Medium	Correctional	Sep-04	(6) 1 year	113.93%
San Diego Correctional Facility (E) San Diego, California	1999, 2000	ICE	1,232	Minimum/ Medium	Detention	Dec-04	-	101.41%
Bent County Correctional Facility Las Animas, Colorado	1992, 1997	State of Colorado	700	Medium	Correctional	Jun-05	(2) 1 year	100.44%
Crowley County Correctional Facility Olney Springs, Colorado	1998	State of Colorado	1,200	Medium	Correctional	Jun-05	(2) 1 year	82.97%
Huerfano County Correctional Center (F) Walsenburg, Colorado	1997	State of Colorado	752	Medium	Correctional	Jun-05	(2) 1 year	93.17%
Kit Carson Correctional Center Burlington, Colorado	1998	State of Colorado	768	Medium	Correctional	Jun-05	(2) 1 year	102.21%
Coffee Correctional Facility (G) Nicholls, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jul-04	(15) 1 year	97.92%
McRae Correctional Facility McRae, Georgia	2000, 2002	BOP	1,524	Medium	Correctional	Dec-05	(7) 1 year	110.70%
Wheeler Correctional Facility (G) Alamo, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jul-04	(15) 1 year	98.02%
Leavenworth Detention Center Leavenworth, Kansas	1992, 2000	USMS	483	Maximum	Detention	Dec-04	(1) 1 year	141.01%
Lee Adjustment Center Beattyville, Kentucky	1990	Commonwealth of Kentucky	756	Minimum/ Medium	Correctional	May-05	(2) 2 year	96.18%
Marion Adjustment Center St. Mary, Kentucky	1955, 1988	Commonwealth of Kentucky	790	Minimum	Correctional	Dec-07	(3) 2 year	96.61%
Otter Creek Correctional Center Wheelwright, Kentucky	1993	State of Indiana	656	Minimum/ Medium	Correctional	Jan-11	-	99.37%
Prairie Correctional Facility Appleton, Minnesota	1991	State of Wisconsin	1,338	Medium	Correctional	Dec-05	(2) 1 year	80.98%

**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 6/30/04</u>
Tallahatchie County Correctional Facility (H) Tutwiler, Mississippi	2000	State of Hawaii (I)	1,104	Medium	Correctional	Jun-06	-	27.70%
Crossroads Correctional Center (J) Shelby, Montana	1999	State of Montana	512	Multi	Correctional	Jun-05	(7) 2 year	96.71%
Cibola County Corrections Center Milan, New Mexico	1994, 1999	BOP	1,072	Medium	Correctional	Sep-04	(6) 1 year	94.43%
New Mexico Women's Correctional Facility Grants, New Mexico	1989, 2000	State of New Mexico	596	Multi	Correctional	Jun-04	(1) 1 year	98.49%
Torrance County Detention Facility Estancia, New Mexico	1990, 1997	USMS	910	Multi	Detention	Indefinite	-	97.31%
Northeast Ohio Correctional Center (K) Youngstown, Ohio	1997	USMS	2,016	Medium	Correctional	Nov-04	(4) 1 year	4.76%
Cimarron Correctional Facility (L) Cushing, Oklahoma	1997	State of Oklahoma	960	Medium	Correctional	Jun-04	-	99.27%
Davis Correctional Facility (L) Holdenville, Oklahoma	1996	State of Oklahoma	960	Medium	Correctional	Jun-04	-	99.20%
Diamondback Correctional Facility Watonga, Oklahoma	1998, 2000	State of Arizona	2,160	Medium	Correctional	Jun-05	(2) 1 year	92.08%
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-05	(2) 1 year	65.85%
Shelby Training Center (N) Memphis, Tennessee	1986, 1995	Shelby County, TN	200	Secure	Juvenile	Apr-15	-	91.10%
Whiteville Correctional Facility (O) Whiteville, Tennessee	1998	State of Tennessee	1,536	Medium	Correctional	Sep-05	(2) 1 year	95.85%
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	1989	State of Texas	200	Medium	Correctional	Feb-07	(4) 1 year	97.25%
Eden Detention Center Eden, Texas	1990	BOP	1,225	Medium	Correctional	Apr-05	(2) 1 year	106.38%
Houston Processing Center Houston, Texas	1984	ICE	411	Medium	Detention	Sep-04	(4) 1 year	118.83%
Laredo Processing Center Laredo, Texas	1985, 1990	ICE	258	Minimum/ Medium	Detention	Sep-04	-	148.96%

**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 6/30/04</u>
Webb County Detention Center Laredo, Texas	1998	USMS	480	Medium	Detention	Aug-05	-	127.37%
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	1995	State of Texas	2,103	Minimum	Correctional	Feb-07	(4) 1 year	98.03%
T. Don Hutto Correctional Center Taylor, Texas	1997	USMS	480	Minimum	Correctional	Aug-04	indefinite	42.99%
D.C. Correctional Treatment Facility (P) Washington D.C.	1992	District of Columbia	866	Medium	Detention	Mar-17	-	142.95%
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-05	-	99.50%
Bay County Jail and Annex Panama City, Florida	N/A	Bay County, FL	677	Multi	Detention	Sep-06	-	154.57%
Citrus County Detention Facility Lecanto, Florida	N/A	Citrus County, FL	400	Multi	Detention	Sep-05	(1) 5 year	104.65%
Gadsden Correctional Institution Quincy, Florida	N/A	State of Florida	896	Minimum/ Medium	Correctional	Jun-05	-	115.10%
Hernando County Jail Brooksville, Florida	N/A	Hernando County, FL	302	Multi	Detention	Oct-10	-	136.22%
Lake City Correctional Facility Lake City, Florida	N/A	State of Florida	350	Secure	Correctional	Jun-05	-	99.42%
Idaho Correctional Center Boise, Idaho	N/A	State of Idaho	1,270	Minimum/ Medium	Correctional	Jun-05	-	100.74%
Marion County Jail Indianapolis, Indiana	N/A	Marion County, IN	670	Multi	Detention	Nov-05	-	145.25%
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	58.05%
Wilkinson County Correctional Facility Woodville, Mississippi	N/A	State of Mississippi	1,000	Medium	Correctional	Sep-05	(3) 1 year	99.31%
Southern Nevada Women's Correctional Center (Q) Las Vegas, Nevada	N/A	State of Nevada	500	Multi	Correctional	Oct-04	3 year indefinite	91.70%

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 6/30/04
Elizabeth Detention Center Elizabeth, New Jersey	N/A	ICE	300	Minimum	Detention	Jan-05	-	81.01%
David L. Moss Criminal Justice Center Tulsa, Oklahoma	N/A	Tulsa County, OK	1,440	Multi	Detention	Jun-05	(2) 1 year	89.75%
Silverdale Facilities Chattanooga, Tennessee	N/A	Hamilton County, TN	784	Multi	Detention	Sep-04	(3) 4 year	94.92%
South Central Correctional Center Clifton, Tennessee	N/A	State of Tennessee	1,506	Medium	Correctional	Jun-05	(1) 2 year	107.67%
Tall Trees (R) Memphis, Tennessee	N/A	Shelby County, TN	63	Non-secure	Juvenile	Indefinite	-	70.61%
Metro-Davidson County Detention Facility Nashville, Tennessee	N/A	Davidson County, TN	1,092	Multi	Detention	Jul-06	(2) 1 year	119.03%
Hardeman County Correctional Facility Whiteville, Tennessee	N/A	State of Tennessee	2,016	Medium	Correctional	Jul-05	(1) 2 year	97.38%
B. M. Moore Correctional Center Overton, Texas	N/A	State of Texas	500	Minimum/ Medium	Correctional	Jan-07	(2) 1 year	99.58%
Bartlett State Jail Bartlett, Texas	N/A	State of Texas	962	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	103.73%
Bradshaw State Jail Henderson, Texas	N/A	State of Texas	1,980	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	99.70%
Dawson State Jail Dallas, Texas	N/A	State of Texas	2,216	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	97.70%
Diboll Correctional Center Diboll, Texas	N/A	State of Texas	518	Minimum/ Medium	Correctional	Jan-07	(2) 1 year	99.92%
Liberty County Jail/Juvenile Center Liberty, Texas	N/A	Liberty County, Texas	380	Multi	Detention	Jan-05	(2) 1 year	98.01%
Lindsey State Jail Jacksboro, Texas	N/A	State of Texas	1,031	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	98.49%
Willacy State Jail Raymondville, Texas	N/A	State of Texas	1,069	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	94.75%
Total design capacity for Managed Only Facilities (27 Managed Only Facilities)			<u>25,226</u>					
<b>Total design capacity for All Facilities</b>			<u><u>66,270</u></u>					

## FACILITY PORTFOLIO

Facility Name	Year Constructed (A)	Primary Customer	Design Capacity (B)	Security Level	Facility Type (C)	Term	Remaining Renewal Options (D)	Compensated Occupancy % for the Quarter ended 6/30/04
<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-05	(2) 1 year	N/A
Community Education Partners (S) 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. 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, 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.

(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.

(I) On May 10, 2004, we announced the completion of a contractual agreement to house inmates from the State of Hawaii. Also on June 1, 2004, we announced the completion of a contractual agreement to house up to 128 maximum security inmates from the State of Colorado.

(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.

(K) On April 7, 2004 we announced that we had resumed operations at our Northeast Ohio Correctional Center. We began receiving inmates from the U.S. Marshals Service on April 6, 2004.

(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) 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 February 20, 2004 we provided notice to the Nevada Department of Corrections that we do not intend to renew our contract to manage this facility upon expiration of the contract.

(R) We expect this facility to close on or about August 9, 2004.

(S) The alternative educational facility is currently configured to accommodate 900 at-risk juveniles and may be expanded to accommodate a total of 1,400 at-risk juveniles.



## DIVERSIFICATION OF REVENUE

(Unaudited and amounts in thousands)

15 of 16

<u>Customer</u>	<u>Management Revenue For the Six Months Ended June 30, 2004</u>	<u>Percent of Management Revenue For the Six Months Ended June 30, 2004</u>
Bureau of Prisons	\$ 87,827	15.78%
United States Marshals	80,084	14.39%
Texas	44,020	7.91%
United States Immigration and Customs Enforcement	41,405	7.44%
Tennessee	34,639	6.22%
Colorado	27,107	4.87%
Georgia	24,099	4.33%
Florida	22,302	4.01%
Oklahoma	14,784	2.66%
Hawaii	12,842	2.31%
	<u>\$ 389,109</u>	<u>69.90%</u>
Total Management Revenue	<u>\$ 556,687</u>	<u>100.00%</u>

## RESEARCH / ANALYST COVERAGE

### Equity Research Coverage:

---

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

### Debt Research Coverage:

---

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

### Rating Agency Coverage:

---

Moody's Investors Service	Philip Kibel	(215) 967-6233
Standard & Poor's	Jean Stout	(212) 438-7865

### Credit Ratings:

---

	Standard & Poor's	Moody's
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.