



CORRECTIONS CORPORATION OF AMERICA

**Supplemental Financial Information
For the Quarter Ended December 31, 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 December 31, 2003

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CONSOLIDATED BALANCE SHEETS

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

ASSETS	December 31, 2003	September 30, 2003	June 30, 2003	March 31, 2003	December 31, 2002
Cash and cash equivalents	\$ 84,231	\$ 68,943	\$ 70,464	\$ 69,955	\$ 65,406
Restricted cash	12,823	12,796	13,186	13,577	7,363
Accounts receivable, net of allowance	137,623	140,636	133,911	137,741	136,644
Deferred tax assets	50,473	-	-	-	-
Income tax receivable	-	59	60	33,426	32,499
Prepaid expenses and other current assets	8,028	6,949	9,206	6,329	12,435
Total current assets	<u>293,178</u>	<u>229,383</u>	<u>226,827</u>	<u>261,028</u>	<u>254,347</u>
Property and equipment, net	1,586,979	1,580,571	1,584,825	1,591,119	1,552,265
Investment in direct financing lease	17,751	17,907	18,057	18,204	18,346
Goodwill	15,563	20,294	20,294	20,294	20,902
Deferred tax assets	6,739	-	-	-	-
Other assets	38,818	35,562	32,636	27,085	28,211
Total assets	<u>\$ 1,959,028</u>	<u>\$ 1,883,717</u>	<u>\$ 1,882,639</u>	<u>\$ 1,917,730</u>	<u>\$ 1,874,071</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable and accrued expenses	\$ 157,417	\$ 156,304	\$ 132,480	\$ 148,441	\$ 152,977
Income tax payable	913	4,520	4,467	5,608	4,605
Distributions payable	150	150	150	2,150	5,330
Current portion of long-term debt	1,146	2,914	5,377	24,107	23,054
Total current liabilities	<u>159,626</u>	<u>163,888</u>	<u>142,474</u>	<u>180,306</u>	<u>185,966</u>
Long-term debt, net of current portion	1,002,282	1,004,128	1,043,780	956,515	932,905
Other liabilities	21,655	21,817	22,075	22,482	21,202
Total liabilities	<u>1,183,563</u>	<u>1,189,833</u>	<u>1,208,329</u>	<u>1,159,303</u>	<u>1,140,073</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	107,500	107,500
Series B - stated at liquidation preference of \$24.46 per share	23,528	23,528	22,933	114,281	107,831
Common stock - \$0.01 par value	350	350	350	281	280
Additional paid-in capital	1,441,742	1,439,587	1,439,347	1,344,822	1,343,066
Deferred compensation	(1,479)	(1,913)	(2,323)	(2,779)	(1,604)
Retained deficit	(695,590)	(774,348)	(792,549)	(804,689)	(822,111)
Accumulated other comprehensive loss	(586)	(820)	(948)	(989)	(964)
Total stockholders' equity	<u>775,465</u>	<u>693,884</u>	<u>674,310</u>	<u>758,427</u>	<u>733,998</u>
Total liabilities and stockholders' equity	<u>\$ 1,959,028</u>	<u>\$ 1,883,717</u>	<u>\$ 1,882,639</u>	<u>\$ 1,917,730</u>	<u>\$ 1,874,071</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 Year Ended December 31,	
	2003	2002	2003	2002
REVENUE:				
Management:				
Federal	\$ 100,253	\$ 84,361	\$ 384,128	\$ 312,574
State	127,446	120,031	493,037	480,577
Local	25,224	23,417	97,311	87,595
Other	10,203	9,395	39,513	37,275
Total management revenue	<u>263,126</u>	<u>237,204</u>	<u>1,013,989</u>	<u>918,021</u>
Transportation	4,760	3,901	18,901	15,961
Rental	945	920	3,742	3,701
Other	29	-	105	68
	<u>268,860</u>	<u>242,025</u>	<u>1,036,737</u>	<u>937,751</u>
EXPENSES:				
Operating:				
Facility fixed	142,936	130,063	557,529	514,933
Facility variable	51,191	49,920	195,890	189,424
Transportation	5,592	3,918	20,944	16,187
Other	137	110	948	808
Total operating expenses	<u>199,856</u>	<u>184,011</u>	<u>775,311</u>	<u>721,352</u>
General and administrative	11,101	13,245	40,467	36,907
Depreciation and amortization	13,831	13,399	52,937	51,292
	<u>224,788</u>	<u>210,655</u>	<u>868,715</u>	<u>809,551</u>
OPERATING INCOME	<u>44,072</u>	<u>31,370</u>	<u>168,022</u>	<u>128,200</u>
OTHER (INCOME) EXPENSE:				
Equity in (earnings) loss of joint venture	(75)	90	(119)	153
Interest expense, net	17,987	18,101	74,446	87,478
Expenses associated with debt refinancing and recapitalization transactions	-	-	6,687	36,670
Change in fair value of derivative instruments	-	628	(2,900)	(2,206)
Loss on disposal of assets	282	53	261	110
Unrealized foreign currency transaction gain	(357)	(180)	(556)	(622)
	<u>17,837</u>	<u>18,692</u>	<u>77,819</u>	<u>121,583</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	26,235	12,678	90,203	6,617
Income tax benefit	<u>52,459</u>	<u>30,021</u>	<u>52,352</u>	<u>63,284</u>
INCOME FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	78,694	42,699	142,555	69,901
Income (loss) from discontinued operations, net of taxes	920	562	(772)	2,459
Cumulative effect of accounting change	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,276)</u>
NET INCOME (LOSS)	79,614	43,261	141,783	(7,916)
Distributions to preferred stockholders	<u>(856)</u>	<u>(5,385)</u>	<u>(15,262)</u>	<u>(20,959)</u>
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	<u>\$ 78,758</u>	<u>\$ 37,876</u>	<u>\$ 126,521</u>	<u>\$ (28,875)</u>
BASIC EARNINGS (LOSS) PER SHARE	<u>\$ 2.27</u>	<u>\$ 1.37</u>	<u>\$ 3.92</u>	<u>\$ (1.04)</u>
DILUTED EARNINGS (LOSS) PER SHARE	<u>\$ 2.01</u>	<u>\$ 1.14</u>	<u>\$ 3.44</u>	<u>\$ (0.82)</u>

RECONCILIATION OF BASIC TO DILUTED EARNINGS PER SHARE

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

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2003	2002	2003	2002
Basic:				
Income from continuing operations before cumulative effect of accounting change	\$ 77,838	\$ 37,314	\$ 127,293	\$ 48,942
Income (loss) from discontinued operations, net of taxes	920	562	(772)	2,459
Cumulative effect of accounting change	-	-	-	(80,276)
Net income (loss) available to common stockholders	\$ 78,758	\$ 37,876	\$ 126,521	\$ (28,875)
Diluted:				
Income from continuing operations before cumulative effect of accounting change	\$ 77,838	\$ 37,314	\$ 127,293	\$ 48,942
Interest expense applicable to convertible notes *	302	2,641	4,496	2,400
Diluted income from continuing operations before cumulative effect of accounting change	78,140	39,955	131,789	51,342
Income (loss) from discontinued operations, net of taxes	920	562	(772)	2,459
Cumulative effect of accounting change	-	-	-	(80,276)
Diluted net income (loss) available to common stockholders	\$ 79,060	\$ 40,517	\$ 131,017	\$ (26,475)
Basic:				
Weighted average common shares outstanding	35,039	27,979	32,603	27,952
Unvested restricted common stock	(367)	(283)	(358)	(283)
Weighted average common shares outstanding-basic	34,672	27,696	32,245	27,669
Diluted:				
Weighted average common shares outstanding-basic	34,672	27,696	32,245	27,669
Effect of dilutive securities:				
Stock options and warrants	1,046	629	917	621
Stockholder litigation	-	310	115	310
Convertible notes	3,362	6,733	4,523	3,370
Restricted stock-based compensation	273	239	249	238
Weighted average shares and assumed conversions-diluted	39,353	35,607	38,049	32,208
Basic earnings (loss) per share:				
Income from continuing operations before cumulative effect of accounting change	\$ 2.24	\$ 1.35	\$ 3.95	\$ 1.77
Income (loss) from discontinued operations, net of taxes	0.03	0.02	(0.03)	0.09
Cumulative effect of accounting change	-	-	-	(2.90)
Net income (loss) available to common stockholders	\$ 2.27	\$ 1.37	\$ 3.92	\$ (1.04)
Diluted earnings (loss) per share:				
Income from continuing operations before cumulative effect of accounting change	\$ 1.99	\$ 1.12	\$ 3.46	\$ 1.59
Income (loss) from discontinued operations, net of taxes	0.02	0.02	(0.02)	0.08
Cumulative effect of accounting change	-	-	-	(2.49)
Diluted net income (loss) available to common stockholders	\$ 2.01	\$ 1.14	\$ 3.44	\$ (0.82)
* For the year ended December 31, 2002, \$7,851 is not presented, as the effect is 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	-	-	-	-
Stockholder litigation	-	-	-	-
Convertible notes using the if-converted method	-	-	-	3,366
Restricted stock-based compensation using the treasury stock method	-	-	-	-
	-	-	-	3,366

ILLUSTRATION OF 2003 RESULTS, ADJUSTED FOR SPECIAL ITEMS

(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 (expense) benefit, as reported	170	-	(277)	52,459	52,352
Special items:					
Income tax benefit for reversal of valuation allowance	-	-	-	(54,276)	(54,276)
Income tax benefit from discontinued operations	-	-	-	920	920
Net income, as adjusted for special items	<u>22,902</u>	<u>21,465</u>	<u>21,589</u>	<u>25,338</u>	<u>91,294</u>
Preferred stock distributions	(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>\$ 17,422</u>	<u>\$ 17,847</u>	<u>\$ 20,753</u>	<u>\$ 24,482</u>	<u>\$ 80,504</u>
Basic:					
Income from continuing operations, as adjusted for special items	\$ 19,114	\$ 17,847	\$ 20,753	\$ 24,482	\$ 82,196
Income (loss) from discontinued operations, as adjusted for special items	(1,692)	-	-	-	(1,692)
Net income available to common stockholders, as adjusted for special items	<u>\$ 17,422</u>	<u>\$ 17,847</u>	<u>\$ 20,753</u>	<u>\$ 24,482</u>	<u>\$ 80,504</u>
Diluted:					
Income from continuing operations, as adjusted for special items	\$ 19,114	\$ 17,847	\$ 20,753	\$ 24,482	\$ 82,196
Interest expense applicable to convertible notes *	2,630	391	302	302	1,588
Diluted income from continuing operations, as adjusted for special items	<u>21,744</u>	<u>18,238</u>	<u>21,055</u>	<u>24,784</u>	<u>83,784</u>
Income (loss) from discontinued operations, as adjusted for special items	(1,692)	-	-	-	(1,692)
Diluted net income available to common stockholders, as adjusted for special items	<u>\$ 20,052</u>	<u>\$ 18,238</u>	<u>\$ 21,055</u>	<u>\$ 24,784</u>	<u>\$ 82,092</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 **	6,733	3,362	3,362	3,362	3,362
Restricted stock-based compensation	222	252	263	273	249
Diluted:					
Weighted average common shares outstanding	<u>35,646</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	\$ 0.69	\$ 0.56	\$ 0.60	\$ 0.71	\$ 2.55
Income (loss) from discontinued operations, as adjusted for special items	(0.06)	-	-	-	(0.05)
Net income available to common stockholders, as adjusted for special items	<u>\$ 0.63</u>	<u>\$ 0.56</u>	<u>\$ 0.60</u>	<u>\$ 0.71</u>	<u>\$ 2.50</u>
Diluted earnings (loss) per share:					
Income from continuing operations, as adjusted for special items	\$ 0.60	\$ 0.50	\$ 0.54	\$ 0.63	\$ 2.27
Income (loss) from discontinued operations, as adjusted for special items	(0.05)	-	-	-	(0.05)
Net income available to common stockholders, as adjusted for special items	<u>\$ 0.56</u>	<u>\$ 0.50</u>	<u>\$ 0.54</u>	<u>\$ 0.63</u>	<u>\$ 2.23</u>

* For the second quarter of 2003, and for the year ended December 31, 2003, \$870 and \$2,908, respectively, have been excluded as the effect is anti-dilutive.

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

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>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	<u>13,639</u>	<u>12,879</u>	<u>13,120</u>	<u>15,741</u>	<u>55,379</u>
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	<u>9,529</u>	<u>9,496</u>	<u>12,465</u>	<u>15,066</u>	<u>46,556</u>
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)

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	<u>December 31, 2003</u>	<u>September 30, 2003</u>	<u>June 30, 2003</u>	<u>March 31, 2003</u>	<u>December 31, 2002</u>
BALANCE SHEET:					
Property and equipment	\$ 1,828,482	\$ 1,807,896	\$ 1,798,146	\$ 1,790,422	\$ 1,738,650
Accumulated depreciation and amortization	(241,503)	(227,325)	(213,321)	(199,303)	(186,385)
Property and equipment, net	<u>\$ 1,586,979</u>	<u>\$ 1,580,571</u>	<u>\$ 1,584,825</u>	<u>\$ 1,591,119</u>	<u>\$ 1,552,265</u>
Total assets	\$ 1,959,028	\$ 1,883,717	\$ 1,882,639	\$ 1,917,730	\$ 1,874,071
Maintenance capital expenditures for the quarter ended	\$ 13,167	\$ 9,435	\$ 7,438	\$ 5,482	\$ 3,428
Total debt	\$ 1,003,428	\$ 1,007,042	\$ 1,049,157	\$ 980,622	\$ 955,959
Equity book value	\$ 775,465	\$ 693,884	\$ 674,310	\$ 758,427	\$ 733,998
LIQUIDITY:					
Cash and cash equivalents	\$ 84,231	\$ 68,943	\$ 70,464	\$ 69,955	\$ 65,406
Availability under revolving credit facility	\$ 97,741	\$ 98,141	\$ 45,891	\$ 51,891	\$ 57,969
CAPITALIZATION:					
Common shares outstanding	35,020	35,029	35,016	28,103	27,986
Common share price at end of period	<u>\$ 28.83</u>	<u>\$ 24.67</u>	<u>\$ 25.33</u>	<u>\$ 17.46</u>	<u>\$ 17.15</u>
Market value of common equity at end of period	<u>\$ 1,009,627</u>	<u>\$ 864,165</u>	<u>\$ 886,955</u>	<u>\$ 490,678</u>	<u>\$ 479,960</u>
Preferred shares outstanding - Series A	300	300	300	4,300	4,300
Preferred share price at end of period - Series A	<u>\$ 25.10</u>	<u>\$ 25.30</u>	<u>\$ 25.20</u>	<u>\$ 22.40</u>	<u>\$ 21.50</u>
Market value of preferred equity at end of period - Series A	<u>\$ 7,530</u>	<u>\$ 7,590</u>	<u>\$ 7,560</u>	<u>\$ 96,320</u>	<u>\$ 92,450</u>
Preferred shares outstanding - Series B	962	962	938	4,672	4,408
Preferred share price at end of period - Series B	<u>\$ 25.25</u>	<u>\$ 25.40</u>	<u>\$ 25.49</u>	<u>\$ 24.85</u>	<u>\$ 25.00</u>
Market value of preferred equity at end of period - Series B	<u>\$ 24,291</u>	<u>\$ 24,435</u>	<u>\$ 23,910</u>	<u>\$ 116,099</u>	<u>\$ 110,200</u>
Total equity market capitalization	<u>\$ 1,041,447</u>	<u>\$ 896,190</u>	<u>\$ 918,425</u>	<u>\$ 703,098</u>	<u>\$ 682,610</u>
Total market capitalization (market value of equity plus debt)	<u>\$ 2,044,875</u>	<u>\$ 1,903,232</u>	<u>\$ 1,967,582</u>	<u>\$ 1,683,720</u>	<u>\$ 1,638,569</u>
EBITDA	\$ 58,053	\$ 51,549	\$ 52,925	\$ 55,059	\$ 44,178
ADJUSTED EBITDA	\$ 58,053	\$ 54,101	\$ 54,160	\$ 55,059	\$ 48,806
ADJUSTED FREE CASH FLOW	\$ 27,387	\$ 27,299	\$ 26,169	\$ 30,468	\$ 23,082
ADJUSTED FREE CASH FLOW PER SHARE:					
Basic adjusted free cash flow per share	<u>\$ 0.79</u>	<u>\$ 0.79</u>	<u>\$ 0.82</u>	<u>\$ 1.10</u>	<u>\$ 0.83</u>
Diluted adjusted free cash flow per share	<u>\$ 0.70</u>	<u>\$ 0.70</u>	<u>\$ 0.72</u>	<u>\$ 0.93</u>	<u>\$ 0.72</u>

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

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2003	2002	2003	2002
Number of days per period	92	92	365	365
ALL FACILITIES:				
Average available beds	58,732	56,610	58,676	56,891
Average compensated occupancy	95.4%	90.9%	92.9%	89.1%
Total compensated man-days	5,152,403	4,732,062	19,906,312	18,511,013
Revenue per compensated man-day	\$ 51.07	\$ 50.13	\$ 50.94	\$ 49.59
Operating expenses per compensated man-day:				
Fixed expense	27.74	27.49	28.01	27.82
Variable expense	9.94	10.55	9.84	10.23
Total	37.68	38.04	37.85	38.05
Operating margin per compensated man-day	\$ 13.39	\$ 12.09	\$ 13.09	\$ 11.54
Operating margin rate	26.2%	24.1%	25.7%	23.3%
DEPRECIATION AND AMORTIZATION:				
Depreciation expense	\$ 14,359	\$ 13,499	\$ 56,299	\$ 53,088
Amortization of goodwill	244	-	244	-
Amortization of intangible assets	107	64	157	338
Amortization of negative contract values	(879)	(164)	(3,763)	(2,134)
Depreciation and amortization	\$ 13,831	\$ 13,399	\$ 52,937	\$ 51,292
ADJUSTED FREE CASH FLOW:				
Pre-tax income (loss) available to common stockholders	\$ 26,299	\$ 7,855	\$ 74,169	\$ (92,159)
Expenses associated with debt refinancing and recapitalization transactions	-	-	6,687	36,670
Cumulative effect of accounting change	-	-	-	80,276
Income taxes paid	(454)	(141)	(2,183)	(4,251)
Depreciation and amortization	13,831	13,399	52,937	51,292
Depreciation and amortization for discontinued operations	-	154	1,074	3,095
Income tax (benefit) expense for discontinued operations	(920)	-	(920)	600
Amortization of debt costs and other non-cash interest	1,798	1,380	7,505	11,816
Change in fair value of derivative instruments	-	628	(2,900)	(2,206)
Series B preferred stock dividends satisfied with series B preferred stock and non-recurring tender premium	-	3,235	10,476	12,359
Maintenance capital expenditures	(13,167)	(3,428)	(35,522)	(12,254)
Adjusted free cash flow	\$ 27,387	\$ 23,082	\$ 111,323	\$ 85,238
ADJUSTED FREE CASH FLOW PER SHARE:				
Basic	\$ 0.79	\$ 0.83	\$ 3.45	\$ 3.08
Diluted	\$ 0.70	\$ 0.72	\$ 3.04	\$ 2.68

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

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2003	2002	2003	2002
MANAGED ONLY FACILITIES:				
Management revenue	\$ 71,937	\$ 70,281	\$ 281,524	\$ 278,916
Operating expenses:				
Fixed expense	43,210	41,484	168,572	168,262
Variable expense	16,237	15,075	61,645	56,759
Total	59,447	56,559	230,217	225,021
Contribution	\$ 12,490	\$ 13,722	\$ 51,307	\$ 53,895
Average available beds	17,688	17,776	17,688	18,442
Average compensated occupancy	104.1%	102.1%	103.0%	101.1%
Total compensated man-days	1,693,699	1,670,297	6,649,609	6,808,489
Revenue per compensated man-day	\$ 42.47	\$ 42.08	\$ 42.34	\$ 40.97
Operating expenses per compensated man-day:				
Fixed expense	25.51	24.84	25.35	24.71
Variable expense	9.59	9.03	9.27	8.34
Total	35.10	33.87	34.62	33.05
Operating margin per compensated man-day	\$ 7.37	\$ 8.21	\$ 7.72	\$ 7.92
Operating margin rate	17.4%	19.5%	18.2%	19.3%
OWNED AND MANAGED FACILITIES:				
Management revenue	\$ 191,189	\$ 166,923	\$ 732,465	\$ 639,105
Operating expenses:				
Fixed expense	99,726	88,579	388,957	346,671
Variable expense	34,954	34,845	134,245	132,665
Total	134,680	123,424	523,202	479,336
Contribution	\$ 56,509	\$ 43,499	\$ 209,263	\$ 159,769
Average available beds	41,044	38,834	40,988	38,449
Average compensated occupancy	91.6%	85.7%	88.6%	83.4%
Total compensated man-days	3,458,704	3,061,765	13,256,703	11,702,524
Revenue per compensated man-day	\$ 55.28	\$ 54.52	\$ 55.25	\$ 54.61
Operating expenses per compensated man-day:				
Fixed	28.83	28.93	29.34	29.62
Variable	10.11	11.38	10.13	11.34
Total	38.94	40.31	39.47	40.96
Operating margin per compensated man-day	\$ 16.34	\$ 14.21	\$ 15.78	\$ 13.65
Operating margin rate	29.6%	26.1%	28.6%	25.0%

ANALYSIS OF OUTSTANDING DEBT AND PREFERRED STOCK

(Unaudited and amounts in thousands)

	Outstanding Balance 12/31/2002	Outstanding Balance 12/31/2003	Stated Interest Rate	Effective Interest Rate ¹⁾	Maturity Date	Callable/ Redeemable
Fixed Rate:						
\$100.0 Million Senior Notes	\$ 10,795	\$ -	12.00%			
\$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	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	7.50%	7.64%	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
\$40.0 Million Convertible Notes	40,000	-	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	486	Various	Various	Various	
Total Fixed Rate Debt	331,446	732,615				
Floating Rate:						
Lehman Credit Facility:						
Term A	63,750	-				
Term B	560,763	-				
Term C	-	270,813			March 31, 2008	
	624,513	270,813	4.53%	5.44%	²⁾	
\$125.0 Million Revolver	-	-	None	None	³⁾ March 31, 2006	
Total Floating Rate Debt	624,513	270,813				
Grand Total Debt	\$ 955,959	\$ 1,003,428	7.22%	7.74%	5.88 Years ⁴⁾	

¹⁾ Includes amortization of debt issuance costs, net of debt premiums.

²⁾ The variable interest rate on the Term C portion of the Lehman Credit Facility is LIBOR + 2.75%. The Company has entered into an interest rate agreement that caps LIBOR at 5% on outstanding balances of \$200.0 million through May 20, 2004.

³⁾ The variable interest rate is LIBOR + 3.50%. As of December 31, 2003, the Company had outstanding letters of credit totaling \$27.3 million, reducing the available borrowing capacity to \$97.7 million.

⁴⁾ Represents the weighted average debt maturity in years.

Debt Maturity Schedule:

Year	Total Debt Maturing	% of Debt Maturing	% of Debt Maturing
2004	\$ 1,146	0.11%	0.11%
2005	3,224	0.32%	0.44%
2006	3,175	0.32%	0.75%
2007	229,493	22.87%	23.62%
2008	65,712	6.55%	30.17%
Thereafter	700,678	69.83%	100.00%
	\$ 1,003,428	100.00%	

Preferred Stock:	Outstanding Balance 12/31/2002	Outstanding Balance 12/31/2003	Dividend Rate	Yield at 12/31/2003	
Series A Preferred Stock	\$ 107,500	\$ 7,500	8.0% cash	7.97%	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	\$ 23,528	12.0% PIK through Q3 2003 and cash thereafter	11.62%	Redeemable at any time on or after April 30, 2004 at \$24.46 per share plus dividends accrued and unpaid at 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 Year Ended December 31,	
	2003	2002	2003	2002
<u>COVERAGE RATIOS:</u>				
Interest coverage ratio (Adjusted EBITDA/Interest incurred) (x)	3.2	2.7	3.1	2.3
Debt service coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled principal pmts)) (x)	3.2	2.1	2.8	1.9
Fixed charge coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled prin pmts + Pfd dist.)) (x)	3.1	1.7	2.4	1.5
Senior debt coverage ratio (Senior debt/Annualized Adjusted EBITDA) (x)	4.2	4.5	4.4	4.8
Total debt and preferred stock coverage ratio (Total debt and pfd stk/Annualized Adjusted EBITDA) (x)	4.5	6.0	4.7	6.4
Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)	7.8	7.1	7.5	6.9
<u>DEBT/EQUITY RATIOS:</u>				
Total debt/Total market capitalization	49.1%	58.3%	49.1%	58.3%
Total debt/Equity market capitalization	96.3%	140.0%	96.3%	140.0%
Total debt/Book equity capitalization	129.4%	130.2%	129.4%	130.2%
Total debt/Gross book value of real estate assets	54.4%	54.4%	54.4%	54.4%
<u>RETURN ON INVESTMENT RATIOS:</u>				
Annualized return on operating real estate investments (Annualized Adjusted EBITDA/Average operating real estate investments (undepreciated book value)*)	12.6%	11.1%	12.3%	10.5%
Annualized return on total assets (Annualized Adjusted EBITDA/Average total assets (undepreciated book value)*)	10.8%	9.5%	10.4%	8.8%
<u>OVERHEAD RATIOS:</u>				
Annualized general & administrative expenses/Average total assets (undepreciated book value)*	2.1%	2.6%	1.9%	1.8%
General & administrative expenses/Total revenues	4.1%	5.5%	3.9%	3.9%
<u>INTEREST EXPENSE, NET</u>				
Interest income from continuing operations	\$ (965)	\$ (1,038)	\$ (3,602)	\$ (4,431)
Interest incurred	18,040	17,759	71,443	80,093
Amortization of debt costs and other non-cash interest	1,798	1,380	7,505	11,816
Capitalized interest	(886)	-	(900)	-
Interest expense, net	<u>\$ 17,987</u>	<u>\$ 18,101</u>	<u>\$ 74,446</u>	<u>\$ 87,478</u>
<u>EBITDA CALCULATION:</u>				
Net income (loss)	\$ 79,614	\$ 43,261	\$ 141,783	\$ (7,916)
Interest expense, net	17,987	18,101	74,446	87,478
Depreciation and amortization	13,831	13,399	52,937	51,292
Income tax (benefit) expense	(52,459)	(30,021)	(52,352)	(63,284)
Cumulative effect of accounting change	-	-	-	80,276
(Income) loss from discontinued operations, net of taxes	(920)	(562)	772	(2,459)
EBITDA	<u>58,053</u>	<u>44,178</u>	<u>217,586</u>	<u>145,387</u>
Expenses associated with debt refinancing and recapitalization transactions	-	-	6,687	36,670
Success-based tax professional fees	-	4,000	-	4,000
Change in fair value of derivative instruments	-	628	(2,900)	(2,206)
ADJUSTED EBITDA	<u>\$ 58,053</u>	<u>\$ 48,806</u>	<u>\$ 221,373</u>	<u>\$ 183,851</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 12/31/03
Owned and Managed Facilities:								
Central Arizona Detention Center Florence, Arizona	1994, 1998	USMS	2,304	Multi	Detention	May-04	(4) 1 year	135.59%
Eloy Detention Center Eloy, Arizona	1995, 1996	BOP, ICE	1,500	Medium	Detention	Feb-04	(5) 1 year	96.64%
Florence Correctional Center Florence, Arizona	1999	State of Alaska	1,600	Multi	Correctional	Jun-04	-	104.13%
California Correctional Center California City, California	1999	BOP	2,304	Medium	Correctional	Sep-04	(6) 1 year	113.57%
San Diego Correctional Facility (E) San Diego, California	1999, 2000	ICE	1,232	Minimum/ Medium	Detention	Dec-04	-	98.63%
Bent County Correctional Facility Las Animas, Colorado	1992, 1997	State of Colorado	700	Medium	Correctional	Jun-04	(1) 1 year	102.31%
Crowley County Correctional Facility Olney Springs, Colorado	1998	State of Colorado	1,200	Medium	Correctional	Jun-04	(1) 1 year	94.23%
Huerfano County Correctional Center (F) Walsenburg, Colorado	1997	State of Colorado	752	Medium	Correctional	Jun-04	(1) 1 year	99.93%
Kit Carson Correctional Center Burlington, Colorado	1998	State of Colorado	768	Medium	Correctional	Jun-04	(1) 1 year	81.97%
Coffee Correctional Facility (G) Nicholls, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jul-04	(15) 1 year	98.07%
McRae Correctional Facility McRae, Georgia	2000, 2002	BOP	1,524	Medium	Correctional	Dec-05	(7) 1 year	100.77%
Wheeler Correctional Facility (G) Alamo, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jul-04	(15) 1 year	98.26%
Leavenworth Detention Center Leavenworth, Kansas	1992, 2000	USMS	483	Maximum	Detention	Dec-04	(1) 1 year	139.15%
Lee Adjustment Center Beattyville, Kentucky	1990	Commonwealth of Kentucky	756	Minimum/ Medium	Correctional	May-05	(2) 2 year	69.79%
Marion Adjustment Center St. Mary, Kentucky	1955, 1988	Commonwealth of Kentucky	790	Minimum	Correctional	Dec-03	-	70.52%
Otter Creek Correctional Center Wheelwright, Kentucky	1993	State of Indiana	656	Minimum/ Medium	Correctional	Jan-11	-	99.74%

FACILITY PORTFOLIO

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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 12/31/03
Prairie Correctional Facility Appleton, Minnesota	1991	State of Wisconsin	1,338	Medium	Correctional	Dec-05	(2) 1 year	103.95%
Tallahatchie County Correctional Facility (H) Tutwiler, Mississippi	2000	State of Alabama (I)	1,104	Medium	Correctional	Indefinite (I)	-	131.12%
Crossroads Correctional Center (J) Shelby, Montana	1999	State of Montana	512	Multi	Correctional	Jun-05	(7) 2 year	85.84%
Cibola County Corrections Center Milan, New Mexico	1994, 1999	BOP	1,072	Medium	Correctional	Sep-04	(6) 1 year	100.77%
New Mexico Women’s Correctional Facility Grants, New Mexico	1989, 2000	State of New Mexico	596	Multi	Correctional	Jun-04	(1) 1 year	95.07%
Torrance County Detention Facility Estancia, New Mexico	1990, 1997	USMS	910	Multi	Detention	Indefinite	-	85.10%
Northeast Ohio Correctional Center (K) Youngstown, Ohio	1997	-	2,016	Medium	Correctional	-	-	0.00%
Cimarron Correctional Facility (L) Cushing, Oklahoma	1997	State of Oklahoma	960	Medium	Correctional	Jan-04	-	97.87%
Davis Correctional Facility (L) Holdenville, Oklahoma	1996	State of Oklahoma	960	Medium	Correctional	Jan-04	-	98.59%
Diamondback Correctional Facility Watonga, Oklahoma	1998, 2000	State of Hawaii	2,160	Medium	Correctional	Jun-04	-	66.80%
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-04	(3) 1 year	61.74%
Shelby Training Center (N) Memphis, Tennessee	1986, 1995	Shelby County, TN	200	Secure	Juvenile	Apr-15	-	94.88%
Whiteville Correctional Facility (O) Whiteville, Tennessee	1998	State of Tennessee	1,536	Medium	Correctional	Sep-05	(2) 1 year	95.90%
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	1989	State of Texas	200	Medium	Correctional	Feb-07	(4) 1 year	96.41%
Eden Detention Center Eden, Texas	1990	BOP	1,225	Medium	Correctional	Apr-04	-	105.22%
Houston Processing Center Houston, Texas	1984	ICE	411	Medium	Detention	Sep-04	(4) 1 year	123.24%

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 12/31/03
Laredo Processing Center Laredo, Texas	1985, 1990	ICE	258	Minimum/ Medium	Detention	Mar-04	(2) 3 month	147.40%
Webb County Detention Center Laredo, Texas	1998	USMS	480	Medium	Detention	Aug-05	-	107.50%
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	1995	State of Texas	2,103	Minimum	Correctional	Feb-07	(4) 1 year	97.88%
T. Don Hutto Correctional Center Taylor, Texas	1997	ICE	480	Minimum	Correctional	May-04	(2) 2 year	76.27%
D.C. Correctional Treatment Facility (P) Washington D.C.	1992	District of Columbia	866	Medium	Detention	Mar-17	-	113.88%
Total design capacity for Owned and Managed Facilities (38 Owned and Managed Facilities)			<u>41,044</u>					
Managed Only Facilities:								
Bay Correctional Facility Panama City, Florida	N/A	State of Florida	750	Medium	Correctional	Jun-04	(1) 2 year	99.39%
Bay County Jail and Annex Panama City, Florida	N/A	Bay County, FL	677	Multi	Detention	Sep-06	-	153.45%
Citrus County Detention Facility Lecanto, Florida	N/A	Citrus County, FL	400	Multi	Detention	Sep-05	(1) 5 year	99.16%
Gadsden Correctional Institution Quincy, Florida	N/A	State of Florida	896	Minimum/ Medium	Correctional	Jun-04	-	115.12%
Hernando County Jail Brooksville, Florida	N/A	Hernando County, FL	302	Multi	Detention	Oct-10	-	118.41%
Lake City Correctional Facility Lake City, Florida	N/A	State of Florida	350	Secure	Correctional	Jun-04	(1) 2 year	99.55%
Idaho Correctional Center Boise, Idaho	N/A	State of Idaho	1,270	Minimum/ Medium	Correctional	Jun-05	-	99.69%
Marion County Jail Indianapolis, Indiana	N/A	Marion County, IN	670	Multi	Detention	Nov-05	-	145.46%
Winn Correctional Center Winnfield, Louisiana	N/A	State of Louisiana	1,538	Medium/ Maximum	Correctional	Sep-06	(1) 2 year	94.76%
Wilkinson County Correctional Facility Woodville, Mississippi	N/A	State of Mississippi	1,000	Medium	Correctional	Jan-04	(1) 2 year	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 12/31/03
Southern Nevada Women's Correctional Center Las Vegas, Nevada	N/A	State of Nevada	500	Multi	Correctional	Oct-04	3 year indefinite	88.10%
Elizabeth Detention Center Elizabeth, New Jersey	N/A	ICE	300	Minimum	Detention	Jan-04	(1) 1 year	81.78%
David L. Moss Criminal Justice Center Tulsa, Oklahoma	N/A	Tulsa County, OK	1,440	Multi	Detention	Jun-05	(2) 1 year	93.96%
Silverdale Facilities Chattanooga, Tennessee	N/A	Hamilton County, TN	576	Multi	Detention	Sep-04	(3) 4 year	97.94%
South Central Correctional Center Clifton, Tennessee	N/A	State of Tennessee	1,506	Medium	Correctional	Jun-05	(1) 2 year	106.69%
Tall Trees Memphis, Tennessee	N/A	Shelby County, TN	63	Non-secure	Juvenile	Jun-04	-	73.38%
Metro-Davidson County Detention Facility Nashville, Tennessee	N/A	Davidson County, TN	1,092	Multi	Detention	Jul-06	(2) 1 year	114.82%
Hardeman County Correctional Facility Whiteville, Tennessee	N/A	State of Tennessee	2,016	Medium	Correctional	Jul-05	(1) 2 year	96.88%
Bartlett State Jail Bartlett, Texas	N/A	State of Texas	962	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	103.13%
Liberty County Jail/Juvenile Center Liberty, Texas	N/A	Liberty County, Texas	380	Multi	Detention	Jan-05	(2) 1 year	93.00%
Sanders Estes Unit (Q) Venus, Texas	N/A	State of Texas	1,000	Minimum/ Medium	Correctional	Jan-04	-	99.68%
Total design capacity for Managed Only Facilities (21 Managed Only Facilities)			<u>17,688</u>					
Total design capacity for All Facilities as of December 31, 2003			<u>58,732</u>					
Design capacity changes subsequent to December 31, 2003:								
Silverdale Facilities (Facility expansion) Chattanooga, Tennessee			208					
B. M. Moore Correctional Center (Q) Overton, Texas	N/A	State of Texas	500	Minimum/ Medium	Correctional	Jan-07	(2) 1 year	
Bradshaw State Jail (Q) Henderson, Texas	N/A	State of Texas	1,980	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	

<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 12/31/03</u>
Dawson State Jail (Q) Dallas, Texas	N/A	State of Texas	2,216	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	
Diboll Correctional Center (Q) Diboll, Texas	N/A	State of Texas	518	Minimum/ Medium	Correctional	Jan-07	(2) 1 year	
Lindsey State Jail (Q) Jacksboro, Texas	N/A	State of Texas	1,031	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	
Sanders Estes Unit (Q) Venus, Texas			(1,000)					
Willacy State Jail (Q) Raymondville, Texas	N/A	State of Texas	1,069	Minimum/ Medium	Correctional	Jan-07	(4) 1 year	
Total current design capacity for All Facilities			<u>65,254</u>					

Leased Facilities:

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-05	(2) 1 year	N/A
Community Education Partners (R) Houston, Texas	N/A	Community Education Partners	-	Non-secure	Owned/Leased	Jun-08	(3) 5 year	N/A

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

(B) Design capacity measures the number of beds, and accordingly, the number of inmates each facility is designed to accommodate. Facilities housing detainees on a short term basis may exceed the original intended design capacity for sentenced inmates due to the lower level of services required by detainees in custody for a brief period. 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 December 31, 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.

(I) On January 13, 2004, we received notice from the Alabama Department of Corrections that it would withdraw all of its inmates housed at this facility. The inmates had been housed at this facility under a temporary emergency agreement to provide the State of Alabama immediate relief to its overcrowded prison system.

(J) 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.

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 12/31/03
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(K) 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.

(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. The Company is 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 it 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 November 10, 2003, we announced that the Texas Department of Criminal Justice awarded us contracts to manage seven state correctional facilities as part of a procurement re-bid process. Bartlett State Jail, which we operated prior to the announcement, was included as one of the seven facilities awarded to us. The contracts became effective January 15, 2004. Additionally, as part of the RFP, the TDCJ did not award us the contract for the continued management of Sanders Estes Unit.

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

DIVERSIFICATION OF REVENUE
(Unaudited and amounts in thousands)

<u>Customer</u>	<u>Management Revenue For the Year Ended December 31, 2003</u>	<u>Percent of Management Revenue For the Year Ended December 31, 2003</u>
Bureau of Prisons	\$ 168,771	16.56%
United States Marshals	141,137	13.85%
United States Immigration and Customs Enforcement	74,166	7.28%
Tennessee	65,150	6.39%
Georgia	50,094	4.91%
Colorado	47,401	4.65%
Texas	46,136	4.53%
Florida	44,164	4.33%
Wisconsin	43,484	4.27%
Oklahoma	34,786	3.41%
	<u>\$ 715,289</u>	<u>70.17%</u>
Total Management Revenue, including discontinued operations	<u>\$ 1,019,355</u>	<u>100.00%</u>

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Lehman Brothers	Jeffery T. Kessler	(212) 526-5162
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Credit Ratings:

	<u>Standard & 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

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