



**CORRECTIONS CORPORATION OF AMERICA**

**Supplemental Financial Information  
For the Quarter Ended September 30, 2002**

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 September 30, 2002

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

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<b>ASSETS</b>	<b>September 30, 2002</b>	<b>June 30, 2002</b>	<b>March 31, 2002</b>	<b>December 31, 2001</b>	<b>September 30, 2001</b>
Cash and cash equivalents	\$ 101,832	\$ 65,785	\$ 52,257	\$ 46,307	\$ 33,376
Restricted cash	7,338	12,674	12,630	12,537	10,024
Accounts receivable, net of allowance	138,167	136,289	134,155	144,078	147,292
Income tax receivable	370	374	32,599	568	1,293
Prepaid expenses and other current assets	13,277	15,063	12,174	12,841	17,664
Assets held for sale under contract	-	-	-	-	23,912
Total current assets	<u>260,984</u>	<u>230,185</u>	<u>243,815</u>	<u>216,331</u>	<u>233,561</u>
Property and equipment, net	1,559,367	1,568,289	1,584,409	1,573,152	1,578,544
Investment in direct financing lease	18,484	18,617	18,747	18,873	-
Assets held for sale	836	836	1,758	22,312	46,429
Goodwill	24,432	24,432	24,432	104,019	105,905
Other assets	25,920	26,356	30,079	36,593	36,265
Total assets	<u>\$ 1,890,023</u>	<u>\$ 1,868,715</u>	<u>\$ 1,903,240</u>	<u>\$ 1,971,280</u>	<u>\$ 2,000,704</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Accounts payable and accrued expenses	\$ 150,836	\$ 138,956	\$ 136,795	\$ 145,157	\$ 198,994
Income tax payable	56,844	6,798	11,369	10,137	8,824
Distributions payable	5,294	5,205	5,132	15,853	15,865
Fair value of interest rate swap agreement	-	-	9,525	13,564	-
Current portion of long-term debt	22,261	21,508	789,838	792,009	286,528
Total current liabilities	<u>235,235</u>	<u>172,467</u>	<u>952,659</u>	<u>976,720</u>	<u>510,211</u>
Long-term debt, net of current portion	938,712	944,653	170,449	171,591	708,392
Deferred tax liabilities	4,767	55,106	55,301	56,511	58,426
Fair value of interest rate swap agreement	-	-	-	-	15,084
Other liabilities	19,131	18,916	19,041	19,297	19,329
Total liabilities	<u>1,197,845</u>	<u>1,191,142</u>	<u>1,197,450</u>	<u>1,224,119</u>	<u>1,311,442</u>
Commitments and contingencies					
Preferred stock - \$0.01 par value:					
Series A - stated at liquidation preference of \$25.00 per share	107,500	107,500	107,500	107,500	107,500
Series B - stated at liquidation preference of \$24.46 per share	104,749	101,753	99,400	96,566	93,622
Common stock - \$0.01 par value	280	280	280	279	251
Additional paid-in capital	1,342,958	1,342,881	1,342,896	1,341,958	1,314,092
Deferred compensation	(1,824)	(2,176)	(2,596)	(3,153)	(3,644)
Retained deficit	(859,987)	(870,960)	(839,565)	(793,236)	(819,178)
Treasury stock, at cost	-	-	(242)	(242)	(242)
Accumulated other comprehensive loss	(1,498)	(1,705)	(1,883)	(2,511)	(3,139)
Total stockholders' equity	<u>692,178</u>	<u>677,573</u>	<u>705,790</u>	<u>747,161</u>	<u>689,262</u>
Total liabilities and stockholders' equity	<u>\$ 1,890,023</u>	<u>\$ 1,868,715</u>	<u>\$ 1,903,240</u>	<u>\$ 1,971,280</u>	<u>\$ 2,000,704</u>

## CONSOLIDATED STATEMENTS OF OPERATIONS

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

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	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2002	2001	2002	2001
<b>REVENUE:</b>				
Management:				
Federal	\$ 79,745	\$ 69,222	\$ 228,213	\$ 199,626
State	128,048	132,512	378,348	396,618
Local	23,284	19,861	64,178	56,691
Other	9,626	9,936	28,833	30,198
Total management revenue	<u>240,703</u>	<u>231,531</u>	<u>699,572</u>	<u>683,133</u>
Transportation	4,182	4,126	12,060	12,408
Rental	884	936	2,781	4,781
Other	-	174	68	646
	<u>245,769</u>	<u>236,767</u>	<u>714,481</u>	<u>700,968</u>
<b>EXPENSES:</b>				
Operating:				
Facility fixed	133,358	131,411	396,232	387,253
Facility variable	51,508	45,725	145,198	139,825
Transportation	4,028	4,281	12,269	11,607
Other	163	389	698	952
Total operating expense:	<u>189,057</u>	<u>181,806</u>	<u>554,397</u>	<u>539,637</u>
General and administrative	8,127	8,431	23,662	25,465
Depreciation and amortization	13,414	13,999	38,325	39,443
	<u>210,598</u>	<u>204,236</u>	<u>616,384</u>	<u>604,545</u>
<b>OPERATING INCOME</b>	<u>35,171</u>	<u>32,531</u>	<u>98,097</u>	<u>96,423</u>
<b>OTHER (INCOME) EXPENSE:</b>				
Equity in (earnings) loss of joint venture	90	90	63	265
Interest expense, net	17,959	29,753	69,377	97,242
Change in fair value of derivative instruments	628	5,649	(2,834)	11,945
(Gain) loss on disposal of assets	6	180	57	141
Unrealized foreign currency transaction (gain) loss	(115)	(215)	(442)	129
	<u>18,568</u>	<u>35,457</u>	<u>66,221</u>	<u>109,722</u>
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT OF ACCOUNTING</b>	16,603	(2,926)	31,876	(13,299)
Income tax (expense) benefit	375	361	33,263	1,614
<b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT OF ACCOUNTING CHANGI</b>	16,978	(2,565)	65,139	(11,685)
Income (loss) from discontinued operations, net of tax:	(713)	2,001	630	6,328
Extraordinary charge	-	-	(36,670)	-
Cumulative effect of accounting change	-	-	(80,276)	-
<b>NET INCOME (LOSS)</b>	16,265	(564)	(51,177)	(5,357)
Distributions to preferred stockholders	(5,292)	(5,114)	(15,574)	(14,915)
<b>NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDER:</b>	<u>\$ 10,973</u>	<u>\$ (5,678)</u>	<u>\$ (66,751)</u>	<u>\$ (20,272)</u>
<b>BASIC EARNINGS (LOSS) PER SHARE</b>	<u>\$ 0.40</u>	<u>\$ (0.23)</u>	<u>\$ (2.41)</u>	<u>\$ (0.84)</u>
<b>DILUTED EARNINGS (LOSS) PER SHARE</b>	<u>\$ 0.36</u>	<u>\$ (0.23)</u>	<u>\$ (2.02)</u>	<u>\$ (0.84)</u>

## RECONCILIATION OF BASIC TO DILUTED EARNINGS PER SHARE

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

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	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
<b>Basic:</b>				
Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	\$ 11,686	\$ (7,679)	\$ 49,565	\$ (26,600)
Income (loss) from discontinued operations, net of taxes	(713)	2,001	630	6,328
Extraordinary charge	-	-	(36,670)	-
Cumulative effect of accounting change	-	-	(80,276)	-
Net income (loss) available to common stockholders	<u>\$ 10,973</u>	<u>\$ (5,678)</u>	<u>\$ (66,751)</u>	<u>\$ (20,272)</u>
<b>Diluted:</b>				
Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	\$ 11,686	\$ (7,679)	\$ 49,565	\$ (26,600)
Interest expense applicable to convertible notes *	605	-	1,795	-
Diluted income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	12,291	(7,679)	51,360	(26,600)
Income (loss) from discontinued operations, net of taxes	(713)	2,001	630	6,328
Extraordinary charge	-	-	(36,670)	-
Cumulative effect of accounting change	-	-	(80,276)	-
Diluted net loss available to common stockholders	<u>\$ 11,578</u>	<u>\$ (5,678)</u>	<u>\$ (64,956)</u>	<u>\$ (20,272)</u>
<b>Basic:</b>				
Weighted average common shares outstanding	27,983	25,132	27,962	24,598
Unvested restricted common stock	(301)	(383)	(301)	(383)
Weighted average common shares outstanding-basic	<u>27,682</u>	<u>24,749</u>	<u>27,661</u>	<u>24,215</u>
<b>Diluted:</b>				
Weighted average common shares outstanding-basic	27,682	24,749	27,661	24,215
Effect of dilutive securities: **				
Stock options and warrants	556	-	618	-
Stockholder litigation	310	-	310	-
Convertible notes	3,370	-	3,370	-
Restricted stock-based compensation	244	-	248	-
Weighted average shares and assumed conversions-diluted	<u>32,162</u>	<u>24,749</u>	<u>32,207</u>	<u>24,215</u>
<b>Basic earnings (loss) per share:</b>				
Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	\$ 0.42	\$ (0.31)	\$ 1.79	\$ (1.10)
Income (loss) from discontinued operations, net of taxes	(0.02)	0.08	0.02	0.26
Extraordinary charge	-	-	(1.32)	-
Cumulative effect of accounting change	-	-	(2.90)	-
Net income (loss) available to common stockholders	<u>\$ 0.40</u>	<u>\$ (0.23)</u>	<u>\$ (2.41)</u>	<u>\$ (0.84)</u>
<b>Diluted earnings (loss) per share:</b>				
Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	\$ 0.38	\$ (0.31)	\$ 1.59	\$ (1.10)
Income (loss) from discontinued operations, net of taxes	(0.02)	0.08	0.02	0.26
Extraordinary charge	-	-	(1.14)	-
Cumulative effect of accounting change	-	-	(2.49)	-
Diluted net income (loss) available to common stockholders	<u>\$ 0.36</u>	<u>\$ (0.23)</u>	<u>\$ (2.02)</u>	<u>\$ (0.84)</u>
* For the three and nine month period of 2002, and for the three and nine month periods in 2001, \$1,960, \$5,815, \$2,455, and \$8,121, 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	-	571	-	277
Stockholder litigation	-	3,098	-	3,514
Convertible notes using the if-converted method	3,363	6,827	3,367	6,827
Restricted stock-based compensation using the treasury stock method	-	253	-	221
	<u>3,363</u>	<u>10,749</u>	<u>3,367</u>	<u>10,839</u>

## SELECTED FINANCIAL INFORMATION

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

	<u>September 30, 2002</u>	<u>June 30, 2002</u>	<u>March 31, 2002</u>	<u>December 31, 2001</u>	<u>September 30, 2001</u>
<b>BALANCE SHEET:</b>					
Property and equipment	\$ 1,733,139	\$ 1,728,842	\$ 1,732,853	\$ 1,707,028	\$ 1,699,437
Accumulated depreciation and amortization	(173,772)	(160,553)	(148,444)	(133,876)	(120,893)
Property and equipment, net	<u>\$ 1,559,367</u>	<u>\$ 1,568,289</u>	<u>\$ 1,584,409</u>	<u>\$ 1,573,152</u>	<u>\$ 1,578,544</u>
Assets held for sale	\$ 836	\$ 836	\$ 1,758	\$ 22,312	\$ 70,341
Total assets	\$ 1,890,023	\$ 1,868,715	\$ 1,903,240	\$ 1,971,280	\$ 2,000,704
Maintenance capital expenditures for the quarter ended	\$ 2,132	\$ 2,792	\$ 3,902	\$ 3,284	\$ 1,457
Total debt	\$ 960,973	\$ 966,161	\$ 960,287	\$ 963,600	\$ 994,920
Equity book value	\$ 692,178	\$ 677,573	\$ 705,790	\$ 747,161	\$ 689,262
<b>LIQUIDITY:</b>					
Cash and cash equivalents	\$ 101,832	\$ 65,785	\$ 52,257	\$ 46,307	\$ 33,376
Availability under revolving credit facility	\$ 60,175	\$ 61,175	\$ 50,000	\$ 50,000	\$ 50,000
<b>CAPITALIZATION:</b>					
Common shares outstanding	27,989	27,990	27,978	27,920	25,132
Common share price at end of period	\$ 14.05	\$ 17.30	\$ 13.00	\$ 18.56	\$ 13.16
Market value of common equity at end of period	<u>\$ 393,245</u>	<u>\$ 484,227</u>	<u>\$ 363,714</u>	<u>\$ 518,195</u>	<u>\$ 330,737</u>
Preferred shares outstanding - Series A	4,300	4,300	4,300	4,300	4,300
Preferred share price at end of period - Series A	\$ 20.25	\$ 20.30	\$ 17.30	\$ 18.60	\$ 15.25
Market value of preferred equity at end of period - Series A	<u>\$ 87,075</u>	<u>\$ 87,290</u>	<u>\$ 74,390</u>	<u>\$ 79,980</u>	<u>\$ 65,575</u>
Preferred shares outstanding - Series B	4,282	4,160	4,064	3,948	3,828
Preferred share price at end of period - Series B	\$ 23.23	\$ 23.63	\$ 19.60	\$ 19.65	\$ 14.70
Market value of preferred equity at end of period - Series B	<u>\$ 99,471</u>	<u>\$ 98,301</u>	<u>\$ 79,654</u>	<u>\$ 77,578</u>	<u>\$ 56,272</u>
Total equity market capitalization	<u>\$ 579,791</u>	<u>\$ 669,818</u>	<u>\$ 517,758</u>	<u>\$ 675,753</u>	<u>\$ 452,584</u>
Total market capitalization (market value of equity plus debt)	<u>\$ 1,540,764</u>	<u>\$ 1,635,979</u>	<u>\$ 1,478,045</u>	<u>\$ 1,639,353</u>	<u>\$ 1,447,504</u>
<b>EBITDA</b>	\$ 48,136	\$ 46,617	\$ 45,073	\$ 47,260	\$ 50,205
<b>ADJUSTED FREE CASH FLOW</b>	\$ 27,251	\$ 18,463	\$ 16,442	\$ 18,328	\$ 22,600
<b>ADJUSTED FREE CASH FLOW PER SHARE:</b>					
Basic adjusted free cash flow per share	<u>\$ 0.98</u>	<u>\$ 0.67</u>	<u>\$ 0.59</u>	<u>\$ 0.74</u>	<u>\$ 0.91</u>
Diluted adjusted free cash flow per share	<u>\$ 0.84</u>	<u>\$ 0.59</u>	<u>\$ 0.53</u>	<u>\$ 0.59</u>	<u>\$ 0.71</u>

**SELECTED FINANCIAL INFORMATION**

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
Number of days per period	92	92	273	273
<b>ALL FACILITIES:</b>				
Average available beds	58,520	58,843	58,582	58,904
Average compensated occupancy	90.6%	88.8%	89.0%	88.7%
Total compensated man-days	4,879,534	4,807,389	14,235,282	14,262,542
Revenue per compensated man-day	\$ 49.33	\$ 48.16	\$ 49.14	\$ 47.90
Operating expenses per compensated man-day:				
Fixed expense	27.33	27.34	27.83	27.15
Variable expense	10.56	9.51	10.20	9.80
Total	37.89	36.85	38.03	36.96
Operating margin per compensated man-day	\$ 11.44	\$ 11.31	\$ 11.11	\$ 10.94
Operating margin rate	23.2%	23.5%	22.6%	22.8%
<b>DEPRECIATION AND AMORTIZATION:</b>				
Depreciation expense	13,731	13,046	39,896	38,776
Amortization of goodwill	-	1,841	-	5,664
Amortization of other intangible assets	88	564	365	1,988
Amortization of negative contract values	(405)	(1,452)	(1,936)	(6,985)
Depreciation and amortization	\$ 13,414	\$ 13,999	\$ 38,325	\$ 39,443
<b>ADJUSTED FREE CASH FLOW:</b>				
Pre-tax income (loss) available to common stockholders	10,598	(6,039)	(100,014)	(21,886)
Extraordinary charge	-	-	36,670	-
Cumulative effect of accounting change	-	-	80,276	-
Income taxes paid	-	(265)	(4,110)	(2,532)
Depreciation and amortization	13,414	13,999	38,325	39,443
Depreciation and amortization for discontinued operations	163	212	2,509	645
Income tax expense (benefit) for discontinued operations	125	1,578	600	3,093
Amortization of debt costs and other non-cash interest	1,313	5,959	10,436	17,126
Change in fair value of derivative instruments	628	5,649	(2,834)	11,945
Series B preferred stock dividend satisfied with series B preferred stock*	3,142	2,964	9,124	8,465
Maintenance capital expenditures	(2,132)	(1,457)	(8,826)	(3,151)
Adjusted free cash flow*	\$ 27,251	\$ 22,600	\$ 62,156	\$ 53,148
*Pro forma for cash dividend on series B preferred stock	\$ 24,109	\$ 19,636	\$ 53,032	\$ 44,683
<b>ADJUSTED FREE CASH FLOW PER SHARE:</b>				
Basic	\$ 0.98	\$ 0.91	\$ 2.25	\$ 2.19
Diluted	\$ 0.84	\$ 0.71	\$ 1.96	\$ 1.74
Basic--pro forma for cash dividend on series B preferred stock	\$ 0.87	\$ 0.79	\$ 1.92	\$ 1.85
Diluted--pro forma for cash dividend on series B preferred stock	\$ 0.75	\$ 0.62	\$ 1.70	\$ 1.47

## SELECTED FINANCIAL INFORMATION

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
<b>MANAGED ONLY FACILITIES:</b>				
Management revenue	\$ 78,815	\$ 75,114	\$ 227,390	\$ 219,513
Operating expenses:				
Fixed expense	46,076	46,184	138,140	135,975
Variable expense	16,838	14,703	47,378	43,962
Total	<u>62,914</u>	<u>60,887</u>	<u>185,518</u>	<u>179,937</u>
Contribution	<u>\$ 15,901</u>	<u>\$ 14,227</u>	<u>\$ 41,872</u>	<u>\$ 39,576</u>
Average available beds	<u>20,200</u>	<u>20,523</u>	<u>20,262</u>	<u>20,562</u>
Average compensated occupancy	<u>102.2%</u>	<u>100.3%</u>	<u>101.1%</u>	<u>99.4%</u>
Total compensated man-days	<u>1,899,880</u>	<u>1,893,553</u>	<u>5,594,523</u>	<u>5,577,000</u>
Revenue per compensated man-day	\$ 41.48	\$ 39.67	\$ 40.65	\$ 39.36
Operating expenses per compensated man-day:				
Fixed expense	24.25	24.39	24.69	24.38
Variable expense	8.86	7.76	8.47	7.88
Total	<u>33.11</u>	<u>32.15</u>	<u>33.16</u>	<u>32.26</u>
Operating margin per compensated man-day	<u>\$ 8.37</u>	<u>\$ 7.51</u>	<u>\$ 7.48</u>	<u>\$ 7.10</u>
Operating margin rate	<u>20.2%</u>	<u>18.9%</u>	<u>18.4%</u>	<u>18.0%</u>
<b>OWNED AND MANAGED FACILITIES:</b>				
Management revenue	\$ 161,888	\$ 156,417	\$ 472,182	\$ 463,620
Operating expenses:				
Fixed expense	87,282	85,227	258,092	251,278
Variable expense	34,670	31,022	97,820	95,863
Total	<u>121,952</u>	<u>116,249</u>	<u>355,912</u>	<u>347,141</u>
Contribution	<u>\$ 39,936</u>	<u>\$ 40,168</u>	<u>\$ 116,270</u>	<u>\$ 116,479</u>
Average available beds	<u>38,320</u>	<u>38,320</u>	<u>38,320</u>	<u>38,342</u>
Average compensated occupancy	<u>84.5%</u>	<u>82.7%</u>	<u>82.6%</u>	<u>83.0%</u>
Total compensated man-days	<u>2,979,654</u>	<u>2,913,836</u>	<u>8,640,759</u>	<u>8,685,542</u>
Revenue per compensated man-day	\$ 54.33	\$ 53.68	\$ 54.65	\$ 53.38
Operating expenses per compensated man-day:				
Fixed	29.29	29.25	29.87	28.93
Variable	11.64	10.65	11.32	11.04
Total	<u>40.93</u>	<u>39.90</u>	<u>41.19</u>	<u>39.97</u>
Operating margin per compensated man-day	<u>\$ 13.40</u>	<u>\$ 13.79</u>	<u>\$ 13.46</u>	<u>\$ 13.41</u>
Operating margin rate	<u>24.7%</u>	<u>25.7%</u>	<u>24.6%</u>	<u>25.1%</u>



**ANALYSIS OF OUTSTANDING DEBT AND PREFERRED STOCK**

(Unaudited and amounts in thousands)

	<u>Outstanding Balance 12/31/2001</u>	<u>Outstanding Balance 9/30/2002</u>	<u>Stated Interest Rate</u>	<u>Effective Interest Rate</u> <sup>1)</sup>	<u>Maturity Date</u>	<u>Callable/ Redeemable</u>
<b>Fixed Rate:</b>						
\$100.0 Million Senior Note:	\$ 100,000	\$ 10,795	12.00%	12.79%	June 2006	
\$250.0 Million Senior Notes	-	250,000	9.875%	10.31%	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
\$40.0 Million Convertible Notes	40,000	40,000	10.00%	10.13%	December 2008	Redeemable on or after January 1, 2005 at 100% of par
\$1.1 Million Convertible PIK Note	1,114	-	10.00%	10.00%	December 2003	Redeemable on or after January 1, 2005 at 100% of par
\$30.0 Million Convertible Notes	30,000	30,000	8.00%	8.17%	February 2005	Beginning March 1, 2004, may force conversion if the common stock price is greater than \$16.02
Facility Debt	580	503	10.00%	10.00%	August 2006	
Total Fixed Rate Debt	<u>171,694</u>	<u>331,298</u>				
<b>Floating Rate:</b>						
Lehman Credit Facility:						
Term, net	791,906	-				
Term A	-	67,500			March 31, 2006	
Term B	-	562,175			March 31, 2008	
	<u>791,906</u>	<u>629,675</u>	5.51%	5.75%		
\$75.0 Million Revolver	-	-	None	None	March 31, 2006	
Total Floating Rate Debt	<u>791,906</u>	<u>629,675</u>				
Grand Total Debt	<u>\$ 963,600</u>	<u>\$ 960,973</u>	6.95%	7.24%		

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

<sup>2)</sup> Does not include contingent interest sufficient to permit the bond holders to receive a 15.5% rate of return from inception. As of September 30, 2002, accrued contingent interest totaled \$11.5 million.

<sup>3)</sup> Upon the completion of a comprehensive refinancing on May 3, 2002, the balance floats at LIBOR + 3.50%. In connection with the comprehensive refinancing, the Company entered into an interest rate cap that caps LIBOR at 5.0% on outstanding balances of \$200.0 million through May 20, 2004.

<sup>4)</sup> As of September 30, 2002, the Company had outstanding letters of credit totaling \$14.8 million, reducing the available borrowing capacity to \$60.2 million.

**Debt Maturity Schedule:**

<u>Year</u>	<u>Total Debt Maturing</u>	<u>% of Debt Maturing</u>	<u>% of Debt Maturing</u>
2002	\$ 5,190	0.54%	0.54%
2003	23,014	2.39%	2.93%
2004	26,026	2.71%	5.64%
2005	56,789	5.91%	11.55%
2006	21,793	2.27%	13.82%
Thereafter	<u>828,161</u>	<u>86.18%</u>	<u>100.00%</u>
	<u>\$ 960,973</u>	<u>100.00%</u>	

<b>Preferred Stock:</b>	<u>Dividend Rate</u>	<u>Yield at 9/30/2002</u>	
Series A Preferred Stock	8.0% cash	9.88%	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	12.0% PIK through Q3 2003 and cash	12.64%	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**

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	2002	2001
<b><u>COVERAGE RATIOS:</u></b>				
Interest coverage ratio (EBITDA/Interest incurred) (x)	2.7	2.0	2.2	1.7
Debt service coverage ratio (EBITDA/(Interest incurred + Scheduled principal pmts)) (x)	2.1	1.9	1.9	1.6
Fixed charge coverage ratio (EBITDA/(Interest incurred + Scheduled prin pmts + Pfd dist.)) (x)	1.7	1.6	1.5	1.4
Senior debt coverage ratio (Senior debt/Annualized EBITDA) (x)	4.6	4.6	4.8	4.8
Total debt coverage ratio (Total debt/Annualized EBITDA) (x)	5.0	5.0	5.2	5.1
Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)	7.1	6.4	6.9	6.3
<b><u>DEBT/EQUITY RATIOS:</u></b>				
Total debt/Total market capitalization	62.4%	68.7%	62.4%	68.7%
Total debt/Equity market capitalization	165.7%	219.8%	165.7%	219.8%
Total debt/Book equity capitalization	138.8%	144.3%	138.8%	144.3%
Total debt/Gross book value of real estate assets	54.8%	56.2%	54.8%	56.2%
<b><u>RETURN ON INVESTMENT RATIOS:</u></b>				
Annualized return on operating real estate investments (Annualized EBITDA/Average operating real estate investments (undepreciated book value)*)	11.0%	11.3%	10.7%	10.6%
Annualized return on total assets (Annualized EBITDA/Average total assets (undepreciated book value)*)	9.4%	9.5%	8.9%	8.9%
<b><u>OVERHEAD RATIOS:</u></b>				
Annualized general & administrative expenses/Average total assets (undepreciated book value)*	1.6%	1.6%	1.5%	1.6%
General & administrative expenses/Total revenues	3.3%	3.6%	3.3%	3.6%
<b><u>INTEREST EXPENSE, NET</u></b>				
Interest income from continuing operations	(1,349)	(1,479)	(3,393)	(6,300)
Interest incurred	17,995	25,273	62,334	86,416
Amortization of debt costs and other non-cash interest	1,313	5,959	10,436	17,126
Capitalized interest	-	-	-	-
Interest expense, net	<u>\$ 17,959</u>	<u>\$ 29,753</u>	<u>\$ 69,377</u>	<u>\$ 97,242</u>
<b><u>EBITDA CALCULATION:</u></b>				
Operating income	\$ 35,171	\$ 32,531	\$ 98,097	\$ 96,423
Depreciation and amortization	13,414	13,999	38,325	39,443
Discontinued operations, net of taxes	(713)	2,001	630	6,328
Depreciation and amortization for discontinued operations	163	212	2,509	645
Income tax expense (benefit) for discontinued operations	125	1,578	600	3,093
Interest income for discontinued operations	(135)	(116)	(355)	(490)
(Gain) loss on disposal of assets for discontinued operations	111	-	20	-
EBITDA	<u>\$ 48,136</u>	<u>\$ 50,205</u>	<u>\$ 139,826</u>	<u>\$ 145,442</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>Occupancy % for the Quarter ended 9/30/02</u>
<b>Owned and Managed Facilities:</b>								
Central Arizona Detention Center Florence, Arizona	1994, 1998	USMS	2,304	Multi	Detention	Nov-02	(2) 1 year	126.19%
Eloy Detention Center Eloy, Arizona	1995, 1996	BOP, INS	1,500	Medium	Detention	Feb-03	(6) 1 year	94.27%
Florence Correctional Center Florence, Arizona	1999	State of Alaska	1,600	Medium	Correctional	Jun-04	-	74.08%
California Correctional Center California City, California	1999	BOP	2,304	Minimum	Correctional	Sep-03	(7) 1 year	112.98%
San Diego Correctional Facility (E) San Diego, California	1999, 2000	INS	1,232	Minimum/ Medium	Detention	Dec-02	(2) 1 year	84.98%
Bent County Correctional Facility Las Animas, Colorado	1992, 1997	State of Colorado	700	Medium	Correctional	Jun-03	(1) 1 year	86.02%
Huerfano County Correctional Center (F) Walsenburg, Colorado	1997	State of Colorado	752	Medium	Correctional	Jun-03	(1) 1 year	82.66%
Kit Carson Correctional Center Burlington, Colorado	1998	State of Colorado	768	Medium	Correctional	Jun-03	(1) 1 year	78.24%
Coffee Correctional Facility (G) Nicholls, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jun-03	(16) 1 year	97.90%
McRae Correctional Facility (H) McRae, Georgia	2002	BOP	1,524	Minimum	Correctional	(H)	(7) 1 year	0.00%
Wheeler Correctional Facility (G) Alamo, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jun-03	(16) 1 year	97.83%
Leavenworth Detention Center Leavenworth, Kansas	1992, 2000	USMS	483	Maximum	Detention	Dec-02	(1) 1 year	107.45%
Lee Adjustment Center Beattyville, Kentucky	1990	State of Kentucky	756	Minimum/ Medium	Correctional	May-03	(3) 2 year	68.34%
Marion Adjustment Center St. Mary, Kentucky	1955, 1988	State of Kentucky	790	Minimum	Correctional	Dec-03	-	71.32%
Otter Creek Correctional Center Wheelwright, Kentucky	1993	State of Indiana	656	Minimum/ Medium	Correctional	Jan-03	-	99.35%

**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>Occupancy % for the Quarter ended 9/30/02</u>
Prairie Correctional Facility Appleton, Minnesota	1991	State of Wisconsin	1,338	Medium	Correctional	Dec-02	-	94.93%
Tallahatchie County Correctional Facility (I) Tutweiler, Mississippi	2000	Tallahatchie County, MS	1,104	Medium	Correctional	May-03	3 year indefinite	11.32%
Crossroads Correctional Center (J) Shelby, Montana	1999	State of Montana	512	Multi	Correctional	Aug-03	(8) 2 year	86.09%
Cibola County Corrections Center Milan, New Mexico	1994, 1999	BOP	1,072	Minimum	Correctional	Sep-03	(7) 1 year	100.92%
New Mexico Women’s Correctional Facility Grants, New Mexico	1989, 2000	State of New Mexico	596	Multi	Correctional	Jun-03	(2) 1 year	88.10%
Torrance County Detention Facility Estancia, New Mexico	1990, 1997	USMS	910	Multi	Detention	Indefinite	-	93.46%
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	Dec-02	-	97.65%
Davis Correctional Facility (L) Holdenville, Oklahoma	1996	State of Oklahoma	960	Medium	Correctional	Dec-02	-	97.55%
Diamondback Correctional Facility Watonga, Oklahoma	1998, 2000	State of Oklahoma	2,160	Medium	Correctional	Dec-02	-	64.01%
North Fork Correctional Facility Sayre, Oklahoma	1998	State of Wisconsin	1,440	Medium	Correctional	Dec-02	-	101.01%
West Tennessee Detention Facility Mason, Tennessee	1990, 1996	USMS	600	Multi	Correctional	Dec-02	-	46.90%
Shelby Training Center (M) Memphis, Tennessee	1986, 1995	Shelby County, TN	200	Secure	Juvenile	Apr-15	-	98.04%
Whiteville Correctional Facility (N) Whiteville, Tennessee	1998	State of Wisconsin	1,536	Medium	Correctional	Dec-02	-	50.59%
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	1989	State of Texas	200	Medium	Correctional	Aug-03	-	98.72%
Eden Detention Center Eden, Texas	1990	BOP	1,225	Minimum	Correctional	Apr-04	-	105.08%

**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>Occupancy % for the Quarter ended 9/30/02</u>
Houston Processing Center Houston, Texas	1984	INS	411	Medium	Detention	Mar-03	-	126.84%
Laredo Processing Center Laredo, Texas	1985, 1990	INS	258	Minimum/ Medium	Detention	Mar-03	-	151.35%
Webb County Detention Center Laredo, Texas	1998	USMS	480	Medium	Detention	Feb-03	-	115.66%
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	1995	State of Texas	2,103	Minimum	Correctional	Aug-03	-	91.93%
T. Don Hutto Correctional Center Taylor, Texas	1997	State of Texas	480	Medium	Correctional	Jan-03	(1) 2 year	54.54%
D.C. Correctional Treatment Facility (O) Washington D.C.	1992	District of Columbia	866	Medium	Correctional	Mar-17	-	88.52%
Total design capacity for Owned and Managed Facilities (37 Owned and Managed Facilities)			<u><u>39,844</u></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	99.49%
Bay County Jail and Annex Panama City, Florida	N/A	Bay County, FL	677	Multi	Detention	Sep-06	-	143.24%
Citrus County Detention Facility Lecanto, Florida	N/A	Citrus County, FL	400	Multi	Detention	Sep-05	(1) 5 year	98.20%
Gadsden Correctional Institution Quincy, Florida	N/A	State of Florida	896	Minimum/ Medium	Correctional	Jun-03	-	99.62%
Hernando County Jail Brooksville, Florida	N/A	Hernando County, FL	302	Multi	Detention	Oct-10	-	117.29%
Lake City Correctional Facility Lake City, Florida	N/A	State of Florida	350	Secure	Correctional	Jun-03	(1) 2 year	99.32%
Okeechobee Juvenile Offender Correctional Center Okeechobee, Florida	N/A	State of Florida	96	Secure	Juvenile	Dec-02	-	100.00%
Idaho Correctional Center Boise, Idaho	N/A	State of Idaho	1,270	Minimum/ Medium	Correctional	Jun-05	-	99.50%

**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>Occupancy % for the Quarter ended 9/30/02</u>
Marion County Jail Indianapolis, Indiana	N/A	Marion County, IN	670	Multi	Detention	Nov-04	-	123.27%
Winn Correctional Center Winnfield, Louisiana	N/A	State of Louisiana	1,538	Medium/ Maximum	Correctional	Mar-03	(1) 2 year	95.04%
Delta Correctional Facility (P) Greenwood, Mississippi	N/A	State of Mississippi	1,016	Minimum/ Medium	Correctional	Jan-04	-	71.83%
Wilkinson County Correctional Facility Woodville, Mississippi	N/A	State of Mississippi	1,000	Medium	Correctional	Jan-04	(1) 2 year	101.47%
Southern Nevada Women's Correctional Center Las Vegas, Nevada	N/A	State of Nevada	500	Multi	Correctional	Oct-04	3 year indefinite	108.71%
Elizabeth Detention Center Elizabeth, New Jersey	N/A	INS	300	Minimum	Detention	Jan-03	(2) 1 year	91.02%
David L. Moss Criminal Justice Center Tulsa, Oklahoma	N/A	Tulsa County, OK	1,440	Multi	Detention	Jun-05	(2) 1 year	91.66%
Silverdale Facilities Chattanooga, Tennessee	N/A	Hamilton County, TN	576	Multi	Juvenile	Sep-04	(2) 4 year	115.19%
South Central Correctional Center Clifton, Tennessee	N/A	State of Tennessee	1,506	Medium	Correctional	Jun-05	(1) 2 year	110.01%
Tall Trees Memphis, Tennessee	N/A	State of Tennessee	63	Non-secure	Juvenile	Jun-03	-	86.28%
Metro-Davidson County Detention Facility Nashville, Tennessee	N/A	Davidson County, TN	1,092	Multi	Detention	May-03	-	114.29%
Hardeman County Correctional Facility Whiteville, Tennessee	N/A	State of Tennessee	2,016	Medium	Correctional	Jul-05	(1) 2 year	98.29%
Bartlett State Jail Bartlett, Texas	N/A	State of Texas	962	Minimum/ Medium	Correctional	Aug-03	-	101.86%
Liberty County Jail/Juvenile Center Liberty, Texas	N/A	USMS	380	Multi	Detention	Jan-05	(2) 1 year	87.30%
Sanders Estes Unit Venus, Texas	N/A	State of Texas	1,000	Minimum/ Medium	Correctional	Aug-03	-	99.53%

**FACILITY PORTFOLIO**

Facility Name	Year Constructed (A)	Primary Customer	Design Capacity (B)	Security Level	Facility Type (C)	Term	Remaining Renewal Options (D)	Occupancy % for the Quarter ended 9/30/02
Lawrenceville Correctional Center Lawrenceville, Virginia	N/A	Commonwealth of Virginia	1,500	Medium	Correctional	Mar-03	-	105.07%
Total design capacity for Managed Only Facilities (24 Managed Only Facilities)			<u>20,300</u>					
<b>Total design capacity for All Facilities</b>			<u>60,144</u>					
<b>Leased Facilities:</b>								
Leo Chesney Correctional Center (Q) Live Oak, California	1989	Cornell Corrections	240	Minimum	Owned/Leased	Aug-02	-	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 (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. 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 September 30, 2002. 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) On May 30, 2002 we were awarded a contract with the BOP to house approximately 1,500 inmates at the facility. The term of the three-year contract is expected to commence late in the fourth quarter of 2002.

(I) The facility is subject to a purchase option held by the Tallahatchie County Correctional Authority which grants Tallahatchie County Correctional Authority the right to purchase the facility at any time during the contract at a price generally equal to the cost of the premises less an allowance for amortization over a 20-year period. This facility is substantially vacant.

(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.

(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) 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.

(N) During October 2002, we agreed to lease this facility to Hardeman County, Tennessee, which has contracted with the State of Tennessee to manage up to 1,536 inmates at this facility.

We have contracted with Hardeman County to manage the inmates housed at this facility. 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.

**FACILITY PORTFOLIO**

<b>Facility Name</b>	<b>Year Constructed (A)</b>	<b>Primary Customer</b>	<b>Design Capacity (B)</b>	<b>Security Level</b>	<b>Facility Type (C)</b>	<b>Term</b>	<b>Remaining Renewal Options (D)</b>	<b>Occupancy % for the Quarter ended 9/30/02</b>
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(O) The District of Columbia has the right to purchase the facility at any time during the term of the contract at a price generally equal to the present value of the remaining lease payments for the premises. Upon expiration of the lease, ownership of the facility automatically reverts to the District of Columbia.

(P) Our contract to manage this facility was terminated during October 2002.

(Q) Upon expiration of the lease in February 2002, we agreed to extend the lease through June 30, 2002. The lease was again extended through August 31, 2002, and we are currently in negotiations to extend the lease further.

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



## DIVERSIFICATION OF REVENUE

(Unaudited and amounts in thousands)

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<u>Customer</u>	<u>Management Revenue For the Nine Months Ended September 30, 2002</u>	<u>Percent of Management Revenue For the Nine Months Ended September 30, 2002</u>
Bureau of Prisons	\$ 91,109	12.66%
United States Marshals	58,669	8.15%
Wisconsin	50,747	7.05%
Immigration and Naturalization Services	47,501	6.60%
Texas	38,442	5.34%
Georgia	36,006	5.00%
Oklahoma	34,255	4.76%
Florida	32,714	4.55%
Tennessee	32,606	4.53%
Puerto Rico	31,844	4.42%
	<u>\$ 453,893</u>	<u>63.06%</u>
Total Management Revenue, including discontinued operations	<u>\$ 719,749</u>	<u>100.00%</u>

**RESEARCH / ANALYST COVERAGE**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	B+	B1
Senior Unsecured Debt	B-	B2
Preferred Stock	Not rated	Caa1

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.