



CORRECTIONS CORPORATION OF AMERICA

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

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

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ASSETS	June 30, 2002	March 31, 2002	December 31, 2001	September 30, 2001	June 30, 2001
Cash and cash equivalents	\$ 65,785	\$ 52,257	\$ 46,307	\$ 33,376	\$ 41,934
Restricted cash	12,674	12,630	12,537	10,024	10,522
Accounts receivable, net of allowance	136,289	134,155	144,078	147,292	119,738
Income tax receivable	374	32,599	568	1,293	650
Prepaid expenses and other current assets	15,063	12,174	12,841	17,664	20,252
Assets held for sale under contract	-	-	-	23,912	-
Total current assets	<u>230,185</u>	<u>243,815</u>	<u>216,331</u>	<u>233,561</u>	<u>193,096</u>
Property and equipment, net	1,568,289	1,584,409	1,573,152	1,578,544	1,590,472
Investment in direct financing lease	18,617	18,747	18,873	-	-
Assets held for sale	836	1,758	22,312	46,429	71,413
Goodwill	24,432	24,432	104,019	105,905	108,638
Other assets	26,356	30,079	36,593	36,265	41,328
Total assets	<u>\$ 1,868,715</u>	<u>\$ 1,903,240</u>	<u>\$ 1,971,280</u>	<u>\$ 2,000,704</u>	<u>\$ 2,004,947</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable and accrued expenses	\$ 138,956	\$ 136,795	\$ 145,157	\$ 198,994	\$ 208,664
Income tax payable	6,798	11,369	10,137	8,824	6,804
Distributions payable	5,205	5,132	15,853	15,865	13,522
Fair value of interest rate swap agreement	-	9,525	13,564	-	-
Current portion of long-term debt	21,508	789,838	792,009	286,528	286,751
Total current liabilities	<u>172,467</u>	<u>952,659</u>	<u>976,720</u>	<u>510,211</u>	<u>515,741</u>
Long-term debt, net of current portion	944,653	170,449	171,591	708,392	709,918
Deferred tax liabilities	55,106	55,301	56,511	58,426	58,789
Fair value of interest rate swap agreement	-	-	-	15,084	10,062
Other liabilities	18,916	19,041	19,297	19,329	21,351
Total liabilities	<u>1,191,142</u>	<u>1,197,450</u>	<u>1,224,119</u>	<u>1,311,442</u>	<u>1,315,861</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	101,753	99,400	96,566	93,622	85,946
Common stock - \$0.01 par value	280	280	279	251	251
Additional paid-in capital	1,342,881	1,342,896	1,341,958	1,314,092	1,317,065
Deferred compensation	(2,176)	(2,596)	(3,153)	(3,644)	(4,168)
Retained deficit	(870,960)	(839,565)	(793,236)	(819,178)	(813,500)
Treasury stock, at cost	-	(242)	(242)	(242)	(242)
Accumulated other comprehensive loss	(1,705)	(1,883)	(2,511)	(3,139)	(3,766)
Total stockholders' equity	<u>677,573</u>	<u>705,790</u>	<u>747,161</u>	<u>689,262</u>	<u>689,086</u>
Total liabilities and stockholders' equity	<u>\$ 1,868,715</u>	<u>\$ 1,903,240</u>	<u>\$ 1,971,280</u>	<u>\$ 2,000,704</u>	<u>\$ 2,004,947</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

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

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
REVENUE:				
Management:				
Federal	\$ 77,783	\$ 66,885	\$ 148,468	\$ 130,404
State	129,781	137,271	260,068	274,062
Local	20,989	18,991	40,894	36,830
Other	9,736	10,397	19,463	20,506
Total management revenue	<u>238,289</u>	<u>233,544</u>	<u>468,893</u>	<u>461,802</u>
Transportation	4,040	4,278	7,878	8,282
Rental	950	1,615	1,897	3,845
Other	25	461	68	472
	<u>243,304</u>	<u>239,898</u>	<u>478,736</u>	<u>474,401</u>
EXPENSES:				
Operating:				
Facility fixed	134,030	131,545	267,561	260,070
Facility variable	49,848	48,552	96,026	96,225
Transportation	4,055	3,970	8,241	7,326
Other	185	269	535	563
Total operating expenses	<u>188,118</u>	<u>184,336</u>	<u>372,363</u>	<u>364,184</u>
General and administrative	8,344	8,434	15,535	17,034
Depreciation and amortization	12,932	12,769	25,142	25,343
	<u>209,394</u>	<u>205,539</u>	<u>413,040</u>	<u>406,561</u>
OPERATING INCOME	<u>33,910</u>	<u>34,359</u>	<u>65,696</u>	<u>67,840</u>
OTHER (INCOME) EXPENSE:				
Equity in (earnings) loss of joint venture	90	90	(27)	175
Interest expense, net	22,469	33,113	51,285	67,286
Change in fair value of derivative instruments	(51)	327	(3,462)	6,296
(Gain) loss on disposal of assets	54	(39)	51	(39)
Unrealized foreign currency transaction (gain) loss	(422)	(41)	(327)	344
	<u>22,140</u>	<u>33,450</u>	<u>47,520</u>	<u>74,062</u>
INCOME (LOSS) BEFORE INCOME TAXES, EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	<u>11,770</u>	<u>909</u>	<u>18,176</u>	<u>(6,222)</u>
Income tax (expense) benefit	(571)	(624)	32,016	166
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	<u>11,199</u>	<u>285</u>	<u>50,192</u>	<u>(6,056)</u>
Income (loss) from discontinued operations, net of taxes	(719)	229	(688)	1,263
Extraordinary charge	(36,670)	-	(36,670)	-
Cumulative effect of accounting change	-	-	(80,276)	-
NET INCOME (LOSS)	<u>(26,190)</u>	<u>514</u>	<u>(67,442)</u>	<u>(4,793)</u>
Distributions to preferred stockholders	(5,205)	(4,980)	(10,282)	(9,801)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	<u>\$ (31,395)</u>	<u>\$ (4,466)</u>	<u>\$ (77,724)</u>	<u>\$ (14,594)</u>
BASIC EARNINGS (LOSS) PER SHARE	<u>\$ (1.14)</u>	<u>\$ (0.18)</u>	<u>\$ (2.81)</u>	<u>\$ (0.61)</u>
DILUTED EARNINGS (LOSS) PER SHARE	<u>\$ (0.96)</u>	<u>\$ (0.18)</u>	<u>\$ (2.04)</u>	<u>\$ (0.61)</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 June 30,		For the Six Months Ended June 30,	
	2002		2001	
Basic:				
Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	\$	5,994	\$	(4,695)
Income (loss) from discontinued operations, net of taxes		(719)		229
Extraordinary charge		(36,670)		-
Cumulative effect of accounting change		-		(80,276)
Net income (loss) available to common stockholders	<u>\$</u>	<u>(31,395)</u>	<u>\$</u>	<u>(4,466)</u>
Diluted:				
Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	\$	5,994	\$	(4,695)
Interest expense applicable to convertible notes *		598		-
Diluted income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change		6,592		(4,695)
Income (loss) from discontinued operations, net of taxes		(719)		229
Extraordinary charge		(36,670)		-
Cumulative effect of accounting change		-		(80,276)
Diluted net loss available to common stockholders	<u>\$</u>	<u>(30,797)</u>	<u>\$</u>	<u>(4,466)</u>
Basic:				
Weighted average common shares outstanding		27,978		25,042
Unvested restricted common stock		(319)		(389)
Weighted average common shares outstanding-basic		<u>27,659</u>		<u>24,653</u>
Diluted:				
Weighted average common shares outstanding-basic		27,659		24,653
Effect of dilutive securities: **				
Stock options and warrants		637		-
Stockholder litigation		310		310
Convertible notes		3,370		-
Restricted stock-based compensation		255		-
Weighted average shares and assumed conversions-diluted		<u>32,231</u>		<u>24,653</u>
Basic earnings (loss) per share:				
Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	\$	0.22	\$	(0.19)
Income (loss) from discontinued operations, net of taxes		(0.03)		0.01
Extraordinary charge		(1.33)		-
Cumulative effect of accounting change		-		(2.90)
Net income (loss) available to common stockholders	<u>\$</u>	<u>(1.14)</u>	<u>\$</u>	<u>(0.18)</u>
Diluted earnings (loss) per share:				
Income (loss) from continuing operations before extraordinary charge and cumulative effect of accounting change	\$	0.20	\$	(0.19)
Income (loss) from discontinued operations, net of taxes		(0.02)		0.01
Extraordinary charge		(1.14)		-
Cumulative effect of accounting change		-		(2.25)
Diluted net income (loss) available to common stockholders	<u>\$</u>	<u>(0.96)</u>	<u>\$</u>	<u>(0.18)</u>
* For the three month period of 2002, and for the three and six month periods in 2001, \$1,962, \$3,496, and \$5,666, 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		-	193	-
Stockholder litigation		-	3,197	-
Convertible notes using the if-converted method		3,363	6,827	-
Restricted stock-based compensation using the treasury stock method		-	174	-
		<u>3,363</u>	<u>10,391</u>	<u>-</u>
				<u>10,906</u>

SELECTED FINANCIAL INFORMATION

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

	<u>June 30, 2002</u>	<u>March 31, 2002</u>	<u>December 31, 2001</u>	<u>September 30, 2001</u>	<u>June 30, 2001</u>
BALANCE SHEET:					
Property and equipment	\$ 1,728,842	\$ 1,732,853	\$ 1,707,028	\$ 1,699,437	\$ 1,697,957
Accumulated depreciation and amortization	(160,553)	(148,444)	(133,876)	(120,893)	(107,485)
Property and equipment, net	<u>\$ 1,568,289</u>	<u>\$ 1,584,409</u>	<u>\$ 1,573,152</u>	<u>\$ 1,578,544</u>	<u>\$ 1,590,472</u>
Assets held for sale	\$ 836	\$ 1,758	\$ 22,312	\$ 70,341	\$ 71,413
Total assets	\$ 1,868,715	\$ 1,903,240	\$ 1,971,280	\$ 2,000,704	\$ 2,004,947
Maintenance capital expenditures for the quarter ended	\$ 2,792	\$ 3,902	\$ 3,284	\$ 1,457	\$ 1,383
Total debt	\$ 966,161	\$ 960,287	\$ 963,600	\$ 994,920	\$ 996,669
Equity book value	\$ 677,573	\$ 705,790	\$ 747,161	\$ 689,262	\$ 689,086
LIQUIDITY:					
Cash and cash equivalents	\$ 65,785	\$ 52,257	\$ 46,307	\$ 33,376	\$ 41,934
Availability under revolving credit facility	\$ 61,175	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
CAPITALIZATION:					
Common shares outstanding	27,990	27,978	27,920	25,132	25,137
Common share price at end of period	<u>\$ 17.30</u>	<u>\$ 13.00</u>	<u>\$ 18.56</u>	<u>\$ 13.16</u>	<u>\$ 15.95</u>
Market value of common equity at end of period	<u>\$ 484,227</u>	<u>\$ 363,714</u>	<u>\$ 518,195</u>	<u>\$ 330,737</u>	<u>\$ 400,935</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	<u>\$ 20.30</u>	<u>\$ 17.30</u>	<u>\$ 18.60</u>	<u>\$ 15.25</u>	<u>\$ 14.00</u>
Market value of preferred equity at end of period - Series A	<u>\$ 87,290</u>	<u>\$ 74,390</u>	<u>\$ 79,980</u>	<u>\$ 65,575</u>	<u>\$ 60,200</u>
Preferred shares outstanding - Series B	4,160	4,064	3,948	3,828	3,514
Preferred share price at end of period - Series B	<u>\$ 23.63</u>	<u>\$ 19.60</u>	<u>\$ 19.65</u>	<u>\$ 14.70</u>	<u>\$ 13.90</u>
Market value of preferred equity at end of period - Series B	<u>\$ 98,301</u>	<u>\$ 79,654</u>	<u>\$ 77,578</u>	<u>\$ 56,272</u>	<u>\$ 48,845</u>
Total equity market capitalization	<u>\$ 669,818</u>	<u>\$ 517,758</u>	<u>\$ 675,753</u>	<u>\$ 452,584</u>	<u>\$ 509,980</u>
Total market capitalization (market value of equity plus debt)	<u>\$ 1,635,979</u>	<u>\$ 1,478,045</u>	<u>\$ 1,639,353</u>	<u>\$ 1,447,504</u>	<u>\$ 1,506,649</u>
EBITDA	\$ 46,617	\$ 45,073	\$ 47,260	\$ 50,205	\$ 48,110
ADJUSTED FREE CASH FLOW	\$ 18,463	\$ 16,442	\$ 18,328	\$ 22,600	\$ 16,233
ADJUSTED FREE CASH FLOW PER SHARE:					
Basic adjusted free cash flow per share	<u>\$ 0.67</u>	<u>\$ 0.59</u>	<u>\$ 0.74</u>	<u>\$ 0.91</u>	<u>\$ 0.66</u>
Diluted adjusted free cash flow per share	<u>\$ 0.59</u>	<u>\$ 0.53</u>	<u>\$ 0.59</u>	<u>\$ 0.71</u>	<u>\$ 0.53</u>

SELECTED FINANCIAL INFORMATION

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
Number of days per period	91	91	181	181
ALL FACILITIES:				
Average available beds	59,520	59,908	59,613	59,947
Average compensated occupancy	89.2%	89.3%	88.3%	88.8%
Total compensated man-days	4,829,421	4,868,283	9,531,872	9,635,376
Revenue per compensated man-day	\$ 49.34	\$ 47.97	\$ 49.19	\$ 47.93
Operating expenses per compensated man-day:				
Fixed expense	27.75	27.02	28.07	26.99
Variable expense	10.32	9.97	10.07	9.99
Total	38.07	36.99	38.14	36.98
Operating margin per compensated man-day	\$ 11.27	\$ 10.98	\$ 11.05	\$ 10.95
Operating margin rate	22.8%	22.9%	22.5%	22.8%
DEPRECIATION AND AMORTIZATION:				
Depreciation expense	13,574	12,969	26,506	25,816
Amortization of goodwill	-	1,896	-	3,823
Amortization of other intangible assets	125	758	282	1,477
Amortization of negative contract values	(767)	(2,854)	(1,646)	(5,773)
Depreciation and amortization	\$ 12,932	\$ 12,769	\$ 25,142	\$ 25,343
ADJUSTED FREE CASH FLOW:				
Pre-tax loss available to common stockholders	(30,824)	(3,842)	(109,740)	(14,760)
Extraordinary charge	36,670	-	36,670	-
Cumulative effect of accounting change	-	-	80,276	-
Income taxes paid	(4,080)	(855)	(4,110)	(2,267)
Depreciation and amortization	12,932	12,769	25,142	25,343
Depreciation and amortization for discontinued operations	1,867	407	2,115	534
Income tax expense (benefit) for discontinued operations	(1,251)	413	(397)	428
Amortization of debt costs and other non-cash interest	2,937	5,567	9,123	11,167
Change in fair value of derivative instruments	(51)	327	(3,462)	6,296
Series B preferred stock dividend satisfied with series B preferred stock*	3,055	2,830	5,982	5,501
Maintenance capital expenditures	(2,792)	(1,383)	(6,694)	(1,694)
Adjusted free cash flow*	\$ 18,463	\$ 16,233	\$ 34,905	\$ 30,548
*Pro forma for cash dividend on series B preferred stock	\$ 15,408	\$ 13,403	\$ 28,923	\$ 25,047
ADJUSTED FREE CASH FLOW PER SHARE:				
Basic	\$ 0.67	\$ 0.66	\$ 1.26	\$ 1.28
Diluted	\$ 0.59	\$ 0.53	\$ 1.12	\$ 1.01
Basic--pro forma for cash dividend on series B preferred stock	\$ 0.56	\$ 0.54	\$ 1.05	\$ 1.05
Diluted--pro forma for cash dividend on series B preferred stock	\$ 0.50	\$ 0.44	\$ 0.93	\$ 0.84

SELECTED FINANCIAL INFORMATION

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
MANAGED ONLY FACILITIES:				
Management revenue	\$ 80,280	\$ 78,347	\$ 158,599	\$ 154,598
Operating expenses:				
Fixed expense	48,220	47,317	96,751	94,018
Variable expense	17,211	15,669	32,876	31,384
Total	<u>65,431</u>	<u>62,986</u>	<u>129,627</u>	<u>125,402</u>
Contribution	<u>\$ 14,849</u>	<u>\$ 15,361</u>	<u>\$ 28,972</u>	<u>\$ 29,196</u>
Average available beds	<u>21,200</u>	<u>21,588</u>	<u>21,293</u>	<u>21,582</u>
Average compensated occupancy	<u>101.2%</u>	<u>99.6%</u>	<u>100.4%</u>	<u>98.9%</u>
Total compensated man-days	<u>1,952,959</u>	<u>1,955,848</u>	<u>3,870,767</u>	<u>3,863,670</u>
Revenue per compensated man-day	\$ 41.11	\$ 40.06	\$ 40.97	\$ 40.01
Operating expenses per compensated man-day:				
Fixed expense	24.69	24.19	25.00	24.33
Variable expense	8.81	8.01	8.49	8.12
Total	<u>33.50</u>	<u>32.20</u>	<u>33.49</u>	<u>32.46</u>
Operating margin per compensated man-day	<u>\$ 7.60</u>	<u>\$ 7.85</u>	<u>\$ 7.48</u>	<u>\$ 7.56</u>
Operating margin rate	<u>18.5%</u>	<u>19.6%</u>	<u>18.3%</u>	<u>18.9%</u>
 OWNED AND MANAGED FACILITIES:				
Management revenue	\$ 158,009	\$ 155,197	\$ 310,294	\$ 307,204
Operating expenses:				
Fixed expense	85,810	84,228	170,810	166,052
Variable expense	32,637	32,883	63,150	64,841
Total	<u>118,447</u>	<u>117,111</u>	<u>233,960</u>	<u>230,893</u>
Contribution	<u>\$ 39,562</u>	<u>\$ 38,086</u>	<u>\$ 76,334</u>	<u>\$ 76,311</u>
Average available beds	<u>38,320</u>	<u>38,320</u>	<u>38,320</u>	<u>38,365</u>
Average compensated occupancy	<u>82.5%</u>	<u>83.5%</u>	<u>81.6%</u>	<u>83.2%</u>
Total compensated man-days	<u>2,876,462</u>	<u>2,912,435</u>	<u>5,661,105</u>	<u>5,771,706</u>
Revenue per compensated man-day	\$ 54.93	\$ 53.29	\$ 54.81	\$ 53.23
Operating expenses per compensated man-day:				
Fixed	29.83	28.92	30.17	28.77
Variable	11.35	11.29	11.16	11.23
Total	<u>41.18</u>	<u>40.21</u>	<u>41.33</u>	<u>40.00</u>
Operating margin per compensated man-day	<u>\$ 13.75</u>	<u>\$ 13.08</u>	<u>\$ 13.48</u>	<u>\$ 13.22</u>
Operating margin rate	<u>25.0%</u>	<u>24.5%</u>	<u>24.6%</u>	<u>24.8%</u>

ANALYSIS OF OUTSTANDING DEBT AND PREFERRED STOCK

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(Unaudited and amounts in thousands)

	Outstanding Balance 12/31/2001	Outstanding Balance 6/30/2002	Stated Interest Rate	Effective Interest Rate ¹⁾	Maturity Date	Callable/ Redeemable
Fixed Rate:						
\$100.0 Million Senior Notes	\$ 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	528	10.00%	10.00%	August 2006	
Total Fixed Rate Debt	<u>171,694</u>	<u>331,323</u>				
Floating Rate:						
Lehman Credit Facility:						
Term, net	791,906	-				
Term A	-	71,250			March 31, 2006	
Term B	-	563,588			March 31, 2008	
	<u>791,906</u>	<u>634,838</u>	5.90%	6.12%		
\$75.0 Million Revolver	-	-	None	None	March 31, 2006	
Total Floating Rate Debt	<u>791,906</u>	<u>634,838</u>				
Grand Total Debt	<u>\$ 963,600</u>	<u>\$ 966,161</u>	7.17%	7.45%		

¹⁾ Includes amortization of debt issuance costs.

²⁾ Does not include contingent interest sufficient to permit the bond holders to receive a 15.5% rate of return from inception. As of June 30, 2002, accrued contingent interest totaled \$10.6 million.

³⁾ 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.

⁴⁾ As of June 30, 2002, the Company had outstanding letters of credit totaling \$13.8 million, reducing the available borrowing capacity to \$61.2 million.

Debt Maturity Schedule:

<u>Year</u>	<u>Total Debt Maturing</u>	<u>% of Debt Maturing</u>	<u>% of Debt Maturing</u>
2002	\$ 10,378	1.07%	1.07%
2003	23,014	2.38%	3.46%
2004	26,026	2.69%	6.15%
2005	56,789	5.88%	12.03%
2006	21,793	2.26%	14.28%
Thereafter	<u>828,161</u>	<u>85.72%</u>	100.00%
	<u>\$ 966,161</u>	<u>100.00%</u>	

Preferred Stock:	Dividend Rate	Yield at 6/30/2002	
Series A Preferred Stock	8.0% cash	9.85%	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 thereafter	12.42%	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 June 30,		For the Six Months Ended June 30,	
	2002	2001	2002	2001
<u>COVERAGE RATIOS:</u>				
Interest coverage ratio (EBITDA/Interest incurred) (x)	2.3	1.6	2.1	1.6
Debt service coverage ratio (EBITDA/(Interest incurred + Scheduled principal pmts)) (x)	1.8	1.5	1.8	1.5
Fixed charge coverage ratio (EBITDA/(Interest incurred + Scheduled prin pmts + Pfd dist.)) (x)	1.5	1.3	1.5	1.3
Senior debt coverage ratio (Senior debt/Annualized EBITDA) (x)	4.8	4.8	4.9	4.9
Total debt coverage ratio (Total debt/Annualized EBITDA) (x)	5.2	5.2	5.3	5.2
Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)	7.1	8.0	7.0	7.9
<u>DEBT/EQUITY RATIOS:</u>				
Total debt/Total market capitalization	59.1%	66.2%	59.1%	66.2%
Total debt/Equity market capitalization	144.2%	195.4%	144.2%	195.4%
Total debt/Book equity capitalization	142.6%	144.6%	142.6%	144.6%
Total debt/Gross book value of real estate assets	55.3%	56.3%	55.3%	56.3%
<u>RETURN ON INVESTMENT RATIOS:</u>				
Annualized return on operating real estate investments (Annualized EBITDA/Average operating real estate investments (undepreciated book value)*)	10.7%	10.6%	10.5%	10.4%
Annualized return on total assets (Annualized EBITDA/Average total assets (undepreciated book value)*)	9.1%	8.9%	8.9%	8.7%
<u>OVERHEAD RATIOS:</u>				
Annualized general & administrative expenses/Average total assets (undepreciated book value)*	1.6%	1.6%	1.5%	1.6%
General & administrative expenses/Total revenues	3.4%	3.5%	3.2%	3.6%
<u>INTEREST EXPENSE, NET</u>				
Interest income from continuing operations	(982)	(1,936)	(2,177)	(5,024)
Interest incurred	20,514	29,482	44,339	61,143
Amortization of debt costs and other non-cash interest	2,937	5,567	9,123	11,167
Capitalized interest	-	-	-	-
Interest expense, net	<u>\$ 22,469</u>	<u>\$ 33,113</u>	<u>\$ 51,285</u>	<u>\$ 67,286</u>
<u>EBITDA CALCULATION:</u>				
Operating income	\$ 33,910	\$ 34,359	\$ 65,696	\$ 67,840
Depreciation and amortization	12,932	12,769	25,142	25,343
Discontinued operations, net of taxes	(719)	229	(688)	1,263
Depreciation and amortization for discontinued operations	1,867	407	2,115	534
Income tax expense (benefit) for discontinued operations	(1,251)	413	(397)	428
Interest income for discontinued operations	(31)	(67)	(87)	(171)
Gain on disposal of assets for discontinued operations	(91)	-	(91)	-
EBITDA	<u>\$ 46,617</u>	<u>\$ 48,110</u>	<u>\$ 91,690</u>	<u>\$ 95,237</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)	Occupancy % for the Quarter ended 6/30/02
Owned and Managed Facilities:								
Central Arizona Detention Center Florence, Arizona	1994, 1998	USMS	2,304	Multi	Detention	Nov-02	(2) 1 year	120.12%
Eloy Detention Center Eloy, Arizona	1995, 1996	BOP, INS	1,500	Medium	Detention	Feb-03	(6) 1 year	89.99%
Florence Correctional Center Florence, Arizona	1999	State of Hawaii	1,600	Medium	Correctional	Jun-04	-	72.67%
California Correctional Center California City, California	1999	BOP	2,304	Minimum	Correctional	Sep-03	(7) 1 year	110.02%
San Diego Correctional Facility (E) San Diego, California	1999, 2000	INS	1,232	Minimum/ Medium	Detention	Dec-02	(2) 1 year	76.96%
Bent County Correctional Facility Las Animas, Colorado	1992, 1997	State of Colorado	700	Medium	Correctional	Jun-03	(1) 1 year	79.46%
Huerfano County Correctional Center (F) Walsenburg, Colorado	1997	State of Colorado	752	Medium	Correctional	Jun-03	(1) 1 year	79.29%
Kit Carson Correctional Center Burlington, Colorado	1998	State of Colorado	768	Medium	Correctional	Jun-03	(1) 1 year	80.86%
Coffee Correctional Facility (G) Nicholls, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jun-03	(16) 1 year	97.93%
McRae Correctional Facility (H) McRae, Georgia	2002	BOP	1,524	Minimum	Correctional	(H)	(7) 1 year	-
Wheeler Correctional Facility (G) Alamo, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jun-03	(16) 1 year	97.97%
Leavenworth Detention Center Leavenworth, Kansas	1992, 2000	USMS	483	Maximum	Detention	Dec-02	(1) 1 year	103.73%
Lee Adjustment Center Beattyville, Kentucky	1990	State of Kentucky	756	Minimum/ Medium	Correctional	May-03	(3) 2 year	62.98%
Marion Adjustment Center St. Mary, Kentucky	1955, 1988	State of Kentucky	790	Minimum	Correctional	Dec-03	-	70.26%
Otter Creek Correctional Center Wheelwright, Kentucky	1993	State of Indiana	656	Minimum/ Medium	Correctional	Jan-03	-	99.55%

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 6/30/02
Prairie Correctional Facility Appleton, Minnesota	1991	State of Wisconsin	1,338	Medium	Correctional	Dec-02	-	82.75%
Tallahatchie County Correctional Facility (I) Tutweiler, Mississippi	2000	Tallahatchie County, MS	1,104	Medium	Correctional	May-03	3 year indefinite	13.72%
Crossroads Correctional Center (J) Shelby, Montana	1999	State of Montana	512	Multi	Correctional	Aug-03	(8) 2 year	95.51%
Cibola County Corrections Center Milan, New Mexico	1994, 1999	BOP	1,072	Minimum	Correctional	Sep-03	(7) 1 year	101.51%
New Mexico Women's Correctional Facility Grants, New Mexico	1989, 2000	State of New Mexico	596	Multi	Correctional	Jun-03	(2) 1 year	86.05%
Torrance County Detention Facility Estancia, New Mexico	1990, 1997	USMS	910	Multi	Detention	Indefinite	-	84.16%
Northeast Ohio Correctional Center (K) Youngstown, Ohio	1997	-	2,016	Medium	Correctional	-	-	-
Cimarron Correctional Facility (L) Cushing, Oklahoma	1997	State of Oklahoma	960	Medium	Correctional	Dec-02	-	95.55%
Davis Correctional Facility (L) Holdenville, Oklahoma	1996	State of Oklahoma	960	Medium	Correctional	Dec-02	-	96.80%
Diamondback Correctional Facility Watonga, Oklahoma	1998, 2000	State of Oklahoma	2,160	Medium	Correctional	Dec-02	-	63.53%
North Fork Correctional Facility Sayre, Oklahoma	1998	State of Wisconsin	1,440	Medium	Correctional	Dec-02	-	100.06%
West Tennessee Detention Facility Mason, Tennessee	1990, 1996	USMS	600	Multi	Correctional	Dec-02	-	45.32%
Shelby Training Center (M) Memphis, Tennessee	1986, 1995	Shelby County, TN	200	Secure	Juvenile	Apr-15	-	99.66%
Whiteville Correctional Facility Whiteville, Tennessee	1998	State of Wisconsin	1,536	Medium	Correctional	Dec-02	-	49.64%
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	1989	State of Texas	200	Medium	Correctional	Aug-03	-	96.90%
Eden Detention Center Eden, Texas	1990	BOP	1,225	Minimum	Correctional	Apr-04	-	104.40%

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 6/30/02</u>
Houston Processing Center Houston, Texas	1984	INS	411	Medium	Detention	Sep-02	(2) 3 month	126.66%
Laredo Processing Center Laredo, Texas	1985, 1990	INS	258	Minimum/ Medium	Detention	Sep-02	-	149.98%
Webb County Detention Center Laredo, Texas	1998	USMS	480	Medium	Detention	Feb-03	-	110.21%
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	1995	State of Texas	2,103	Minimum	Correctional	Aug-03	-	87.47%
T. Don Hutto Correctional Center Taylor, Texas	1997	State of Texas	480	Medium	Correctional	Jan-03	(1) 2 year	86.93%
D.C. Correctional Treatment Facility (N) Washington D.C.	1992	District of Columbia	866	Medium	Correctional	Mar-17	-	84.08%
Total design capacity for Owned and Managed Facilities (37 Owned and Managed Facilities)			<u><u>39,844</u></u>					
Managed Only Facilities:								
Bay Correctional Facility Panama City, Florida	N/A	State of Florida	750	Medium	Correctional	Jun-04	(1) 2 year	94.82%
Bay County Jail and Annex Panama City, Florida	N/A	Bay County, FL	677	Multi	Detention	Sep-06	-	121.77%
Citrus County Detention Facility Lecanto, Florida	N/A	Citrus County, FL	400	Multi	Detention	Sep-05	(1) 5 year	97.76%
Gadsden Correctional Institution Quincy, Florida	N/A	State of Florida	896	Minimum/ Medium	Correctional	Jun-03	-	99.41%
Hernando County Jail Brooksville, Florida	N/A	Hernando County, FL	302	Multi	Detention	Oct-10	-	117.60%
Lake City Correctional Facility Lake City, Florida	N/A	State of Florida	350	Secure	Correctional	Jun-03	(1) 2 year	98.90%
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	-	100.59%

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 6/30/02
Marion County Jail Indianapolis, Indiana	N/A	Marion County, IN	670	Multi	Detention	Nov-04	-	122.28%
Winn Correctional Center Winnfield, Louisiana	N/A	State of Louisiana	1,538	Medium/ Maximum	Correctional	Mar-03	(1) 2 year	96.33%
Delta Correctional Facility (O) Greenwood, Mississippi	N/A	State of Mississippi	1,016	Minimum/ Medium	Correctional	Jan-04	-	83.58%
Wilkinson County Correctional Facility (O) Woodville, Mississippi	N/A	State of Mississippi	900	Medium	Correctional	Jan-04	(1) 2 year	95.61%
Southern Nevada Women’s Correctional Center Las Vegas, Nevada	N/A	State of Nevada	500	Multi	Correctional	Oct-04	3 year indefinite	103.42%
Elizabeth Detention Center Elizabeth, New Jersey	N/A	INS	300	Minimum	Detention	Jan-03	(2) 1 year	81.33%
David L. Moss Criminal Justice Center Tulsa, Oklahoma	N/A	Tulsa County, OK	1,440	Multi	Detention	Jun-05	(2) 1 year	87.89%
Guayama Correctional Center (P) Guayama, Puerto Rico	N/A	Commonwealth of Puerto Rico	1,000	Medium	Correctional	Dec-06	(1) 5 year	99.07%
Silverdale Facilities Chattanooga, Tennessee	N/A	Hamilton County, TN	576	Multi	Juvenile	Sep-04	(2) 4 year	115.48%
South Central Correctional Center Clifton, Tennessee	N/A	State of Tennessee	1,506	Medium	Correctional	Jun-05	(1) 2 year	109.99%
Tall Trees Memphis, Tennessee	N/A	State of Tennessee	63	Non-secure	Juvenile	Jun-03	-	92.43%
Metro-Davidson County Detention Facility Nashville, Tennessee	N/A	Davidson County, TN	1,092	Multi	Detention	May-03	-	113.90%
Hardeman County Correctional Facility Whiteville, Tennessee	N/A	State of Tennessee	2,016	Medium	Correctional	Jul-02	-	98.99%
Bartlett State Jail Bartlett, Texas	N/A	State of Texas	962	Minimum/ Medium	Correctional	Aug-03	-	100.91%
Liberty County Jail/Juvenile Center Liberty, Texas	N/A	USMS	380	Multi	Detention	Jan-05	(2) 1 year	100.38%

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 6/30/02
Sanders Estes Unit Venus, Texas	N/A	State of Texas	1,000	Minimum/ Medium	Correctional	Aug-03	-	99.34%
Lawrenceville Correctional Center Lawrenceville, Virginia	N/A	Commonwealth of Virginia	1,500	Medium	Correctional	Mar-03	-	105.09%
Total design capacity for Managed Only Facilities (25 Managed Only Facilities)			<u>21,200</u>					
Total design capacity for All Facilities			<u>61,044</u>					

Leased Facilities:

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-03	(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 June 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.

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 6/30/02</u>
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(N) The District of Columbia has the right to purchase the facility at any time during the term of the contract at a price generally equal to the present value of the remaining lease payments for the premises. Upon expiration of the lease, ownership of the facility automatically reverts to the District of Columbia.

(O) On June 28, 2002, we received notice from the Mississippi Department of Corrections terminating our contract to manage the Delta Correctional Facility due to the non-appropriation of funds. We currently expect to cease operations of the facility during the third quarter of 2002. We are currently negotiating a new contract with the Sate of Mississippi at the Wilkinson County Correctional Facility to provide for the accommodation of up to 1,000 inmates. We can provide no assurance that we will negotiate this contract on favorable terms. In addition, because the contract may be terminated at any time without cause, we can provide no assurance that the Mississippi Department of Corrections will not terminate our contract to manage the Wilkinson County Correctional Facility.

(P) Our contract to manage this facility was terminated on August 6, 2002.

(Q) Upon expiration of the lease in February 2002, we agreed to extend the lease through June 30, 2002. The lease has since been extended through August 31, 2002.

(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 Six Months Ended June 30, 2002</u>	<u>Percent of Management Revenue For the Six Months Ended June 30, 2002</u>
Bureau of Prisons	\$ 64,682	13.57%
United States Marshals	50,348	10.56%
Immigration and Naturalization Services	33,039	6.93%
Wisconsin	25,866	5.42%
Georgia	24,984	5.24%
Texas	23,291	4.88%
Florida	22,270	4.67%
Tennessee	22,101	4.64%
Oklahoma	20,439	4.29%
Puerto Rico	17,430	3.66%
	<u>\$ 304,450</u>	<u>63.85%</u>
Total Management Revenue, including discontinued operations	<u>\$ 476,808</u>	<u>100.00%</u>

RESEARCH / ANALYST COVERAGE

Equity Research Coverage:

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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

Debt Research Coverage:

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

Moody's Investors Service	Philip Kibel	(215) 967-6233
Standard & Poor's	David Shapiro	(212) 438-7861

Credit Ratings:

	<u>Standard & 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.