



CORRECTIONS CORPORATION OF AMERICA

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

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

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ASSETS	March 31, 2003	December 31, 2002	September 30, 2002	June 30, 2002	March 31, 2002
Cash and cash equivalents	\$ 69,955	\$ 65,406	\$ 101,832	\$ 65,785	\$ 52,257
Restricted cash	13,577	7,363	7,338	12,674	12,630
Accounts receivable, net of allowance	137,741	136,644	138,167	136,289	134,155
Income tax receivable	33,426	32,499	370	374	32,599
Prepaid expenses and other current assets	6,329	12,435	13,277	15,063	12,174
Total current assets	<u>261,028</u>	<u>254,347</u>	<u>260,984</u>	<u>230,185</u>	<u>243,815</u>
Property and equipment, net	1,591,119	1,552,265	1,559,367	1,568,289	1,584,409
Investment in direct financing lease	18,204	18,346	18,484	18,617	18,747
Assets held for sale	-	-	836	836	1,758
Goodwill	20,294	20,902	24,432	24,432	24,432
Other assets	27,085	28,211	25,920	26,356	30,079
Total assets	<u>\$ 1,917,730</u>	<u>\$ 1,874,071</u>	<u>\$ 1,890,023</u>	<u>\$ 1,868,715</u>	<u>\$ 1,903,240</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable and accrued expenses	\$ 148,441	\$ 152,977	\$ 150,836	\$ 138,956	\$ 136,795
Income tax payable	5,608	4,605	56,844	6,798	11,369
Distributions payable	2,150	5,330	5,294	5,205	5,132
Fair value of interest rate swap agreement	-	-	-	-	9,525
Current portion of long-term debt	24,107	23,054	22,261	21,508	789,838
Total current liabilities	<u>180,306</u>	<u>185,966</u>	<u>235,235</u>	<u>172,467</u>	<u>952,659</u>
Long-term debt, net of current portion	956,515	932,905	938,712	944,653	170,449
Deferred tax liabilities	-	-	4,767	55,106	55,301
Other liabilities	22,482	21,202	19,131	18,916	19,041
Total liabilities	<u>1,159,303</u>	<u>1,140,073</u>	<u>1,197,845</u>	<u>1,191,142</u>	<u>1,197,450</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	114,281	107,831	104,749	101,753	99,400
Common stock - \$0.01 par value	281	280	280	280	280
Additional paid-in capital	1,344,822	1,343,066	1,342,958	1,342,881	1,342,896
Deferred compensation	(2,779)	(1,604)	(1,824)	(2,176)	(2,596)
Retained deficit	(804,689)	(822,111)	(859,987)	(870,960)	(839,565)
Treasury stock, at cost	-	-	-	-	(242)
Accumulated other comprehensive loss	(989)	(964)	(1,498)	(1,705)	(1,883)
Total stockholders' equity	<u>758,427</u>	<u>733,998</u>	<u>692,178</u>	<u>677,573</u>	<u>705,790</u>
Total liabilities and stockholders' equity	<u>\$ 1,917,730</u>	<u>\$ 1,874,071</u>	<u>\$ 1,890,023</u>	<u>\$ 1,868,715</u>	<u>\$ 1,903,240</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the Three Months Ended March 31,		For the Year Ended
	2003	2002	December 31, 2002
REVENUE:			
Management:			
Federal	\$ 91,457	\$ 70,685	\$ 312,574
State	121,062	119,722	480,577
Local	22,906	19,905	87,595
Other	9,497	9,287	37,275
Total management revenue	244,922	219,599	918,021
Transportation	4,438	3,838	15,961
Rental	923	947	3,701
Other	21	43	68
	250,304	224,427	937,751
EXPENSES:			
Operating:			
Facility fixed	134,603	127,646	514,933
Facility variable	46,276	43,162	189,424
Transportation	4,346	4,186	16,187
Other	282	350	808
Total operating expenses	185,507	175,344	721,352
General and administrative	9,537	7,191	36,907
Depreciation and amortization	12,913	12,146	51,292
	207,957	194,681	809,551
OPERATING INCOME	42,347	29,746	128,200
OTHER (INCOME) EXPENSE:			
Equity in (earnings) loss of joint venture	90	(117)	153
Interest expense, net	17,722	28,886	87,478
Change in fair value of derivative instruments	-	(3,411)	(2,206)
(Gain) loss on disposal of assets	(16)	(3)	110
Unrealized foreign currency transaction (gain) loss	127	95	(622)
	17,923	25,450	84,913
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	24,424	4,296	43,287
Income tax benefit	170	32,769	63,284
	24,594	37,065	106,571
INCOME FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	24,594	37,065	106,571
Income (loss) from discontinued operations, net of taxes	(1,692)	1,959	2,459
Extraordinary charge	-	-	(36,670)
Cumulative effect of accounting change	-	(80,276)	(80,276)
	-	(80,276)	(80,276)
NET INCOME (LOSS)	22,902	(41,252)	(7,916)
Distributions to preferred stockholders	(5,480)	(5,077)	(20,959)
	(5,480)	(5,077)	(20,959)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	\$ 17,422	\$ (46,329)	\$ (28,875)
BASIC EARNINGS (LOSS) PER SHARE	\$ 0.63	\$ (1.68)	\$ (1.04)
DILUTED EARNINGS (LOSS) PER SHARE	\$ 0.56	\$ (1.23)	\$ (0.52)

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	<u>As Adjusted for Discontinued Operations</u>			
	March 31, 2002	For the Three Months Ended		December 31, 2002
	June 30, 2002	September 30, 2002		
REVENUE:				
Management:				
Federal	\$ 70,685	\$ 77,783	\$ 79,745	\$ 84,361
State	119,722	118,802	122,022	120,031
Local	19,905	20,989	23,284	23,417
Other	9,287	9,268	9,325	9,395
Total management revenue	219,599	226,842	234,376	237,204
Transportation	3,838	4,040	4,182	3,901
Rental	947	950	884	920
Other	43	25	-	-
	<u>224,427</u>	<u>231,857</u>	<u>239,442</u>	<u>242,025</u>
EXPENSES:				
Operating:				
Facility fixed	127,646	127,688	129,536	130,063
Facility variable	43,162	46,718	49,624	49,920
Transportation	4,186	4,055	4,028	3,918
Other	350	185	163	110
Total operating expenses	175,344	178,646	183,351	184,011
General and administrative	7,191	8,344	8,127	13,245
Depreciation and amortization	12,146	12,479	13,268	13,399
	<u>194,681</u>	<u>199,469</u>	<u>204,746</u>	<u>210,655</u>
OPERATING INCOME	<u>29,746</u>	<u>32,388</u>	<u>34,696</u>	<u>31,370</u>
OTHER (INCOME) EXPENSE:				
Equity in (earnings) loss of joint venture	(117)	90	90	90
Interest expense, net	28,886	22,532	17,959	18,101
Change in fair value of derivative instruments	(3,411)	(51)	628	628
(Gain) loss on disposal of assets	(3)	54	6	53
Unrealized foreign currency transaction (gain) loss	95	(422)	(115)	(180)
	<u>25,450</u>	<u>22,203</u>	<u>18,568</u>	<u>18,692</u>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	4,296	10,185	16,128	12,678
Income tax benefit	32,769	119	375	30,021
INCOME FROM CONTINUING OPERATIONS BEFORE EXTRAORDINARY CHARGE AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	37,065	10,304	16,503	42,699
Income (loss) from discontinued operations, net of taxes	1,959	176	(238)	562
Extraordinary charge	-	(36,670)	-	-
Cumulative effect of accounting change	(80,276)	-	-	-
NET INCOME (LOSS)	(41,252)	(26,190)	16,265	43,261
Distributions to preferred stockholders	(5,077)	(5,205)	(5,292)	(5,385)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	<u>\$ (46,329)</u>	<u>\$ (31,395)</u>	<u>\$ 10,973</u>	<u>\$ 37,876</u>
BASIC EARNINGS (LOSS) PER SHARE	<u>\$ (1.68)</u>	<u>\$ (1.14)</u>	<u>\$ 0.40</u>	<u>\$ 1.37</u>
DILUTED EARNINGS (LOSS) PER SHARE	<u>\$ (1.23)</u>	<u>\$ (0.96)</u>	<u>\$ 0.36</u>	<u>\$ 1.14</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 March 31, 2003	2002	For the Year Ended December 31, 2002
Basic:			
Income from continuing operations before extraordinary charge and cumulative effect of accounting change	\$ 19,114	\$ 31,988	\$ 85,612
Income (loss) from discontinued operations, net of taxes	(1,692)	1,959	2,459
Extraordinary charge	-	-	(36,670)
Cumulative effect of accounting change	-	(80,276)	(80,276)
Net income (loss) available to common stockholders	\$ 17,422	\$ (46,329)	\$ (28,875)
Diluted:			
Income from continuing operations before extraordinary charge and cumulative effect of accounting change	\$ 19,114	\$ 31,988	\$ 85,612
Interest expense applicable to convertible notes	2,630	2,485	10,251
Diluted income from continuing operations before extraordinary charge and cumulative effect of accounting change	21,744	34,473	95,863
Income (loss) from discontinued operations, net of taxes	(1,692)	1,959	2,459
Extraordinary charge	-	-	(36,670)
Cumulative effect of accounting change	-	(80,276)	(80,276)
Diluted net income (loss) available to common stockholders	\$ 20,052	\$ (43,844)	\$ (18,624)
Basic:			
Weighted average common shares outstanding	28,046	27,965	27,952
Unvested restricted common stock	(332)	(324)	(283)
Weighted average common shares outstanding-basic	27,714	27,641	27,669
Diluted:			
Weighted average common shares outstanding-basic	27,714	27,641	27,669
Effect of dilutive securities:			
Stock options and warrants	667	656	621
Stockholder litigation	310	310	310
Convertible notes	6,733	6,747	6,736
Restricted stock-based compensation	222	248	238
Weighted average shares and assumed conversions-diluted	35,646	35,602	35,574
Basic earnings (loss) per share:			
Income from continuing operations before extraordinary charge and cumulative effect of accounting change	\$ 0.69	\$ 1.16	\$ 3.10
Income (loss) from discontinued operations, net of taxes	(0.06)	0.07	0.09
Extraordinary charge	-	-	(1.33)
Cumulative effect of accounting change	-	(2.91)	(2.90)
Net income (loss) available to common stockholders	\$ 0.63	\$ (1.68)	\$ (1.04)
Diluted earnings (loss) per share:			
Income from continuing operations before extraordinary charge and cumulative effect of accounting change	\$ 0.61	\$ 0.96	\$ 2.70
Income (loss) from discontinued operations, net of taxes	(0.05)	0.06	0.07
Extraordinary charge	-	-	(1.03)
Cumulative effect of accounting change	-	(2.25)	(2.26)
Diluted net income (loss) available to common stockholders	\$ 0.56	\$ (1.23)	\$ (0.52)

SELECTED FINANCIAL INFORMATION

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

	<u>March 31, 2003</u>	<u>December 31, 2002</u>	<u>September 30, 2002</u>	<u>June 30, 2002</u>	<u>March 31, 2002</u>
BALANCE SHEET:					
Property and equipment	\$ 1,790,422	\$ 1,738,650	\$ 1,733,139	\$ 1,728,842	\$ 1,732,853
Accumulated depreciation and amortization	(199,303)	(186,385)	(173,772)	(160,553)	(148,444)
Property and equipment, net	<u>\$ 1,591,119</u>	<u>\$ 1,552,265</u>	<u>\$ 1,559,367</u>	<u>\$ 1,568,289</u>	<u>\$ 1,584,409</u>
Assets held for sale	\$ -	\$ -	\$ 836	\$ 836	\$ 1,758
Total assets	\$ 1,917,730	\$ 1,874,071	\$ 1,890,023	\$ 1,868,715	\$ 1,903,240
Maintenance capital expenditures for the quarter ended	\$ 5,482	\$ 3,428	\$ 2,132	\$ 2,792	\$ 3,902
Total debt	\$ 980,622	\$ 955,959	\$ 960,973	\$ 966,161	\$ 960,287
Equity book value	\$ 758,427	\$ 733,998	\$ 692,178	\$ 677,573	\$ 705,790
LIQUIDITY:					
Cash and cash equivalents	\$ 69,955	\$ 65,406	\$ 101,832	\$ 65,785	\$ 52,257
Availability under revolving credit facility	\$ 51,891	\$ 57,969	\$ 60,175	\$ 61,175	\$ 50,000
CAPITALIZATION:					
Common shares outstanding	28,103	27,986	27,989	27,990	27,978
Common share price at end of period	\$ 17.46	\$ 17.15	\$ 14.05	\$ 17.30	\$ 13.00
Market value of common equity at end of period	<u>\$ 490,678</u>	<u>\$ 479,960</u>	<u>\$ 393,245</u>	<u>\$ 484,227</u>	<u>\$ 363,714</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	\$ 22.40	\$ 21.50	\$ 20.25	\$ 20.30	\$ 17.30
Market value of preferred equity at end of period - Series A	<u>\$ 96,320</u>	<u>\$ 92,450</u>	<u>\$ 87,075</u>	<u>\$ 87,290</u>	<u>\$ 74,390</u>
Preferred shares outstanding - Series B	4,672	4,408	4,282	4,160	4,064
Preferred share price at end of period - Series B	\$ 24.85	\$ 25.00	\$ 23.23	\$ 23.63	\$ 19.60
Market value of preferred equity at end of period - Series B	<u>\$ 116,099</u>	<u>\$ 110,200</u>	<u>\$ 99,471</u>	<u>\$ 98,301</u>	<u>\$ 79,654</u>
Total equity market capitalization	<u>\$ 703,098</u>	<u>\$ 682,610</u>	<u>\$ 579,791</u>	<u>\$ 669,818</u>	<u>\$ 517,758</u>
Total market capitalization (market value of equity plus debt)	<u><u>\$ 1,683,720</u></u>	<u><u>\$ 1,638,569</u></u>	<u><u>\$ 1,540,764</u></u>	<u><u>\$ 1,635,979</u></u>	<u><u>\$ 1,478,045</u></u>
EBITDA	\$ 55,059	\$ 44,178	\$ 47,355	\$ 45,196	\$ 45,328
ADJUSTED FREE CASH FLOW	\$ 30,468	\$ 23,082	\$ 27,251	\$ 18,463	\$ 16,442
ADJUSTED FREE CASH FLOW PER SHARE:					
Basic adjusted free cash flow per share	<u>\$ 1.10</u>	<u>\$ 0.83</u>	<u>\$ 0.98</u>	<u>\$ 0.67</u>	<u>\$ 0.59</u>
Diluted adjusted free cash flow per share	<u><u>\$ 0.93</u></u>	<u><u>\$ 0.72</u></u>	<u><u>\$ 0.84</u></u>	<u><u>\$ 0.59</u></u>	<u><u>\$ 0.53</u></u>

SELECTED FINANCIAL INFORMATION

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

	For the Three Months Ended March 31, 2003	2002	For the Year Ended December 31, 2002
Number of days per period	90	90	365
ALL FACILITIES:			
Average available beds	58,505	57,112	56,891
Average compensated occupancy	91.6%	86.9%	89.1%
Total compensated man-days	4,823,163	4,466,157	18,511,013
Revenue per compensated man-day	\$ 50.78	\$ 49.17	\$ 49.59
Operating expenses per compensated man-day:			
Fixed expense	27.91	28.58	27.82
Variable expense	9.59	9.66	10.23
Total	37.50	38.24	38.05
Operating margin per compensated man-day	\$ 13.28	\$ 10.92	\$ 11.54
Operating margin rate	26.1%	22.2%	23.3%
DEPRECIATION AND AMORTIZATION:			
Depreciation expense	13,796	12,799	53,088
Amortization of goodwill	-	-	-
Amortization of other intangible assets	11	125	338
Amortization of negative contract values	(894)	(778)	(2,134)
Depreciation and amortization	\$ 12,913	\$ 12,146	\$ 51,292
ADJUSTED FREE CASH FLOW:			
Pre-tax income (loss) available to common stockholders	\$ 17,252	\$ (79,098)	\$ (92,159)
Extraordinary charge	-	-	36,670
Cumulative effect of accounting change	-	80,276	80,276
Income taxes paid	(6)	(30)	(4,251)
Depreciation and amortization	12,913	12,146	51,292
Depreciation and amortization for discontinued operations	1,074	312	3,095
Income tax expense for discontinued operations	-	1,036	600
Amortization of debt costs and other non-cash interest	1,387	6,186	11,816
Change in fair value of derivative instruments	-	(3,411)	(2,206)
Series B preferred stock dividends satisfied with series B preferred stock*	3,330	2,927	12,359
Maintenance capital expenditures	(5,482)	(3,902)	(12,254)
Adjusted free cash flow*	\$ 30,468	\$ 16,442	\$ 85,238
*Pro forma for cash dividend on series B preferred stock	\$ 27,138	\$ 13,515	\$ 72,879
ADJUSTED FREE CASH FLOW PER SHARE:			
Basic	\$ 1.10	\$ 0.59	\$ 3.08
Diluted	\$ 0.93	\$ 0.53	\$ 2.68
Basic--pro forma for cash dividend on series B preferred stock	\$ 0.98	\$ 0.49	\$ 2.63
Diluted--pro forma for cash dividend on series B preferred stock	\$ 0.84	\$ 0.44	\$ 2.34

SELECTED FINANCIAL INFORMATION

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

	For the Three Months Ended March 31, 2003	2002	For the Year Ended December 31, 2002
MANAGED ONLY FACILITIES:			
Management revenue	\$ 68,586	\$ 67,314	\$ 278,916
Operating expenses:			
Fixed expense	40,938	42,646	168,262
Variable expense	15,143	12,649	56,759
Total	56,081	55,295	225,021
Contribution	\$ 12,505	\$ 12,019	\$ 53,895
Average available beds	17,688	18,792	18,442
Average compensated occupancy	102.0%	99.4%	101.1%
Total compensated man-days	1,623,776	1,681,514	6,808,489
Revenue per compensated man-day	\$ 42.24	\$ 40.03	\$ 40.97
Operating expenses per compensated man-day:			
Fixed expense	25.21	25.36	24.71
Variable expense	9.33	7.52	8.34
Total	34.54	32.88	33.05
Operating margin per compensated man-day	\$ 7.70	\$ 7.15	\$ 7.92
Operating margin rate	18.2%	17.9%	19.3%
OWNED AND MANAGED FACILITIES:			
Management revenue	\$ 176,336	\$ 152,285	\$ 639,105
Operating expenses:			
Fixed expense	93,665	85,000	346,671
Variable expense	31,133	30,513	132,665
Total	124,798	115,513	479,336
Contribution	\$ 51,538	\$ 36,772	\$ 159,769
Average available beds	40,817	38,320	38,449
Average compensated occupancy	87.1%	80.7%	83.4%
Total compensated man-days	3,199,387	2,784,643	11,702,524
Revenue per compensated man-day	\$ 55.12	\$ 54.69	\$ 54.61
Operating expenses per compensated man-day:			
Fixed	29.28	30.52	29.62
Variable	9.73	10.96	11.34
Total	39.01	41.48	40.96
Operating margin per compensated man-day	\$ 16.11	\$ 13.21	\$ 13.65
Operating margin rate	29.2%	24.1%	25.0%

SELECTED FINANCIAL INFORMATION

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

	<u>As Adjusted for Discontinued Operations</u>			
	March 31, 2002	For the Three Months Ended		December 31, 2002
	June 30, 2002	September 30, 2002		
Number of days per period	90	91	92	92
ALL FACILITIES:				
Average available beds	57,112	56,924	56,924	56,610
Average compensated occupancy	86.9%	88.6%	90.2%	90.9%
Total compensated man-days	4,466,157	4,587,082	4,725,712	4,732,062
Revenue per compensated man-day	\$ 49.17	\$ 49.45	\$ 49.60	\$ 50.13
Operating expenses per compensated man-day:				
Fixed expense	28.58	27.84	27.41	27.49
Variable expense	9.66	10.18	10.50	10.55
Total	38.24	38.02	37.91	38.03
Operating margin per compensated man-day	\$ 10.92	\$ 11.43	\$ 11.68	\$ 12.09
Operating margin rate	22.2%	23.1%	23.6%	24.1%
MANAGED ONLY FACILITIES:				
Management revenue	\$ 67,314	\$ 68,833	\$ 72,488	\$ 70,281
Operating expenses:				
Fixed expense	42,646	41,878	42,254	41,484
Variable expense	12,649	14,081	14,954	15,075
Total	55,295	55,959	57,208	56,559
Contribution	\$ 12,019	\$ 12,874	\$ 15,280	\$ 13,722
Average available beds	18,792	18,604	18,604	17,776
Average compensated occupancy	99.4%	101.0%	102.0%	102.1%
Total compensated man-days	1,681,514	1,710,620	1,746,058	1,670,297
Revenue per compensated man-day	\$ 40.03	\$ 40.24	\$ 41.52	\$ 42.08
Operating expenses per compensated man-day:				
Fixed expense	25.36	24.48	24.20	24.84
Variable expense	7.52	8.23	8.56	9.03
Total	32.88	32.71	32.76	33.86
Operating margin per compensated man-day	\$ 7.15	\$ 7.53	\$ 8.75	\$ 8.22
Operating margin rate	17.9%	18.7%	21.1%	19.5%

SELECTED FINANCIAL INFORMATION

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

	<u>As Adjusted for Discontinued Operations</u>			
	<u>March 31,</u> <u>2002</u>	<u>For the Three Months Ended</u>		<u>December 31,</u> <u>2002</u>
		<u>June 30,</u> <u>2002</u>	<u>September 30,</u> <u>2002</u>	
OWNED AND MANAGED FACILITIES:				
Management revenue	\$ 152,285	\$ 158,009	\$ 161,888	\$ 166,923
Operating expenses:				
Fixed expense	85,000	85,810	87,282	88,579
Variable expense	30,513	32,637	34,670	34,845
Total	<u>115,513</u>	<u>118,447</u>	<u>121,952</u>	<u>123,424</u>
Contribution	<u>\$ 36,772</u>	<u>\$ 39,562</u>	<u>\$ 39,936</u>	<u>\$ 43,499</u>
Average available beds	<u>38,320</u>	<u>38,320</u>	<u>38,320</u>	<u>38,834</u>
Average compensated occupancy	<u>80.7%</u>	<u>82.5%</u>	<u>84.5%</u>	<u>85.7%</u>
Total compensated man-days	<u>2,784,643</u>	<u>2,876,462</u>	<u>2,979,654</u>	<u>3,061,765</u>
Revenue per compensated man-day	\$ 54.69	\$ 54.93	\$ 54.33	\$ 54.52
Operating expenses per compensated man-day:				
Fixed	30.52	29.83	29.29	28.93
Variable	10.96	11.35	11.64	11.38
Total	<u>41.48</u>	<u>41.18</u>	<u>40.93</u>	<u>40.31</u>
Operating margin per compensated man-day	<u>\$ 13.21</u>	<u>\$ 13.75</u>	<u>\$ 13.40</u>	<u>\$ 14.21</u>
Operating margin rate	<u>24.1%</u>	<u>25.0%</u>	<u>24.7%</u>	<u>26.1%</u>

ANALYSIS OF OUTSTANDING DEBT AND PREFERRED STOCK

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(Unaudited and amounts in thousands)

	Outstanding Balance 12/31/2002	Outstanding Balance 3/31/2003	Stated Interest Rate	Effective Interest Rate	Maturity Date	Callable/ Redeemable
Fixed Rate:						
\$100.0 Million Senior Notes	\$ 10,795	\$ 10,795	12.00%	12.79%	June 2006	
\$250.0 Million Senior Notes	250,000	250,000	9.875%	10.43%	May 2009	Prior to May 1, 2005, 35% redeemable at 109.875% with proceeds from equity offerings; on or after May 1, 2006, 100% redeemable at various premium prices until May 1, 2008 at par
\$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
\$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
Other Debt	651	614	Various	Various	Various	
Total Fixed Rate Debt	331,446	331,409				
Floating Rate:						
Lehman Credit Facility:						
Term A	63,750	59,938			March 31, 2006	
Term B	560,763	589,275			March 31, 2008	
	624,513	649,213	5.08%	5.32%		
\$75.0 Million Revolver	-	-	None	None	March 31, 2006	
Total Floating Rate Debt	624,513	649,213				
Grand Total Debt	\$ 955,959	\$ 980,622	6.77%	7.09%	5.09 Years	

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 March 31, 2003, accrued contingent interest totaled \$13.6 million.

³⁾ The variable interest rate on the Lehman Credit Facility is LIBOR + 3.50%. The Company has entered into an interest rate cap agreement that caps LIBOR at 5% on outstanding balances of \$200.0 million through May 20, 2004.

⁴⁾ As of March 31, 2003, the Company had outstanding letters of credit totaling \$23.1 million, reducing the available borrowing capacity to \$51.9 million.

⁵⁾ Represents the weighted average debt maturity in years.

Debt Maturity Schedule:

Year	Total Debt Maturing	% of Debt Maturing	% of Debt Maturing
2003	\$ 18,017	1.84%	1.84%
2004	26,368	2.69%	4.53%
2005	57,134	5.83%	10.35%
2006	22,141	2.26%	12.61%
2007	397,320	40.52%	53.13%
Thereafter	459,642	46.87%	100.00%
	\$ 980,622	100.00%	

Preferred Stock:	Dividend Rate	Yield at 3/31/2003	
Series A Preferred Stock	8.0% cash	8.93%	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	11.81%	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 March 31,		For the Year Ended
	2003	2002	December 31,
			2002
<u>COVERAGE RATIOS:</u>			
Interest coverage ratio (EBITDA/Interest incurred) (x)	3.2	1.9	2.3
Debt service coverage ratio (EBITDA/(Interest incurred + Scheduled principal pmts)) (x)	2.4	1.7	1.9
Fixed charge coverage ratio (EBITDA/(Interest incurred + Scheduled prin pmts + Pfd dist.)) (x)	2.0	1.5	1.5
Senior debt coverage ratio (Senior debt/Annualized EBITDA) (x)	4.1	4.9	4.9
Total debt coverage ratio (Total debt/Annualized EBITDA) (x)	4.5	5.3	5.3
Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)	7.3	6.7	6.9
<u>DEBT/EQUITY RATIOS:</u>			
Total debt/Total market capitalization	58.2%	65.0%	58.3%
Total debt/Equity market capitalization	139.5%	185.5%	140.0%
Total debt/Book equity capitalization	129.3%	136.1%	130.2%
Total debt/Gross book value of real estate assets	54.2%	54.8%	54.4%
<u>RETURN ON INVESTMENT RATIOS:</u>			
Annualized return on operating real estate investments (Annualized EBITDA/Average operating real estate investments (undepreciated book value)*)	12.4%	10.4%	10.4%
Annualized return on total assets (Annualized EBITDA/Average total assets (undepreciated book value)*)	10.5%	8.7%	8.7%
<u>OVERHEAD RATIOS:</u>			
Annualized general & administrative expenses/Average total assets (undepreciated book value)*	1.8%	1.4%	1.8%
General & administrative expenses/Total revenues	3.8%	3.2%	3.9%
<u>INTEREST EXPENSE, NET</u>			
Interest income from continuing operations	\$ (1,010)	\$ (1,125)	\$ (4,431)
Interest incurred	17,345	23,825	80,093
Amortization of debt costs and other non-cash interest	1,387	6,186	11,816
Capitalized interest	-	-	-
Interest expense, net	<u>\$ 17,722</u>	<u>\$ 28,886</u>	<u>\$ 87,478</u>
<u>EBITDA CALCULATION:</u>			
Operating income	\$ 42,347	\$ 29,746	\$ 128,200
Depreciation and amortization	12,913	12,146	51,292
Equity in earnings (loss) of joint venture	(90)	117	(153)
Change in fair value of derivative instruments	-	3,411	2,206
Gain (loss) on disposal of assets	16	3	(110)
Unrealized foreign currency transaction gain (loss)	(127)	(95)	622
EBITDA	<u>\$ 55,059</u>	<u>\$ 45,328</u>	<u>\$ 182,057</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 3/31/03
Owned and Managed Facilities:								
Central Arizona Detention Center Florence, Arizona	1994, 1998	USMS	2,304	Multi	Detention	May-03	-	138.27%
Eloy Detention Center Eloy, Arizona	1995, 1996	BOP, BICE (formerly the INS)	1,500	Medium	Detention	Feb-04	(5) 1 year	93.14%
Florence Correctional Center Florence, Arizona	1999	State of Alaska	1,600	Medium	Correctional	Jun-03	-	86.46%
California Correctional Center California City, California	1999	BOP	2,304	Medium	Correctional	Sep-03	(7) 1 year	112.71%
San Diego Correctional Facility (E) San Diego, California	1999, 2000	BICE (formerly the INS)	1,232	Minimum/ Medium	Detention	Dec-03	(1) 1 year	88.98%
Bent County Correctional Facility Las Animas, Colorado	1992, 1997	State of Colorado	700	Medium	Correctional	Jun-03	(1) 1 year	85.98%
Crowley County Correctional Facility Olney Springs, Colorado	1998	State of Colorado	1,200	Medium	Correctional	Jun-03	(1) 1 year	75.84%
Huerfano County Correctional Center (F) Walsenburg, Colorado	1997	State of Colorado	752	Medium	Correctional	Jun-03	(1) 1 year	85.38%
Kit Carson Correctional Center Burlington, Colorado	1998	State of Colorado	768	Medium	Correctional	Jun-03	(1) 1 year	76.71%
Coffee Correctional Facility (G) Nicholls, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jun-03	(16) 1 year	97.88%
McRae Correctional Facility McRae, Georgia	2000, 2002	BOP	1,524	Medium	Correctional	Dec-05	(7) 1 year	95.00%
Wheeler Correctional Facility (G) Alamo, Georgia	1998, 1999	State of Georgia	1,524	Medium	Correctional	Jun-03	(16) 1 year	97.96%
Leavenworth Detention Center Leavenworth, Kansas	1992, 2000	USMS	483	Maximum	Detention	Dec-03	-	125.37%
Lee Adjustment Center Beattyville, Kentucky	1990	Commonwealth of Kentucky	748	Minimum/ Medium	Correctional	May-03	(3) 2 year	68.00%
Marion Adjustment Center St. Mary, Kentucky	1955, 1988	Commonwealth of Kentucky	790	Minimum	Correctional	Dec-03	-	71.25%
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>Compensated Occupancy % for the Quarter ended 3/31/03</u>
Prairie Correctional Facility Appleton, Minnesota	1991	State of Wisconsin	1,338	Medium	Correctional	Dec-05	(2) 1 year	103.32%
Tallahatchie County Correctional Facility (H) Tutweiler, Mississippi	2000	Tallahatchie County, MS	1,104	Medium	Correctional	May-03	3 year indefinite	4.12%
Crossroads Correctional Center (I) Shelby, Montana	1999	State of Montana	512	Multi	Correctional	Aug-03	(8) 2 year	63.01%
Cibola County Corrections Center Milan, New Mexico	1994, 1999	BOP	1,072	Medium	Correctional	Sep-03	(7) 1 year	103.86%
New Mexico Women's Correctional Facility Grants, New Mexico	1989, 2000	State of New Mexico	596	Multi	Correctional	Jun-03	(2) 1 year	88.76%
Torrance County Detention Facility Estancia, New Mexico	1990, 1997	USMS	910	Multi	Detention	Indefinite	-	88.58%
Northeast Ohio Correctional Center (J) Youngstown, Ohio	1997	-	2,016	Medium	Correctional	-	-	0.00%
Cimarron Correctional Facility (K) Cushing, Oklahoma	1997	State of Oklahoma	960	Medium	Correctional	Jun-03	-	91.77%
Davis Correctional Facility (K) Holdenville, Oklahoma	1996	State of Oklahoma	960	Medium	Correctional	Jun-03	-	92.15%
Diamondback Correctional Facility Watonga, Oklahoma	1998, 2000	State of Oklahoma	2,160	Medium	Correctional	Jun-03	-	63.14%
North Fork Correctional Facility Sayre, Oklahoma	1998	State of Wisconsin	1,440	Medium	Correctional	Dec-05	(2) 1 year	98.89%
West Tennessee Detention Facility Mason, Tennessee	1990, 1996	USMS	600	Multi	Detention	Feb-04	(3) 1 year	62.68%
Shelby Training Center (L) Memphis, Tennessee	1986, 1995	Shelby County, TN	200	Secure	Juvenile	Apr-15	-	98.22%
Whiteville Correctional Facility (M) Whiteville, Tennessee	1998	State of Tennessee	1,536	Medium	Correctional	Sep-05	(2) 1 year	75.96%
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	1989	State of Texas	200	Medium	Correctional	Aug-03	-	98.20%
Eden Detention Center Eden, Texas	1990	BOP	1,225	Medium	Correctional	Apr-04	-	103.78%
Houston Processing Center Houston, Texas	1984	BICE (formerly the INS)	411	Medium	Detention	Sep-03	-	121.85%

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 3/31/03
Laredo Processing Center Laredo, Texas	1985, 1990	BICE (formerly the INS)	258	Minimum/ Medium	Detention	Mar-04	(2) 3 month	155.64%
Webb County Detention Center Laredo, Texas	1998	USMS	480	Medium	Detention	Aug-03	-	122.20%
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	1995	State of Texas	2,103	Minimum	Correctional	Aug-03	-	98.75%
T. Don Hutto Correctional Center Taylor, Texas	1997	State of Texas	480	Medium	Correctional	May-03	(1) 2 year	46.38%
D.C. Correctional Treatment Facility (N) Washington D.C.	1992	District of Columbia	866	Medium	Detention	Mar-17	-	90.55%
Total design capacity for Owned and Managed Facilities (38 Owned and Managed Facilities)			<u><u>41,036</u></u>					
Managed Only Facilities:								
Bay Correctional Facility Panama City, Florida	N/A	State of Florida	750	Medium	Correctional	Jun-03	(1) 2 year	99.28%
Bay County Jail and Annex Panama City, Florida	N/A	Bay County, FL	677	Multi	Detention	Sep-06	-	146.60%
Citrus County Detention Facility Lecanto, Florida	N/A	Citrus County, FL	400	Multi	Detention	Sep-05	(1) 5 year	99.41%
Gadsden Correctional Institution Quincy, Florida	N/A	State of Florida	896	Minimum/ Medium	Correctional	Jun-03	-	99.43%
Hernando County Jail Brooksville, Florida	N/A	Hernando County, FL	302	Multi	Detention	Oct-10	-	119.68%
Lake City Correctional Facility Lake City, Florida	N/A	State of Florida	350	Secure	Correctional	Jun-03	(1) 2 year	99.24%
Idaho Correctional Center Boise, Idaho	N/A	State of Idaho	1,270	Minimum/ Medium	Correctional	Jun-05	-	100.12%
Marion County Jail Indianapolis, Indiana	N/A	Marion County, IN	670	Multi	Detention	Nov-04	-	130.57%
Winn Correctional Center Winnfield, Louisiana	N/A	State of Louisiana	1,538	Medium/ Maximum	Correctional	Jun-03	(1) 2 year	95.08%
Wilkinson County Correctional Facility Woodville, Mississippi	N/A	State of Mississippi	1,000	Medium	Correctional	Jan-04	(1) 2 year	98.44%

FACILITY PORTFOLIO

<u>Facility Name</u>	<u>Year Constructed (A)</u>	<u>Primary Customer</u>	<u>Design Capacity (B)</u>	<u>Security Level</u>	<u>Facility Type (C)</u>	<u>Term</u>	<u>Remaining Renewal Options (D)</u>	<u>Compensated Occupancy % for the Quarter ended 3/31/03</u>
Southern Nevada Women’s Correctional Center Las Vegas, Nevada	N/A	State of Nevada	500	Multi	Correctional	Oct-04	3 year indefinite	86.94%
Elizabeth Detention Center Elizabeth, New Jersey	N/A	BICE (formerly the INS)	300	Minimum	Detention	Jan-04	(1) 1 year	90.76%
David L. Moss Criminal Justice Center Tulsa, Oklahoma	N/A	Tulsa County, OK	1,440	Multi	Detention	Jun-05	(2) 1 year	85.64%
Silverdale Facilities Chattanooga, Tennessee	N/A	Hamilton County, TN	576	Multi	Detention	Sep-04	(3) 4 year	106.49%
South Central Correctional Center Clifton, Tennessee	N/A	State of Tennessee	1,506	Medium	Correctional	Jun-05	(1) 2 year	108.01%
Tall Trees Memphis, Tennessee	N/A	State of Tennessee	63	Non-secure	Juvenile	Jun-03	-	84.27%
Metro-Davidson County Detention Facility Nashville, Tennessee	N/A	Davidson County, TN	1,092	Multi	Detention	Jun-03	-	110.41%
Hardeman County Correctional Facility Whiteville, Tennessee	N/A	State of Tennessee	2,016	Medium	Correctional	Jul-05	(1) 2 year	97.42%
Bartlett State Jail Bartlett, Texas	N/A	State of Texas	962	Minimum/ Medium	Correctional	Aug-03	-	102.38%
Liberty County Jail/Juvenile Center Liberty, Texas	N/A	USMS	380	Multi	Detention	Jan-05	(2) 1 year	86.80%
Sanders Estes Unit Venus, Texas	N/A	State of Texas	1,000	Minimum/ Medium	Correctional	Aug-03	-	99.68%
Total design capacity for Managed Only Facilities (21 Managed Only Facilities)			<u>17,688</u>					
Total design capacity for All Facilities			<u>58,724</u>					
Leased Facilities:								
Leo Chesney Correctional Center Live Oak, California	1989	Cornell Corrections	240	Minimum	Owned/Leased	Jun-03	-	N/A
Queensgate Correctional Facility Cincinnati, Ohio	1906	Hamilton County, OH	850	Medium	Owned/Leased	Feb-04	(3) 1 year	N/A
Community Education Partners (O) Houston, Texas	N/A	Community Education Partners	-	Non-secure	Owned/Leased	Jun-08	(3) 5 year	N/A

FACILITY PORTFOLIO

Facility Name	Year Constructed (A)	Primary Customer	Design Capacity (B)	Security Level	Facility Type (C)	Term	Remaining Renewal Options (D)	Compensated Occupancy % for the Quarter ended 3/31/03
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(A) The year constructed represents the initial completion of the facility's construction, as well as significant additions to the facility that occurred at a later date.

(B) Design capacity measures the number of beds, and accordingly, the number of inmates each facility is designed to accommodate. Facilities housing detainees on a short term basis may exceed the original intended design capacity for sentenced inmates due to the lower level of services required by detainees in custody for a brief period. We believe design capacity is an appropriate measure for evaluating prison operations, because the revenue generated by each facility is based on a per diem or monthly rate per inmate housed at the facility paid by the corresponding contracting governmental entity.

(C) We manage numerous facilities that have more than a single function (i.e., housing both long-term sentenced adult prisoners and pre-trial detainees). The primary functional categories into which facility types are identified was determined by the relative size of prisoner populations in a particular facility on March 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. This facility is substantially vacant.

(I) The State of Montana has an option to purchase the facility at fair market value generally at any time during the term of the contract with us.

(J) All inmates were transferred out of this facility during 2001 due to a new law that mandated that the BOP assume jurisdiction of all D.C. offenders under the custody of the BOP by the end of 2001.

(K) The facility is subject to a purchase option held by the Oklahoma Department of Corrections, or ODC, which grants the ODC the right to purchase the facility at its fair market value at any time.

(L) Upon conclusion of the thirty-year lease with Shelby County, Tennessee, the facility will become the property of Shelby County. Prior to such time, if the County terminates the lease without cause, or breaches the lease or the State fails to fund the contract, we may purchase the property for \$150,000. If we terminate the lease without cause, or breach the contract, we will be required to purchase the property for its fair market value as agreed to by the County and us.

(M) The State of Tennessee has the option to purchase the facility in the event of our bankruptcy, or upon an operational breach, as defined, at a price equal to the book value, as defined.

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

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

DIVERSIFICATION OF REVENUE

(Unaudited and amounts in thousands)

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<u>Customer</u>	<u>Management Revenue For the Three Months Ended March 31, 2003</u>	<u>Percent of Management Revenue For the Three Months Ended March 31, 2003</u>
Bureau of Prisons	\$ 41,388	16.54%
United States Marshals	32,133	12.84%
Bureau of Immigration and Customs Enforcement, formerly the "INS"	17,559	7.02%
Tennessee	14,152	5.65%
Wisconsin	13,717	5.48%
Georgia	12,544	5.01%
Texas	11,420	4.56%
Florida	11,027	4.41%
Oklahoma	9,892	3.95%
Colorado	8,550	3.42%
	<u>\$ 172,382</u>	<u>68.87%</u>
Total Management Revenue, including discontinued operations	<u>\$ 250,288</u>	<u>100.00%</u>

RESEARCH / ANALYST COVERAGE

Equity Research Coverage:

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:

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	Jean Stout	(212) 438-7865

Credit Ratings:

	<u>Standard & Poor's</u>	<u>Moody's</u>
Corporate Credit Rating	B+	Not rated
Senior Secured Bank Credit	BB-	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.