

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 23, 2000

Prison Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland

0-25245

62-1763875

(State or other jurisdiction
of incorporation)

(Commission File Number)

(I.R.S. Employer
Identification No.)

10 Burton Hills Boulevard, Suite 100, Nashville, Tennessee 37215

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (615) 263-0200

Not Applicable

(Former name or former address, if changed since last report)

ITEM 5. OTHER EVENTS.

On August 23, 2000, Prison Realty Trust, Inc. (the "Company") entered into a memorandum of understanding (the "Memorandum of Understanding") regarding the settlement of all outstanding stockholder litigation against the Company and certain of its existing and former directors and executive officers. The Memorandum of Understanding, which is subject to the execution of a definitive stipulation of settlement by the parties, subsequent court approval and other customary conditions, provides for the "global" settlement of a series of purported class action and derivative lawsuits brought against the Company by current and former stockholders of the Company and its predecessors, the old Corrections Corporation of America and CCA Prison Realty Trust. These lawsuits were brought as the result of, among other things, agreements entered into by the Company and its primary tenant, Corrections Corporation of America ("CCA"), in May 1999 to increase payments made by the Company to CCA under the terms of certain agreements and previously announced transactions relating to the restructuring of the Company and CCA led by the Fortress/Blackstone investment group and Pacific Life Insurance Company. Specifically, the Memorandum of Understanding relates to the following previously disclosed actions:

- Bernstein v. Prison Realty Trust, et. al. (including Hardee v. Prison Realty Trust, et. al. and Holle v. Prison Realty Trust, et. al. which were consolidated with Bernstein);
- Neiger v. Doctor Crants, et. al. (including Anderson v. Doctor Crants, et. al. and Brody v. Prison Realty Trust, Inc., et. al. which were consolidated with Neiger);
- Buchanan and Unger v. Prison Realty Trust, Inc. et. al.;
- In re Old CCA Securities Litigation;
- In re Prison Realty Securities Litigation;
- Milkovits v. Prison Realty Trust, et. al.
- Wanstrath v. Crants, et.al.; and
- Dasburg, S.A. v. Corrections Corporation of America, et. al.

The Memorandum of Understanding provides that Prison Realty will pay or issue the plaintiffs:

- approximately \$48 million in cash payable solely from the proceeds under the Company's and CCA's insurance policies; and
- approximately \$72.4 million in shares of common stock of the Company (or 16,550,000 shares at an agreed value of \$4.375 per share).

The shares of common stock to be issued by the Company in accordance with the agreement will be subject to a stock price guarantee of \$4.375 per share, which will require the Company to pay or issue, at its option, cash or additional shares of common stock to the plaintiffs if the trading price of the Company common stock does not reach \$4.375 per share for a specified number of trading

days during the period from the completion of the settlement through August 31, 2001. In addition, shares issued in the settlement are subject to certain anti-dilution adjustments if the Company undertakes certain transactions (generally, raising equity capital in excess of \$110.0 million at less than the stock price guarantee) during the period from August 31, 2001 through December 31, 2001.

In addition to the payments of amounts specified above, the Company and the plaintiffs have agreed to certain other matters in connection with the memorandum of understanding, including:

- restrictions on the form and amount of payments that may be made by the Company to certain affiliates of the Company and CCA and certain third parties in connection with the proposed restructuring of the companies;
- restrictions on the Company's ability to reprice stock options previously issued to directors or executive officers of the Company for a period of 24 months; and
- the requirement that each committee of the Company's board of directors consist of a majority of directors which were not directors of Prison Realty or its affiliates as of December 1, 1999.

The full text of the Memorandum of Understanding containing the terms of the proposed settlement is filed herewith as Exhibit 10.1 and is incorporated herein in its entirety.

The press release issued by Prison Realty on August 24, 2000 with respect to the execution of the Memorandum of Understanding is filed herewith as Exhibit 99.1 and is incorporated herein in its entirety.

This Form 8-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Prison Realty's actual results could differ materially from those set forth in the forward-looking statements.

ITEM 7(C). EXHIBITS.

The following exhibit is filed as part of this Current Report:

Exhibit Number	Description of Exhibits
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10.1	Memorandum of Understanding, dated August 23, 2000, by and among attorneys for the Company and the Plaintiffs.
99.1	Company Press Release, dated August 24, 2000, regarding the execution of the Memorandum of Understanding.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the undersigned Registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 28, 2000

PRISON REALTY TRUST, INC.

By: /s/ Darrell K. Massengale

Its: Secretary

EXHIBIT INDEX

Exhibit Number -----	Description of Exhibits -----
10.1	Memorandum of Understanding, dated August 23, 2000, by and among attorneys for Prison Realty Trust, Inc. (the "Company") and certain individual defendants and the plaintiffs in outstanding stockholder litigation brought against the Company (the "Memorandum of Understanding").
99.1	Company Press Release, dated August 24, 2000, regarding the execution of the Memorandum of Understanding.

MEMORANDUM OF UNDERSTANDING

WHEREAS Prison Realty Trust, Inc. ("PZN") is a Maryland Corporation with its principal place of business in Nashville, Tennessee.

WHEREAS William Wanstrath has instituted derivative litigation in the state courts of Tennessee, Wanstrath v. Crants et al., Civ. Action No. 99-1719-III, naming as defendants PZN, Doctor R. Crants, D. Robert Crants III, John Eakin, Jr., Ted Feldman, Jackson W. Moore, Jean-Pierre Cuny, Rusty M. Moore, Richard W. Cardin, J. Michael Quinlan, Joseph V. Russell, Michael W. Devlin, C. Ray Bell, Charles W. Thomas, Monroe J. Carell, Ned McWherter, (collectively the "PZN Defendants") and Correctional Management Services Corporation (referred to as the "Wanstrath Action");

WHEREAS Dasburg, S. A. has instituted purported class action litigation in the state courts of Tennessee, Dasburg, S.A. v. Corrections Corporation of America et al., Civ. Action No. 98-2391-III, naming as defendants Corrections Corporation of America, Doctor R. Crants, Thomas W. Beasley, Charles L. Blanchette and David L. Myers (referred to as the "Dasburg Action");

WHEREAS certain shareholders of PZN, including but not limited to Hilda Bernstein, have instituted purported class action litigation in the state courts of Tennessee, Bernstein v. Prison Realty Trust, Inc. et al., Civ. Action No. 99-3794-II, naming as defendants the PZN Defendants (except for Monroe J. Carell) as well as Blackstone Group Inc, Fortress Investment Group LLC, and Bank of America Corporation (referred to as the "Bernstein Action");

WHEREAS Robert Buchanan and Cindy Unger have instituted litigation in the state courts of Tennessee, Buchanan and Unger v. Prison Realty Trust, Inc., Civ. Action No. 00-683-II, naming as defendants PZN, Doctor R. Crants, Robert Crants III, and Darrell K. Massengale (referred to as the "Buchanan and Unger Action");

WHEREAS certain shareholders of PZN, including but not limited to Alfred C. Ivers, Michael Ashner, Douglas K. Byrne, Gunter Sachs, L. Roland and Marian N. Yates, GIM AVB, Jerome Trupp, Gary Nightengale, Harold Eugene Hames and Miriam Smith have instituted purported class action litigations in the federal courts of Tennessee, In re Prison Realty Securities Litigation, Civ. Action No. 3:99-0452, naming as defendants the PZN Defendants (except Ned McWherter) as well as Thomas W. Beasley, Samuel W. Bartholomew, Joseph F. Johnson, R. Clayton McWhorter and Sodexo Alliance S. A. (which has been dismissed from action) (referred to as the "In re PZN Action");

WHEREAS certain shareholders of PZN, including but not limited to, Robert Buchanan and Cindy Unger, have instituted purported class action litigations in the federal courts of Tennessee, In re Old CCA Securities Litigation, Civ. Action No. 3:99-0458, naming as defendants the PZN Defendants (except Jean-Pierre Cuny and Ned McWherter) as well as Vida Carroll (referred to as the "In re Old CCA Action");

WHEREAS certain shareholders of PZN, including but not limited to John Neiger, Gregory C. Carr, Robert Sarver, Barbara Carlson, Steve Carlson, Richard Fleenor and Morris R. Beschloss, have instituted purported class action litigation in the federal courts of Tennessee, Neiger v. Crants et al., Civ. Action No. 3:99-1205, naming as defendants Doctor Crants, Robert Crants and PZN (referred to as the "Neiger Action");

WHEREAS John L. Mikovits instituted litigation in the federal court of Tennessee, Mikovits v. Crants et al., Civ. Action No. 3:00-0264, naming as defendants the PZN Defendants (except Ned McWherter) as well as Thomas W. Beasley, Samuel W. Bartholomew, Joseph F. Johnson, R. Clayton McWhorter and Sodexho Alliance S. A. (referred to as the "Mikovits Action");

WHEREAS the Defendants in all of these actions (collectively referred to as the "Actions") deny any wrongdoing whatsoever and wish to settle these claims solely to eliminate the burden and expense of future litigation;

NOW, THEREFORE, the parties to the Actions and their counsel agree as follows:

1. For settlement purposes only, Defendants shall not contest the propriety of the In re PZN and In re Old CCA Actions being prosecuted as class actions.
2. In settlement and final dismissal of all claims asserted against the Defendants in the Actions, it is agreed that:

INSURANCE PROCEEDS

- a. The following amounts from the following insurance policies are a necessary condition to settlement:
 - i. Remaining limits from the .primary CCA policy (approximately \$13.25 million remaining) written by National Union
 - ii. \$5 million from the CCA excess policy written by Chubb
 - iii. \$10 million from the CCA excess policy written by Royal
 - iv. \$15 million from the PZN policy written by National Union
 - v. \$5.6 million from the reinstated PZN and OpCo policies written by National Union

PZN EQUITY COMPONENT

- b. PZN will contribute 16,550,000 shares of PZN common stock with a Stock Price Guarantee of \$4.375 per share.
- i. The "Stock Price Guarantee Period" shall mean:
- 1) With respect to distribution of Settlement Stock to plaintiff's counsel, the period from the date of the initial distribution of Settlement Stock to plaintiffs' counsel as an award of attorneys' fees and expenses until August 31, 2001.
 - 2) With respect to the distribution of Settlement Stock to Class Members, the period from the date of the initial distribution of Settlement Stock to Class Members in accordance with the claims administration process until August 31, 2001.
- ii. Stock Price Guarantee Terms. For purposes of any initial distribution referred to above:
- 1) If, for any ten (10) trading days (including five (5) consecutive trading days) out of any twenty (20) consecutive trading days subsequent to an initial distribution of Settlement Stock during the applicable Stock Price Guarantee Period, the closing price of PZN common stock (as reflected on the NYSE or, if PZN common stock ceases to be traded on the NYSE, on such other market as PZN common stock is traded at that time) averages at least \$4.375 per share, PZN's Stock Price Guarantee will have been automatically satisfied for that distribution.
 - 2) If the conditions in (1) are not satisfied with respect to an initial distribution of Settlement Stock during the applicable Stock Price Guarantee Period, then PZN shall pay to the recipients of that distribution (i.e., Class Members or plaintiffs' counsel as appropriate), within 30 days following the close of the applicable Stock Price Guarantee Period, the difference between \$4.375 per share and the larger of (a) the average closing price of PZN common stock for the twenty (20) consecutive trading days immediately following the distribution date, or (b) the average closing price for the final twenty (20) trading days of the applicable Stock Price Guarantee Period (the "Stock Price Guarantee Differential").

- iii. PZN, in its sole discretion, may elect to pay the applicable Stock Price Guarantee Differential to the recipients of that distribution in cash, common stock, or a combination of cash and common stock.
- iv. Stock splits, Stock Dividends and Reverse Stock Splits. The share price and the total number of shares to be contributed to the Settlement Fund will be adjusted to reflect any changes due to stock splits, including those effectuated as stock dividends and reverse stock splits.
- v. Costs. All costs, including those of PZN's transfer agent, incurred in issuing and distributing any Settlement Stock to the recipients shall be borne by PZN.
- vi. Rights With Respect to the Settlement Stock. In order that the Settlement Fund may be distributed to and be fully and freely traded by the recipients without any restrictions, ten (10) days before the hearing date for final approval of the settlement, PZN shall provide Plaintiffs' Co-Lead counsel with the written opinion of outside counsel substantially to the effect: (a) that the Settlement Stock will be issued in compliance with the registration requirements of ss.5 of the Securities Act of 1933 (the "Act") or will be issued in reliance upon an exemption therefrom; (b) that the Settlement Stock is fully tradeable without any restriction after distribution (except that affiliates of PZN may be required to sell in accordance with Rule 144 promulgated under the Act); and (c) that such shares are otherwise fully paid, non-assessable and free from all liens and encumbrances.

ANTI-DILUTION PROVISIONS

- c. The settlement shall provide that, with respect to any capital infusion or other liquidity event which occurs at any time following the fulfillment of Defendants' obligations under the provisions of the price guarantee, but prior to December 31, 2001, the settlement classes shall receive Assessment shares as detailed below:
 - i. From the earlier of (i) August 31, 2001 or (ii) the date on which the Stock Price Guarantee is satisfied pursuant to P. 2(b)(ii)(1) above until December 31, 2001, the Company may sell equity securities, securities that are convertible at any time into one or more equity security or securities, and securities that provide for the purchase at any time of one or more equity or securities (collectively "Equity Securities") with a total purchase price of all such securities of up to \$110 million without dilution compensation to the Settlement Classes if, and only if, one or more of the following conditions is satisfied: (i) the sale of such security is made as a rights offering to all holders of the Company's common shares; (ii) the sale of such security is made at a per-common-share-equivalent price equal to or greater than the Guaranteed Price Per Share; or (iii) the Company receives

at the time of the sale of such security the signed opinion or report of a nationally-recognized investment banking firm that is independent of the Company and independent of all proposed purchasers of each such security that the price at which such security is being sold is fair to the Company and represents an arms-length negotiation.

- ii. From the earlier of (i) August 31, 2001 or (ii) the date on which the Stock Price Guarantee is satisfied pursuant to P. 2(b)(ii)(1) above until December 31, 2001, any Equity Securities sold in excess of a total purchase price of all such securities of \$110 million and any Equity Securities that are sold without meeting one or more of the above conditions shall be designated as an "Assessment Security."
- iii. With respect to the sale of any Assessment Security up to \$90 million, the Settlement Classes shall receive as dilution compensation without making payment an amount of the Assessment Security being sold with an equivalent purchase price equal to the number of Company common shares provided for pursuant to P. 2(b) above divided by the total of (I) the fully-diluted number of Company common shares as of August 1, 2000 plus (ii) the number of Company common shares provided for pursuant to P. 2(b) above. The resulting fraction shall then be multiplied by the total purchase price of the Assessment Security being sold, which product shall then be multiplied by the difference between the Guaranteed Price Per Share and the per-common-share-equivalent price of the Assessment Security being sold, which product will be divided by the Guaranteed Price Per Share.
- iv. With respect to the sale of any Assessment Security above \$90 million, the Settlement Classes shall receive as dilution compensation without making payment an amount of the Assessment Security being sold with an equivalent purchase price equal to the number of Company common shares provided for pursuant to P. 2(b) above divided by the total of (i) the fully-diluted number of Company common shares as of August 1, 2000 plus (ii) the number of Company common shares provided for pursuant to P. 2(b) above. The resulting fraction shall then be multiplied by the total purchase price of the Assessment Security being sold (in excess of \$90 million), which product shall then be multiplied by the difference between the Guaranteed Price Per Share and the per-common-share-equivalent price of the Assessment Security being sold, which product will be divided by the per-common-share-equivalent price of the Assessment Security.

PAYMENTS TO CERTAIN THIRD PARTIES AND INSIDERS

- d. PZN will reduce by \$7.5 million the proposed termination fee/expense payments to Blackstone, Fortress, BancAmerica Group and/or their affiliates or successors

(collectively "Blackstone"). To the extent any payment is made to Blackstone beyond \$15.7 million, PZN will pay a penalty to the Settlement Classes equal to 50% of any such amount paid to Blackstone beyond the \$15.7 million.

- e. Payments to Sodexho Alliance S.A. and/or its affiliates or successors (collectively "Sodexho") for its interests in OpCo shall be limited to the \$3.38 million in PZN common stock to be paid to Sodexho in connection with the proposed merger between PZN and OpCo. To the extent that PZN makes any payment to Sodexho in excess of \$4.5 million, PZN will pay a penalty to the Settlement Classes equal to 50% of any amount paid to Sodexho beyond the \$4.5 million;
- f. All payments to Sodexho, Baron and holders of JJFMSI, PMSI and OpCo equity will be paid in PZN common stock rather than cash. All payments to Blackstone will be made in PZN common stock or through a transfer of assets, rather than cash. The parties agree to develop in good faith some mechanism where the value of any assets transferred to Blackstone shall be agreed to by the financial advisors of the parties. If any cash consideration, other than the severance arrangements described in PZN's Proxy, is paid to any PZN insider and/or affiliate in connection with and/or as part of the proposed transactions or other liquidity event, an amount equal to 50% of such payments shall be immediately paid to the settlement classes.
- g. Except for certain severance arrangements described in PZN's Proxy, no payments of any kind shall be made to any PZN/OpCo insider or affiliate as part of any merger or liquidity event other than for their ratable interest in OpCo, JJFMSI or PMSI as described above.

CORPORATE GOVERNANCE ISSUES

- h. There shall be a 24-month prohibition on repricing of PZN stock options to any former or current (as of the date of the final approval of the Settlement) (i) officer holding the title of V.P. or higher or (ii) director, without shareholder approval.
- i. Each committee of the PZN Board shall have as a majority, board members who were not directors or officers of PZN or its affiliates as of December 1, 1999.
- j. PZN agrees to eliminate the "Other Constituencies" portion of Article VIII of the Prison Realty Trust, Inc. Articles of Amendment and Restatement which provides:

In considering the effect of a potential acquisition of control of the Corporation, the Board of Directors of the Corporation may, but shall not be required to, consider the effect of the potential acquisition of control on: (i) stockholders, employees, suppliers, customers and creditors of the Corporation; and (ii) communities in

which offices or other establishments of the Corporation are located.

ADMINISTRATIVE PROVISIONS

- k. The settlement shall include an attorneys' fee quick pay provision that provides for immediate payment of attorneys' fees upon the issuance of an order approving the settlement and the posting of security satisfactory to the insurance carriers. The settlement shall also provide that Counsel can receive their proportionate share of PZN securities immediately upon final approval of the settlement.
 - l. Defendants agree that the termination of the Blackstone transaction was in material part due to the prosecution of the transactional cases (i.e., the Bernstein Action and the Wanstrath Action).
 - m. Notice costs are to be advanced from the settlement fund, without recourse.
 - n. The insurance proceeds noted above shall be deposited into an interest bearing escrow account no later than October 6, 2000, 10:00 a.m. (Eastern Standard Time).
3. The parties shall draft and execute an appropriate Stipulations of Settlement (the "Stipulations") and such other documentation as may be required to obtain final court approval of the settlement and the final dismissal of the Actions with prejudice and without costs to any party. The parties will jointly present the Stipulations to the appropriate courts as soon as practicable and shall use their best efforts to obtain final judicial approval of the settlements and the final dismissal with prejudice and the release of all claims which were or could have been asserted in the Actions, including such claims that could have arisen during time periods not covered by the complaints in the Actions. The Stipulations will expressly provide that the Defendants have denied and continue to deny, that they have committed any violations of law, or any breaches of their fiduciary obligations.
 4. The Stipulations shall provide for releases of all counsel and shall confirm that they have complied with Rule 11 of the Federal Rules of Civil Procedure in the conduct of the Actions.
 5. If the settlement is not approved, the existence of the Memorandum of Understanding or the Stipulation shall not be deemed to prejudice in any way the positions of the parties with respect to the Actions. As stated above, the parties intend to enter into a formal settlement agreement embodying the terms hereof and shall act in good faith promptly to execute such document. It is expressly understood that this Memorandum of Understanding is non-binding and is subject to the execution of such a final Stipulation. The parties shall cooperate in good faith and use their best efforts to implement the

settlement and promptly to seek final approval of the settlement pursuant to the appropriate rules of procedure, including the execution of such further documents as are reasonably necessary to implement the provisions hereof.

- 6. Upon execution of this Memorandum of Understanding, the parties agree to a standstill of all litigation for thirty (30) days while the Stipulation and accompanying documents are drafted and shall cooperate in good faith to obtain whatever orders or extensions are required to effectuate such standstill from the appropriate courts. If after the expiration of thirty (30) days, the Stipulation has not been executed, any party may, by ten (10) days written notice, withdraw from this Memorandum of Understanding. In such event, the existence of the Memorandum of Understanding shall not be deemed to prejudice in any way the positions of the parties with respect to the Actions.
- 7. This Memorandum of Understanding may be executed in counterpart by any of the signatories hereto, and as so executed shall constitute one agreement.

FOR DEFENDANTS:

Dated: August 23, 2000

SIMPSON THACHER & BARTLETT

By: /s/ Bruce D. Angiolillo

Bruce D. Angiolillo

425 Lexington Avenue
New York, New York 10017

Attorneys for All Defendants Except
Jean-Pierre Cuny, Blackstone Group Inc.,
Fortress Investment Group LLC, and Bank of
America Corporation

Dated: August 23, 2000

ROPES & GRAY

By: /s/ John Montgomery

John Montgomery

One International Place
Boston, MA 02110

Attorneys for Defendant Jean-Pierre Cuny

FOR PLAINTIFFS:

Dated: August 23, 2000

MILBERG WEISS BERSHAD HYNES & LERACH, LLP

By: /s/ Darren Robbins

Darren Robbins

600 West Broadway, Suite 1800
San Diego, CA 92101

Attorneys for Plaintiffs in the In re PZN
Action

Dated: August 23, 2000

GIRARD & GREEN, LLP

By: /s/ Robert A. Jigarjian

Robert A. Jigarjian

160 Sansome Street, Suite 300
San Francisco, CA 94104

Attorneys for Plaintiffs in the In re PZN
Action

Dated: August 23, 2000

BERMAN, DEVALERIO & PEASE

By: /s/ Glen DeValerio

Glen DeValerio

One Liberty Square
Boston, MA 02109

Attorneys for Plaintiffs in the In re Old
CCA Action and the Buchanan and Unger Action

Dated: August 23, 2000

SCHIFFRIN & BARROWAY, LLP

By: /s/ Richard Schiffrin

Richard Schiffrin

Three Bala Plaza East, Suite 400
Bala Cynwyd, PA 19004

Attorneys for Plaintiffs in the Wanstrath
Action

Dated: August 23, 2000

LAW OFFICES OF STEVEN E. CAULEY, P.A.

By: /s/ Steven E. Cauley

Steven E. Cauley

Suite 218, Cypress Plaza
2200 Rodney Parham Rd.
Little Rock, Arkansas 722212

Attorneys for Plaintiffs in the Neiger
Action and the Dasburg Action

Dated: August 23, 2000

SHEPHERD & GELLER

By: /s/ Paul J. Geller

Paul J. Geller

7200 W. Camino
Boca Raton, Florida 33433

Attorneys for Plaintiffs in the Bernstein
Action

Dated: August 23, 2000

STANLEY, MANDEL & IOLA, L.L.P.

By: /s/ Marc R. Stanley

Marc R. Stanley

3100 Monticello Avenue, Suite 750
Dallas, Texas 75205

Attorneys for Plaintiffs in the Mikovits
Action

Contact: Alex Singal (615) 263-3005

PRISON REALTY TRUST ENTERS INTO MEMORANDUM OF UNDERSTANDING
WITH RESPECT TO OUTSTANDING STOCKHOLDER LITIGATION

NASHVILLE, Tenn. - (August 24, 2000) - Prison Realty Trust, Inc. (NYSE: PZN) announced today that it has entered into a memorandum of understanding regarding the settlement of all outstanding stockholder litigation against Prison Realty and certain of its existing and former directors and executive officers. The memorandum of understanding, which is subject to the execution of a definitive stipulation of settlement by the parties, subsequent court approval and other customary conditions, provides for the "global" settlement of a series of purported class action and derivative lawsuits brought against Prison Realty by current and former stockholders of the company and its predecessors, the old Corrections Corporation of America and CCA Prison Realty Trust. These lawsuits were brought as the result of, among other things, agreements entered into by Prison Realty and its primary tenant, Corrections Corporation of America ("CCA"), in May 1999 to increase payments made by Prison Realty to CCA under the terms of certain agreements and previously announced transactions relating to the restructuring of Prison Realty and CCA led by the Fortress/Blackstone investment group and Pacific Life Insurance Company.

"We are very pleased with the outcome of the negotiations with the plaintiffs in this matter," said William F. Andrews, chairman of the board of Prison Realty. "We believe the proposed settlement is in the best interest of Prison Realty and its stockholders, as it frees Prison Realty from the burden of significant litigation and allows the company to refocus its attention on its business and restoring its credibility. Additionally, any significant judgment against the company resulting from this litigation or a settlement for cash to be paid by the company would have resulted in a default under the terms of our credit facility."

The memorandum of understanding provides that Prison Realty will pay or issue the plaintiffs:

- approximately \$48 million in cash payable solely from the proceeds under Prison Realty's and CCA's insurance policies; and
- approximately \$72.4 million in shares of Prison Realty common stock (or 16,550,000 shares at an agreed value of \$4.375 per share).

The shares of common stock to be issued by Prison Realty in accordance with the agreement will be subject to a stock price guarantee of \$4.375 per share, which will require Prison Realty to pay or issue, at its option, cash or additional shares of common stock to the plaintiffs if the trading price of Prison Realty common stock does not reach \$4.375 per share for a specified number of trading days during the period from the completion of the settlement through August 31, 2001. In addition, shares issued in the settlement are subject to certain anti-dilution adjustments if Prison Realty undertakes certain transactions (generally, raising equity capital in excess of \$110.0 million at less than the stock price guarantee) during the period from August 31, 2001 through December 31, 2001.

In addition to the payments of amounts specified above, Prison Realty and the plaintiffs have agreed to certain other matters in connection with the memorandum of understanding, including:

- restrictions on the form and amount of payments that may be made by Prison Realty to certain affiliates of Prison Realty and CCA and certain third parties in connection with the proposed restructuring of the companies;
- restrictions on Prison Realty's ability to reprice stock options previously issued to directors or executive officers of the company for a period of 24 months; and
- the requirement that each committee of the Prison Realty board of directors consist of a majority of directors which were not directors of Prison Realty or its affiliates as of December 1, 1999.

Prison Realty expects to file a Current Report on Form 8-K with the U.S. Securities and Exchange Commission with respect to the settlement of the stockholder litigation which will include the full text of the memorandum of understanding among the parties.

ABOUT THE COMPANIES

Prison Realty's business is the development and ownership of correctional and detention facilities. Headquartered in Nashville, Tennessee, Prison Realty provides financing, design, construction and renovation of new and existing jails and prisons that it leases to both private and governmental managers. Prison Realty currently owns or is in the process of developing 50 correctional and detention facilities in 17 states, the District of Columbia, and the United Kingdom.

The companies operating under the "Corrections Corporation of America" name provide detention and corrections services to governmental agencies. The companies are the industry leader in private sector corrections with approximately 70,000 beds in 77 facilities under contract or under development in the United States, Puerto Rico, Australia, and the United Kingdom. The companies' full range of services includes design, construction, renovation and management of new or existing jails and prisons, as well as long distance inmate transportation services.

Prison Realty has previously announced a proposed restructuring, pursuant to which, among other things, Prison Realty will merge with CCA and elect to be taxed as a subchapter C corporation commencing with its 2000 taxable year. Prison Realty is seeking stockholder approval of the restructuring at a Special Meeting scheduled for September 12, 2000. Pending stockholder approval, the companies intend to complete the restructuring on or before September 15, 2000. Prison Realty has filed definitive proxy materials with respect to the restructuring with the U.S. Securities and Exchange Commission and has commenced delivery of such materials to its stockholders. Stockholders are urged to read these materials carefully as they include important information with respect to the companies and the proposed restructuring.

FORWARD-LOOKING STATEMENTS

This press release contains statements that are forward-looking statements as defined within the Private Securities Litigation Reform Act of 1995. These include statements regarding changes related to Prison Realty's operation so as to be taxed as a subchapter C corporation rather than as a REIT commencing with its 2000 taxable year, merger plans between Prison Realty and CCA, and the integration of Prison Realty's and CCA's operations and businesses. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. Other factors that could cause operating and financial results to differ are described in Prison Realty's filings with the U.S. Securities and Exchange Commission. Other risks may be detailed from time to time in reports to be filed with the Commission. Prison Realty does not undertake any obligation to publicly release the result of any revisions to forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.