UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED: JUNE 30, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 001-16109

CORRECTIONS CORPORATION OF AMERICA

(Exact name of registrant as specified in its charter)

MARYLAND (State or other jurisdiction of incorporation or organization)	**62-1763875** (I.R.S. Employer Identification Number)
10 BURTON HILLS BLVD., NASHVILLE, TENNESSEE (Address of principal executive offices)	**37215** (Zip Code)

(615) 263-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

Indicate the number of shares outstanding of each class of common stock as of August 1, 2003:

35,021,877 shares of Common Stock, $0.01 par value per share.

CORRECTIONS CORPORATION OF AMERICA

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

INDEX

PART I — FINANCIAL INFORMATION

ITEM 1. — FINANCIAL STATEMENTS.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	June 30, 2003	December 31, 2002
ASSETS		
Cash and cash equivalents	**$ 70,464**	$ 65,406
Restricted cash	**13,186**	7,363
Accounts receivable, net of allowance of $1,310 and $1,344, respectively	**132,753**	119,197
Income tax receivable	**60**	32,499
Prepaid expenses and other current assets	**9,206**	12,299
Current assets of discontinued operations	**1,158**	17,583
Total current assets	**226,827**	254,347
Property and equipment, net	**1,584,825**	1,551,781
Investment in direct financing lease	**18,057**	18,346
Goodwill	**20,294**	20,902
Other assets	**32,636**	28,211
Non-current assets of discontinued operations	**—**	484
Total assets	**$1,882,639**	$1,874,071
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	**$ 131,730**	$ 151,516
Income tax payable	**3,547**	3,685
Distributions payable	**150**	5,330
Current portion of long-term debt	**5,377**	23,054
Current liabilities of discontinued operations	**1,670**	2,381
Total current liabilities	**142,474**	185,966
Long-term debt, net of current portion	**1,043,780**	932,905
Other liabilities	**22,075**	21,202
Total liabilities	**1,208,329**	1,140,073
Commitments and contingencies		
Preferred stock — $0.01 par value; 50,000 shares authorized:		
Series A — 300 and 4,300 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively; stated at liquidation preference of $25.00 per share	**7,500**	107,500
Series B — 938 and 4,408 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively; stated at liquidation preference of $24.46 per share	**22,933**	107,831
Common stock — $0.01 par value; 80,000 shares authorized; 35,016 and 27,986 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively	**350**	280
Additional paid-in capital	**1,439,347**	1,343,066
Deferred compensation	**(2,323)**	(1,604)
Retained deficit	**(792,549)**	(822,111)
Accumulated other comprehensive loss	**(948)**	(964)
Total stockholders' equity	**674,310**	733,998
Total liabilities and stockholders' equity	**$1,882,639**	$1,874,071

The accompanying notes are an integral part of these condensed consolidated financial statements.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
REVENUE:				
Management and other	**$253,213**	$230,907	**$502,594**	$454,387
Rental	**929**	950	**1,852**	1,897
	254,142	231,857	**504,446**	456,284
EXPENSES:				
Operating	**190,294**	178,646	**375,801**	353,990
General and administrative	**10,010**	8,344	**19,547**	15,535
Depreciation and amortization	**13,036**	12,479	**25,949**	24,625
	213,340	199,469	**421,297**	394,150
OPERATING INCOME	**40,802**	32,388	**83,149**	62,134
OTHER (INCOME) EXPENSE:				
Equity in (earnings) loss of joint venture	**(46)**	90	**44**	(27)
Interest expense, net	**19,659**	22,532	**37,381**	51,418
Costs associated with debt refinancing and recapitalization transactions	**4,135**	36,670	**4,135**	36,670
Change in fair value of derivative instruments	**(2,900)**	(51)	**(2,900)**	(3,462)
(Gain) loss on disposal of assets	**1**	54	**(15)**	51
Unrealized foreign currency transaction gain	**(277)**	(422)	**(150)**	(327)
	20,572	58,873	**38,495**	84,323
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	**20,230**	(26,485)	**44,654**	(22,189)
Income tax benefit	**—**	119	**170**	32,888
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	**20,230**	(26,366)	**44,824**	10,699
Income (loss) from discontinued operations, net of taxes	**—**	176	**(1,692)**	2,135
Cumulative effect of accounting change	**—**	—	**—**	(80,276)
NET INCOME (LOSS)	**20,230**	(26,190)	**43,132**	(67,442)
Distributions to preferred stockholders	**(8,090)**	(5,205)	**(13,570)**	(10,282)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	**$ 12,140**	$ (31,395)	**$ 29,562**	$ (77,724)
BASIC EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations before cumulative effect of accounting change	**$ 0.38**	$ (1.15)	**$ 1.05**	$ 0.01
Income (loss) from discontinued operations, net of taxes	**—**	0.01	**(0.06)**	0.08
Cumulative effect of accounting change	**—**	—	**—**	(2.90)
Net income (loss) available to common stockholders	**$ 0.38**	$ (1.14)	**$ 0.99**	$ (2.81)
DILUTED EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations before cumulative effect of accounting change	**$ 0.34**	$ (1.15)	**$ 0.94**	$ 0.01
Income (loss) from discontinued operations, net of taxes	**—**	0.01	**(0.05)**	0.08
Cumulative effect of accounting change	**—**	—	**—**	(2.78)
Net income (loss) available to common stockholders	**$ 0.34**	$ (1.14)	**$ 0.89**	$ (2.69)

The accompanying notes are an integral part of these condensed consolidated financial statements.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED AND AMOUNTS IN THOUSANDS)

	For the Six Months Ended June 30, 2003	For the Six Months Ended June 30, 2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	**$ 43,132**	$ (67,442)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	**27,023**	27,257
Amortization of debt issuance costs and other non-cash interest	**3,618**	9,123
Costs associated with debt refinancing and recapitalization transactions	**4,135**	36,670
Cumulative effect of accounting change	**—**	80,276
Deferred and other non-cash income taxes	**—**	(964)
Equity in (earnings) loss of joint venture	**44**	(27)
Gain on disposal of assets	**(10)**	(40)
Change in fair value of derivative instruments	**(2,900)**	(3,462)
Unrealized foreign currency transaction gain	**(150)**	(327)
Other non-cash items	**1,343**	1,333
Changes in assets and liabilities, net:		
Accounts receivable, prepaid expenses and other assets	**5,473**	5,866
Income tax receivable	**32,439**	—
Accounts payable, accrued expenses and other liabilities	**(13,627)**	(6,329)
Income tax payable	**(138)**	(3,339)
Net cash provided by operating activities	**100,382**	78,595
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for acquisitions and development	**(47,912)**	(111)
Expenditures for other capital improvements	**(12,920)**	(6,694)
Increase in restricted cash	**(5,823)**	(137)
Proceeds from sale of assets	**21**	4,563
Increase in other assets	**(336)**	(1,502)
Payments received on direct financing lease and notes receivable receivable	**701**	292
Net cash used in investing activities	**(66,269)**	(3,589)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	**280,000**	890,000
Scheduled principal payments	**(6,617)**	(7,387)
Other principal payments	**(140,185)**	(878,938)
Payment of debt issuance and other refinancing and related costs	**(10,824)**	(34,956)
Proceeds from issuance of common stock	**124,800**	—
Stock issuance costs	**(7,787)**	(21)
Proceeds from exercise of stock options and warrants	**829**	149
Purchase and retirement of common stock	**(65,622)**	—
Purchase and redemption of preferred stock	**(191,984)**	(354)
Payment of dividends	**(11,665)**	(15,174)
Payment to terminate interest rate swap agreement	—	(8,847)
Net cash used in financing activities	**(29,055)**	(55,528)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,058**	19,478
CASH AND CASH EQUIVALENTS, beginning of period	**65,406**	46,307
CASH AND CASH EQUIVALENTS, end of period	**$ 70,464**	$ 65,785
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	**$ 45,703**	$ 39,074
Income taxes	**$ 1,501**	$ 4,110

The accompanying notes are an integral part of these condensed consolidated financial statements.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2003
(UNAUDITED AND AMOUNTS IN THOUSANDS)

	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Additional Paid-in Capital	Deferred Compensation	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2002	$ 107,500	$107,831	$ 280	$1,343,066	$ (1,604)	$(822,111)	$ (964)	$ 733,998
Comprehensive income:								
Net income	—	—	—	—	—	43,132	—	43,132
Change in fair value of interest rate cap	—	—	—	—	—	—	16	16
Total comprehensive income	—	—	—	—	—	43,132	16	43,148
Distributions to preferred stockholders	—	7,086	—	—	—	(13,570)	—	(6,484)
Issuance of common stock, net	—	—	64	116,965	—	—	—	117,029
Retirement of series B preferred stock	—	(347)	—	—	—	—	—	(347)
Redemption of preferred stock	(100,000)	(91,637)	—	—	—	—	—	(191,637)
Conversion of subordinated notes	—	—	34	39,512	—	—	—	39,546
Repurchase of common stock	—	—	(34)	(65,588)	—	—	—	(65,622)
Warrants exercised	—	—	1	—	—	—	—	1
State stockholder litigation settlement	—	—	3	3,051	—	—	—	3,054
Amortization of deferred compensation, net of forfeitures	—	—	—	(17)	813	—	—	796
Restricted stock grant	—	—	1	1,531	(1,532)	—	—	—
Stock options exercised	—	—	1	827	—	—	—	828
Balance as of June 30, 2003	**$ 7,500**	**$ 22,933**	**$ 350**	**$1,439,347**	**$ (2,323)**	**$(792,549)**	**$ (948)**	**$ 674,310**

The accompanying notes are an integral part of these condensed consolidated financial statements.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2002
(UNAUDITED AND AMOUNTS IN THOUSANDS)

	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Additional Paid-in Capital	Deferred Compensation	Retained Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2001	$107,500	$ 96,566	$ 279	$1,341,958	$ (3,153)	$(793,236)	$(242)	$ (2,511)	$747,161
Comprehensive income (loss):									
Net loss	—	—	—	—	—	(67,442)	—	—	(67,442)
Change in fair value of interest rate cap	—	—	—	—	—	—	—	(449)	(449)
Amortization of transition adjustment	—	—	—	—	—	—	—	1,255	1,255
Total comprehensive income (loss)	—	—	—	—	—	(67,442)	—	806	(66,636)
Distributions to preferred stockholders	—	5,756	—	—	—	(10,282)	—	—	(4,526)
Conversion of subordinated notes	—	—	1	1,113	—	—	—	—	1,114
Amortization of deferred compensation, net of forfeitures	—	(167)	—	(124)	977	—	—	—	686
Stock issuance costs	—	—	—	(21)	—	—	—	—	(21)
Stock options exercised	—	—	—	149	—	—	—	—	149
Retirement of treasury stock	—	—	—	(242)	—	—	242	—	—
Retirement of series B preferred stock	—	(402)	—	48	—	—	—	—	(354)
Balance as of June 30, 2002	$107,500	$101,753	$ 280	$1,342,881	$ (2,176)	$(870,960)	$ —	$ (1,705)	$677,573

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003

1. ORGANIZATION AND OPERATIONS

As of June 30, 2003, Corrections Corporation of America, a Maryland corporation (together with its subsidiaries, the “Company”), owned 41 correctional, detention and juvenile facilities, three of which are leased to other operators, and one additional facility which is not yet in operation. As of June 30, 2003, the Company operated 59 facilities with a total design capacity of approximately 59,000 beds in 20 states and the District of Columbia.

The Company specializes in owning, operating and managing prisons and other correctional facilities and providing inmate residential and prisoner transportation services for governmental agencies. In addition to providing the fundamental residential services relating to inmates, the Company’s facilities offer a variety of rehabilitation and educational programs, including basic education, religious services, life skills and employment training and substance abuse treatment. These services are intended to reduce recidivism and to prepare inmates for their successful re-entry into society upon their release. The Company also provides health care (including medical, dental and psychiatric services), food services and work and recreational programs.

The Company’s website address is www.correctionscorp.com. Please note that the Company’s address is provided as an inactive textual reference only. The Company makes its Form 10-K, Form 10-Q, Form 8-K, and Section 16 reports under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), available on its website, free of charge, as soon as reasonably practicable after these reports are filed with or furnished to the Securities and Exchange Commission (the “SEC”).

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim condensed consolidated financial statements have been prepared by the Company without audit and, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of results for the unaudited interim periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The results of operations for the interim period are not necessarily indicative of the results to be obtained for the full fiscal year. Reference is made to the audited financial statements of the Company included in its Annual Report on Form 10-K as of and for the year ended December 31, 2002 (the “2002 Form 10-K”) and in the Company’s Current Report on Form 8-K filed with the SEC on July 24, 2003 (the “July 2003 Form 8-K”) with respect to certain significant accounting and financial reporting policies as well as other pertinent information of the Company.

3. CUMULATIVE EFFECT OF ACCOUNTING CHANGE

Effective January 1, 2002 the Company adopted Statement of Financial Accounting Standards

No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”), which established new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS 142, all goodwill amortization ceased effective January 1, 2002 and goodwill attributable to each of the Company’s reporting units was tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value was determined using a collaboration of various common valuation techniques, including market multiples, discounted cash flows, and replacement cost methods. These impairment tests are required to be performed at adoption of SFAS 142 and at least annually thereafter. On an ongoing basis (absent any impairment indicators), the Company expects to perform its impairment tests during the fourth quarter, in connection with the annual budgeting process.

Based on the Company’s initial impairment tests, the Company recognized an impairment of $80.3 million to write-off the carrying value of goodwill associated with the Company’s locations included in the owned and managed reporting segment during the first quarter of 2002. This goodwill was established in connection with the acquisition of Correctional Management Services Corporation, a privately-held operating company subsequently also known as Corrections Corporation of America (“Operating Company”). The remaining goodwill, which is associated with the facilities the Company manages but does not own, was deemed to be not impaired. This remaining goodwill was established in connection with the acquisitions of Prison Management Services, Inc. (“PMSI”) and Juvenile and Jail Facility Management Services, Inc. (“JJFMSI”), both of which were privately held service companies that managed certain government-owned adult and juvenile prison and jail facilities. The implied fair value of goodwill of the locations included in the owned and managed reporting segment did not support the carrying value of any goodwill, primarily due to its highly leveraged capital structure. No impairment of goodwill allocated to the locations included in the managed-only reporting segment was deemed necessary, primarily because of the relatively minimal capital expenditure requirements, and therefore indebtedness, in connection with obtaining such management contracts. Under SFAS 142, the impairment recognized at adoption of the new rules was reflected as a cumulative effect of accounting change in the Company’s statement of operations for the first quarter of 2002. Impairment adjustments recognized after adoption, if any, are required to be recognized as operating expenses.

As a result of the expiration, during the first quarter of 2003, of the Company’s contracts to manage the Okeechobee Juvenile Offender Correctional Center and the Lawrenceville Correctional Center, as further described in Note 7, the Company recognized goodwill impairment charges of $268,000 and $340,000, respectively. These charges are included in loss from discontinued operations, net of taxes, in the accompanying statement of operations for the six months ended June 30, 2003.

In connection with the adoption of SFAS 142, the Company also reassessed the useful lives and the classification of its identifiable intangible assets and liabilities and determined that they continue to be appropriate. The components of the Company’s amortized intangible assets and liabilities are as follows (in thousands):

	June 30, 2003		December 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Contract acquisition costs	**$ 873**	**$ (803)**	$ 1,149	$ (1,020)
Customer list	**561**	**—**	561	—
Contract values established in connection with certain business combinations	**(35,688)**	**14,626**	(38,049)	16,281
Total	**$(34,254)**	**$13,823**	$(36,339)	$15,261

Contract acquisition costs and the customer list are included in other non-current assets, and contract values are included in other non-current liabilities in the accompanying balance sheets. Amortization income, net of amortization expense, for intangible assets and liabilities during the three months ended June 30, 2003 and 2002 was $1.0 million and $0.7 million, respectively, while amortization income, net of amortization expense, for intangible assets and liabilities during the six months ended June 30, 2003 and 2002 was $1.9 million and $1.3 million, respectively. Estimated amortization income, net of amortization expense, for the remainder of 2003 and the five succeeding fiscal years is as follows (in thousands):

2003 (remainder)	$(1,796)
2004	(3,494)
2005	(4,332)
2006	(4,661)
2007	(4,661)
2008	(4,661)

4. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2002, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections” (“SFAS 145”). SFAS 145 rescinds Statement of Financial Accounting Standards No. 4, “Reporting Gains and Losses from Extinguishment of Debt” (“SFAS 4”), which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. As a result, the criteria in Accounting Principles Board (“APB”) Opinion No. 30, “Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions” (“APB 30”) will now be used to classify those gains and losses. The provisions of SFAS 145 are effective for financial statements issued for fiscal years beginning after May 15, 2002, and interim periods within those fiscal years.

As further described in Note 8, during the second quarter of 2002, prior to the required adoption of SFAS 145, the Company reported an extraordinary charge of approximately $36.7 million associated with the refinancing of the Company’s senior debt in May 2002. Under SFAS 145, any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods that does not meet the criteria in APB 30 for classification as an extraordinary item shall be reclassified. The Company adopted SFAS 145 on January 1, 2003. Accordingly, the extraordinary charge reported in the second quarter of 2002 was reclassified to a component of income (loss) from continuing operations in the accompanying statements of operations for the three and six months ended June 30, 2002.

In January 2003, the FASB issued Interpretation No. 46, “Consolidation of Variable Interest Entities” (“FIN 46”), which requires the consolidation of variable interest entities as defined in the Interpretation. FIN 46 requires an assessment of equity investments to determine if they are variable interest entities. Variable interest entities created prior to February 1, 2003, must be consolidated effective July 1, 2003. Disclosures are required currently if the Company expects to consolidate any variable interest entities. The Company is currently evaluating the requirements to consolidate any additional material entities as a result of FIN 46.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, “Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities” (“SFAS 149”). SFAS 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003, and should be applied prospectively. The provisions of SFAS 149 that relate to SFAS 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003 should continue to be applied in accordance with their respective effective dates. The Company does not expect the adoption of SFAS 149 to have a material impact on its financial statements.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity” (“SFAS 150”). This Statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. Instruments that are indexed to and potentially settled in an issuer’s own shares that are not within the scope of SFAS 150 remain subject to existing guidance. SFAS 150 is effective for all freestanding financial instruments of public companies entered into or modified after May 31, 2003. Otherwise SFAS 150 will become effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not expect the adoption of SFAS 150 to have a material impact on its financial statements.

5. ACCOUNTING FOR STOCK-BASED COMPENSATION

On December 31, 2002, the FASB issued Statement of Financial Accounting Standards No. 148, “Accounting for Stock-Based Compensation — Transition and Disclosure” (“SFAS 148”). SFAS 148 amends Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”), to provide alternative methods of transition to SFAS 123’s fair value method of accounting for stock-based employee compensation. SFAS 148 also amends the disclosure provisions of SFAS 123 and APB Opinion No. 28, “Interim Financial Reporting” to require disclosure of the effects of an entity’s accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. While SFAS 148 does not amend SFAS 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of SFAS 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for the compensation using the fair value method of SFAS 123 or the intrinsic value method of APB Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”).

At June 30, 2003, the Company had equity incentive plans, which are described more fully in the 2002 Form 10-K (and the information incorporated therein by reference) and the July 2003 Form 8-K. The Company accounts for those plans under the recognition and measurement principles of APB 25. No employee compensation cost for the Company's stock options is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income (loss) and earnings (loss) per share for the three and six months ended June 30, 2003 and 2002 as if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
	(in thousands, except per share data)		(in thousands, except per share data)	
As Reported:				
Income (loss) from continuing operations before cumulative effect of accounting change and after preferred stock distributions	**$12,140**	$(31,571)	**$31,254**	$ 417
Income (loss) from discontinued operations, net of taxes	**—**	176	**(1,692)**	2,135
Cumulative effect of accounting change	**—**	—	**—**	(80,276)
Net income (loss) available to common stockholders	**$12,140**	$(31,395)	**$29,562**	$(77,724)
Pro Forma:				
Income (loss) from continuing operations before cumulative effect of accounting change and after preferred stock distributions	**$10,168**	$(33,036)	**$27,816**	$ (2,144)
Income (loss) from discontinued operations, net of taxes	**—**	176	**(1,692)**	2,135
Cumulative effect of accounting change	**—**	—	**—**	(80,276)
Net income (loss) available to common stockholders	**$10,168**	$(32,860)	**$26,124**	$(80,285)
As Reported:				
Basic earnings (loss) per share:				
Income (loss) from continuing operations before cumulative effect of accounting change	**$ 0.38**	$ (1.15)	**$ 1.05**	$ 0.01
Income (loss) from discontinued operations, net of taxes	**—**	0.01	**(0.06)**	0.08
Cumulative effect of accounting change	**—**	—	**—**	(2.90)
Net income (loss) available to common stockholders	**$ 0.38**	$ (1.14)	**$ 0.99**	$ (2.81)
As Reported:				
Diluted earnings (loss) per share:				
Income (loss) from continuing operations before cumulative effect of accounting change	**$ 0.34**	$ (1.15)	**$ 0.94**	$ 0.01
Income (loss) from discontinued operations, net of taxes	**—**	0.01	**(0.05)**	0.08
Cumulative effect of accounting change	**—**	—	**—**	(2.78)
Net income (loss) available to common stockholders	**$ 0.34**	$ (1.14)	**$ 0.89**	$ (2.69)
Pro Forma:				
Basic earnings (loss) per share:				
Income (loss) from continuing operations before cumulative effect of accounting change	**$ 0.32**	$ (1.20)	**$ 0.94**	$ (0.08)
Income (loss) from discontinued operations, net of taxes	**—**	0.01	**(0.06)**	0.08
Cumulative effect of accounting change	**—**	—	**—**	(2.90)
Net income (loss) available to common stockholders	**$ 0.32**	$ (1.19)	**$ 0.88**	$ (2.90)
Pro Forma:				
Diluted earnings (loss) per share:				
Income (loss) from continuing operations before cumulative effect of accounting change	**$ 0.29**	$ (1.20)	**$ 0.84**	$ (0.08)
Income (loss) from discontinued operations, net of taxes	**—**	0.01	**(0.05)**	0.08
Cumulative effect of accounting change	**—**	—	**—**	(2.90)
Net income (loss) available to common stockholders	**$ 0.29**	$ (1.19)	**$ 0.79**	$ (2.90)

The effect of applying SFAS 123 for disclosing compensation costs under such pronouncement may not be representative of the effects on reported net income (loss) available to common stockholders for future years.

During the first quarter of 2003, the Company issued 91,500 shares of restricted common stock, which were valued at $1.5 million on the date of the award. The restricted shares of common stock were granted to certain of the Company's wardens. The shares vest all at one time in February 2006. During the three and six months ended June 30, 2003, the Company expensed $0.1 million and $0.2 million, respectively, relating to the restricted common stock.

6. FACILITY OPERATIONS

On January 17, 2003, the Company purchased the Crowley County Correctional Facility, a 1,200-bed medium security adult male prison facility located in Olney Springs, Crowley County, Colorado, for a purchase price of approximately $47.5 million. The facility currently houses inmates from the States of Colorado and Wyoming. As part of the transaction, the Company also assumed a management contract with the State of Colorado and entered into a new contract with the State of Wyoming, and took over management of the facility effective January 18, 2003. The Company financed the purchase price through $30.0 million in borrowings under its New Senior Bank Credit Facility, as defined in Note 8, pursuant to an expansion of the Term Loan B Facility, as also defined in Note 8, with the balance of the purchase price satisfied with cash on hand.

In June 2003, the Company secured a management contract with the State of Alabama to house up to 1,440 medium security inmates in its Tallahatchie County Correctional Facility, located in Tutwiler, Mississippi. The facility began receiving inmates in July 2003. The contract is intended to be short-term in nature while Alabama prepares a longer term Request for Proposal for this inmate population. Given the expected short-term nature of the contract, the Company does not expect the contract to have a material impact on its financial statements. Prior to receiving inmates from the State of Alabama, the Tallahatchie County Correctional Facility was substantially idle.

Also in June 2003, the Company announced that during the third quarter of 2003, it would transfer all of the Wisconsin inmates currently housed at its 1,440-bed medium security North Fork Correctional Facility located in Sayre, Oklahoma to its 2,160-bed medium security Diamondback Correctional Facility located in Watonga, Oklahoma in order to satisfy a contractual provision mandated by the State of Wisconsin. The Diamondback Correctional Facility currently houses inmate populations for the states of Oklahoma and Hawaii. The inmate transfers will bring the Diamondback Correctional Facility close to full capacity.

Upon completion of the inmate transfers, North Fork Correctional Facility will close for an indefinite period of time, resulting in the termination of approximately 225 employees at the North Fork Correctional Facility, some of which will be transferred to other correctional facilities managed by the Company, including its Tallahatchie County Correctional Facility. The Company currently expects the operational consolidations to have no material impact on its 2003 financial statements. However, long-term, the consolidation will result in certain operational efficiencies. In addition, the Company is currently pursuing new management contracts and other opportunities to take advantage of the beds that will become available at the North Fork Correctional Facility, but can provide no assurance that it will be successful in doing so.

7. DISCONTINUED OPERATIONS

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes Statement of Financial Accounting Standards No. 121, “Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of” (“SFAS 121”), and the accounting and reporting provisions of APB 30, for the disposal of a segment of a business (as previously defined in APB 30). SFAS 144 retains the fundamental provisions of SFAS 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS 121. Unlike SFAS 121, however, an impairment assessment under SFAS 144 will never result in a write-down of goodwill. Rather, goodwill is evaluated for impairment under SFAS 142. SFAS 144 also broadens the scope of defining discontinued operations. Under the provisions of SFAS 144, the identification and classification of a facility as held for sale, or the termination of any of the Company’s management contracts for a managed-only facility, by expiration or otherwise, would result in the classification of the operating results of such facility, net of taxes, as a discontinued operation, so long as the financial results can be clearly identified, and so long as the Company does not have any significant continuing involvement in the operations of the component after the disposal or termination transaction.

The results of operations, net of taxes, and the assets and liabilities of three correctional facilities and three juvenile facilities, one of which was owned by the Company and operated by an independent third party operator, each as further described below, have been reflected in the accompanying consolidated financial statements as discontinued operations in accordance with SFAS 144 for all periods presented.

In late 2001 and early 2002, the Company was provided notice from the Commonwealth of Puerto Rico of its intention to terminate the management contracts at the Ponce Young Adult Correctional Facility and the Ponce Adult Correctional Facility, upon the expiration of the management contracts in February 2002. Attempts to negotiate continued operation of these facilities were unsuccessful. As a result, the transition period to transfer operation of the facilities to the Commonwealth of Puerto Rico ended May 4, 2002, at which time operation of the facilities was transferred to the Commonwealth of Puerto Rico. The Company recorded a non-cash charge of approximately $1.8 million during the second quarter of 2002 for the write-off of the carrying value of assets associated with the terminated management contracts.

During the fourth quarter of 2001, the Company obtained an extension of its management contract with the Commonwealth of Puerto Rico for the operation of the Guayama Correctional Center located in Guayama, Puerto Rico, through December 2006. However, on May 7, 2002, the Company received notice from the Commonwealth of Puerto Rico terminating the Company’s contract to manage this facility. As a result of the termination of the management contract for the Guayama Correctional Center, which occurred on August 6, 2002, operation of the facility was transferred to the Commonwealth of Puerto Rico.

On June 28, 2002, the Company sold its interest in a juvenile facility located in Dallas, Texas for approximately $4.3 million. The facility was leased to a third party pursuant to a lease expiring in 2008. Net proceeds from the sale were used for working capital purposes.

During the fourth quarter of 2002, the Company was notified by the State of Florida of its intention to not renew the Company's contract to manage the Okeechobee Juvenile Offender Correctional Center located in Okeechobee, Florida, upon the expiration of a short-term extension to the existing management contract, which expired in December 2002. Upon expiration of the short-term extension, which occurred March 1, 2003, the operation of the facility was transferred to the State of Florida.

On March 18, 2003, the Company was notified by the Department of Corrections of the Commonwealth of Virginia of its intention to not renew the Company's contract to manage the Lawrenceville Correctional Center located in Lawrenceville, Virginia, upon the expiration of the contract. The Company terminated its operation of the facility on March 22, 2003 in connection with the expiration of the contract.

The following table summarizes the results of operations for these facilities for the three and six months ended June 30, 2003 and 2002 (amounts in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
REVENUE:				
Managed-only	$ —	$13,788	**$ 5,366**	$30,367
Rental	—	180	—	360
	—	13,968	**5,366**	30,727
EXPENSES:				
Managed-only	—	12,218	**5,979**	25,796
Depreciation and amortization	—	2,320	**1,074**	2,632
	—	14,538	**7,053**	28,428
OPERATING INCOME (LOSS)	—	(570)	**(1,687)**	2,299
OTHER INCOME (EXPENSE):				
Interest income	—	94	—	220
Gain (loss) on sale of assets	—	91	**(5)**	91
	—	185	**(5)**	311
INCOME (LOSS) BEFORE INCOME TAXES	—	(385)	**(1,692)**	2,610
Income tax (expense) benefit	—	561	—	(475)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAXES	$ —	$ 176	**$(1,692)**	$ 2,135

The assets and liabilities of the discontinued operations presented in the accompanying condensed consolidated balance sheets are as follows (amounts in thousands):

	June 30, 2003	December 31, 2002
ASSETS		
Accounts receivable	**$1,158**	$17,447
Prepaid expenses and other current assets	**—**	136
Total current assets	**1,158**	17,583
Property and equipment, net	**—**	484
Total assets	**$1,158**	$18,067
LIABILITIES		
Accounts payable and accrued expenses	**$ 750**	$ 1,461
Income tax payable	**920**	920
Total current liabilities	**$1,670**	$ 2,381

8. DEBT

Debt outstanding as of June 30, 2003 and December 31, 2002 consists of the following:

	June 30, 2003	December 31, 2002
	(in thousands)	
Senior Bank Credit Facility:		
Term Loan A Facility, with quarterly principal payments of varying amounts with unpaid balance originally due March 31, 2006; prior to repayment in May 2003 in connection with the recapitalization described below, interest was payable periodically at variable interest rates	**$ —**	$ 63,750
Term Loan B Facility, with quarterly principal payments of varying amounts with unpaid balance due March 31, 2008; interest payable periodically at variable interest rates. The interest rate was 4.72% at June 30, 2003. (As described in Note 14, these terms were amended subsequent to June 30, 2003.)	**515,336**	560,763
7.5% Senior Notes, principal due at maturity in May 2011; interest payable semi-annually in May and November at 7.5%	**250,000**	—
9.875% Senior Notes, principal due at maturity in May 2009; interest payable semi-annually in May and November at 9.875%	**250,000**	250,000
12.0% Senior Notes, principal due at maturity in June 2006; interest payable semi-annually in June and December at 12.0%	**3,245**	10,795
10.0% Convertible Subordinated Notes, principal due at maturity in December 2008; interest payable semi-annually in June and December at 10.0%. In addition, contingent interest accrued at 5.5% and was payable upon each of December 31, 2003 and repayment of the notes. These notes were converted into shares of the Company's common stock and the contingent interest was paid in connection with the recapitalization further described below	**—**	40,000
4.0% Convertible Subordinated Notes, principal due at maturity in February 2007 with call provisions beginning in February 2005; interest payable quarterly at 4.0% (decreased from 8.0% in May 2003, as further described below)	**30,000**	30,000
Other	**576**	651
	1,049,157	955,959
Less: Current portion of long-term debt	**(5,377)**	(23,054)
	$1,043,780	$932,905

Senior Indebtedness

On May 3, 2002, the Company completed a comprehensive refinancing (the "Refinancing") of its senior indebtedness through the refinancing of its then existing senior bank credit facility (the "Old Senior Bank Credit Facility") and the offering of $250.0 million aggregate principal amount of its 9.875% unsecured senior notes due 2009 (the "9.875% Senior Notes") in a private placement to a group of initial purchasers. The proceeds of the offering of the 9.875% Senior Notes were used to repay a portion of amounts outstanding under the Old Senior Bank Credit Facility, to redeem approximately $89.2 million of the Company's existing $100.0

million 12% Senior Notes due 2006 (the “12% Senior Notes”) pursuant to a tender offer and consent solicitation more fully described below, and to pay related fees and expenses. On February 13, 2003, the Company completed an exchange offer with respect to the 9.875% Senior Notes pursuant to which all $250.0 million aggregate principal amounts of the notes issued in May 2002 were exchanged for identical notes registered under the Securities Act of 1933, as amended (the “Securities Act”).

$250.0 Million 9.875% Senior Notes. Interest on the 9.875% Senior Notes accrues at the stated rate and is payable semi-annually on May 1 and November 1 of each year. The 9.875% Senior Notes mature on May 1, 2009. At any time before May 1, 2005, the Company may redeem up to 35% of the notes with the net proceeds of certain equity offerings, as long as 65% of the aggregate principal amount of the notes remains outstanding after the redemption. The Company may redeem all or a portion of the 9.875% Senior Notes on or after May 1, 2006. Redemption prices are set forth in the indenture governing the 9.875% Senior Notes. The 9.875% Senior Notes are guaranteed on an unsecured basis by all of the Company’s domestic subsidiaries.

New Senior Bank Credit Facility. As part of the Refinancing, the Company obtained a new $715.0 million senior secured bank credit facility (the “New Senior Bank Credit Facility”), which replaced the Old Senior Bank Credit Facility. The New Senior Bank Credit Facility was amended subsequent to June 30, 2003, as further described in Note 14. Lehman Commercial Paper Inc. serves as administrative agent under the new facility, which was comprised of a $75.0 million revolving loan with a term of approximately four years (the “Revolving Loan”), a $75.0 million term loan with a term of approximately four years (the “Term Loan A Facility”), and a $565.0 million term loan with a term of approximately six years (the “Term Loan B Facility”). The Term Loan A Facility was repaid during May 2003, with proceeds from the common stock and notes offerings described below, as well as with cash on hand. As described in Note 6, the Term Loan B Facility was expanded by $30.0 million during January 2003 in connection with the purchase of the Crowley County Correctional Facility. All borrowings under the New Senior Bank Credit Facility bear interest at a base rate plus 2.5%, or LIBOR plus 3.5%, at the Company’s option. The applicable margin for the Revolving Loan is subject to adjustment based on the Company’s leverage ratio. The Company is also required to pay a commitment fee on the difference between committed amounts and amounts actually utilized under the Revolving Loan equal to 0.50% per year subject to adjustment based on the Company’s leverage ratio.

The Revolving Loan, which currently has no amounts outstanding, is available for working capital and general corporate needs. Additionally, the Revolving Loan was expanded to $110.0 million (subject to the receipt of lender commitments) in connection with the recapitalization transactions, as further described below.

Prepayments of loans outstanding under the New Senior Bank Credit Facility are permitted at any time without premium or penalty, upon the giving of proper notice. In addition, the Company is required to prepay amounts outstanding under the New Senior Bank Credit Facility in an amount equal to: (i) 50% of the net cash proceeds from any sale or issuance of equity securities by the Company or any of the Company’s subsidiaries, subject to certain exceptions; (ii) 100% of the net cash proceeds from any incurrence of additional indebtedness (excluding certain permitted debt), subject to certain exceptions; (iii) 100% of the net cash proceeds from any sale or other disposition by the Company, or any of the Company’s subsidiaries, of any assets, subject to certain exclusions and reinvestment provisions and excluding certain dispositions in the ordinary course of business; and (iv) 50% of the Company's "excess cash flow" (as such term is defined in the New Senior Bank Credit Facility) for each fiscal year. For the year ended December 31, 2002, excess cash flow, as defined in the New Senior Bank Credit Facility, of $0.6 million was used to pay-down the New Senior Bank Credit Facility in 2003. As further described in Note 14, an amendment to the New Senior Bank Credit Facility obtained subsequent to quarter end removed the provision to require the Company to prepay amounts outstanding under the facility in amounts equal to 50% of the Company's "excess cash flow."

The credit agreement governing the New Senior Bank Credit Facility requires the Company to meet certain financial covenants, including, without limitation, a minimum fixed charge coverage ratio, a maximum leverage ratio and a minimum interest coverage ratio. In addition, the New Senior Bank Credit Facility contains certain covenants which, among other things, limit the incurrence of additional indebtedness, investments, payment of dividends, transactions with affiliates, asset sales, acquisitions, capital expenditures, mergers and consolidations, prepayments and modifications of other indebtedness, liens and encumbrances and other matters customarily restricted in such agreements. In addition, the New Senior Bank Credit Facility is subject to certain cross-default provisions with terms of the Company's other indebtedness.

The loans and other obligations under the New Senior Bank Credit Facility are guaranteed by each of the Company's domestic subsidiaries. The Company's obligations under the New Senior Bank Credit Facility and the guarantees are secured by: (i) a perfected first priority security interest in substantially all of the Company's tangible and intangible assets and substantially all of the tangible and intangible assets of the Company's subsidiaries; and (ii) a pledge of all of the capital stock of the Company's domestic subsidiaries and 65% of the capital stock of certain of the Company's foreign subsidiaries.

As further described in Note 14, the New Senior Bank Credit Facility was amended in August 2003.

12% Senior Notes. Pursuant to the terms of a tender offer and consent solicitation which expired on May 16, 2002, in connection with the Refinancing, in May 2002, the Company redeemed approximately $89.2 million in aggregate principal amount of its 12% Senior Notes with proceeds from the issuance of the 9.875% Senior Notes. The notes were redeemed at a price of 110% of par, which included a 3% consent payment, plus accrued and unpaid interest to the payment date. In connection with the tender offer and consent solicitation, the Company received sufficient consents and amended the indenture governing the 12% Senior Notes to delete substantially all of the restrictive covenants and events of default contained therein.

As a result of the early extinguishment of the Old Senior Bank Credit Facility and the redemption of substantially all of the Company's 12% Senior Notes, the Company recorded an extraordinary loss of approximately $36.7 million during the second quarter of 2002, which included the write-off of existing deferred loan costs, certain bank fees paid, premiums paid to redeem the 12% Senior Notes, and certain other costs associated with the Refinancing. As discussed in Note 4, the extraordinary charge reported in the second quarter of 2002 was reclassified to a component of income (loss) from continuing operations, as required by SFAS 145.

In June 2003, pursuant to an offer to purchase the balance of the remaining 12% Senior Notes, holders of approximately $7.6 million principal amount of the notes tendered their notes to the Company at a price of 120% of par, resulting in a charge of approximately $1.5 million during the second quarter of 2003. As of June 30, 2003, approximately $3.2 million of the 12% Senior Notes remained outstanding. During July 2003, holders of an additional $0.1 million principal amount of the notes tendered their notes at a price of 120% of par pursuant to the offer to purchase, reducing the remaining amount of 12% Senior Notes outstanding to $3.1 million. In connection with the June 2003 tender offer for the notes, the Company received sufficient consents and further amended the indenture governing the 12% Senior Notes to remove certain restrictions related to the defeasance of the notes and the solicitation of consents to waive or amend the terms of the indenture.

During August 2003, pursuant to the indenture relating to the 12% Senior Notes, the Company legally defeased the remaining outstanding 12% Senior Notes by depositing with a trustee an amount sufficient to pay the principal and interest on such notes through the maturity date in June 2006, and by meeting certain other conditions required under the indenture. Under the terms of the indenture, the 12% Senior Notes were deemed to have been repaid in full. As a result, the Company expects to report a charge of approximately $1.0 million during the third quarter of 2003 associated with the relief of its obligation.

$40 Million Convertible Subordinated Notes

Prior to their conversion discussed below, an aggregate of $40.0 million of 10% convertible subordinated notes of the Company were due December 31, 2008 (the “40.0 Million Convertible Subordinated Notes”). The conversion price for the notes, which were convertible into shares of the Company’s common stock, had been established at $11.90, subject to adjustment in the future upon the occurrence of certain events. At an adjusted conversion price of $11.90, the $40.0 Million Convertible Subordinated Notes were convertible into 3,362,899 shares of common stock. In connection with the recapitalization transactions described below, during May 2003, Income Opportunity Fund I, LLC, Millennium Holdings II LLC, and Millennium Holdings III LLC, which are collectively referred to herein as MDP, the holders of the notes, converted the entire amount of the notes into shares of the Company’s common stock and subsequently sold such shares to the Company. In addition, the Company paid the outstanding contingent interest balance.

$30 Million Convertible Subordinated Notes

As of June 30, 2003, the Company had outstanding an aggregate of $30.0 million of convertible subordinated notes due February 28, 2007. Prior to the closing of the Company’s notes and common stock offerings in connection with the recapitalization transactions discussed below, these notes accrued interest at 8% per year and were scheduled to mature February 28, 2005, subject to extension of such maturity until February 28, 2006 or February 28, 2007 by the holder. Effective contemporaneously with the closing of the Company’s notes and common stock offerings, the Company and the holder amended the terms of the notes, reducing the interest rate to 4% per year and extending the maturity date to February 28, 2007. The amendment also extended the date on which the Company could generally require the holder to convert all or a portion of the notes into common stock to February 28, 2005 from February 28, 2004. As a result of these modifications, the Company reported a charge of approximately $0.1 million during the second quarter of 2003 for the write-off of existing deferred loan costs associated with the notes. The conversion price for the notes has been established at $10.68, subject to adjustment in the future upon the occurrence of certain events, including the payment of dividends and the issuance of stock at below market prices by the Company. The distribution of shares of the Company's common stock in connection with the settlement of all outstanding stockholder litigation against the Company caused an adjustment to the conversion price of the notes. As a result of the stockholder litigation adjustment, which was finalized on May 16, 2003 as further described in Note 11, the $30.0 million convertible subordinated notes will be convertible into approximately 3.4 million shares of the Company's common stock, subject to further adjustment in the future upon the occurrence of certain events, which translates into a current conversion price of $8.92.

At any time after February 28, 2005, the Company may generally require the holder to convert all or a portion of the notes if the average market price of the Company's common stock meets or exceeds 150% of the notes' conversion price for 45 consecutive trading days. The Company may not prepay the indebtedness evidenced by the notes at any time prior to their maturity; provided, however, that in the event of a change of control or other similar event, the notes are subject to mandatory prepayment in full at the option of the holder. The current terms of the Company's senior indebtedness, however, would prevent such a prepayment.

Recapitalization

On April 2, 2003, the Company initiated a series of transactions as described below intended to enhance the Company's capital structure and to provide it with additional financing flexibility.

Common Stock Offering. On May 7, 2003, the Company completed the sale and issuance of 6.4 million shares of common stock at a price of $19.50 per share, resulting in net proceeds to the Company of approximately $117.0 million after the payment of estimated costs associated with the issuance. A stockholder of the Company also sold 1.2 million shares of common stock in the same offering. In addition, the underwriters exercised an over-allotment option to purchase an additional 1.14 million shares from the selling stockholder. The Company did not receive any proceeds from the sale of shares from the selling stockholder.

The sales were completed pursuant to a prospectus supplement to a universal shelf registration that was filed with the SEC and declared effective on April 30, 2003 to register $700.0 million of debt securities, guarantees of debt securities, preferred stock, common stock and warrants that the Company may issue from time to time.

Note Offering. Concurrently with the common stock offering, the Company also completed the sale and issuance of $250.0 million aggregate principal amount of senior notes under a separate prospectus supplement to the universal shelf registration. The new senior notes pay interest semi-annually at the rate of 7.5% per annum and are scheduled to mature on May 1, 2011. The new senior notes are senior unsecured obligations of the Company and are guaranteed by the Company's domestic subsidiaries. At any time before May 1, 2006, the Company may redeem up to 35% of the notes with the net proceeds of certain equity offerings, as long as 65% of the aggregate principal amount of the notes remains outstanding after the redemption. The Company may redeem all or a portion of the new senior notes on or after May 1, 2007. Redemption prices are set forth in the indenture governing the new senior notes.

As described below, proceeds from the common stock and note offerings were used to purchase shares of common stock issued upon the conversion of the Company's $40.0 Million

Convertible Subordinated Notes (and to pay accrued interest on the notes to the date of purchase), to purchase shares of the Company's series B preferred stock that were tendered in the tender offer described below, to redeem shares of the Company's series A preferred stock and to pay-down a portion of the New Senior Bank Credit Facility.

Purchase of Shares of Common Stock Issuable Upon Conversion of the $40.0 Million Convertible Subordinated Notes. Pursuant to the terms of an agreement by and among the Company and MDP, immediately following the completion of the common stock and notes offerings, MDP converted the notes into 3,362,899 shares of the Company's common stock and subsequently sold such shares to the Company. The aggregate purchase price of the shares, inclusive of accrued interest of $15.5 million, was approximately $81.1 million. The shares purchased have been cancelled and under the terms of the Company's charter and Maryland law and now constitute authorized but unissued shares of the Company's common stock.

Tender Offer for Series B Preferred Stock. Following the completion of the common stock and notes offerings in May 2003, the Company purchased approximately 3.7 million shares of series B preferred stock for approximately $97.4 million pursuant to the terms of a cash tender offer. The tender offer price for the series B preferred stock (inclusive of all accrued and unpaid dividends) was $26.00 per share. The payment of the difference between the tender price ($26.00) and the liquidation preference ($24.46) for the shares tendered was reported as a preferred stock distribution in the second quarter of 2003.

Redemption of Series A Preferred Stock. Immediately following consummation of the common stock and the notes offerings, the Company gave notice to the holders of its outstanding series A preferred stock that it would redeem 4.0 million shares of the 4.3 million shares of series A preferred stock outstanding at a redemption price equal to $25.00 per share, plus accrued and unpaid dividends to the redemption date. The redemption was completed in June 2003.

Payments on and Amendments to New Senior Bank Credit Facility. The Company used the estimated remaining net proceeds of the common stock and notes offerings after application as described above, combined with $25.3 million of cash on hand, to pay-down $100.0 million outstanding under the term loan portions of the New Senior Bank Credit Facility. Further, during May 2003, the Company used cash received from a federal income tax refund to pay-down an additional $32.0 million outstanding under the term loan portions of the New Senior Bank Credit Facility. In connection with the common stock offering and the notes offering, the requisite lenders under the New Senior Bank Credit Facility consented to the issuance of the new senior notes and the use of all proceeds from the common stock and note offerings to purchase the shares of common stock issuable upon conversion of the $40.0 Million Convertible Subordinated Notes by MDP, redeem the series A preferred stock and purchase shares of series B preferred stock pursuant to the offer to purchase.

In connection with the consent, the Company also obtained modifications to certain provisions of the New Senior Bank Credit Facility to generally provide the Company with additional borrowing capacity and operational flexibility, including, but not limited to, (i) providing for a future increase in the revolving credit portion of the facility from $75.0 million to up to $110.0 million at the Company's request (subject to the receipt of lender commitment at the time of the increase), (ii) increasing the Company's ability to incur certain indebtedness, (iii) increasing the Company's permitted annual capital expenditures, and (iv) increasing the Company's ability to assume indebtedness in connection with, and otherwise complete, acquisitions. See Note 14 for further description of amendments to the New Senior Bank Credit Facility subsequent to June 30, 2003.

The Company reported a charge for costs associated with the May 2003 debt refinancing and recapitalization transactions in the statement of operations during the second quarter of 2003 of approximately $2.5 million in connection with the tender offer for the series B preferred stock, the redemption of the series A preferred stock, and the write-off of existing deferred loan costs associated with the repayment of the term loan portions of the New Senior Bank Credit Facility made with proceeds from the common stock and note offerings. The Company also charged interest expense in the statement of operations during the second quarter of 2003 for approximately $0.5 million for the pro-rata write-off of existing deferred loan costs associated with the elective repayments of the term loan portions of the New Senior Bank Credit Facility made with cash on hand and with the cash received from the federal income tax refund.

9. EARNINGS (LOSS) PER SHARE

In accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"), basic earnings per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. For the Company, diluted earnings per share is computed by dividing net income (loss), as adjusted, by the weighted average number of common shares after considering the additional dilution related to convertible subordinated notes, shares issued under the settlement terms of the Company's stockholder litigation as further discussed below, restricted common stock plans and stock options and warrants.

A reconciliation of the numerator and denominator of the basic earnings per share computation to the numerator and denominator of the diluted earnings per share computation is as follows (in thousands, except per share data):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
NUMERATOR				
Basic:				
Income (loss) from continuing operations before cumulative effect of accounting change and after preferred stock distributions	**$12,140**	$(31,571)	**$31,254**	$ 417
Income (loss) from discontinued operations, net of taxes	**—**	176	**(1,692)**	2,135
Cumulative effect of accounting change	**—**	—	**—**	(80,276)
Net income (loss) available to common stockholders	**$12,140**	$(31,395)	**$29,562**	$(77,724)
Diluted:				
Income (loss) from continuing operations before cumulative effect of accounting change and after preferred stock distributions	**$12,140**	$(31,571)	**$31,254**	$ 417
Interest expense applicable to convertible notes	**391**	—	**983**	—
Diluted income (loss) from continuing operations before cumulative effect of accounting change and after preferred stock distributions	**12,531**	(31,571)	**32,237**	417
Income (loss) from discontinued operations, net of taxes	**—**	176	**(1,692)**	2,135
Cumulative effect of accounting change	**—**	—	**—**	(80,276)
Diluted net income (loss) available to common stockholders	**$12,531**	$(31,395)	**$30,545**	$(77,724)
DENOMINATOR				
Basic:				
Weighted average common shares outstanding	**31,840**	27,659	**29,788**	27,650
Diluted:				
Weighted average common shares outstanding	**31,840**	27,659	**29,788**	27,650
Effect of dilutive securities:				
Stock options and warrants	**934**	—	**808**	646
Stockholder litigation	**153**	—	**231**	310
Convertible notes	**3,362**	—	**3,362**	—
Restricted stock-based compensation	**252**	—	**232**	255
Weighted average shares and assumed conversions	**36,541**	27,659	**34,421**	28,861

	For the Three Months Ended June 30		For the Six Months Ended June 30,	
	2003	2002	2003	2002
BASIC EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations before cumulative effect of accounting change	**$0.38**	$(1.15)	**$ 1.05**	$ 0.01
Income (loss) from discontinued operations, net of taxes	**—**	0.01	**(0.06)**	0.08
Cumulative effect of accounting change	**—**	—	**—**	(2.90)
Net income (loss) available to common stockholders	**$0.38**	$(1.14)	**$ 0.99**	$(2.81)
DILUTED EARNINGS (LOSS) PER SHARE:				
Income (loss) from continuing operations before cumulative effect of accounting change	**$0.34**	$(1.15)	**$ 0.94**	$ 0.01
Income (loss) from discontinued operations, net of taxes	**—**	0.01	**(0.05)**	0.08
Cumulative effect of accounting change	**—**	—	**—**	(2.78)
Net income (loss) available to common stockholders	**$0.34**	$(1.14)	**$ 0.89**	$(2.69)

The Company’s $40.0 Million Convertible Subordinated Notes were convertible into 1.3 million and 2.3 million shares of common stock for the three and six months ended June 30, 2003, respectively, using the if-converted method, for the periods prior to their conversion during the second quarter of 2003. These incremental shares were excluded from the computation of diluted earnings per share for both the three and six months ended June 30, 2003, as the effect of their inclusion was anti-dilutive.

All of the Company’s convertible subordinated notes were convertible into 6.7 million shares of common stock for both the three and six months ended June 30, 2002, using the if-converted method. These incremental shares were excluded from the computation of diluted earnings per share for both the three and six months ended June 30, 2002, as the effect of their inclusion was anti-dilutive.

The Company’s restricted stock, stock options, and warrants were convertible into 0.9 million shares for the three months ended June 30, 2002, using the treasury stock method. These incremental shares were excluded from the computation of diluted earnings per share for the three months ended June 30, 2002, as the effect of their inclusion was anti-dilutive.

For the three months ended June 30, 2002, 0.3 million shares of common stock remained contingently issuable under terms of the settlement agreement of all formerly existing stockholder litigation against the Company and certain of its existing and former directors and executive officers completed during the first quarter of 2001. These contingently issuable shares were excluded from the computation of diluted earnings per share for the three months ended June 30, 2002, as the effect of their inclusion was anti-dilutive. All of these shares were issued during May 2003, as further described in Note 11.

10. INCOME TAXES

The Company had no net income tax expense or benefit for the three months ended June 30, 2003 and generated an income tax benefit of approximately $0.1 million for the three months ended June 30, 2002, while the Company generated an income tax benefit of approximately $0.2 million and $32.9 million for the six months ended June 30, 2003 and 2002, respectively. The income tax benefit during the six months ended June 30, 2002, primarily resulted from the “Job Creation and Worker Assistance Act of 2002,” which was signed into law on March 9, 2002. Among other changes, the tax law extended the net operating loss carryback period to five years from two years for net operating losses arising in tax years ending in 2001 and 2002, and allows use of net operating loss carrybacks and carryforwards to offset 100% of the alternative minimum taxable income. The Company experienced net operating losses during 2001 resulting primarily from the sale of assets at prices below the tax basis of such assets. Under terms of the new law, the Company utilized certain of these net operating losses to offset taxable income generated in 1997 and 1996. As a result of this tax law change in 2002, the Company reported an income tax benefit and claimed a refund of approximately $32.2 million during the first quarter of 2002, which was received in April 2002.

As of June 30, 2003, the Company’s net deferred tax assets totaled approximately $101.5 million. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including the Company’s ability to generate taxable income within the net operating loss carryforward period. Since the change in tax status in connection with the restructuring in 2000, and as of June 30, 2003, the Company has provided a valuation allowance to reserve the deferred tax assets in accordance with Statement of Financial Accounting Standards No. 109, “Accounting for Income Taxes.” The valuation allowance was recognized based on the weight of available evidence indicating that it was more likely than not that the deferred tax assets would not be realized. This evidence primarily consisted of, but was not limited to, recent cumulative operating losses for federal tax purposes.

The Company’s assessment of the valuation allowance could change in the future based upon the Company’s actual and projected taxable income. Removal of the valuation allowance in whole or in part would result in a non-cash reduction in income tax expense during the period of removal. To the extent no valuation allowance is established for the Company’s deferred tax assets, future financial statements would reflect a provision for income taxes at the applicable federal and state tax rates on income before taxes.

The use of the Company’s current net operating loss carryforwards, which could be used to offset future taxable income, may be subject to annual limitations under the Internal Revenue Code as a result of the recapitalization transactions discussed in Note 8, or otherwise. Any such limitations in the future could require the Company to pay federal income taxes, resulting in an income tax provision to the extent paid.

11. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

General. The nature of the Company’s business results in claims and litigation alleging that it is liable for damages arising from the conduct of its employees, inmates or others. In the opinion of management, other than those described below, there are no pending legal proceedings that would have a material effect on the Company's consolidated financial position or results of operations, or cash flows. Adversarial proceedings and litigation are, however, subject to inherent uncertainties, and unfavorable decisions and rulings could occur which could have a material adverse impact on the Company's consolidated financial position, results of operations or cash flows for a period in which such decisions or rulings occur, or future periods.

Litigation

During the second quarter of 2002, the Company completed the settlement of certain claims made against it as the successor to U.S. Corrections Corporation ("USCC"), a privately-held owner and operator of correctional and detention facilities which was acquired by a predecessor of the Company in April 1998, by participants in USCC's Employee Stock Ownership Plan ("ESOP"). As a result of the settlement, the Company made a cash payment of $575,000 to the plaintiffs in the action. As described below, the Company is currently in litigation with USCC's insurer seeking to recover all or a portion of this settlement amount. The USCC ESOP litigation, entitled *Horn v. McQueen*, continued to proceed, however, against two other defendants, Milton Thompson and Robert McQueen, both of whom were stockholders and executive officers of USCC and trustees of the ESOP prior to the Company's acquisition of USCC. In the *Horn* litigation, the ESOP participants allege numerous violations of the Employee Retirement Income Security Act, including breaches of fiduciary duties to the ESOP by causing the ESOP to overpay for employer securities. The plaintiffs in the action are seeking damages in excess of $30.0 million plus prejudgment interest and attorneys' fees, although expert testimony in the litigation has indicated actual damages of a significantly less amount. On July 29, 2002, the United States District Court for the Western District of Kentucky found that McQueen and Thompson had breached their fiduciary duties to the ESOP, but made no determination as to the amount of any damages. It is not known when the Court will make a finding with respect to damages.

In or about the second quarter of 2001, Northfield Insurance Co. ("Northfield"), the issuer of the liability insurance policy to USCC and its directors and officers, filed suit against McQueen, Thompson and the Company seeking a declaration that it did not owe coverage under the policy for any liabilities arising from the *Horn* litigation. Among other things, Northfield claimed that it did not receive timely notice of the litigation under the terms of the policy. McQueen and Thompson subsequently filed a cross-claim in the *Northfield* litigation against the Company, claiming that, as the result of the Company's failure to timely notify the insurance carrier of the *Horn* case on their behalf, they were entitled to indemnification or contribution from the Company for any loss incurred by them as a result of the *Horn* litigation if there were no insurance available to cover the loss, if any. On September 30, 2002, the Court in the *Northfield* litigation found that Northfield was not obligated to cover McQueen and Thompson or the Company. Though it did not resolve the cross-claim, the Court did note that there was no basis for excusing McQueen and Thompson from their obligation to provide timely notice to the carrier because of the Company's alleged failure to provide timely notice to the carrier. Upon the entry of a final order by the Court, the Company intends to appeal the Court's decision that Northfield is not obligated to provide coverage, and the Company intends to continue to defend its position that coverage is required.

The Company cannot currently predict whether or not it will be successful in recovering all or a portion of the amount it has paid in settlement of the *Horn* litigation. With respect to the cross-claim of McQueen and Thompson, the Company believes that such cross-claim is without merit and that the Company will be able to defend itself successfully against such claim and/or any additional claims of such nature that may be brought in the future. No assurance can be given, however, that McQueen and Thompson will not prevail in any such claims.

Tax Contingencies

In connection with the merger with the former Corrections Corporation of America ("Old CCA"), on December 31, 1998, the Company assumed the tax obligations of Old CCA. The Internal Revenue Service ("IRS") has completed field audits of Old CCA's federal tax returns for the taxable year ended December 31, 1998, and has also completed auditing the Company's federal tax return for the taxable year ended December 31, 2000. In addition, the IRS is currently auditing the Company's federal payroll tax return for the taxable year ended December 31, 2001.

The Company is continuing to appeal the IRS's findings with respect to the IRS's audit of Old CCA's 1998 federal income tax return. The Company does not currently expect, however, that the resolution of the 1998 audit will have a material adverse effect on the Company's liquidity or results of operations.

In connection with the IRS's audit of the Company's 2000 federal income tax return, the IRS has proposed to require the Company to accrue rent and interest income related to certain lease and loan agreements with Operating Company, which was forgiven in September 2000 when Operating Company was unable to pay such amounts due. This finding is currently being protested with the Appeals Office of the IRS. In the event that, after the Company seeks all available remedies, the IRS prevails, the Company would be required to pay the IRS in excess of $56.0 million in cash plus penalties and interest. This adjustment would also substantially eliminate the Company's net operating loss carryforward. The Company believes that it has meritorious defenses of its positions and has not established a reserve for this matter. However, no assurance can be given that the IRS will not make such an assessment and prevail in any such claim against the Company.

Because the audit of the Company's federal payroll tax return for the taxable year ended December 31, 2001 has only recently commenced, it is too early to predict the outcome of such audit.

State Portion of Stockholder Litigation Settlement

During the first quarter of 2001, the Company obtained final court approval of the settlements of outstanding consolidated federal and state class action and derivative stockholder lawsuits brought against the Company and certain of its former directors and executive officers. During 2001 the Company paid the settlement proceeds to the federal court plaintiffs and to plaintiffs' counsel in the actions.

On May 16, 2003, approximately 0.3 million shares of the Company's common stock were issued, along with a $2.9 million subordinated promissory note, in connection with the final settlement of the state court portion of the stockholder litigation settlement. Under the terms of the promissory note, the note and accrued interest were extinguished in June 2003 once the average closing price of the Company's common stock exceeded a "termination price" equal to $16.30 per share for fifteen consecutive trading days following the note's issuance. The extinguishment of the note in June 2003, resulted in a $2.9 million non-cash gain during the second quarter of 2003.

Guarantees

Hardeman County Correctional Facilities Corporation ("HCCFC") is a nonprofit, mutual benefit corporation organized under the Tennessee Nonprofit Corporation Act on November 17, 1995 to purchase, construct, improve, equip, finance, own and manage a detention facility located in Hardeman County, Tennessee. HCCFC was created as an instrumentality of Hardeman County to implement the County's incarceration agreement with the State of Tennessee to house certain inmates.

During 1997, HCCFC issued $72.7 million of revenue bonds, which were primarily used for the construction of a 2,016-bed medium security correctional facility. In addition, HCCFC entered into a construction and management agreement with the Company in order to assure the timely and coordinated acquisition, construction, development, marketing and operation of the correctional facility.

HCCFC leases the correctional facility to Hardeman County in exchange for all revenue from the operation of the facility. HCCFC has, in turn, entered into a management agreement with the Company for the correctional facility.

In connection with the issuance of the revenue bonds, the Company is obligated, under a debt service deficit agreement, to pay the trustee of the bond's trust indenture (the "Trustee") amounts necessary to pay any debt service deficits consisting of principal and interest requirements (outstanding principal balance of $60.8 million at June 30, 2003 plus future interest payments). In the event the State of Tennessee, which is currently utilizing the facility to house certain inmates, exercises its option to purchase the correctional facility, the Company is also obligated to pay the difference between principal and interest owed on the bonds on the date set for the redemption of the bonds and amounts paid by the State of Tennessee for the facility plus all other funds on deposit with the Trustee and available for redemption of the bonds. Ownership of the facility reverts to the State of Tennessee in 2017 at no cost. Therefore, the Company does not currently believe the State of Tennessee will exercise its option to purchase the facility. At June 30, 2003, the outstanding principal balance of the bonds exceeded the purchase price option by $13.0 million. The Company also maintains a restricted cash account of approximately $7.1 million as collateral against a guarantee it has provided for a forward purchase agreement related to the bond issuance.

12. SEGMENT REPORTING

As of June 30, 2003, the Company owned and managed 38 correctional and detention facilities, and managed 21 correctional and detention facilities it did not own. Management views the Company's operating results in two reportable segments: owned and managed correctional and detention facilities and managed-only correctional and detention facilities. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in the notes to consolidated financial statements included in the Company's 2002 Form 10-K and July 2003 Form 8-K. Owned and managed facilities include the operating results of those facilities owned and managed by the Company. Managed-only facilities include the operating results of those facilities owned by a third party and managed by the Company. The Company measures the operating performance of each facility within the above two reportable segments, without differentiation, based on facility contribution. The Company defines facility contribution as a facility's operating income or loss from operations before interest, taxes, depreciation and amortization. Since each of the Company's facilities within the two reportable segments exhibit similar economic characteristics, provide similar services to governmental agencies, and operate under a similar set of operating procedures and regulatory guidelines, the facilities within the identified segments have been aggregated and reported as one reportable segment.

The revenue and facility contribution for the reportable segments and a reconciliation to the Company's operating income is as follows for the three and six months ended June 30, 2003 and 2002 (dollars in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Revenue:				
Owned and managed	**$179,276**	$158,009	**$355,612**	$310,294
Managed-only	**69,317**	68,833	**137,903**	136,147
Total management revenue	**248,593**	226,842	**493,515**	446,441
Operating expenses:				
Owned and managed	**128,717**	118,447	**253,515**	233,960
Managed-only	**56,680**	55,959	**112,761**	111,254
Total operating expenses	**185,397**	174,406	**366,276**	345,214
Facility contribution:				
Owned and managed	**50,559**	39,562	**102,097**	76,334
Managed-only	**12,637**	12,874	**25,142**	24,893
Total facility contribution	**63,196**	52,436	**127,239**	101,227
Other revenue (expense):				
Rental and other revenue	**5,549**	5,015	**10,931**	9,843
Other operating expense	**(4,897)**	(4,240)	**(9,525)**	(8,776)
General and administrative	**(10,010)**	(8,344)	**(19,547)**	(15,535)
Depreciation and amortization	**(13,036)**	(12,479)	**(25,949)**	(24,625)
Operating income	**$ 40,802**	$ 32,388	**$ 83,149**	$ 62,134

	June 30, 2003	**December 31, 2002**
Assets:		
Owned and managed	**$1,607,201**	$1,558,491
Managed-only	**79,367**	85,099
Corporate and other	**194,913**	212,414
Discontinued operations	**1,158**	18,067
Total assets	**$1,882,639**	$1,874,071

13. SUPPLEMENTAL CASH FLOW DISCLOSURE

During the six months ended June 30, 2003 and 2002, the Company issued $7.1 million and $5.8 million, respectively, of series B preferred stock in lieu of cash distributions to the holders of shares of series B preferred stock on the applicable record date. Also, during the six months ended June 30, 2003, the Company issued 0.3 million shares of common stock in satisfaction of the state portion of the stockholder litigation discussed in Note 11. As a result, accounts payable and accrued expenses were reduced by, and common stock and additional paid-in capital were increased by $3.1 million. In addition, the extinguishment of the promissory note, as further described in Note 11, resulted in a non-cash reduction to accounts payable and accrued expenses, with a corresponding increase to the change in fair value of derivative instruments. During the second quarter of 2003, the Company issued approximately 3.4 million shares of common stock due to the conversion of the $40.0 Million Convertible Subordinated Notes by MDP. During the first quarter of 2002, the Company issued approximately 94,000 shares of common stock due to the conversion of $1.1 million of convertible subordinated notes by the holder of such notes.

14. SUBSEQUENT EVENTS

On August 8, 2003, the Company completed the sale and issuance of $200.0 million aggregate principal amount of senior notes in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act. The new senior notes pay interest semi-annually at the rate of 7.5% per annum and are scheduled to mature on May 1, 2011. The notes were issued at a price of 101.125% of the principal amount of the notes, resulting in a premium of $2.25 million, which will be amortized as a reduction to interest expense over the term of the notes. The new senior notes are senior unsecured obligations of the Company and are guaranteed by the Company’s domestic subsidiaries. Proceeds from the note offering, along with cash on hand, were used to pay-down approximately $240.3 million of the term loan portion of the New Senior Bank Credit facility.

In connection with the prepayment, the Company amended the New Senior Bank Credit Facility to provide: (i) a $125.0 million revolving credit facility (increased from $75.0 million), which includes a $75.0 million subfacility for letters of credit (increased from $50.0 million) that expires on March 31, 2006, and (ii) a $275.0 million term loan expiring March 31, 2008. The interest rates applicable to the Term Loan B Facility were also reduced to LIBOR + 2.75%. The amendment also eliminated the provision that required the Company to prepay amounts outstanding under the facility in amounts equal to 50% of the Company’s “excess cash flow.” The amended New Senior Bank Credit Facility is secured by liens on a substantial portion of the net book value of the Company’s fixed assets (inclusive of its domestic subsidiaries), and pledges of all of the capital stock of the Company’s domestic subsidiaries. The loans and other obligations under the facility are guaranteed by each of the Company’s domestic subsidiaries and secured by a pledge of up to 65% of the capital stock of the Company’s foreign subsidiaries. In addition, covenants under the amended facility provide greater flexibility for, among other matters, incurring unsecured indebtedness, capital expenditures, and permitted acquisitions.

The amendment to the New Senior Bank Credit Facility and related pay-downs with net proceeds from the issuance of the new senior notes is expected to result in a charge to costs associated with refinancing transactions during the third quarter of 2003 of approximately $2.1 million representing the pro-rata write-off of existing deferred loan costs and certain fees paid.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report.

This quarterly report on Form 10-Q contains statements as to our beliefs and expectations of the outcome of future events that are forward-looking statements as defined within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of current or historical fact contained herein, including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. The words "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plan," "projects," "will," and similar expressions, as they relate to us, are intended to identify forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. These include, but are not limited to, the risks and uncertainties associated with:

- fluctuations in operating results because of changes in occupancy levels, competition, increases in cost of operations, fluctuations in interest rates and risks of operations;
- changes in the privatization of the corrections and detention industry and the public acceptance of our services;
- our ability to obtain and maintain correctional facility management contracts, including as the result of sufficient governmental appropriations, and the timing of the opening of new facilities;
- changes in government policy and in legislation and regulation of the corrections and detention industry that adversely affect our business;
- the availability of debt and equity financing on terms that are favorable to us;
- tax related risks, particularly with respect to our operation so as to preserve our ability to qualify as a real estate investment trust for the year ended December 31, 1999; and
- general economic and market conditions.

Any or all of our forward-looking statements in this quarterly report may turn out to be inaccurate. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. They can be affected by inaccurate assumptions we might make or by known or unknown risks, uncertainties and assumptions, including the risks, uncertainties and assumptions described in risk factors disclosed in detail in our annual report on Form 10-K for the fiscal year ended December 31, 2002, filed with the Securities and Exchange Commission (the "SEC") on March 28, 2003 (File No. 001-16109) (the "2002 Form 10-K") and in other reports we file with the SEC from time to time. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report and in the 2002 Form 10-K.

OVERVIEW

The Company

As of June 30, 2003, we owned 41 correctional, detention and juvenile facilities, three of which we lease to other operators, and one additional facility which is not yet in operation. As of June 30, 2003, we operated 59 facilities, with a total design capacity of approximately 59,000 beds in 20 states and the District of Columbia.

We specialize in owning, operating and managing prisons and other correctional facilities and providing inmate residential and prisoner transportation services for governmental agencies. In addition to providing the fundamental residential services relating to inmates, our facilities offer a variety of rehabilitation and education programs, including basic education, religious services, life skills and employment training and substance abuse treatment. These services are intended to reduce recidivism and to prepare inmates for their successful re-entry into society upon their release. We also provide health care (including medical, dental and psychiatric services), food services and work and recreational programs.

Our website address is www.correctionscorp.com. Please note that our website address is provided as an inactive textual reference only. We make our Form 10-K, Form 10-Q, Form 8-K, and Section 16 reports under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), available on our website, free of charge, as soon as reasonably practicable after these reports are filed with or furnished to the SEC.

CRITICAL ACCOUNTING POLICIES

The condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. A summary of our significant accounting policies is described in the audited financial statements included in our 2002 Form 10-K and in our July 2003 Form 8-K. The significant accounting policies and estimates which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

Asset impairments. As of June 30, 2003, we had approximately $1.6 billion in long-lived assets. We evaluate the recoverability of the carrying values of our long-lived assets, other than intangibles, when events suggest that an impairment may have occurred. In these circumstances, we utilize estimates of undiscounted cash flows to determine if an impairment exists. If an impairment exists, it is measured as the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Goodwill impairments. Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets,” or SFAS 142, which established new accounting and reporting requirements for goodwill and other intangible assets. Under SFAS 142, all goodwill amortization ceased effective January 1, 2002 and goodwill attributable to each of our reporting units was tested for impairment by comparing the fair value of each reporting unit with its carrying value. Fair value was determined using a collaboration of various common valuation techniques, including market multiples, discounted cash flows, and replacement cost methods. These impairment tests are required to be performed at adoption of SFAS 142 and at least annually thereafter. On an ongoing basis (absent any impairment indicators), we expect to continue to perform our impairment tests during the fourth quarter, in connection with our annual budgeting process.

Based on our initial impairment tests, we recognized an impairment of $80.3 million to write-off the carrying value of goodwill associated with our locations included in the owned and managed reporting segment during the first quarter of 2002. This goodwill was established in connection with the acquisition of Correctional Management Services Corporation, referred to herein as Operating Company. The remaining goodwill, which is associated with the facilities we manage but do not own, was deemed to be not impaired. This remaining goodwill was established in connection with the acquisitions of Prison Management Services, Inc., or PMSI, and Juvenile and Jail Facility Management Services, Inc., or JJFMSI, both of which were privately-held service companies, referred to herein as the Service Companies, that managed certain government-owned adult and juvenile prison and jail facilities. The implied fair value of goodwill of the locations included in the owned and managed reporting segment did not support the carrying value of any goodwill, primarily due to the highly leveraged capital structure. No impairment of goodwill allocated to the locations included in the managed-only reporting segment was deemed necessary, primarily because of the relatively minimal capital expenditure requirements, and therefore indebtedness, in connection with obtaining such management contracts. Under SFAS 142, the impairment recognized at adoption of the new rules was reflected as a cumulative effect of accounting change in our statement of operations for the first quarter of 2002. Impairment adjustments recognized after adoption, if any, are required to be recognized as operating expenses.

Income taxes. As of June 30, 2003, we had approximately $101.5 million in net deferred tax assets. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including our ability to generate taxable income within the net operating loss carryforward period. Since the change in tax status in connection with our comprehensive restructuring in 2000, as further described in the 2002 Form 10-K, and as of June 30, 2003, we have provided a valuation allowance to substantially reserve the deferred tax assets in accordance with Statement of Financial Accounting Standards No. 109, “Accounting for Income Taxes,” or SFAS 109. The valuation allowance is recognized based on the weight of available evidence indicating that it is more likely than not that the deferred tax assets will not be realized. This evidence primarily consists of, but is not limited to, recent cumulative operating losses for federal tax purposes.

Our assessment of the valuation allowance could change in the future based upon our actual and projected taxable income. Removal of the valuation allowance in whole or in part would result in a non-cash reduction in income tax expense during the period of removal. In addition, because a portion of the valuation allowance as of June 30, 2003 was established to reserve certain deferred tax assets upon the acquisitions of PMSI and JJFMSI, in accordance with SFAS 109, removal of the valuation allowance would result in a reduction to any remaining goodwill recorded in connection with such acquisitions to the extent the reversal relates to the valuation allowance applied to deferred tax assets existing at the date PMSI and JJFMSI were acquired. If the valuation allowance as of June 30, 2003 were to be removed in its entirety, the reduction to goodwill would amount to approximately $4.5 million. To the extent no valuation allowance is established for our deferred tax assets, future financial statements would reflect a provision for income taxes at the applicable federal and state tax rates on income before taxes.

The IRS has completed auditing our federal tax return for the taxable year ended December 31, 2000, and has proposed to require us to accrue rent and interest income related to certain lease and loan agreements with Operating Company, which was forgiven in September 2000 when Operating Company was unable to pay such amounts due. This finding is currently being protested with the Appeals Office of the IRS. In the event that, after we seek all available remedies, the IRS prevails, we would be required to pay the IRS in excess of $56.0 million in cash plus penalties and interest. This adjustment would also substantially eliminate our net operating loss carryforward. We believe that we have meritorious defenses of our positions. We have not established a reserve for this matter. However, no assurance can be given that the IRS will not make such an assessment and prevail in any such claim against us.

Self-funded insurance reserves. As of June 30, 2003, we had approximately $30.3 million in accrued liabilities for employee health, workers' compensation, and automobile insurance. We are significantly self-insured for employee health, workers' compensation, and automobile liability insurance. As such, our insurance expense is largely dependent on claims experience and our ability to control our claims. We have consistently accrued the estimated liability for employee health insurance based on our history of claims experience and time lag between the incident date and the date the cost is paid by us. We have accrued the estimated liability for workers' compensation and automobile insurance based on a third-party actuarial valuation of the outstanding liabilities. These estimates could change in the future.

Legal reserves. As of June 30, 2003, we had approximately $15.8 million in accrued liabilities for litigation for certain legal proceedings in which we are involved. We have accrued our estimate of the probable costs for the resolution of these claims based on a range of potential outcomes. In addition, we are subject to current and potential future legal proceedings for which little or no accrual has been reflected because our current assessment of the potential exposure is nominal. These estimates have been developed in consultation with our General Counsel's office and, as appropriate, outside counsel handling these matters, and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future cash flows and results of operations could be materially affected by changes in our assumptions, new developments, or by the effectiveness of our strategies.

LIQUIDITY AND CAPITAL RESOURCES

Our principal capital requirements are for working capital, capital expenditures and debt service payments. Capital requirements may also include cash expenditures associated with our outstanding commitments and contingencies, as further discussed in the notes to the financial statements and as further described in our 2002 Form 10-K and July 2003 Form 8-K. In addition, we may incur capital expenditures to expand the design capacity of our facilities in order to retain management contracts, or when the economics of an expansion are compelling. In addition, with lender consent, we may acquire additional correctional facilities that we believe have favorable investment returns and increase value to our stockholders. We will also consider opportunities for growth, including potential acquisitions of businesses within our line of business and those that provide complementary services, provided we believe such opportunities will broaden our market and/or increase the services we can provide to our customers. We have financed, and intend to continue to finance, the working capital, capital expenditure requirements and required debt service payments with existing cash balances and net cash provided by operations.

As of June 30, 2003, our liquidity was provided by cash on hand of approximately $70.5 million and $48.1 million available under a $75.0 million revolving credit facility, which may be increased to $110.0 million subject to the receipt of lender commitments. Further, subsequent to quarter-end, we obtained an amendment to our senior bank credit facility, increasing the capacity under the revolving credit facility to $125.0 million (including a $75.0 million subfacility for letters of credit). During the six months ended June 30, 2003, we generated $100.4 million in cash through operating activities, and as of June 30, 2003, we had net working capital of $84.4 million. We currently expect to be able to meet our cash expenditure requirements for the next year.

Refinancing of Senior Indebtedness in 2002

On May 3, 2002, we completed a comprehensive refinancing of our senior indebtedness through the refinancing of our Old Senior Bank Credit Facility and the sale and issuance of $250.0 million aggregate principal amount of 9.875% unsecured senior notes due 2009, referred to herein as the 9.875% Senior Notes. The proceeds from the sale of the 9.875% Senior Notes were used to repay a portion of amounts outstanding under the Old Senior Bank Credit Facility, to redeem approximately $89.2 million of our existing $100.0 million 12% Senior Notes due 2006, referred to herein as the 12% Senior Notes, pursuant to a tender offer and consent solicitation, and to pay related fees and expenses. Upon the completion of the refinancing, Moody’s Investors Service upgraded its rating of our senior secured debt to “B1” from “B2”, our senior unsecured debt to “B2” from “B3”, and our preferred stock to “Caa1” from “Caa2”, and Standard & Poor’s upgraded our corporate credit rating and its rating of our senior secured debt to “B+” from “B” and our senior unsecured debt to “B-” from “CCC+”.

Interest on the 9.875% Senior Notes accrues at the stated rate and is payable semi-annually on May 1 and November 1 of each year. The 9.875% Senior Notes mature on May 1, 2009. At any time before May 1, 2005, we may redeem up to 35% of the notes with the net proceeds of certain equity offerings, as long as 65% of the aggregate principal amount of the notes remains outstanding after the redemption. We may redeem all or a portion of the 9.875% Senior Notes on or after May 1, 2006. Redemption prices are set forth in the indenture governing the 9.875% Senior Notes. The 9.875% Senior Notes are guaranteed on an unsecured basis by all of our domestic subsidiaries.

The indenture governing the 9.875% Senior Notes contains certain customary covenants that, subject to certain exceptions and qualifications, restrict our ability to, among other things: make restricted payments; incur additional debt or issue certain types of preferred stock; create or permit to exist certain liens; consolidate, merge or transfer all or substantially all of our assets; and enter into transactions with affiliates. In addition, if we sell certain assets (and generally do not use the proceeds of such sales for certain specified purposes) or experience specific kinds of changes in control, we must offer to repurchase all or a portion of the 9.875% Senior Notes. The offer price for the 9.875% Senior Notes in connection with an asset sale would be equal to 100% of the aggregate principal amount of the notes repurchased plus accrued and unpaid interest and liquidated damages, if any, on the notes repurchased to the date of purchase. The offer price for the 9.875% Senior Notes in connection with a change in control would be 101% of the aggregate principal amount of the notes repurchased plus accrued and unpaid interest and liquidated damages, if any, on the notes repurchased to the date of purchase. The 9.875% Senior Notes are also subject to certain cross-default provisions with the terms of our other indebtedness.

As part of the refinancing, we obtained a new $715.0 million senior secured bank credit facility, referred to herein as the New Senior Bank Credit Facility, which replaced the Old Senior Bank Credit Facility. Lehman Commercial Paper Inc. serves as administrative agent under the new facility, which was comprised of a $75.0 million revolving loan with a term of approximately four years, referred to herein as the Revolving Loan, a $75.0 million term loan with a term of approximately four years, referred to herein as the Term Loan A Facility, and a $565.0 million term loan with a term of approximately six years, referred to herein as the Term Loan B Facility. The Term A Loan Facility was repaid during May 2003 with proceeds from the common stock and notes offerings described below, as well as with cash on hand. The Term Loan B Facility was expanded by $30.0 million during January of 2003 in connection with the purchase of the Crowley County Correctional Facility. Prior to obtaining an additional amendment to the New Senior Bank Credit Facility, as further described below, all borrowings under the New Senior Bank Credit Facility bore interest at a base rate plus 2.5%, or LIBOR plus 3.5%, at our option. The applicable margin for the Revolving Loan is subject to adjustment based on our leverage ratio. We are also required to pay a commitment fee on the difference between committed amounts and amounts actually utilized under the Revolving Loan equal to 0.50% per year subject to adjustment based on our leverage ratio.

The Revolving Loan, which currently has no amounts outstanding, is available for working capital and general corporate needs. Additionally, the Revolving Loan was expanded to $110.0 million (subject to the receipt of lender commitments) in connection with the recapitalization transactions described below. In connection with the aforementioned amendment obtained in August 2003, as further described below, the capacity under the Revolving Loan was increased to $125.0 million and the interest rate on the Term Loan B Facility was lowered to LIBOR plus 2.75%.

Prepayments of loans outstanding under the New Senior Bank Credit Facility are permitted at any time without premium or penalty, upon the giving of proper notice. In addition, we are required to prepay amounts outstanding under the New Senior Bank Credit Facility in an amount equal to: (i) 50% of the net cash proceeds from any sale or issuance of our equity securities or any equity securities of our subsidiaries, subject to certain exceptions; (ii) 100% of the net cash proceeds from any incurrence of additional indebtedness (excluding certain permitted debt), subject to certain exceptions; (iii) 100% of the net cash proceeds from any sale or other disposition by us, or any of our subsidiaries, of any assets, subject to certain exclusions and reinvestment provisions and excluding certain dispositions in the ordinary course of business; and (iv) 50% of our “excess cash flow” (as such term is defined in the New Senior Bank Credit Facility) for each fiscal year. For the year ended December 31, 2002, excess cash flow, as defined in the New Senior Bank Credit Facility, of $0.6 million was used to pay-down the New Senior Bank Credit Facility.

The credit agreement governing the New Senior Bank Credit Facility requires us to meet certain financial covenants, including, without limitation, a minimum fixed charge coverage ratio, a maximum leverage ratio and a minimum interest coverage ratio. In addition, the New Senior Bank Credit Facility contains certain covenants which, among other things, limit the incurrence of additional indebtedness, investments, payment of dividends, transactions with affiliates, asset sales, acquisitions, capital expenditures, mergers and consolidations, prepayments and modifications of other indebtedness, liens and encumbrances and other matters customarily restricted in such agreements. In addition, the New Senior Bank Credit Facility contains cross-default provisions with our other indebtedness.

Pursuant to the terms of a tender offer and consent solicitation, in connection with the refinancing, in May 2002, we redeemed approximately $89.2 million in aggregate principal amount of our 12%

Senior Notes with proceeds from the issuance of the 9.875% Senior Notes. The notes were redeemed at a price of 110% of par, which included a 3% consent payment, plus accrued and unpaid interest to the payment date. In connection with the tender offer and consent solicitation, we received sufficient consents and amended the indenture governing the 12% Senior Notes to delete substantially all of the restrictive covenants and events of default contained therein.

In connection with the refinancing completed in May 2002, we also terminated an interest rate swap agreement at a price of approximately $8.8 million. The swap agreement, which fixed LIBOR at 6.51% on outstanding balances of $325.0 million through its expiration on December 31, 2002, had been entered into in order to satisfy a requirement of the Old Senior Bank Credit Facility. In addition, in order to satisfy a requirement of the New Senior Bank Credit Facility, we purchased an interest rate cap agreement, capping LIBOR at 5.0% on outstanding balances of $200.0 million through the expiration of the cap agreement on May 20, 2004, for a price of $1.0 million. The termination of the swap agreement and the purchase of the cap agreement were funded with cash on hand.

As a result of the early extinguishment of the Old Senior Bank Credit Facility and the redemption of substantially all of our 12% Senior Notes, we recorded an extraordinary loss of approximately $36.7 million during the second quarter of 2002, which included the write-off of existing deferred loan costs, certain bank fees paid, premiums paid to redeem the 12% Senior Notes, and certain other costs associated with the refinancing. The extraordinary charge reported in the second quarter of 2002 was reclassified to a component of income (loss) from continuing operations, as required by a new accounting pronouncement, and classified as costs associated with debt refinancing and recapitalization transactions in the statement of operations.

Recapitalization in 2003

On April 2, 2003, we initiated a series of transactions as described below intended to enhance our capital structure and to provide us with additional financing flexibility that we believe will enable us to more effectively execute our business objectives in the future.

Common Stock Offering. On May 7, 2003, we completed the sale and issuance of 6.4 million shares of common stock at a price of $19.50 per share, resulting in net proceeds of approximately $117.0 million after the payment of estimated costs associated with the issuance. A stockholder also sold 1.2 million shares of common stock in the same offering. In addition, the underwriters exercised an over-allotment option to purchase an additional 1.14 million shares from the selling stockholder. We did not receive any proceeds from the sale of shares from the selling stockholder.

The sales were completed pursuant to a prospectus supplement to a universal shelf registration that was filed with the SEC and declared effective on April 30, 2003 to register $700.0 million of debt securities, guarantees of debt securities, preferred stock, common stock and warrants that we may issue from time to time.

Note Offering. Concurrently with the common stock offering, we also completed the sale and issuance of $250.0 million aggregate principal amount of senior notes under a separate prospectus supplement to the universal shelf registration. The new senior notes pay interest semi-annually at the rate of 7.5% per annum and are scheduled to mature on May 1, 2011. The new senior notes are senior unsecured obligations and are guaranteed by our domestic subsidiaries. At any time before May 1, 2006, we may redeem up to 35% of the notes with the net proceeds of certain equity offerings, as long as 65% of the aggregate principal amount of the notes remains outstanding after the redemption. We may redeem all or a portion of the new senior notes on or after May 1, 2007. Redemption prices are set forth in the indenture governing the new senior notes.

As described below, proceeds from the common stock and note offerings were used to purchase shares of common stock issued upon the conversion of our $40.0 million 10% convertible subordinated notes (and to pay accrued interest on the notes to the date of purchase), to purchase shares of our series B preferred stock that were tendered in the tender offer described below, to redeem shares of our series A preferred stock and to pay-down a portion of the New Senior Bank Credit Facility.

Purchase of Shares of Common Stock Issuable Upon Conversion of the MDP Notes. Pursuant to the terms of an agreement by and among Income Opportunity Fund I, LLC, Millennium Holdings II LLC and Millennium Holdings III LLC, which are collectively referred to herein as MDP, and us, immediately following the completion of the common stock and notes offerings, MDP converted the $40.0 million aggregate principal amount of our convertible subordinated notes due 2008 with a stated rate of 10.0%, plus contingent interest accrued at 5.5%, into 3,362,899 shares of our common stock and subsequently sold such shares to us. The aggregate purchase price of the shares, inclusive of accrued interest of $15.5 million, was approximately $81.1 million. The shares purchased from MDP have been cancelled under the terms of our charter and Maryland law and now constitute authorized but unissued shares of common stock.

Tender Offer for Series B Preferred Stock. Following the completion of the common stock and notes offerings in May 2003, we purchased approximately 3.7 million shares of series B preferred stock for approximately $97.4 million pursuant to the terms of a cash tender offer. The tender offer price for the series B preferred stock (inclusive of all accrued and unpaid dividends) was $26.00 per share. The payment of the difference between the tender price ($26.00) and the liquidation preference ($24.46) for the shares tendered was reported as a preferred stock distribution in the second quarter of 2003.

Redemption of Series A Preferred Stock. Immediately following consummation of the common stock and the notes offerings, we gave notice to the holders of our outstanding series A preferred stock that we would redeem 4.0 million shares of the 4.3 million shares of series A preferred stock outstanding at a redemption price equal to $25.00 per share, plus accrued and unpaid dividends to the redemption date. The redemption was completed in June 2003.

Payments on and Amendments to New Senior Bank Credit Facility. We used the estimated remaining net proceeds of the common stock and notes offerings after application as described above, combined with $25.3 million of cash on hand, to pay-down $100.0 million outstanding under the term loan portions of the New Senior Bank Credit Facility. Further, during May 2003, we used cash received from a federal income tax refund to pay-down an additional $32.0 million outstanding under the term loan portion of the New Senior Bank Credit Facility. In connection with the common stock offering and the notes offering, the requisite lenders under the New Senior Bank Credit Facility consented to the issuance of the new senior notes and the use of all proceeds from the common stock and note offerings to purchase the shares of common stock issuable upon conversion of the $40.0 million convertible subordinated notes by MDP, redeem the series A preferred stock and purchase shares of series B preferred stock pursuant to the offer to purchase.

In connection with the consent, we also obtained modification to certain provisions of the New

Senior Bank Credit Facility to generally provide us with additional borrowing capacity and operational flexibility, including, but not limited to, (i) providing for a future increase in the revolving credit portion of the facility from $75.0 million to up to $110.0 million at our request (subject to the receipt of lender commitments at the time of the increase), (ii) increasing our ability to incur certain indebtedness, (iii) increasing our permitted annual capital expenditures, and (iv) increasing our ability to assume indebtedness in connection with, and otherwise complete, acquisitions.

On April 3, 2003, Standard & Poor's upgraded its rating of our senior secured debt to "BB-" from "B+" and our senior unsecured debt to "B" from "B-". On May 14, 2003, Moody's Investors Service upgraded its rating of our senior secured debt to "Ba3" from "B1," our senior unsecured debt to "B1" from "B2," and our preferred stock to "B3" from "Caa1."

Tender Offer for Remaining 12% Senior Notes

In June 2003, pursuant to an offer to purchase the balance of the remaining 12% Senior Notes, holders of approximately $7.6 million principal amount of the notes tendered their notes at a price of 120% of par. As of June 30, 2003, approximately $3.2 million of the 12% Senior Notes remained outstanding. During July 2003, holders of an additional $0.1 million principal amount of the notes tendered their notes at a price of 120% of par pursuant to the offer to purchase, reducing the remaining amount of 12% Senior Notes outstanding to $3.1 million.

During August 2003, pursuant to the indenture relating to the 12% Senior Notes, we legally defeased the remaining outstanding 12% Senior Notes by depositing with a trustee an amount sufficient to pay the principal and interest on such notes through the maturity date in June 2006, and by meeting certain other conditions required under the indenture. Under the terms of the indenture, the 12% Senior Notes were deemed to have been repaid in full. As a result, we expect to report a charge of approximately $1.0 million during the third quarter of 2003 associated with the relief of our obligation.

New 7.5% Senior Notes

On August 8, 2003, the Company completed the sale and issuance of $200.0 million aggregate principal amount of senior notes in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933 (the "Securities Act"). The new senior notes pay interest semi-annually at the rate of 7.5% per annum and are scheduled to mature May 1, 2011. The notes were issued at a price of 101.125% of the principal amount of the notes, resulting in a premium of $2.25 million, which will be amortized as a reduction to interest expense over the term of the notes. The new senior notes are senior unsecured obligations of the Company and are guaranteed by the Company's domestic subsidiaries. Proceeds from the note offering, along with cash on hand, were used to pay-down approximately $240.3 million of the term loan portion of the New Senior Bank Credit facility.

Amendment to New Senior Bank Credit Facility

In connection with the prepayment of the term loan portion of the New Senior Bank Credit Facility with proceeds from the issuance of the new senior notes and with cash on hand, we amended the New Senior Bank Credit Facility. The amendment to the New Senior Bank Credit Facility provides: (i) a $125.0 million revolving credit facility (increased from $75.0 million), which includes a $75.0 million subfacility for letters of credit (increased from $50.0 million) that expires on March 31, 2006, and (ii) a $275.0 million term loan expiring March 31, 2008. The amended New Senior Bank Credit Facility is secured by liens on a substantial portion of the net book value of our fixed assets (inclusive of our domestic subsidiaries), and pledges of all of the capital stock of our domestic subsidiaries. The loans and other obligations under the facility are guaranteed by each of our domestic subsidiaries and secured by a pledge of up to 65% of the capital stock of our foreign subsidiaries. In addition, the amended Senior Bank Credit Facility provides for a reduction in interest rates on the term portion of the facility to LIBOR + 2.75% from LIBOR + 3.5% and, with respect to covenants, provides greater flexibility for, among other matters, incurring unsecured indebtedness, capital expenditures, and permitted acquisitions. The amendment also eliminated the provision that required us to prepay amounts outstanding under the facility in amounts equal to 50% of our "excess cash flow."

The amendment to the New Senior Bank Credit Facility and related pay-downs with net proceeds from the issuance of the new senior notes is expected to result in a charge to costs associated with refinancing transactions during the third quarter of 2003 of approximately $2.1 million representing the pro-rata write-off of existing deferred loan costs and certain fees paid.

Operating Activities

Our net cash provided by operating activities for the six months ended June 30, 2003, was $100.4 million, compared with $78.6 million for the same period in the prior year. Cash provided by operating activities represents the year to date net income or loss plus depreciation and amortization, changes in various components of working capital, adjustments for various non-cash charges, including primarily the cumulative effect of accounting change in 2002, the change in fair value of derivative instruments, and the charges related to the comprehensive refinancing completed in May 2002 and the recapitalization completed in May 2003, which are reported as financing activities to the extent such charges result from cash payments.

The increase in cash provided by operating activities for the six months ended June 30, 2003 was due to increased occupancy levels and improved margins and due to a reduction in interest expense, primarily resulting from the refinancing of our senior debt completed in May 2002 and due to lower market interest rates. Additionally, we received payment of $13.5 million from the Commonwealth of Puerto Rico as final payment of all outstanding balances, as well as income tax refunds of $33.7 million, which also resulted in an increase in cash provided by operating activities during the six months ended June 30, 2003. These increases were partially offset by the payment of $15.5 million of contingent interest on the $40.0 million convertible subordinated notes that had accrued but remained unpaid since June 2000 in accordance with the terms of such notes, and which was paid in May 2003 in connection with the recapitalization.

Investing Activities

Our cash flow used in investing activities was $66.3 million for the six months ended June 30, 2003, and was primarily attributable to capital expenditures during the period of $60.8 million, which included capital expenditures of $47.5 million in connection with the purchase of the Crowley County Correctional Facility. In addition, cash was used to fund restricted cash for a capital improvements, replacements, and repairs reserve totaling $5.6 million for our San Diego Correctional Facility. Our cash flow used in investing activities was $3.6 million for the six months ended June 30, 2002, and was primarily attributable to capital expenditures during the period of $6.8 million, net of proceeds received from the sale of our interest in a juvenile facility located in Dallas, Texas, on June 28, 2002, for $4.3 million.

Financing Activities

Our cash flow used in financing activities was $29.1 million for the six months ended June 30, 2003. During January 2003, we financed the purchase of the Crowley County Correctional Facility through $30.0 million in borrowings under our New Senior Bank Credit Facility pursuant to an expansion of the Term Loan B Facility. During May 2003, we completed the recapitalization transactions, which included the sale and issuance of $250.0 million of 7.5% senior notes and 6.4 million shares of common stock for $124.8 million. The proceeds received from the sale and issuance of the senior notes and the common stock were largely offset by the redemption of $192.0 million of our series A preferred stock and our series B preferred stock; the prepayment of $132.0 million on the Term A Loan Facility and Term B Loan Facility with proceeds from the recapitalization, cash on hand, and an income tax refund; the prepayment of $7.6 million aggregate principal of the 12% Senior Notes; the repurchase and subsequent retirement of 3.4 million shares of common stock for $65.6 million; and the payment of $10.8 million in costs primarily associated with the recapitalization transactions and prepayment of the 12% Senior Notes. We also paid $6.6 million in scheduled principal repayments during the first and second quarters of 2003, and cash dividends of $11.7 million on our preferred stock, including a tender premium of $5.8 million in connection with the completion of a tender offer for our series B preferred stock.

Our cash flow used in financing activities was $55.5 million for the six months ended June 30, 2002. Proceeds from the issuance on May 3, 2002 of the 9.875% Senior Notes and the New Senior Bank Credit Facility were largely offset by the repayment of the Old Senior Bank Credit Facility and the redemption of substantially all of the 12% Senior Notes. However, we also paid debt issuance costs of $35.0 million in connection with the refinancing, and an additional $8.8 million to terminate the interest rate swap agreement. Further, during the first quarter of 2002, we paid cash dividends of $12.9 million on our series A preferred stock for the fourth quarter of 2001 and for all five quarters in arrears, as permitted under the terms of an amendment to our Old Senior Bank Credit Facility obtained in December 2001. Additionally, we paid $2.2 million in cash dividends on our Series A Preferred Stock during the second quarter of 2002.

Material Commitments

The following schedule summarizes our contractual cash obligations by the indicated period as of June 30, 2003 (in thousands):

	Payments Due By Year Ended December 31,						
	2003 (remainder)	2004	2005	2006	2007	Thereafter	Total
Long-term debt	$2,687	$5,385	$5,400	$8,607	$378,346	$648,732	$1,049,157
Operating leases	985	638	91	—	—	—	1,714
Total Contractual Cash Obligations	$3,672	$6,023	$5,491	$8,607	$378,346	$648,732	$1,050,871

We had $26.9 million of letters of credit outstanding at June 30, 2003 primarily to support our requirement to repay fees under our workers' compensation plan in the event we do not repay the fees due in accordance with the terms of the plan. The letters of credit are renewable annually. We did not have any draws under any outstanding letters of credit during the six months ended June 30, 2003 or 2002.

RESULTS OF OPERATIONS

Our results of operations are impacted by, and the following table sets forth for the periods presented, the number of facilities we owned and managed, the number of facilities we managed but did not own, the number of facilities we leased to other operators, and the facilities we owned that were not yet in operation.

	Owned and Managed	Managed Only	Leased	Incomplete	Total
Facilities as of December 31, 2001	36	28	4	2	70
Termination of the management contract for the Southwest Indiana Regional Youth Village	—	(1)	—	—	(1)
Termination/expiration of the management contracts for facilities in Puerto Rico	—	(3)	—	—	(3)
Management contract award by the Federal Bureau of Prisons for the McRae Correctional Facility	1	—	—	(1)	—
Sale of interest in a juvenile facility	—	—	(1)	—	(1)
Expiration of the management contract for the Delta Correctional Facility	—	(1)	—	—	(1)
Facilities as of December 31, 2002	37	23	3	1	64
Purchase of Crowley County Correctional Facility	1	—	—	—	1
Expiration of the management contract for the Okeechobee Juvenile Offender Correctional Center	—	(1)	—	—	(1)
Expiration of the management contract for the Lawrenceville Correctional Facility	—	(1)	—	—	(1)
Facilities as of June 30, 2003	38	21	3	1	63

Three and Six Months Ended June 30, 2003 Compared to the Three and Six Months Ended June 30, 2002

We generated net income available to common stockholders of $12.1 million, or $0.34 per diluted share, for the three months ended June 30, 2003, compared with a net loss available to common stockholders of $31.4 million, or $1.14 per diluted share, for the three months ended June 30, 2002. Contributing to the net income for the three-month period in 2003, as compared to the same period in the previous year, was an increase in operating income of $8.4 million, from $32.4 million during the second quarter of 2002 to $40.8 million during the second quarter of 2003, due to the commencement of operations at our McRae Correctional Facility in December 2002 and the acquisition of the Crowley County Correctional Facility in January 2003, as well as increased occupancy levels and improved margins. Net income was also favorably impacted by the extinguishment of a promissory note resulting in a non-cash gain of $2.9 million and a reduction in interest expense of $2.8 million, despite a higher average debt balance during the second quarter of 2003 compared with the same period in the prior year. The reduction in net interest expense was primarily due to our senior debt refinancing in May 2002 and lower market interest rates. Contributing to the net loss for the three-month period in 2002 was a charge of $36.7 million related to the comprehensive refinancing completed in May 2002, compared with a charge of $4.1 million during the three-month period in 2003, primarily related to the recapitalization completed in May and June 2003. Net income available to common stockholders for the second quarter of 2003 was negatively impacted by the tender premium associated with the redemption of the series B preferred stock as further discussed herein.

During the six months ended June 30, 2003, we generated net income available to common stockholders of $29.6 million, or $0.89 per diluted share, compared with a net loss available to common stockholders of $77.7 million, or $2.69 per diluted share, for the same period in the previous year. Contributing to the net loss for the six-month period in 2002 was a non-cash charge for the cumulative effect of accounting change of $80.3 million, or $2.78 per diluted share, related to the adoption of SFAS 142, in addition to the aforementioned refinancing charge of $36.7 million during the second quarter of 2002. The cumulative effect of accounting change and the costs of refinancing were partially offset by a cash income tax benefit of $32.2 million during the first quarter of 2002 related to a change in tax law that became effective in March 2002, which enabled us to utilize certain of our net operating losses to offset taxable income generated in 1997 and 1996 to obtain a refund.

Facility Operations

A key performance indicator we use to measure the revenue and expenses associated with the operation of the facilities we own or manage is expressed in terms of a compensated man-day, and represents the revenue we generate and expenses we incur for one inmate for one calendar day. Revenue and expenses per compensated man-day are computed by dividing facility revenue and expenses by the total number of compensated man-days during the period. A compensated man-day represents a calendar day for which we are paid for the occupancy of an inmate. We believe the measurement is useful because we are compensated for operating and managing facilities at an inmate per-diem rate based upon actual or minimum guaranteed occupancy levels. We also measure our ability to contain costs on a per-compensated man-day basis, which is largely dependent upon the number of inmates we accommodate. Further, per man-day measurements are also used to estimate our potential profitability based on certain occupancy levels relative to design capacity. Revenue and expenses per compensated man-day for all of the facilities we owned or managed, exclusive of those discontinued (see further discussion below regarding discontinued operations), were as follows for the three and six months ended June 30, 2003 and 2002:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	**2002**	**2003**	**2002**
Revenue per compensated man-day	**$51.08**	$49.45	**$50.93**	$49.31
Operating expenses per compensated man-day:				
Fixed expense	**28.40**	27.84	**28.15**	28.20
Variable expense	**9.69**	10.18	**9.65**	9.93
Total	**38.09**	38.02	**37.80**	38.13
Operating margin per compensated man-day	**$12.99**	$11.43	**$13.13**	$11.18
Operating margin	**25.4%**	23.1%	**25.8%**	22.7%
Average compensated occupancy	**91.1%**	88.6%	**91.3%**	87.7%

Management and other revenue consists of revenue earned from the operation and management of adult and juvenile correctional and detention facilities we own or manage and from our inmate transportation subsidiary, which, for the three months ended June 30, 2003 and 2002, totaled $253.2

million and $230.9 million, respectively, while management and other revenue totaled $502.6 million and $454.4 million, respectively, during the six months ended June 30, 2003 and 2002. Business from our federal customers, including the Federal Bureau of Prisons, or the BOP, the U.S. Marshals Service, or the USMS, and the Bureau of Immigration and Customs Enforcement, or the BICE (formerly the Immigration and Naturalization Service, or the INS), remains strong, while many of our state customers are currently experiencing budget difficulties. Our federal customers generated approximately 37.6% and 37.4%, respectively, of our total management revenue for the three and six months ended June 30, 2003. While the budget difficulties experienced by our state customers present short-term challenges with respect to our per-diem rates resulting in pressure on our management revenue in future quarters, these governmental entities are also constrained with respect to funds available for prison construction. As a result, because we believe inmate populations will continue to rise, we currently expect the lack of new bed supply to lead to higher occupancies in the long-term.

Operating expenses totaled $190.3 million and $178.6 million for the three months ended June 30, 2003 and 2002, respectively, while operating expenses for the six months ended June 30, 2003 and 2002 totaled $375.8 million and $354.0 million, respectively. Operating expenses consist of those expenses incurred in the operation and management of adult and juvenile correctional and detention facilities, and for our inmate transportation subsidiary.

Salaries and benefits represent the most significant component of fixed operating expenses. During the three and six months ended June 30, 2003, salaries and benefits expense increased $10.6 million and $17.1 million, respectively, as compared to the same periods in the prior year. The increase in salaries and benefits expense was primarily due to the arrival of inmates at the McRae Correctional Facility beginning in December 2002 and the purchase of the Crowley County Correctional Facility in January 2003. Salaries and benefits per compensated man-day increased $0.82 per compensated man-day during the second quarter of 2003 as compared to the same quarter in the prior year, while salaries and benefits per compensated man-day increased $0.19 per compensated man-day during the six months ended June 30, 2003 as compared to the same period in the prior year. The turnover rate for correctional officers for our company, and for the corrections industry in general, also remains high. We are continuing to develop strategies to reduce our turnover rate, but we can provide no assurance that these strategies will be successful. In addition, ten of our facilities currently have contracts with the federal government requiring that our wage and benefit rates comply with wage determination rates set forth, and as adjusted from time to time, under the Service Contract Act of the U.S. Department of Labor. Our contracts generally provide for reimbursement of a portion of the increased costs resulting from wage determinations in the form of increased per-diems, thereby mitigating the effect of increased salaries and benefits expenses at those facilities. We may also be subject to adverse claims, or government audits, relating to alleged violations of wage and hour laws applicable to us, which may result in adjustments to amounts previously paid as wages and, potentially interest and/or monetary penalties.

We also experienced a trend of increasing insurance expense during the three and six months ended June 30, 2003 as compared with the same periods in 2002. Because we are significantly self-insured for employee health, workers’ compensation, and automobile liability insurance, our insurance expense is dependent on claims experience and our ability to control our claims. Our insurance policies contain various deductibles and stop-loss amounts intended to limit our exposure for individually significant occurrences. However, the nature of our self-insurance provides little protection for a deterioration in claims experience or increasing employee medical costs in general. We continue to incur increasing insurance expense due to adverse claims experience primarily resulting from rising healthcare costs throughout the country. We continue to develop new strategies to improve the management of our future loss claims, but can provide no assurance that these strategies will be successful. Additionally, general liability insurance costs have risen substantially since the terrorist attacks on September 11, 2001, and other types of insurance, such as directors and officers liability insurance, have increased due to several recent high profile business failures and concerns about corporate governance and accounting in the marketplace. Unanticipated additional insurance expenses resulting from adverse claims experience or a continued increasing cost environment for general liability and other types of insurance could result in increasing expenses in the future.

The reduction in variable operating expenses per compensated man-day from $10.18 per compensated man-day during the second quarter of 2002 compared with $9.69 per compensated man-day in 2003 was primarily due to the renegotiation of our contract for food services, for which we decided to outsource at almost all of the facilities we manage. Outsourcing our food services to one vendor for substantially all of the facilities we manage generated opportunities to produce economies of scale. We also achieved reductions in inmate medical expenses primarily due to the renegotiation of our management contract for the Correctional Treatment Facility located in the District of Columbia, as well as through the negotiation of a national contract with our pharmaceutical provider and reduced reliance on outsourced nursing.

The operation of the facilities we own carries a higher degree of risk associated with a management contract than the operation of the facilities we manage but do not own because we incur significant capital expenditures to construct or acquire facilities we own. Additionally, correctional and detention facilities have a limited or no alternative use. Therefore, if a management contract is terminated on a facility we own, we continue to incur certain operating expenses, such as real estate taxes, utilities, and insurance, that we would not incur if a management contract was terminated for a managed-only facility. As a result, revenue per compensated man-day is typically higher for facilities we own and manage than for managed-only facilities. Because we incur higher expenses, such as repairs and maintenance, real estate taxes, and insurance, on the facilities we own and manage, our cost structure for facilities we own and manage is also higher than the cost structure for the managed-only facilities. The following tables display the revenue and expenses per compensated man-day for the facilities we own and manage and for the facilities we manage but do not own:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2003	2002	2003	2002
Owned and Managed Facilities:				
Revenue per compensated man-day	**$55.60**	$54.93	**$55.36**	$54.81
Operating expenses per compensated man-day:				
Fixed expense	**29.96**	29.83	**29.62**	30.17
Variable expense	**9.96**	11.35	**9.85**	11.16
Total	**39.92**	41.18	**39.47**	41.33
Operating margin per compensated man-day	**$15.68**	$13.75	**$15.89**	$13.48
Operating margin	**28.2%**	25.0%	**28.7%**	24.6%
Average compensated occupancy	**86.3%**	82.5%	**86.7%**	81.6%
Managed Only Facilities:				
Revenue per compensated man-day	**$42.20**	$40.24	**$42.22**	$40.14
Operating expenses per compensated man-day:				
Fixed expense	**25.34**	24.48	**25.27**	24.92
Variable expense	**9.17**	8.23	**9.25**	7.88
Total	**34.51**	32.71	**34.52**	32.80
Operating margin per compensated man-day	**$ 7.69**	$ 7.53	**$ 7.70**	$ 7.34
Operating margin	**18.2%**	18.7%	**18.2%**	18.3%
Average compensated occupancy	**102.1%**	101.0%	**102.0%**	100.2%

Owned and Managed Facilities

On May 30, 2002, we were awarded a contract by the BOP to house 1,524 federal detainees at our McRae Correctional Facility located in McRae, Georgia. The three-year contract, awarded as part of the Criminal Alien Requirement Phase II Solicitation, or CAR II, also provides for seven one-year renewals. The contract with the BOP guarantees at least 95% occupancy on a take-or-pay basis, and commenced full operations in December 2002. Total management and other revenue at this facility was $8.6 million and $17.0 million, respectively, during the three and six months ended June 30, 2003. As of June 30, 2003 this facility had an actual occupancy of approximately 78%, despite generating revenues at the guaranteed 95% rate. We expect operating expenses to increase in future quarters as the actual occupancy increases, which will result in a decrease in operating margins. While no revenue was generated by this facility during the first half of 2002, we incurred $0.3 million and $0.5 million, respectively, of operating expenses during the three and six months ended June 30, 2002.

Results for the first half of 2003 were also favorably impacted by the acquisition, on January 17, 2003, of the Crowley County Correctional Facility, a 1,200-bed medium security adult male prison facility located in Olney Springs, Crowley County, Colorado. The facility currently houses inmates from the States of Colorado and Wyoming. As part of the transaction, we also assumed a management contract with the State of Colorado and entered into a new management contract with the State of Wyoming, and took over management of the facility effective January 18, 2003.

In June 2003, we announced that during the third quarter of 2003, we will transfer all of the Wisconsin inmates currently housed at our 1,440-bed medium security North Fork Correctional Facility located in Sayre, Oklahoma to our 2,160-bed medium security Diamondback Correctional Facility located in Watonga, Oklahoma in order to satisfy a contractual provision mandated by the

State of Wisconsin. The Diamondback Correctional Facility currently houses inmate populations for the states of Oklahoma and Hawaii. The inmate transfers will bring the Diamondback Correctional Facility close to full capacity.

Upon completion of the inmate transfers, North Fork Correctional Facility will close for an indefinite period of time, resulting in the termination of approximately 225 employees at the North Fork Correctional Facility, some of which will be transferred to other correctional facilities we manage, including our Tallahatchie County Correctional Facility. We currently expect the operational consolidations to have no material impact on our 2003 financial statements. However, long-term, the consolidation will result in certain operational efficiencies. In addition, we are currently pursuing new management contracts and other opportunities to take advantage of the beds that will become available at the North Fork Correctional Facility, but can provide no assurance that we will be successful in doing so.

Additionally, during the second quarter of 2003, the State of Wisconsin approved legislation to open various facilities owned by the State. These facilities are currently not in use by the State. The opening of these facilities could lead to a reduction in the number of inmates we house from the State of Wisconsin. Given the uncertainty regarding the exact timing of the openings, and the extent of Wisconsin inmate population growth between now and the time of such openings, we cannot determine whether such openings will have a material impact on the Company’s financial statements.

During October 2002, we entered into a new agreement with Hardeman County, Tennessee, with respect to the management of up to 1,536 medium security inmates from the State of Tennessee in the Whiteville Correctional Facility. Total management revenue increased during the three and six month periods ended June 30, 2003 from the comparable periods in 2002, by $2.1 million and $4.4 million, respectively, at this facility.

Due to a combination of rate increases and/or an increase in population at six of our facilities, including our 2,304-bed Central Arizona Detention Center, 1,600-bed Florence Correctional Center, 1,232-bed San Diego Correctional Facility, 910-bed Torrance County Detention Facility, 483-bed Leavenworth Detention Center, and 480-bed Webb County Detention Center, primarily from the BOP, the USMS, and the BICE, total management and other revenue increased during the three and six month periods ended June 30, 2003 from the comparable periods in 2002, by $6.8 million and $17.6 million, respectively, at these facilities.

During June 2003, we announced our first inmate management contract with the State of Alabama to house up to 1,440 medium security inmates in our Tallahatchie County Correctional Facility, located in Tutwiler, Mississippi pursuant to an emergency contract authorized by the governor and the Alabama Department of Corrections to aid the state’s corrections agency in relieving its overcrowded system that is under court order. The contract is intended to be short-term in nature while Alabama prepares a longer term Request for Proposal for this inmate population. Given the expected short-term nature of the contract, we do not expect the contract to have a material impact on our financial statements. However, due to the close proximity to Alabama, we believe our substantially idle Tallahatchie County Correctional Facility, for which construction was completed in 2000, represents an ideal long-term solution in meeting Alabama’s growing demand for prison capacity. Nevertheless, we can provide no assurance that we will be awarded the contract that is expected to result from the Request for Proposal.

Managed-Only Facilities

During the fourth quarter of 2001, we committed to a plan to terminate a management contract at the Southwest Indiana Regional Youth Village, a 188-bed juvenile facility located in Vincennes, Indiana. During the first quarter of 2002, we entered into a mutual agreement with Children and Family Services Corporation, or CFSC, to terminate our management contract at the facility, effective April 1, 2002, prior to the contract's expiration date in 2004. In connection with the mutual agreement to terminate the management contract, CFSC also paid in full an outstanding note receivable totaling approximately $0.7 million, which was previously considered uncollectible and was fully reserved.

On June 28, 2002, we received notice from the Mississippi Department of Corrections terminating our contract to manage the 1,016-bed Delta Correctional Facility located in Greenwood, Mississippi, due to the non-appropriation of funds. We ceased operations of the facility during October of 2002. However, the State of Mississippi agreed to expand the management contract at the Wilkinson County Correctional Facility located in Woodville, Mississippi to accommodate an additional 100 inmates. As a result, the results of operations of the Delta Correctional Facility are not reported in discontinued operations. Total management and other revenue at Delta Correctional Facility was $2.2 million and $4.4 million, respectively, during the three and six months ended June 30, 2002, while we incurred $3.0 million and $5.1 million, respectively, in operating expenses during the same period.

During July 2002, we renewed our contract with Tulsa County, Oklahoma, for the management of inmates at the David L. Moss Criminal Justice Center. The contract renewal included an increase in the per-diem rate, and also shifted to Tulsa County, the burden of certain utility expenses, resulting in a modest improvement in profitability for the management of this facility during the three and six months ended June 30, 2003, as compared with the same periods in the prior year.

Rental revenue

Rental revenue was $0.9 million and $1.0 million, respectively, for the three months ended June 30, 2003 and 2002, while rental revenue for each of the six month periods ended June 30, 2003 and 2002 was $1.9 million. Rental revenue was generated from leasing three correctional and detention facilities to governmental agencies and other private operators.

General and administrative expense

For the three months ended June 30, 2003 and 2002, general and administrative expenses totaled $10.0 million and $8.3 million, respectively, while general and administrative expenses totaled $19.5 million and $15.5 million, respectively, during the six months ended June 30, 2003 and 2002. General and administrative expenses consist primarily of corporate management salaries and benefits, professional fees and other administrative expenses, and increased from the first half of 2002 primarily due to an increase in salaries and benefits, including incentive compensation, combined with an increase in professional services, during 2003 compared with 2002.

We have expanded our infrastructure over the past several quarters to implement and support numerous technology initiatives, to maintain closer relationships with existing and potentially new customers in order to identify their needs, to focus on reducing facility operating expenses, and to comply with increasing corporate governance requirements. We believe our expanded infrastructure and investments in technology will provide long-term benefits enabling us to provide enhanced quality service to our customers while creating scalable operating efficiencies.

Depreciation and amortization

For the three months ended June 30, 2003 and 2002, depreciation and amortization expense totaled $13.0 million and $12.5 million, respectively, while depreciation and amortization expense totaled $25.9 million and $24.6 million, respectively, for the six months ended June 30, 2003 and 2002. The increase in depreciation and amortization for the three and six month periods primarily resulted from the acquisition of the Crowley County Correctional Facility in January 2003, and due to placing into service in December 2002 our McRae Correctional Facility.

Interest expense, net

Interest expense, net, is reported net of interest income for the three and six months ended June 30, 2003 and 2002. Gross interest expense was $20.3 million and $23.5 million, respectively, for the three months ended June 30, 2003 and 2002, and gross interest expense was $39.1 million and $53.5 million, respectively, for the six months ended June 30, 2003 and 2002. Gross interest expense is based on outstanding convertible subordinated notes payable balances, borrowings under the New Senior Bank Credit Facility, the Old Senior Bank Credit Facility, the 7.5% Senior Notes, the 9.875% Senior Notes, the 12% Senior Notes, net settlements on certain derivative instruments, and amortization of loan costs and unused facility fees. The decrease in gross interest expense from the prior year is primarily attributable to the comprehensive refinancing of our senior indebtedness completed on May 3, 2002, which decreased the interest rate spread on the New Senior Bank Credit Facility and resulted in the redemption of a significant portion of the 12% Senior Notes. Interest expense also decreased due to the termination of an interest rate swap agreement, lower amortization of loan costs, and a lower interest rate environment.

Although we expect interest expense to increase as a result of the recapitalization transactions completed during the second quarter of 2003, we expect this increase to be more than offset by the reduction in the non-tax deductible dividend requirements on the higher-rate preferred stocks that were tendered and redeemed in connection with the recapitalization, resulting in a favorable impact on net income available to common stockholders. However, interest expense and net income available to common stockholders will be negatively impacted by the issuance of the $200.0 million aggregate principal amount of 7.5% senior notes subsequent to quarter-end, the net proceeds of which were used to pay-down the variable rate term portion of our New Senior Bank Credit Facility, to the extent of the spread between the fixed interest rate on the notes and the variable interest rate on the term portion of the credit facility. Despite this dilution, completion of the transactions provides certain benefits, including (i) fixing the interest rate on $200.0 million of indebtedness currently exposed to increases in interest rates, (ii) reducing the amount of our indebtedness that is secured by our tangible and intangible assets, thereby facilitating both the release of certain collateral requirements under the senior secured credit facility and the reduction of interest rates on the facility, and (iii) extending our weighted average debt maturities. Further, the negative impact on interest expense will be partially offset by the negotiated reduction during May 2003 in the interest rate to 4% from 8% on our $30.0 million convertible subordinated notes, and the pay-down of the term portion of the senior secured credit facility in August 2003 with cash on hand.

Gross interest income was $0.7 million and $0.9 million, respectively, for three months ended June 30, 2003 and 2002. For the six months ended June 30, 2003 and 2002, gross interest income was

$1.7 million and $2.0 million, respectively. Gross interest income is earned on cash collateral requirements, a direct financing lease, notes receivable and investments of cash and cash equivalents.

Costs associated with debt refinancing and recapitalization transactions

For both the three and six months ended June 30, 2003 and 2002, costs of refinancing and recapitalization were $4.1 million and $36.7 million, respectively. The charges in 2003 included $2.5 million of expenses associated with the tender offer for our series B preferred stock, the redemption of our series A preferred stock, and the write-off of existing deferred loan costs associated with the repayment of the term loan portions of the New Senior Bank Credit Facility made with proceeds from the common stock and note offerings, and $0.1 million associated with the modifications to the terms of the $30.0 million of convertible subordinated notes.

In June 2003, pursuant to an offer to purchase the balance of the remaining 12% Senior Notes, holders of approximately $7.6 million principal amount of the notes tendered their notes at a price of 120% of par, resulting in a charge of approximately $1.5 million during the second quarter of 2003.

As a result of the early extinguishment of the Old Senior Bank Credit Facility and the redemption of substantially all of the Company’s 12% Senior Notes in May 2002, the Company recorded charges of $36.7 million during the second quarter of 2002, which included the write-off of existing deferred loan costs, certain bank fees paid, premiums paid to redeem the 12% Senior Notes, and certain other costs associated with the refinancing.

As a result of the amendment to the New Senior Bank Credit Facility and related pay-down with net proceeds from the issuance of the new 7.5% senior notes, and due to the repayment and relief of our obligation related to the remaining outstanding 12% Senior Notes, each completed during the third quarter of 2003 as further described under “Liquidity” herein, we expect to report a charge for costs associated with refinancing transactions of approximately $3.1 million during the third quarter of 2003.

Change in fair value of derivative instruments

In accordance with Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities,” or SFAS 133, as amended, we have reflected in earnings the change in the estimated fair value of an interest rate swap agreement during the three and six months ended June 30, 2002. We estimated the fair value of the interest rate swap agreement using option-pricing models that value the potential for the interest rate swap agreement to become in-the-money through changes in interest rates during the remaining term of the agreement.

Our swap agreement fixed LIBOR at 6.51% (prior to the applicable spread) on outstanding balances of at least $325.0 million through its expiration on December 31, 2002. In accordance with SFAS 133, we recorded a non-cash gain of $51,000 and $3.5 million, respectively, for the change in fair value of the swap agreement for the three and six months ended June 30, 2002, which included $0.6 million and $1.3 million, respectively, for amortization of the transition adjustment, or the cumulative reduction in the fair value of the swap from its inception to the date we adopted SFAS 133 on January 1, 2001. We were no longer required to maintain the existing interest rate swap agreement due to the early extinguishment of the Old Senior Bank Credit Facility. During May 2002, we terminated the swap agreement prior to its expiration at a price of approximately $8.8 million. In accordance with SFAS 133, we continued to amortize the unamortized portion of the transition adjustment as a non-cash expense, through December 31, 2002.

The New Senior Bank Credit Facility required us to hedge at least $192.0 million of the term loan portions of the facility within 60 days following the closing of the loan. In May 2002, we entered into an interest rate cap agreement to fulfill this requirement, capping LIBOR at 5.0% (prior to the applicable spread) on outstanding balances of $200.0 million through the expiration of the cap agreement on May 20, 2004. We paid a premium of $1.0 million to enter into the interest rate cap agreement. We expect to amortize this premium into interest expense as the estimated fair values assigned to each of the hedged interest payments expire throughout the term of the cap agreement, amounting to $0.4 million in 2003 and $0.6 million in 2004. We have met the hedge accounting criteria under SFAS 133 and related interpretations in accounting for the interest rate cap agreement. As a result, the interest rate cap agreement is marked to market each reporting period, and the change in the fair value of the interest rate cap agreement, amounting to $16,000 during the six months ended June 30, 2003, is reported through other comprehensive income in the statement of stockholders' equity. The cap agreement was estimated to have no value at June 30, 2003. There can be no assurance that the interest rate cap agreement will be effective in mitigating our exposure to interest rate risk in the future, or that we will be able to continue to meet the hedge accounting criteria under SFAS 133.

On May 16, 2003, approximately 0.3 million shares of common stock were issued, along with a $2.9 million subordinated promissory note, in connection with the final settlement of the state court portion of our stockholder litigation settlement. Under the terms of the promissory note, the note and accrued interest were extinguished in June 2003 once the average closing price of our common stock exceeded a "termination price" equal to $16.30 per share for fifteen consecutive trading days following the note's issuance. The terms of the note, which allowed the principal balance to fluctuate dependent on the trading price of our common stock, created a derivative instrument that was valued and accounted for under the provisions of SFAS 133. Since we had previously reflected the maximum obligation of the contingency associated with the state portion of the stockholder litigation on the balance sheet, the extinguishment of the note in June 2003 resulted in a $2.9 million non-cash gain during the second quarter of 2003.

Income tax expense

We had no net income tax expense or benefit for the three months ended June 30, 2003 and generated an income tax benefit of approximately $0.1 million for the three months ended June 30, 2002, while we generated an income tax benefit of approximately $0.2 million and $32.9 million for the six months ended June 30, 2003 and 2002, respectively. The income tax benefit during the six months ended June 30, 2002, primarily resulted from the "Job Creation and Worker Assistance Act of 2002," which was signed into law on March 9, 2002. Among other changes, the tax law extended the net operating loss carryback period to five years from two years for net operating losses arising in tax years ending in 2001 and 2002, and allows use of net operating loss carrybacks and carryforwards to offset 100% of the alternative minimum taxable income. We experienced net operating losses during 2001 resulting primarily from the sale of assets at prices below the tax basis of such assets. Under terms of the new law, we utilized certain of these net operating losses to offset taxable income generated in 1997 and 1996. As a result of this tax law change in 2002, we reported an income tax benefit and claimed a refund of approximately $32.2 million during the first quarter of 2002, which was received in April 2002.

As of June 30, 2003, our net deferred tax assets totaled approximately $101.5 million. Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including our ability to generate taxable income within the net operating loss carryforward period. Since the change in tax status in connection with our comprehensive restructuring in 2000, as further described in the 2002 Form 10-K, and as of June 30, 2003, we have provided a valuation allowance to reserve the deferred tax assets in accordance with SFAS 109. The valuation allowance was recognized based on the weight of available evidence indicating that it was more likely than not that the deferred tax assets would not be realized. This evidence primarily consisted of, but was not limited to, recent cumulative operating losses for federal tax purposes.

Our assessment of the valuation allowance could change in the future based upon our actual and projected taxable income. Removal of the valuation allowance in whole or in part would result in a non-cash reduction in income tax expense during the period of removal. To the extent no valuation allowance is established for our deferred tax assets, future financial statements would reflect a provision for income taxes at the applicable federal and state tax rates on income before taxes.

The use of our current net operating loss carryforwards, which could be used to offset future taxable income, may be subject to annual limitations under the Internal Revenue Code as a result of the aforementioned recapitalization transactions or otherwise. Any such limitations in the future could require us to pay federal income taxes, resulting in an income tax provision to the extent paid.

Discontinued Operations

In late 2001 and early 2002, we were provided notice from the Commonwealth of Puerto Rico of its intention to terminate the management contracts at the 500-bed multi-security Ponce Young Adult Correctional Facility and the 1,000-bed medium security Ponce Adult Correctional Facility, located in Ponce, Puerto Rico, upon the expiration of the management contracts in February 2002. Attempts to negotiate continued operation of these facilities were unsuccessful. As a result, the transition period to transfer operation of the facilities to the Commonwealth of Puerto Rico ended May 4, 2002, at which time operation of the facilities was transferred to the Commonwealth of Puerto Rico. During the three and six months ended June 30, 2002, these facilities generated total revenue of $2.3 million and $7.9 million, respectively, and incurred total operating expenses of $2.7 million and $7.4 million, respectively. The Company recorded a non-cash charge of approximately $1.8 million during the second quarter of 2002 for the write-off of the carrying value of assets associated with the terminated management contracts.

During the fourth quarter of 2001, we obtained an extension of our management contract with the Commonwealth of Puerto Rico for the operation of the 1,000-bed Guayama Correctional Center located in Guayama, Puerto Rico, through December 2006. However, on May 7, 2002, we received notice from the Commonwealth of Puerto Rico terminating our contract to manage this facility, which occurred on August 6, 2002. During the three and six months ended June 30, 2002, this facility generated total revenue of $5.1 million and $10.0 million, respectively, and incurred total operating expenses of $3.7 million and $7.0 million, respectively.

On June 28, 2002, we sold our interest in a juvenile facility located in Dallas, Texas for approximately $4.3 million. The facility, which was designed to accommodate 900 at-risk juveniles, was leased to an independent third party operator pursuant to a lease expiring in 2008. Net proceeds from the sale were used for working capital purposes. This facility generated rental income of $0.2 million and $0.4 million, respectively, during the three and six months ended June 30, 2002.

During the fourth quarter of 2002, we were notified by the State of Florida of its intention to not renew our contract to manage the 96-bed Okeechobee Juvenile Offender Correctional Center located in Okeechobee, Florida, upon the expiration of a short-term extension to the existing management contract, which expired in December 2002. Upon expiration, which occurred March 1, 2003, the operation of the facility was transferred to the State of Florida. During the three months ended June 30, 2002, the facility generated $1.2 million of total revenue and incurred total operating expenses of $1.0 million. During the six months ended June 30, 2003 and 2002, the facility generated total revenue of $0.8 million and $2.4 million, respectively, and incurred total operating expenses of $0.7 million and $2.0 million, respectively. Additionally, the expiration of the contract resulted in the impairment of all goodwill previously recorded in connection with this facility, which totaled $0.3 million, during the first quarter of 2003.

On March 18, 2003, we were notified by the Department of Corrections of the Commonwealth of Virginia of its intention to not renew our contract to manage the 1,500-bed Lawrenceville Correctional Center located in Lawrenceville, Virginia, upon the expiration of the contract. Accordingly, we terminated our operation of the facility on March 22, 2003 in connection with the expiration of the contract. During the three months ended June 30, 2002, the facility generated $5.1 million of total revenue and incurred total operating expenses of $4.8 million, respectively. During the six months ended June 30, 2003 and 2002, the facility generated total revenue of $4.6 million and $10.1 million, respectively, and incurred total operating expenses of $5.3 million and $9.4 million, respectively. Additionally, the expiration of the contract resulted in the impairment of all goodwill previously recorded in connection with this facility, which totaled $0.3 million, during the first quarter of 2003.

Distributions to preferred stockholders

For the three months ended June 30, 2003 and 2002, distributions to preferred stockholders totaled $8.1 million and $5.2 million, respectively, while distributions to preferred stockholders totaled $13.6 million and $10.3 million, respectively, during the six months ended June 30, 2003 and 2002.

Following the completion of the common stock and notes offering in May 2003, we purchased approximately 3.7 million shares of series B preferred stock for approximately $97.4 million pursuant to the terms of a cash tender offer. The tender offer price for the series B preferred stock (inclusive of all accrued and unpaid dividends) was $26.00 per share. The tender premium payment of the difference between the tender price ($26.00) and the liquidation preference ($24.46) for the shares tendered was reported as a preferred stock distribution in the second quarter of 2003. The payment of the $1.54 tender premium resulted in approximately $5.8 million of preferred stock dividends in the second quarter of 2003. Dividends will continue to accrue on the remaining outstanding shares of series B preferred stock at the rate of 12% per year of the stated value of $24.46. The dividends are payable quarterly in arrears, in additional shares of series B preferred stock through the third quarter of 2003, and in cash thereafter, provided that all accrued and unpaid cash dividends have been made on our series A preferred stock.

Also during the second quarter of 2003, we redeemed 4.0 million, or approximately 93%, of our 4.3 million shares of outstanding series A preferred stock at a price of $25.00 per share plus accrued dividends to the redemption date as part of the recapitalization. Dividends continued to accrue on the shares redeemed at the face rate of 8% through the redemption date on June 6, 2003. The redemption resulted in the reduction in series A preferred stock dividends in the second quarter of 2003 as compared to previous quarters. Dividends will continue to accrue on the remaining outstanding shares of series A preferred stock at the rate of 8% per year of the stated value of $25.00, and are payable quarterly in arrears in cash.

Recent Accounting Pronouncements

In April 2002, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections,” or SFAS 145. SFAS 145 rescinds Statement of Financial Accounting Standards No. 4, “Reporting Gains and Losses from Extinguishment of Debt,” which required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. As a result, the criteria in APB 30 will now be used to classify those gains and losses. The provisions of SFAS 145 are effective for financial statements issued for fiscal years beginning after May 15, 2002, and interim periods within those fiscal years.

During the second quarter of 2002, prior to the required adoption of SFAS 145, we reported an extraordinary charge of approximately $36.7 million associated with the refinancing of our senior debt in May 2002. Under SFAS 145, any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods that does not meet the criteria in APB 30 for classification as an extraordinary item shall be reclassified. We adopted SFAS 145 on January 1, 2003. Accordingly, the extraordinary charge reported in the second quarter of 2002 was reclassified to a component of income (loss) from continuing operations in the statements of operations for the three and six months ended June 30, 2002.

On December 31, 2002, the FASB issued Statement of Financial Accounting Standards No. 148, “Accounting for Stock-Based Compensation — Transition and Disclosure,” or SFAS 148. SFAS 148 amends Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation,” or SFAS 123, to provide alternative methods of transition to SFAS 123’s fair value method of accounting for stock-based employee compensation. SFAS 148 also amends the disclosure provisions of SFAS 123 and APB Opinion No. 28, “Interim Financial Reporting,” to require disclosure of the effects of an entity’s accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. While SFAS 148 does not amend SFAS 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of SFAS 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of SFAS 123 or the intrinsic value method of APB Opinion No. 25, “Accounting for Stock Issued to Employees.”

In January 2003, the FASB issued Interpretation No. 46, “Consolidation of Variable Interest Entities,” or FIN 46, which requires the consolidation of variable interest entities as defined in the Interpretation. FIN 46 requires an assessment of equity investments to determine if they are variable interest entities. Variable interest entities created prior to February 1, 2003, must be consolidated effective July 1, 2003. Disclosures are required currently if we expect to consolidate any variable interest entities. We are currently evaluating the requirement to consolidate any additional material entities as a result of FIN 46.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, “Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities,” or SFAS 149. SFAS 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003, and should be applied prospectively. The provisions of SFAS 149 that relate to SFAS 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003 should continue to be applied in accordance with their respective effective dates. We do not expect the adoption of SFAS 149 to have a material impact on our financial statements.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity,” or SFAS 150. This Statement establishes standards for classifying and measuring as liabilities certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. Instruments that are indexed to and potentially settled in an issuer’s own shares that are not within the scope of SFAS 150 remain subject to existing guidance. SFAS 150 is effective for all freestanding financial instruments of public companies entered into or modified after May 31, 2003. Otherwise it will become effective at the beginning of the first interim period beginning after June 15, 2003. We do not expect the adoption of SFAS 150 to have a material impact on our financial statements.

Inflation

We do not believe that inflation has had or will have a direct adverse effect on our operations. Many of our management contracts include provisions for inflationary indexing, which mitigates an adverse impact of inflation on net income. However, a substantial increase in personnel costs, workers’ compensation or food and medical expenses could have an adverse impact on our results of operations in the future to the extent that these expenses increase at a faster pace than the per diem or fixed rates we receive for our management services.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Our primary market risk exposure is to changes in U.S. interest rates and fluctuations in foreign currency exchange rates between the U.S. dollar and the British pound. We are exposed to market risk related to our New Senior Bank Credit Facility. The interest on the New Senior Bank Credit Facility is subject to fluctuations in the market. If the interest rate for our outstanding indebtedness under the New Senior Bank Credit Facility was 100 basis points higher or lower during the three and six months ended June 30, 2003, our interest expense would have been increased or decreased by approximately $1.5 million and $3.1 million, respectively, including the effects of our interest rate cap agreement discussed below.

As of June 30, 2003, we had outstanding $250.0 million of senior notes with a fixed interest rate of 9.875%, $3.2 million of senior notes with a fixed interest rate of 12.0%, $250.0 million of senior notes with a fixed rate of 7.5%, $30.0 million of convertible subordinated notes with a fixed interest rate of 4.0%, $7.5 million of series A preferred stock with a fixed dividend rate of 8.0% and $22.9 million of series B preferred stock with a fixed dividend rate of 12.0%. Because the interest and dividend rates with respect to these instruments are fixed, a hypothetical 10.0% increase or decrease in market interest rates would not have a material impact on our financial statements.

In order to satisfy a requirement of the New Senior Bank Credit Facility, we purchased an interest rate cap agreement, capping LIBOR at 5.0% (prior to the applicable spread) on outstanding balances of $200.0 million through the expiration of the cap agreement on May 20, 2004, for a price of $1.0 million.

We may, from time to time, invest our cash in a variety of short-term financial instruments. These instruments generally consist of highly liquid investments with original maturities at the date of purchase between three and twelve months. While these investments are subject to interest rate risk and will decline in value if market interest rates increase, a hypothetical 10% increase or decrease in market interest rates would not materially affect the value of these investments.

Our exposure to foreign currency exchange rate risk relates to our construction, development and leasing of the Agecroft facility located in Salford, England, which we sold on April 10, 2001. We extended a working capital loan to the operator of this facility, of which we own 50% through a wholly-owned subsidiary. Such payments to us are denominated in British pounds rather than the U.S. dollar. As a result, we bear the risk of fluctuations in the relative exchange rate between the British pound and the U.S. dollar. At June 30, 2003, the receivables due to us and denominated in British pounds totaled 3.4 million British pounds. A hypothetical 10% increase in the relative exchange rate would have resulted in an increase of $0.6 million in the value of these receivables and a corresponding unrealized foreign currency transaction gain, and a hypothetical 10% decrease in the relative exchange rate would have resulted in a decrease of $0.6 million in the value of these receivables and a corresponding unrealized foreign currency transaction loss.

ITEM 4. CONTROLS AND PROCEDURES.

The Company, under the direction of its Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), has established disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. The disclosure controls and procedures are also intended to ensure that such information is accumulated and communicated to the Company’s management, including the CEO and the CFO, as appropriate to allow timely decisions regarding required disclosures.

The CEO and CFO have reviewed and evaluated the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on, and as of the effective date of, that review and evaluation, the CEO and CFO have concluded that the Company’s disclosure controls and procedures are effectively serving the stated purposes.

In addition, no changes in the Company’s internal control over financial reporting occurred during the period covered by this report that materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

See Note 11 to the financial statements included in Part I.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

See Notes 8 and 14 to the financial statements included in Part I.

Pursuant to the provisions of the Company's Non-Employee Directors' Compensation Plan, on June 30, 2003, the Company issued an aggregate of 507 shares of its common stock to three non-employee directors of the Company. The shares were issued in lieu of the payment of a portion of such directors' quarterly cash director fees, based on a Fair Market Value (as defined in the plan) of the shares of $25.10 per share. The shares issued under the plan on June 30, 2003 are not registered under the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company's 2003 Annual Meeting of Stockholders (the "Annual Meeting") was held on May 15, 2003. A total of 26,335,931 shares of the Company's common stock, constituting a quorum of those shares entitled to vote, were represented at the meeting by stockholders either present in person or by proxy.

At the Annual Meeting, the following eleven nominees for election as directors of the Company were elected without opposition pursuant to the vote totals indicated below, with no nominee for director receiving less than 25,705,894 votes, or 97.6% of the shares present at the meeting:

Shares Voted

Name of Nominee	For	Against	Abstain
William F. Andrews	26,169,580	166,349	0
John D. Ferguson	26,168,113	167,816	0
Lucius E. Burch, III	26,169,860	166,069	0
John D. Correnti	26,170,304	165,625	0
John R. Horne	26,170,406	165,523	0
C. Michael Jacobi	26,170,915	165,014	0
Thurgood Marshall, Jr.	26,169,766	166,163	0
Charles L. Overby	26,142,270	193,659	0
John R. Prann, Jr.	26,170,300	165,629	0
Joseph V. Russell	25,705,894	630,035	0
Henri L. Wedell	26,170,620	165,309	0

Each of the foregoing directors was elected to serve on the Company's board of directors until the Company's 2004 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified.

Also at the Annual Meeting, on a motion to approve the amendment to the Company's 2000 Stock Incentive Plan to increase the number of shares of the Company's common stock authorized and reserved for issuance under the plan, 14,112,747 shares, or 69.9% of the shares present at the meeting and cast on the proposal, voted in favor of the proposal, 6,031,305 shares voted against the proposal and 49,971 shares abstained. On a proposal to adopt the Company's Non-Employee Directors' Compensation Plan pursuant to which the Company's non-employee directors can elect to receive all or a portion of their annual cash retainer fees in shares of the Company's common stock, 18,710,356 shares, or 92.6% of the shares present at the Annual Meeting and cast on the proposal, voted in favor of the proposal, 1,375,739 shares voted against the proposal and 119,372 shares abstained. On a motion to ratify the selection of Ernst & Young LLP to be the independent auditors of the Company for the fiscal year ending December 31, 2003, 26,104,606 shares, or 92.9% of the shares outstanding on the record date for the Annual Meeting, voted in favor of the motion, 202,984 shares voted against the proposal and 28,341 shares abstained.

ITEM 5. OTHER INFORMATION.

Regulation FD Disclosure.

As previously disclosed by the Company, the Company has posted certain supplemental information and data with respect to the Company's financial and operating results for the second quarter of 2003 on its website at www.correctionscorp.com under "Investor." The information provided on the Coated by the SEC and shall not be deemed to be "filed" for the purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that Section, unless the Company specifically incorporates it by reference in a document filed under the Securities Act or the Exchange Act. By referring to this information, the Company makes no admission as to the materiality of any information that is required to be disclosed solely by reason of Regulation FD or that the information includes material investor information which was not previously publicly available.

The information provided on the Company's website is summary information that is intended to be considered in the context of its SEC filings and other public announcements it makes, by press release or otherwise, from time to time. The Company undertakes no duty or obligation to publicly update or revise the information contained therein, although it may do so from time to time as it believes is warranted. Any such updating may be made through the filing of other reports or documents with the SEC, through press releases or through other public disclosure.

Audit Committee Matters.

Section 10A(i)(1) of the Exchange Act, as added by Section 202 of the Sarbanes-Oxley Act of 2002, requires that the Company's Audit Committee (or one or more designated members of the Audit Committee who are independent directors of the Company's board of directors) pre-approve all audit and non-audit services provided to the Company by its external auditor, Ernst & Young LLP. Section 10A(i)(2) of the Exchange Act further requires that the Company disclose in its periodic reports required by Section 13(a) of the Exchange Act any non-audit services approved by the Audit Committee to be performed by Ernst & Young.

Consistent with the foregoing requirements, during the second quarter, the Company’s Audit Committee pre-approved new or recurring engagements of Ernst & Young for the following audit and audit-related services, as defined by the SEC: (1) services associated with the audit of the Company’s financial statements for the year ending December 31, 2003, and related quarterly reviews within 2003; and (2) assistance with filing certain registration statements with the SEC. During the second quarter, the Company’s Audit Committee also pre-approved non-audit services to be provided by Ernst & Young comprised of tax compliance services for the year ending December 31, 2003.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits.

The following exhibits are filed herewith:

Exhibit Number	Description of Exhibits
4.1	Third Supplemental Indenture by and between the Company and U.S. Bank National Association (formerly known as State Street Bank and Trust Company), as Trustee, dated as of July 10, 2003, relating to the Company’s 12% Senior Notes due 2006.
4.2	First Supplement, dated as of August 8, 2003, to the Supplemental Indenture, dated as of May 7, 2003, by and between the Company, certain of its subsidiaries and U.S. Bank National Association, as Trustee, providing for the Company’s 7.5% Notes due 2011.
4.3	Second Supplement, dated as of August 8, 2003, to the Supplemental Indenture, dated as of May 7, 2003, by and between the Company, certain of its subsidiaries and U.S. Bank National Association, as Trustee, providing for the Company’s 7.5% Notes due 2011.
10.1	Employment Agreement, dated as of May 1, 2003, by and between the Company and G.A. Puryear IV.
10.2	Registration Rights Agreement, dated as of August 8, 2003, by and among the Company, the Company’s subsidiary guarantors, and the Initial Purchasers (as defined therein) with respect to the 7.5% Notes due 2011.
31.1	Certification of the Company’s Chief Executive Officer pursuant to Securities and Exchange Act Rules 13a-15 and 15d-15, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Company’s Chief Financial Officer pursuant to Securities and Exchange Act Rules 13a-15 and 15d-15, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Company’s Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Company’s Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K.

The following reports on Form 8-K were filed with the SEC during the period April 1, 2003 through June 30, 2003:

(1) Filed April 2, 2003 (earliest event April 2, 2003) reporting in Item 9., the issuance of press releases announcing the commencement of a tender offer to purchase for cash up to 4,204,947 shares of the Company's series B preferred stock at a price of $26.00 per share; the intention to make a public offering of the Company's common stock and new senior notes due 2011; revised 2003 first quarter and full year guidance; and the intention to reduce amounts outstanding under the term loan portion of the Company's senior secured credit facility.

(2) Filed May 2, 2003 (earliest event May 2, 2003) reporting in Item 9., the issuance of press releases announcing the commencement of an offering of 6,400,000 shares of the Company's common stock at a price of $19.50 per share and $250.0 million aggregate principal amount of its 7.5% senior notes due 2011.

(3) Filed May 5, 2003 (earliest event May 5, 2003) reporting in Item 9., the issuance of a press release announcing the underwriters' exercise of the over-allotment option to purchase up to 1,140,000 additional shares of the Company's common stock from a selling stockholder.

(4) Filed May 7, 2003 (earliest event May 7, 2003) reporting in Item 5. and Item 9., the issuance of a press release announcing the closing of the public offering of 7,600,000 shares of the Company's common stock; the closing of the issuance of $250.0 million aggregate principal amount of the Company's new 7.5% senior notes due 2011; and the satisfaction of the financing condition to the tender offer to purchase shares of the Company's series B preferred stock.

(5) Filed May 8, 2003 (earliest event May 8, 2003) reporting in Item 9. and Item 12., the issuance of a press release announcing the Company's financial results for the first quarter ended March 31, 2003.

(6) Filed May 13, 2003 (earliest event May 12, 2003) reporting in Item 5., the issuance of a press release confirming the Company's philosophy and intentions with respect to certain equity compensation matters in connection with its solicitation of proxies for its 2003 Annual Meeting of Stockholders.

The following reports on Form 8-K were filed with the SEC subsequent to June 30, 2003 and prior to the date of this report:

(1) Filed July 24, 2003 (earliest event July 17, 2003) reporting in Item 5., the reissuance of the Company's consolidated financial statements as of December 31, 2002 and 2001 and for the two years ended December 31, 2002 to reclassify the operations of two of its facilities as discontinued, in accordance with SFAS 144, as well as the reclassification of an extraordinary charge recorded in 2002 to a component of income (loss) from continuing operations before cumulative effect of accounting change, in accordance with SFAS 145.

(2) Filed July 25, 2003 (earliest event July 24, 2003) reporting in Item 9., the issuance of a press release announcing the Company's intention to issue through a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act $275.0 million in aggregate principal amount of senior notes due 2013, and in a separate announcement, that the Company expects to meet 2003 second quarter and full year guidance previously announced and that the Company is seeking certain amendments to its senior secured credit facility.

(3) Filed July 30, 2003 (earliest event July 30, 2003) reporting in Item 9., the issuance of a press release announcing the pricing of an offering of $200.0 million aggregate principal amount of the Company's 7.5% senior notes due 2011 to qualified institutional buyers pursuant to Rule 144A under the Securities Act.

(4) Filed August 6, 2003 (earliest event August 6, 2003) reporting in Item 12., the issuance of a press release announcing the Company's financial results for the second quarter ended June 30, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORRECTIONS CORPORATION OF AMERICA

Date: August 11, 2003

/s/ John D. Ferguson

John D. Ferguson
President and Chief Executive Officer

/s/ Irving E. Lingo, Jr.

Irving E. Lingo, Jr.
Executive Vice President, Chief Financial Officer,
Assistant Secretary and Principal Accounting Officer

EXHIBIT 4.1

CORRECTIONS CORPORATION OF AMERICA
(formerly known as Prison Realty Trust, Inc.),

AS ISSUER,

AND

U.S. BANK NATIONAL ASSOCIATION
(formerly known as State Street Bank And Trust Company)

AS TRUSTEE

THIRD SUPPLEMENTAL INDENTURE

DATED AS OF JULY 10, 2003

Supplementing the Indenture, dated as of June 10, 1999, between Prison Realty Trust, Inc., as Issuer, and State Street Bank and Trust Company, as Trustee, as amended and supplemented by the First Supplemental Indenture, dated as of June 11, 1999, between Prison Realty Trust, Inc., as Issuer, and State Street Bank and Trust Company, as Trustee, relating to the 12% Senior Notes due 2006 of Prison Realty Trust, Inc., and as further amended and supplemented by the Second Supplemental Indenture, dated as of April 24, 2002, between Corrections Corporation of America (formerly known as Prison Realty Trust, Inc.) and State Street Bank and Trust Company

---

THIRD SUPPLEMENTAL INDENTURE

This THIRD SUPPLEMENTAL INDENTURE, dated as of July 10, 2003 (this "Third Supplemental Indenture"), to the INDENTURE, dated as of June 10 1999, between Corrections Corporation of America, a Maryland corporation, formerly known as Prison Realty Trust, Inc. (the "Company"), and U.S. Bank National Association, a national banking association, formerly known as State Street Bank and Trust Company, as trustee (the "Trustee") (the "Original Indenture"), as amended and supplemented by that certain FIRST SUPPLEMENTAL INDENTURE, dated as of June 11, 1999, between the Company and Trustee (the "First Supplemental Indenture") and that certain SECOND SUPPLEMENTAL INDENTURE, dated as of April 24, 2002 between the Company and the Trustee (the "Second Supplemental Indenture" and, together with the Original Indenture and the First Supplemental Indenture, the "Existing Indenture"), is by and between the Company and Trustee.

WITNESSETH:

WHEREAS, the Company has previously executed and delivered to the Trustee the Original Indenture, as amended and supplemented by the First Supplemental Indenture and the Second Supplemental Indenture providing for, among other things, the creation and issuance by the Company of its 12% Senior Notes due 2006 (the "Securities");

WHEREAS, Section 8.02 of the First Supplemental Indenture provides that the Company and the Trustee may amend or supplement the Existing Indenture, and the Securities issued pursuant thereto with the written consent of the Holders (as defined in the First Supplemental Indenture) of not less than a majority in principal amount of the outstanding Securities, subject to certain exceptions specified in Section 8.02 of the First Supplemental Indenture;

WHEREAS, Section 8.02 of the First Supplemental Indenture also provides that Section 11.02 of the Original Indenture regarding amending or eliminating any of the provisions of the Original Indenture shall not apply to the Securities;

WHEREAS, the definition of "Outstanding" in the Original Indenture provides that, in determining whether the Holders of the requisite principal amount of Debt Securities Outstanding have performed any act under the Existing Indenture, Debt Securities owned by the Company or any Affiliate of the Company shall be disregarded and deemed not to be Outstanding;

WHEREAS, a member of the Board of Directors of the Company, who is an Affiliate of the Company as defined in the Existing Indenture, owns $2,000,000 principal amount of the Securities (the "Affiliate Securities");

WHEREAS, the Company is offering to purchase for cash on the terms and subject to the conditions set forth in an offer to purchase (the "Tender Offer") all outstanding Securities;

WHEREAS, all other conditions and requirements necessary to make this Third Supplemental Indenture a valid, binding and legal instrument enforceable in accordance with its terms have been performed and fulfilled by the parties hereto, and the execution and delivery thereof have been in all respects duly authorized by the parties hereto.

NOW THEREFORE, for and in consideration of the foregoing premises, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

1. DEFINITIONS. For all purposes of the Existing Indenture and this Third Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) References. The terms "herein," "hereof" and other words of similar import refer to the Existing Indenture and this Third Supplemental Indenture as a whole and not to any particular article, section or other subdivisions; and

(b) Capitalized Terms. All capitalized terms used in this Third Supplemental Indenture but not defined herein shall have the meanings assigned to such terms in the Existing Indenture.

2. AMENDMENT OF CERTAIN PROVISIONS OF ARTICLE 6 OF THE FIRST SUPPLEMENTAL INDENTURE. From and as of the Operational Time, Article 6 of the First Supplemental Indenture shall amended as follows:

(a) Section 6.02 of the First Supplemental Indenture shall be amended by adding the following clause immediately preceding the period at the end of the first sentence of Section 6.02:

"and such Securities shall be deemed to have been repaid in full".

(b) Section 6.03 of the First Supplemental Indenture shall be deleted in its entirety.

(c) Section 6.04 of the First Supplemental Indenture shall be amended by deleting subsections (b), (c), (d), (e), (f) and (g) thereof in their entirety and substituting the following therefor:

(b) [INTENTIONALLY OMITTED.]

(c) [INTENTIONALLY OMITTED.]

(d) [INTENTIONALLY OMITTED.]

(e) [INTENTIONALLY OMITTED.]

(f) [INTENTIONALLY OMITTED.]

(g) [INTENTIONALLY OMITTED.]"

3. AMENDMENT OF CERTAIN PROVISIONS OF ARTICLE 8 OF THE FIRST SUPPLEMENTAL INDENTURE. Section 8.05 of the First Supplemental Indenture is hereby amended by deleting said section in its entirety.

4. EFFECT OF THIRD SUPPLEMENTAL INDENTURE; OPERATION OF AMENDMENTS.

(a) Effect of Third Supplemental Indenture. In accordance with Section 8.03 of the First Supplemental Indenture, upon the execution of this Third Supplemental Indenture, the Existing

Indenture shall be modified in accordance herewith, and this Third Supplemental Indenture shall form a part of the Existing Indenture for all purposes; and every Holder of the Securities heretofore authenticated and delivered under the Existing Indenture shall be bound hereby. Except as modified by this Third Supplemental Indenture, the Existing Indenture and the Securities, and the rights of the Holders of the Securities thereunder, shall remain unchanged and in full force and effect.

(b) Operation of Amendments. The provisions of this Third Supplemental Indenture shall not become operative until the date and time (such date and time, the "Operational Time") the Company notifies (in writing) the Trustee, that the Company has purchased Securities tendered and not withdrawn pursuant to the Tender Offer. In the event the Company notifies (in writing) the Trustee that it has withdrawn or terminated the Tender Offer prior to the Operational Time, this Third Supplemental Indenture shall be terminated and be of no force or effect and the Existing Indenture shall not be modified hereby.

5. MATTERS CONCERNING THE TRUSTEE. The Trustee accepts the trusts of the Existing Indenture, as amended and supplemented by this Third Supplemental Indenture, and agrees to perform the same, but only upon the terms and conditions set forth in the Existing Indenture, as amended and supplemented by this Third Supplemental Indenture, to which the parties hereto and the Holders from time to time of the Securities agree and, except as expressly set forth in the Existing Indenture, as amended and supplemented this Third Supplemental Indenture, shall incur no liability or responsibility in respect thereof. Without limiting the generality of the foregoing, the recitals contained herein shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness, and the Trustee makes no representation as to the validity or sufficiency of this Third Supplemental Indenture or ay consents thereto.

6. RATIFICATION AND CONFIRMATION OF THE EXISTING INDENTURE. Except as expressly amended hereby, the Existing Indenture is in all respects ratified and confirmed and all the terms, provisions and conditions thereof shall be and remain in full force and effect.

7. MISCELLANEOUS.

(a) Binding Effect. All agreements of the Company in this Third Supplemental Indenture shall be binding upon the Company's successors. All agreements of the Trustee in this Third Supplemental Indenture shall be binding upon its successors.

(b) Governing Law. This Third Supplemental Indenture shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be governed by and construed in accordance with the laws of the State of New York.

(c) Conflict with Trust Indenture Act of 1939. If and to the extent that any provision of this Third Supplemental Indenture limits, qualifies or conflicts with the duties imposed by Sections 310-317 of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") by operation of Section 318(c) of the Trust Indenture Act, the imposed duties shall control.

(d) Headings for Convenience of Reference. The titles and headings of the sections of this Third Supplemental Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

(e) Counterparts. This Third Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but such counterparts shall constitute but one and the same agreement.

(f) Severability. In case any provision of this Third Supplemental Indenture shall be determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof or of the Existing Indenture shall not in any way be affected or impaired thereby.

(g) Effect Upon Existing Indenture. This Third Supplemental Indenture shall form a part of Existing Indenture for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered shall be bound hereby.

[signature page follows]

IN WITNESS WHEREOF, the Company and the Trustee have caused this Third Supplemental Indenture to be duly executed by their respective officers thereunto duly authorized and their respective corporate seals, duly attested, to be hereunto affixed all as of the day and the year first above written.

CORRECTIONS CORPORATION OF AMERICA,
AS ISSUER

By: /s/ Todd J. Mullenger

Name: Todd J. Mullenger
Title: Vice President, Treasurer

U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE

By: /s/ Patrick E. Thebado

Name: Patrick E. Thebado
Title: Vice President

STATE OF TENNESSEE)
COUNTY OF DAVIDSON)

On the 10th day of July, 2003, before me personally came Todd J. Mullenger, to me known, who, being duly sworn, did depose and say that he is the Vice President, Treasurer of CORRECTIONS CORPORATION OF AMERICA one of the corporations described in and which executed the foregoing instrument; that the seal affixed to said instrument is such corporate seal; that it was so affixed by the authority of the Board of Directors of said corporation; and that he signed his name thereto by like authority.

/s/ Sheila R. Daniels

Notary Public - Sheila R. Daniels
My Commission Expires 11-27-04

STATE OF MASSACHUSETTS)
COUNTY OF SUFFOLK)

On the 14th day of July, 2003, before me personally came Patrick E. Thebado, to me known, being duly sworn, did depose and say that he is the Vice President of U.S. BANK NATIONAL ASSOCIATION, the banking corporation and trust company described in and which executed the foregoing instrument; that he knows the seal of said banking corporation and trust company; that the seal affixed to said instrument is such banking corporation and trust company seal; that it was so affixed by the authority of the Board of Directors of said banking corporation and trust company; and that she signed his name thereto by like authority.

/s/ Christine E. Sampson

Notary Public - Christine E. Sampson
My Commission Expires March 28, 2004

EXHIBIT 4.2

CORRECTIONS CORPORATION OF AMERICA

AND EACH OF THE GUARANTORS NAMED HEREIN

FIRST SUPPLEMENT

Dated as of August 8, 2003

To the Supplemental Indenture Dated as of May 7, 2003

7 1/2% SENIOR NOTES DUE 2011

U. S. Bank National Association
Trustee

FIRST SUPPLEMENT ("First Supplement"), dated as of August 8, 2003, to the Supplemental Indenture, dated as of May 7, 2003, among Corrections Corporation of America, a Maryland corporation (the "Company"), the Guarantors (as defined in the Indenture referred to below) and U.S. Bank National Association, as trustee (the "Trustee").

WITNESSETH

WHEREAS, the Company, the Guarantors and the Trustee have entered into an Indenture, dated as of May 7, 2003 (the "Base Indenture"), and a Supplemental Indenture, dated as of May 7, 2003 (the "Supplemental Indenture" and, together with the Base Indenture, the "Indenture"), governing the Company's 7 1/2% Senior Notes due 2011 (the "Notes");

WHEREAS, Section 9.01 of the Indenture provides, among other things, that the Company may (1) alter the provisions of Article 2 of the Indenture (including the related definitions) in a manner that does not materially adversely affect any Holder, (2) make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any Holder of the Note and (3) provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture as of the date hereof;

WHEREAS, the Company desires to provide for the issuance of Additional Notes that will not be registered under the Securities Act of 1993, as amended (the "Securities Act"), at the time of issuance but which may be registered under the Securities Act at a later date;

WHEREAS, the Company desires to provide certain additional rights to holders of the Notes (including any Additional Notes);

NOW, THEREFORE, in consideration of the foregoing, the parties hereto, for the benefit of each other and for the equal and proportionate benefit of all Persons who are now or hereafter become Holders of Notes, hereby enter into this First Supplement and agree as follows:

Section 1. DEFINITIONS.

(a) Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

(b) For all purposes of this First Supplement, except as otherwise herein expressly provided or unless the context otherwise requires: (i) the terms and expressions used herein shall have the same meanings as corresponding terms and expressions used in the Indenture; and (ii) the words "herein," "hereof" and "hereby" and other words of similar import used in this First Supplement refer to this First Supplement as a whole and not to any particular section hereof.

Section 2. CHANGES TO CERTAIN PROVISIONS.

Certain provisions of the Supplemental Indenture are amended or deleted as follows:

(a) Amendments to Article I.

The following definitions shall be added to Section 1.01 and replace any existing definitions (as applicable) in the Supplemental Indenture prior to the date hereof:

"144A Global Note" means a Global Note substantially in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of, and registered in the name of, the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Rule 144A.

"Definitive Note" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06 hereof, substantially in the form of Exhibit A hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"Exchange Notes" means the Notes issued in the Exchange Offer pursuant to Section 2.06(f) hereof.

"Exchange Offer" has the meaning set forth in the Registration Rights Agreement.

"Exchange Offer Registration Statement" has the meaning set forth in the Registration Rights Agreement.

"Global Notes" means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes, substantially in the form of Exhibit A hereto issued in accordance with Section 2.01, 2.06(a)(3), 2.06(a)(4), 2.06(a)(2) or 2.06(f) hereof.

"Global Note Legend" means the legend set forth in Section 2.06(b)(2), which is required to be placed on all Global Notes issued under this Indenture.

"IAI Global Note" means a Global Note substantially in the form of Exhibit A hereto bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold to Institutional Accredited Investors.

"Institutional Accredited Investor" means an institution that is an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act, who are not also QIBs.

"Liquidated Damages" means all liquidated damages then owing pursuant to Section 5 of the Registration Rights Agreement.

"Private Placement Legend" means the legend set forth in Section 2.06(b)(1) to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of August 8, 2003 among the Company, the Guarantors and the other parties named on the signature pages thereof, as such agreement may be amended, modified or supplemented from time to time and, with respect to any future issuances of Additional Notes, one or more registration rights agreements among the Company, the Guarantors and the other parties thereto, as such agreement(s) may be amended, modified or supplemented from time to time, relating to rights given by the Company to the purchasers of Additional Notes to register such Additional Notes under the Securities Act.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Regulation S Global Note" means a Global Note bearing the Private Placement Legend and deposited with or on behalf of the Depositary and registered in the name of the Depositary or its nominee, issued in a denomination equal to the outstanding principal amount of the Notes initially sold in reliance on Rule 903 of Regulation S.

"Restricted Definitive Note" means a Definitive Note bearing the Private Placement Legend.

"Restricted Global Note" means a Global Note bearing the Private Placement Legend.

"Restricted Period" means the 40-day distribution compliance period as defined in Regulation S.

"Rule 144" means Rule 144 promulgated under the Securities Act.

"Rule 144A" means Rule 144A promulgated under the Securities Act.

"Rule 903" means Rule 903 promulgated under the Securities Act.

"Rule 904" means Rule 904 promulgated the Securities Act.

"Shelf Registration Statement" means the Shelf Registration Statement as defined in the Registration Rights Agreement.

"Unrestricted Global Note" means a permanent Global Note substantially in the form of Exhibit A attached hereto that bears the Global Note Legend and that has the "Schedule of Exchanges of Interests in the Global Note" attached thereto, and that is deposited with or on behalf of and registered in the name of the Depositary, representing a series of Notes that do not bear the Private Placement Legend.

"Unrestricted Definitive Note" means one or more Definitive Notes that do not bear and are not required to bear the Private Placement Legend.

(b) Amendments To Article II.

(i) The first sentence of Section 2.04 shall be deleted and replaced with the following:

"The Company will require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium, and Liquidated Damages, if any, or interest on the Notes, and will notify the Trustee of any default by the Company in making any such payment."

(ii) Section 2.06(a) shall be deleted and replaced with the following:

"(a) Transfer and Exchange of Beneficial Interests in the Global Notes. The transfer and exchange of beneficial interests in the Global Notes will be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Beneficial interests in the Restricted Global Notes will be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Transfers of beneficial interests in the Global Notes also will require compliance with either subparagraph (1) or (2) below, as applicable, as well as one or more of the other following subparagraphs, as applicable:

(1) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer

restrictions set forth in the Private Placement Legend; provided, however, that prior to the expiration of the Restricted Period, transfers of beneficial interests in the Regulation S Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Beneficial interests in any Unrestricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(a)(1).

(2) All Other Transfers and Exchanges of Beneficial Interests in Global Notes. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(a)(1) above, the transferor of such beneficial interest must deliver to the Registrar either:

(A) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(B) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above. Upon consummation of an Exchange Offer by the Company in accordance with Section 2.06(f) hereof, the requirements of this Section 2.06(a)(2) shall be deemed to have been satisfied upon receipt by the Registrar of the instructions contained in the Letter of Transmittal delivered by the Holder of such beneficial interests in the Restricted Global Notes. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture and the Notes or otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(h) hereof.

(3) Transfer of Beneficial Interests to Another Restricted Global Note. A beneficial interest in any Restricted Global Note may be transferred to a Person who takes delivery thereof in the form of a beneficial interest in another Restricted Global Note if the transfer complies with the requirements of Section 2.06(a)(2) above and the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transferee will take delivery in the form of a beneficial interest in the IAI Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(4) Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in an Unrestricted Global Note. A beneficial interest in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in an Unrestricted Global Note or transferred to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note if the exchange or transfer complies with the requirements of Section 2.06(a)(2) above and:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of the beneficial interest to be transferred, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the

Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

If any such transfer is effected pursuant to subparagraph (B) or (D) above at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the aggregate principal amount of beneficial interests transferred pursuant to subparagraph (B) or (D) above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in a Restricted Global Note."

(iii) Section 2.06(b) shall be deleted and replaced with the following:

"(b) Legends. The following legends will appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(1) Private Placement Legend.

(A) Except as permitted by subparagraph (B) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

`THE NOTES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (4) TO AN INSTITUTIONAL ACCREDITED INVESTOR IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE BLUE SKY LAWS OF THE STATES OF THE UNITED STATES.'

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (a)(4), (c)(2), (c)(3), (d)(2), (d)(3), (e)(2), (e)(3) or (f) of this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) will not bear the Private Placement Legend.

(2) Global Note Legend. Each Global Note will bear a legend in substantially the following form:

`THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER

ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC") TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.'"

(iv) New Sections 2.06(c)-(f) shall be added as follows:

"(c) Transfer or Exchange of Beneficial Interests for Definitive Notes.

(1) Beneficial Interests in Restricted Global Notes to Restricted Definitive Notes. If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Restricted Definitive Note, then, upon receipt by the Registrar of the following documentation:

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Restricted Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable;

(F) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(G) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(1) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(2) Beneficial Interests in Restricted Global Notes to Unrestricted Definitive Notes. A holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder of such beneficial interest, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Definitive Note that does not bear the Private Placement Legend, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof; or

(ii) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a Definitive Note that does not bear the Private Placement Legend, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) Beneficial Interests in Unrestricted Global Notes to Unrestricted Definitive Notes. If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.06(a)(2) hereof, the Trustee will cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Company will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(3) will be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest requests through instructions to the Registrar from or through the Depositary and the Participant or Indirect Participant. The Trustee will deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(3) will not bear the Private Placement Legend.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests.

(1) Restricted Definitive Notes to Beneficial Interests in Restricted Global Notes. If any Holder of a Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note or to transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global Note, then, upon receipt by the Registrar of the following documentation:

(A) if the Holder of such Restricted Definitive Note proposes to exchange such Note for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Restricted Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Restricted Definitive Note is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such Restricted Definitive Note is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Restricted Definitive Note is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable;

(F) if such Restricted Definitive Note is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(G) if such Restricted Definitive Note is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee will cancel the Restricted Definitive Note, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, the 144A Global Note, in the case of clause (C) above, the Regulation S Global Note, and in all other cases, the IAI Global Note.

(2) Restricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A Holder of a Restricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Restricted Definitive Note to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a Broker-Dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof; or

(ii) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests or if the Applicable Procedures so require, an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.06(d)(2), the Trustee will cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(3) Unrestricted Definitive Notes to Beneficial Interests in Unrestricted Global Notes. A Holder of an Unrestricted Definitive Note may exchange such Note for a beneficial interest in an Unrestricted Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in an Unrestricted Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee will cancel the applicable Unrestricted Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Unrestricted Global Notes.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (2)(B), (2)(D) or (3) above at a time when an Unrestricted Global Note has not yet been issued, the Company will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of Definitive Notes so transferred.

(e) Transfer and Exchange of Definitive Notes for Definitive Notes. Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar will register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing. In addition, the requesting Holder must provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

(1) Restricted Definitive Notes to Restricted Definitive Notes. Any Restricted Definitive Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Restricted Definitive Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A under the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications, certificates and Opinion of Counsel required by item (3) thereof, if applicable.

(2) Restricted Definitive Notes to Unrestricted Definitive Notes. Any Restricted Definitive Note may be exchanged by the Holder thereof for an Unrestricted Definitive Note or transferred to a Person or Persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, certifies in the applicable Letter of Transmittal that it is not (i) a broker-dealer, (ii) a Person participating in the distribution of the Exchange Notes or (iii) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such transfer is effected by a Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(i) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(d) thereof; or

(ii) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

and, in each such case set forth in this subparagraph (D), if the Registrar so requests, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such exchange or transfer is in compliance with the Securities Act and that the restrictions on transfer contained herein and in the Private Placement Legend are no longer required in order to maintain compliance with the Securities Act.

(3) Unrestricted Definitive Notes to Unrestricted Definitive Notes. A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request to register such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof.

(f) Exchange Offer. Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Company will issue and, upon receipt of an Authentication Order in accordance with Section 2.02 hereof, the Trustee will authenticate:

(1) one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of the beneficial interests in the Restricted Global Notes tendered into the Exchange Offer by Persons that certify in the applicable Letters of Transmittal that (A) they are not Broker-Dealers, (B) they are not participating in a distribution of the Exchange Notes and (C) they are not affiliates (as defined in Rule 144) of the Company; and

(2) Unrestricted Definitive Notes in an aggregate principal amount equal to the principal amount of the Restricted Definitive Notes accepted for exchange in the Exchange Offer.

Concurrently with the issuance of such Notes, the Trustee will cause the aggregate principal amount of the applicable Restricted Global Notes to be reduced accordingly, and the Company will execute and the Trustee will authenticate and deliver to the Persons designated by the Holders of Definitive Notes so accepted Unrestricted Definitive Notes in the appropriate principal amount."

(v) Section 2.06(c) (Cancellation and/or Adjustment of Global Notes) shall henceforth be identified as Section 2.06(g).

(vi) Section 2.06(d) (General Provisions Relating to Transfer and Exchange) shall henceforth be identified as Section 2.06(h).

(c) Amendments To Article IV.

(i) The first paragraph of Section 4.01 shall be deleted and replaced with the following:

"The Company will pay or cause to be paid the principal of, premium, and Liquidated Damages, if any, and interest on the Notes on the dates and in the manner provided in the Notes. Principal, premium, and Liquidated Damages, if any, and interest, will be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary thereof, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Company in immediately available funds in U.S. Legal Tender and designated for and sufficient to pay all principal, premium, and Liquidated Damages, if any, and interest then due. If the Company or Subsidiary is acting as Paying Agent, the Company shall, prior to 10:00 a.m. New York City time on the due date, segregate and hold in trust U.S. Legal Tender sufficient to make payments of principal, premium, and Liquidated Damages, if any, and interest due on such date."

(d) Amendments To Article VI.

(i) Section 6.01(2) shall be deleted and replaced with the following:

"(2) the Company defaults in the payment when due (at maturity, upon redemption or otherwise) of the principal of, premium, or Liquidated Damages, if any, on the Notes;"

(ii) The first paragraph of Section 6.03 shall be deleted and replaced with the following:

"If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium, and Liquidated Damages, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture."

(iii) The first sentence of Section 6.04 shall be deleted and replaced with the following:

"Holders of not less than a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium, or Liquidated Damages, if any, or interest on, the Notes (including in connection with an offer to purchase); provided, however, that the Holders of a majority in aggregate principal amount of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration."

(iv) Section 6.07 shall be deleted and replaced with the following:

"Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal, premium, and Liquidated Damages, if any, and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder."

(v) Section 6.08 shall be deleted and replaced with the following:

"If an Event of Default specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal of, premium, and Liquidated Damages, if any, and interest remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel."

(vi) Clause (2) of the first paragraph of Section 6.10 shall be deleted and replaced with the following:

"Second: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium, and Liquidated Damages, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium, and Liquidated Damages, if any, and interest, respectively; and"

(e) Amendments To Article VII.

(i) The second sentence of Section 7.05 shall be deleted and replaced with the following:

"Except in the case of a Default or Event of Default in payment of principal of, premium, or Liquidated Damages, if any, or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes."

(ii) Clause (1) of the first paragraph of Section 8.02 shall be deleted and replaced with the following:

"(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal, premium, or Liquidated Damages, if any, or interest on such Notes when such payments are due from the trust referred to in Section 8.04 hereof;"

(iii) Clause (1) of the first paragraph of Section 8.04 shall be deleted and replaced with the following:

"(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in United States dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, and Liquidated Damages, if any, and interest on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date;"

(f) Amendments To Article VIII.

(i) The first paragraph of Section 8.05 shall be deleted and replaced with the following:

"Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 hereof in respect of the outstanding Notes will be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, and Liquidated Damages, if any, and interest, but such money need not be segregated from other funds except to the extent required by law."

(ii) Section 8.06 shall be deleted and replaced with the following:

"Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal, premium, and Liquidated Damages, if any, or interest on any Note and remaining unclaimed for two years after such principal, premium, and Liquidated Damages, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) will be discharged from such trust; and the Holder of such Note will thereafter be permitted to look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, will thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in The New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which will not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company."

(iii) Section 8.07 shall be deleted and replaced with the following:

"If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's and the Guarantor's obligations under this Indenture and the Notes and the Note Guarantees will be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; provided, however, that, if the Company makes any payment of principal of, premium, if any, or interest on any Note following the reinstatement of its obligations, the Company will be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent."

(g) Amendments To Article IX.

(i) The first paragraph of Section 9.01 shall be deleted and replaced with the following:

"Except as provided below in this Section 9.02, the Company and the Trustee may amend or supplement this Indenture (including, without limitation, Sections 3.09, 4.10 and 4.15 hereof), the Note Guarantees and the Notes with the consent of the Holders of at least a majority in principal amount of the Notes (including, without limitation, Additional Notes, if any) then outstanding voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, and Liquidated Damages, if any, or interest on the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture, the Note Guarantees or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes voting as a single class (including consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes). Section 2.08 hereof shall determine which Notes are considered to be "outstanding" for purposes of this Section 9.02."

(ii) Clause (4) of the fourth paragraph of Section 9.01 shall be deleted and replaced with the following:

> "waive a Default or Event of Default in the payment of principal of, premium, or Liquidated Damages, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);"

(iii) Clause (6) of the fourth paragraph of Section 9.01 shall be deleted and replaced with the following:

> "make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of, premium, or Liquidated Damages, if any, or interest on the Notes;"

(h) Amendments To Article X.

(i) Section 10.01(a)(1) shall be deleted and replaced with the following:

"the principal of, premium, and Liquidated Damages, if any, and interest on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and"

(i) Amendments To Article XI.

(i) Section 11.01(1)(b) shall be deleted and replaced with the following:

"all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium, and Liquidated Damages, if any, and accrued interest to the date of maturity or redemption;"

(ii) Section 11.02 shall be deleted and replaced with the following:

"Subject to the provisions of Section 8.06, all money deposited with the Trustee pursuant to Section 11.01 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, and Liquidated Damages, if any, and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 11.01 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's and any Guarantor's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 11.01; provided that if the Company has made any payment of principal of, premium, and Liquidated Damages if any, or interest on any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed or assessed against the Trustee with respect to the money deposited with the Trustee pursuant to Section 11.01 hereof."

(j) Amendments To Exhibits.

(i) Sections 1 of Exhibit A shall be deleted and replaced with the following:

"(1) INTEREST. Corrections Corporation of America, a Maryland corporation (the "Company"), promises to pay interest on the principal amount of this Note at 7 1/2% per annum from August 8, 2003 until maturity and shall pay the Liquidated Damages, if any, payable pursuant to Section 5 of the Registration Rights Agreement referred to below. The Company will pay interest and Liquidated Damages, if any, semi-annually in arrears on May 1 and November 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding

Interest Payment Date; provided, further, that the first Interest Payment Date shall be November 1, 2003. The Company will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect; it will pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages, if any, (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months."

(ii) Section 2 of Exhibit A shall be deleted and replaced with the following:

"METHOD OF PAYMENT. The Company will pay interest on the Notes (except defaulted interest), to the Persons who are registered Holders of Notes at the close of business on the 15th of April or 15th of October next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, and Liquidated Damages, if any, and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York, or, at the option of the Company, payment of interest, if any, may be made by check mailed to the Holders at their addresses set forth in the register of Holders; provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium, if any, on, all Global Notes and all other Notes the Holders of which will have provided wire transfer instructions to the Company or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts."

(iii) Section 4 of Exhibit A shall be deleted and replaced with the following:

"(4) INDENTURE. The Company issued the Notes under an Indenture dated as of May 7, 2003, as amended by the Supplemental Indenture, dated May 7, 2003, the First Supplement, dated August 8, 2003 and the Second Supplement, dated August 8, 2003 (the "Indenture") among the Company, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code ss.ss. 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are unsecured obligations of the Company."

(iv) Section 5 of Exhibit A shall be deleted and replaced with the following:

"(5) OPTIONAL REDEMPTION.

(a) Except as set forth in subparagraph (b) of this Paragraph 5, the Company will not have the option to redeem the Notes prior to May 1, 2007. Thereafter, the Company will have the option to redeem the Notes, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the applicable redemption date, if redeemed during the twelve-month period beginning on May 1 of the years indicated below:

Year	Percentage
2007	103.750%
2008	101.875%
2009 and thereafter	100.000%

(b) Notwithstanding the provisions of subparagraph (a) of this Paragraph 5, at any time on or prior to May 1, 2006, the Company may on any one or more occasions redeem Notes with the net cash proceeds of one or more Equity Offerings at a redemption price equal to 107.5% of the aggregate principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, to the redemption date; provided that at least 65% in aggregate principal amount of the Notes issued under the Indenture remains outstanding immediately after the occurrence of such redemption (excluding Notes held by the Company and its Subsidiaries) and that such redemption occurs within 90 days of the date of the closing of such Equity Offering."

(v) Section 7 of Exhibit A shall be deleted and replaced with the following:

"(7) REPURCHASE AT OPTION OF HOLDERS.

(a) If there is a Change of Control, the Company will be required to make an offer (a "Change of Control Offer") to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of each Holder's Notes at a purchase price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase (the "Change of Control Payment"). Within 10 business days following any Change of Control, the Company will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Company or a Subsidiary consummates any Asset Sales, within five days of each date on which the aggregate amount of Excess Proceeds exceeds $15.0 million, the Company will commence an offer to all Holders of Notes and, at the Company's option, all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "Asset Sale Offer") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes (including any Additional Notes) and other pari passu Indebtedness that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes (including any Additional Notes) and other pari passu Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company (or such Subsidiary) may use such deficiency for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other pari passu Indebtedness surrendered by holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and other pari passu Indebtedness to be purchased on a pro rata basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes."

(vi) Section 11 of Exhibit A shall be deleted and replaced with the following:

"(11) AMENDMENT, SUPPLEMENT AND WAIVER. Subject to certain exceptions, the Indenture, the Note Guarantees or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes and Additional Notes, if any, voting as a single class, and any existing default or compliance with any provision of the Indenture, the Note Guarantees or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes and Additional Notes, if any, voting as a single class. Without the consent of any Holder of a Note, the Indenture, the Note Guarantees or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated

Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's or any Guarantor's obligations to Holders of the Notes in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the SEC in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act, to conform the text of the Indenture, the Note Guarantees or the Notes to any provision contained in the "Description of Notes" in the Company's prospectus supplement dated May 2, 2003 or Offering Memorandum dated July 29, 2003 with respect to the Notes to the extent that such provision in the "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Note Guarantees or the Notes, to provide for the Issuance of Additional Notes in accordance with the limitations set forth in the Indenture, or to allow any Guarantor to execute a supplemental indenture to the Indenture and/or a Note Guarantee with respect to the Notes."

(vii) Section 12(i) of Exhibit A shall be deleted and replaced with the following:

"default for 30 days in the payment when due of interest on, or Liquidated Damages with respect to, the Notes,"

(viii) The following text shall be added as a new section, Section 17, to Exhibit A, and each remaining section of Exhibit A shall be renumbered accordingly:

"(17) ADDITIONAL RIGHTS OF HOLDERS OF RESTRICTED GLOBAL NOTES AND RESTRICTED DEFINITIVE NOTES. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Restricted Global Notes and Restricted Definitive Notes will have all the rights set forth in the Registration Rights Agreement dated as of August 8, 2003, among the Company, the Guarantors and the other parties named on the signature pages thereof or, in the case of Additional Notes, Holders of Restricted Global Notes and Restricted Definitive Notes will have the rights set forth in one or more registration rights agreements, if any, among the Company, the Guarantors and the other parties thereto, relating to rights given by the Company and the Guarantors to the purchasers of any Additional Notes (collectively, the "Registration Rights Agreement")."

(ix) Exhibit B shall be deleted and replaced with the following:

"GUARANTEES

For value received, each Guarantor (which term includes any successor Person under the Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of May 7, 2003, as amended by the Supplemental Indenture, dated May 7, 2003, the First Supplement, dated August 8, 2003 and the Second Supplement, dated August 8, 2003 (the "Indenture") among Corrections Corporation of America, (the "Company"), the Guarantors named on the signature pages thereto and U.S. Bank National Association, as trustee (the "Trustee"), (a) the due and punctual payment of the principal of, premium, and Liquidated Damages, if any, and interest on the Notes (as defined in the Indenture), whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Guarantors to the Holders of Notes and to the Trustee pursuant to the Note Guarantee and the Indenture are expressly set forth in

Article 10 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Note Guarantee. Each Holder of a Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Indenture and (c) appoints the Trustee attorney-in-fact of such Holder for such purpose; provided, however, that the Indebtedness evidenced by this Note Guarantee shall cease to be so subordinated and subject in right of payment upon any defeasance of this Note in accordance with the provisions of the Indenture."

(x) Section 2(a)(i) of Exhibit C shall be deleted and replaced with the following:

> "the principal of, and premium and Liquidated Damages, if any, and interest on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and"

Section 3. RATIFICATION OF INDENTURE; FIRST SUPPLEMENT PART OF INDENTURE

Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. Upon the execution and delivery of this First Supplement by the Company, the Guarantors and the Trustee, this First Supplement shall form a part of the Indenture for all purposes, and the Company, the Guarantors, the Trustee and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby. Any and all references to the Indenture, whether within the Indenture or in any notice, certificate or other instrument or document, shall be deemed to include a reference to this First Supplement (whether or not made), unless the context shall otherwise require.

Section 4. NO EXCHANGE OF EXISTING NOTES REQUIRED.

The execution of this Supplemental Indenture shall not require the exchange of or modification to the certificates representing Notes existing prior to the date hereof.

Section 5. GOVERNING LAW.

THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 6. SUCCESSORS.

All agreements of the Company and the Guarantors in this First Supplement shall bind their successors. All agreements of the Trustee in this First Supplement shall bind its successors.

Section 7. SEVERABILITY.

In case any provision in this First Supplement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 8. COUNTERPARTS.

The parties may sign any number of copies of this First Supplement. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 9. EFFECT OF HEADINGS.

The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 10. THE TRUSTEE.

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this First Supplement or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Guarantors.

Section 11. ENTIRE AGREEMENT.

This First Supplement, together with the Indenture as amended hereby, the Notes and the Guarantees, contains the entire agreement of the parties, and supersedes all other representations, warranties, agreements and understandings between the parties, oral or otherwise, with respect to the matters contained herein and therein.

Section 12. BENEFITS OF FIRST SUPPLEMENT.

Nothing in this First Supplement, the Indenture, the Notes or the Guarantees, express or implied, shall give to any Person, other than the parties hereto and thereto and their successors hereunder and thereunder, and the Holders, any benefit of any legal or equitable right, remedy or claim under the Indenture, this First Supplement, the Notes or the Guarantees.

[Signatures on following page]

SIGNATURES

Dated as of August 8, 2003

CORRECTIONS CORPORATION OF AMERICA

By /s/ John D. Ferguson

Name: John D. Ferguson
Title: Chief Executive Officer

GUARANTORS:

CCA OF TENNESSEE, INC.
PRISON REALTY MANAGEMENT, INC.
TECHNICAL AND BUSINESS INSTITUTE OF AMERICA, INC.
CCA INTERNATIONAL, INC.
CCA PROPERTIES OF AMERICA, LLC
CCA PROPERTIES OF ARIZONA, LLC
CCA PROPERTIES OF TENNESSEE, LLC

By /s/ John D. Ferguson

Name: John D. Ferguson
Title: Chief Executive Officer

CCA PROPERTIES OF TEXAS, L.P.

By /s/ John D. Ferguson

Name: John D. Ferguson
Title: Chief Executive Officer, CCA Properties of America, LLC, as General Partner

TransCor America, LLC

By /s/ Todd J. Mullenger

Name: Todd J. Mullenger
Title: Vice President, Treasurer

RONALD LEE SUTTLES TRI-COUNTY EXTRADITION INC.

By /s/ Todd J. Mullenger

Name: Todd J. Mullenger
Title: Vice President, Treasurer

each as a Guarantor

TRUSTEE:
U.S. BANK NATIONAL ASSOCIATION

By /s/ Patrick E. Thebado

Name: Patrick E. Thebado
Title: Vice President

EXHIBIT 4.3

CORRECTIONS CORPORATION OF AMERICA

AND EACH OF THE GUARANTORS NAMED HEREIN

SECOND SUPPLEMENT

Dated as of August 8, 2003

To the Supplemental Indenture Dated as of May 7, 2003

7 1/2% SENIOR NOTES DUE 2011

U. S. Bank National Association
Trustee

SECOND SUPPLEMENT ("Second Supplement"), dated as of August 8, 2003, to the Supplemental Indenture, dated as of May 7, 2003, among Corrections Corporation of America, a Maryland corporation (the "Company"), the Guarantors (as defined in the Indenture referred to below) and U.S. Bank National Association, as trustee (the "Trustee").

WITNESSETH

WHEREAS, the Company, the Guarantors and the Trustee have entered into an Indenture, dated as of May 7, 2003 (the "Base Indenture"), and a Supplemental Indenture, dated as of May 7, 2003 (the "Supplemental Indenture" and, together with the Base Indenture and as amended by the First Supplement, dated as of August 8, 2003, to the Supplemental Indenture, the "Indenture"), governing the Company's 7 1/2% Senior Notes due 2011 (the "Notes");

WHEREAS, Section 9.01 of the Indenture provides, among other things, that the Company may provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

WHEREAS, the Company is issuing $200,000,000 of Additional Notes as permitted by the Indenture;

NOW, THEREFORE, in consideration of the foregoing, the parties hereto, for the benefit of each other and for the equal and proportionate benefit of all Persons who are now or hereafter become Holders of Notes, hereby enter into this Second Supplement and agree as follows:

SECTION 1. Definitions.

(a) Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

(b) For all purposes of this Second Supplement, except as otherwise herein expressly provided or unless the context otherwise requires: (i) the terms and expressions used herein shall have the same meanings as corresponding terms and expressions used in the Indenture; and (ii) the words "herein," "hereof" and "hereby" and other words of similar import used in this Second Supplement refer to this Second Supplement as a whole and not to any particular section hereof.

SECTION 2. Additional Notes. Pursuant to Section 9.01(7) of the Indenture, the Company, the Guarantors and the Trustee hereby amend and supplement the Indenture to provide for the issuance on August 8, 2003 of Additional Notes in the aggregate principal amount of $200,000,000. The definition of the term "Additional Notes " set forth in the Supplemental Indenture is hereby supplemented by adding the following sentence at the end of such definition: "On August 8, 2003, the Company issued $200,000,000 of Additional Notes, as more particularly described in the Second Supplement hereto, dated as of August 8, 2003."

SECTION 3. Ratification of Indenture; Second Supplement Part of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. Upon the execution and delivery of this Second Supplement by the Company, the Guarantors and the Trustee, this Second Supplement shall form a part of the Indenture for all purposes, and the Company, the Guarantors, the Trustee and every holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby. Any and all references to the Indenture, whether within the Indenture or in any notice, certificate or other instrument or document, shall be deemed to include a reference to this Second Supplement (whether or not made), unless the context shall otherwise require.

SECTION 4. GOVERNING LAW. THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE NOTE GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

SECTION 5. Successors. All agreements of the Company and the Guarantors in this Second Supplement shall bind their successors. All agreements of the Trustee in this Second Supplement shall bind its successors.

SECTION 6. Severability. In case any provision in this Second Supplement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 7. Counterparts. The parties may sign any number of copies of this Second Supplement. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 8. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 9. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Second Supplement or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Guarantors.

SECTION 10. Entire Agreement. This Second Supplement, together with the Indenture as amended hereby, the Notes and the Guarantees, contains the entire agreement of the parties, and supersedes all other representations, warranties, agreements and understandings between the parties, oral or otherwise, with respect to the matters contained herein and therein.

SECTION 11. Benefits of Second Supplement. Nothing in this Second Supplement, the Indenture, the Notes or the Guarantees, express or implied, shall give to any Person, other than the parties hereto and thereto and their successors hereunder and thereunder, and the Holders, any benefit of any legal or equitable right, remedy or claim under the Indenture, this Second Supplement, the Notes or the Guarantees.

[Signatures on following page]

SIGNATURES

Dated as of August 8, 2003

CORRECTIONS CORPORATION OF AMERICA

By /s/ John D. Ferguson

Name: John D. Ferguson
Title: Chief Executive Officer

GUARANTORS:

CCA OF TENNESSEE, INC.
PRISON REALTY MANAGEMENT, INC.
TECHNICAL AND BUSINESS INSTITUTE OF AMERICA, INC.
CCA INTERNATIONAL, INC.
CCA PROPERTIES OF AMERICA, LLC
CCA PROPERTIES OF ARIZONA, LLC
CCA PROPERTIES OF TENNESSEE, LLC

By /s/ John D. Ferguson

Name: John D. Ferguson
Title: Chief Executive Officer

CCA PROPERTIES OF TEXAS, L.P.

By /s/ John D. Ferguson

Name: John D. Ferguson
Title: Chief Executive Officer, CCA Properties of America, LLC, as General Partner

TransCor America, LLC

By /s/ John D. Ferguson

Name: Todd J. Mullenger
Title: Vice President, Treasurer

RONALD LEE SUTTLES TRI-COUNTY EXTRADITION INC.

By /s/ Todd J. Mullenger

Name: Todd J. Mullenger
Title: Vice President, Treasurer

each as a Guarantor

TRUSTEE:
U.S. BANK NATIONAL ASSOCIATION

By /s/ Patrick E. Thebado

Name: Patrick E. Thebado
Title: Vice President

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), dated as of this 1st day of May, 2003, is by and between Corrections Corporation of America, a Maryland corporation with its principal place of business at 10 Burton Hills Boulevard, Nashville, Tennessee (the "Company"), and G.A. Puryear IV, a resident of Nashville, Tennessee (the "Executive").

W I T N E S S E T H:

WHEREAS, Executive has been and currently is engaged by the Company to serve as its General Counsel;

WHEREAS, the Company and Executive desire to confirm this engagement in an executive employment agreement; and

WHEREAS the Company and the Executive now desire to enter into this Agreement and set forth the terms and conditions of the Executive's employment with the Company.

NOW, THEREFORE, for and in consideration of the foregoing recitals, the mutual promises and covenants set forth below, and other good and valuable consideration, receipt of which is hereby acknowledged, the Company and the Executive do hereby agree as follows:

1. Employment. The Executive shall serve as General Counsel of the Company and such other office or offices to which Executive may be appointed or elected by the Board of Directors. Subject to the direction and supervision of the Board of Directors of the Company, the Executive shall perform such duties as are customarily associated with the office of General Counsel and such other offices to which Executive may be appointed or elected by the Board of Directors. The Executive's principal base of operations for the performance of his duties and responsibilities under this Agreement shall be the offices of the Company located in Nashville, Tennessee. The Executive agrees to abide by the Company's Charter and Bylaws as in effect from time to time and the direction of its Board of Directors except to the extent such direction would be inconsistent with applicable law or the terms of this Agreement.

2. Term. Subject to the provisions of termination as hereinafter provided, the initial term of the Executive's employment under this Agreement shall terminate on December 31, 2003 (the "Initial Term"). Unless the Company notifies the Executive that his employment under this Agreement will not be extended or the Executive notifies the Company that he is not willing to extend his employment, the term of his employment under this Agreement shall automatically be extended for a series of three (3) additional one (1) year periods on the same terms and conditions as set forth herein (individually, and collectively, the "Renewal Term"). The Initial Term and the Renewal Term are sometimes referred to collectively herein as the "Term."

3. Notice of Non-Renewal. If the Company or the Executive elects not to extend the Executive's employment under this Agreement, the electing party shall do so by notifying the other party in writing not less than sixty (60) days prior to the expiration of the Initial Term, or sixty (60) days prior to the expiration of any Renewal Term. The Executive's date of termination, for purposes of this Agreement, shall be the date of the Company's last payment to the Executive. For the purposes of this Agreement, the election by either the Company or the Executive not to extend the Executive's employment hereunder for any renewal term shall be deemed a termination of the Executive's employment without "Cause," as hereinafter defined.

4. Compensation.

4.1. Base Salary. The Company shall pay the Executive an annual salary ("Base Salary") of $182,696, which shall be payable to the Executive hereunder in accordance with the Company's normal payroll practices, but in no event less often than bi-weekly. The Executive's compensation will be reviewed by the Board of Directors of the Company, or a committee or subcommittee thereof to which compensation matters have been delegated, on an annual basis commencing in February 2004 (or at such other time during the first or second quarter of 2004 when annual compensation for 2004 is reviewed and considered) and, after taking into consideration both the performance of the Company and the personal performance of the Executive, the Board of Directors of the Company, or any such committee or subcommittee, in their sole discretion, may increase the Executive's compensation to any amount it may deem appropriate.

4.2. Bonus. In the event both the Company and the Executive each respectively achieve certain financial performance and personal performance targets as established by the Board of Directors of the Company, or a committee or subcommittee thereof to which compensation matters have been delegated, pursuant to a cash compensation incentive plan or similar plan established by the Company, the Company shall pay to the Executive an annual cash bonus during the Term of this Agreement pursuant to the terms of such plan. This bonus shall be payable to the Executive within ten (10) days following the confirmation by the Board of Directors or applicable committee or subcommittee that such targets have been met under the applicable plan for the relevant fiscal year. The Board of Directors of the Company or applicable committee or subcommittee may review and revise the terms of the cash compensation incentive plan or similar plan referenced above at any time, after taking into consideration both the performance of the Company and the personal performance of the Executive, among other factors, and may, in their sole discretion, amend the cash compensation incentive plan or similar plan in any manner it may deem appropriate; provided, however, that any such amendment to the plan shall not affect the Executive's right to participate in such amended plan or plans.

4.3. Benefits. The Executive shall be entitled to four (4) weeks of paid vacation annually. In addition, the Executive shall be entitled to participate in all compensation or employee benefit plans or programs and receive all benefits and perquisites for which any salaried employees are eligible under any existing or future plan or program established by the Company for salaried employees. The Executive will participate to the extent permissible under the terms and provisions of such plans or programs in accordance with program provisions.

These may include group hospitalization, health, dental care, life or other insurance, tax qualified pension, savings, thrift and profit sharing plans, termination pay programs, sick leave plans, travel or accident insurance, disability insurance, and contingent compensation plans including stock purchase programs and stock option plans. Nothing in this Agreement shall preclude the Company from amending or terminating any of the plans or programs applicable to salaried or senior executives as long as such amendment or termination is applicable to all salaried employees or senior executives. In addition, the Company shall pay, or reimburse Executive for, all membership fees and related costs in connection with Executive's membership in professional and civic organizations which are approved in advance by the Company.

4.4. Expenses Incurred in Performance of Duties. The Company shall promptly reimburse the Executive for all reasonable travel and other business expenses incurred by the Executive in the performance of his duties under this Agreement upon evidence of receipt.

4.5. Withholdings. All compensation payable hereunder shall be subject to withholding for federal income taxes, FICA and all other applicable federal, state and local withholding requirements.

5. Termination of Agreement.

5.1. General. During the term of this Agreement, the Company may, at any time and in its sole discretion, terminate this Agreement with or without Cause (as hereinafter defined) or upon a Change in Control (as hereinafter defined), effective as of the date of provision of written notice to the Executive thereof.

5.2. Effect of Termination With Cause. If the Executive's employment with the Company shall be terminated with Cause: (i) the Company shall pay the Executive his Base Salary earned through the date of termination of the Executive's employment with the Company (the "Termination Date"); and (ii) the Company shall not have any further obligations to the Executive under this Agreement except those required to be provided by law or under the terms of any other agreement between the Company and the Executive.

5.3. Definition of "Cause." For purposes of this Agreement, "Cause" shall mean: (i) the death of the Executive; (ii) the permanent disability of the Executive, which shall be defined as the inability of the Executive, as a result of physical or mental illness or incapacity, to substantially perform his duties pursuant to this Agreement for a period of one hundred eighty (180) days during any twelve (12) month period; (iii) the Executive's conviction of a felony or of a crime involving dishonesty or moral turpitude, including, without limitation, any act or crime involving misappropriation or embezzlement of Company assets or funds; (iv) willful or material wrongdoing by the Executive, including, but not limited to, acts of dishonesty or fraud, which could be expected to have a materially adverse effect on the Company or its subsidiaries or affiliates, as determined by the Company and its Board of Directors; (v) material breach by the Executive of a material obligation under this Agreement or of his fiduciary duty to the Company or its stockholders; (vi) the Executive's intentional violation of any applicable local, state or federal law or regulation affecting the Company in any material respect, as determined by the Company and its Board of Directors. Notwithstanding the foregoing, to the extent that any of the events, actions or breaches set forth above are able to be remedied or cured by the Executive, Cause shall not be deemed to exist (and thus the Company may not terminate the Executive for Cause hereunder) unless the Executive fails to remedy or cure such event, action or breach within twenty (20) days after being given written notice by the Company of such event, action or breach.

5.4. Effect of Termination Without Cause. If the Executive's employment with the Company is terminated without Cause, the Company shall pay to the Executive an amount equal to the Executive's Base Salary, based upon the annual rate payable as of the date of termination, without any cost of living adjustments, which shall be payable for a period of twelve (12) months from the date of termination on the same terms and with the same frequency as the Executive's Base Salary was paid prior to termination.

5.5. Effect of Termination Upon a Change in Control. If the Executive's employment with the Company is terminated upon a Change in Control, the Company shall (i) pay to the Executive a one-time payment, to be paid within sixty (60) days of the date of termination, in an amount equal to 2.99 times the Executive's Base Salary, based upon the annual rate payable as of the date of termination, without any cost of living adjustments; (ii) reimburse Executive for any Gross-Up Payment (as hereinafter defined) or other payment payable pursuant to the provisions of Section 8 herein; and (iii) continue to provide hospitalization, health, dental care, and life and other insurance benefits to the Executive for a period of one (1) year following such termination on the same terms and conditions existing immediately prior to termination. Notwithstanding the foregoing, each of the following events shall be considered a termination upon a Change in Control for purposes of this paragraph: (i) the Executive's voluntary resignation for any reason following a Change in Control, or (ii) a material reduction in the duties, powers or authority of the Executive as an officer or employee of the Company following a Change in Control.

5.6. Definition of a "Change of Control". "Change of Control" shall mean the occurrence of any of the following events:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act) of fifty percent (50%) or more of the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors, but excluding for the purpose of this section, any such acquisition by (A) the Company or any of its subsidiaries, (B) any employee benefit plan (or related trust) or (C) any corporation with respect to which, following such acquisition, more than fifty percent (50%) of the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by individuals and entities who, immediately prior to such acquisition, were the beneficial owners of the then outstanding voting securities of the Company entitled to vote generally in the election of directors; or

(ii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(iii) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or

(iv) any event which the Board of Directors determines should constitute a Change in Control.

5.7. Resignation by the Executive. The Executive shall be entitled to resign his employment with the Company at any time during the term of this Agreement. If the Executive resigns his employment with the Company for any reason other than as set forth in Section 5.5. herein: (i) the Company shall pay the Executive his Base Salary earned through the date of termination of the Executive's employment with the Company as the result of his resignation and (ii) the Company shall not have any further obligations to the Executive under this Agreement except those required to be provided by law or under the terms of any other agreement between the Company and the Executive.

6. Non-Competition, Non-Solicitation and Confidentiality and Non-Disclosure

6.1. Non-Competition, Non-Solicitation. The Executive hereby covenants and agrees that during the Term of the Executive's employment hereunder and for a period of one (1) year thereafter, Executive shall not, directly or indirectly: (i) own any interest in, operate, join, control or participate as a partner, director, principal, officer or agent of, enter into the employment of, act as a consultant to, or perform any services for any entity (each a "Competing Entity") which has material operations which compete with any business in which the Company or any of its subsidiaries is then engaged or, to the then existing knowledge of the Executive, proposes to engage; (ii) solicit any customer or client of the Company or any of its subsidiaries (other than on behalf of the Company) with respect to any business in which the Company or any of its subsidiaries is then engaged or, to the then existing knowledge of the Executive, proposes to engage; or (iii) induce or encourage any employee of the Company or any of its subsidiaries to leave the employ of the Company or any of its subsidiaries; provided, that the Executive may, solely as an investment, hold not more than five percent (5%) of the combined voting securities of any publicly-traded corporation or other business entity. The foregoing covenants and agreements of the Executive are referred to herein as the "Restrictive Covenant." The Executive acknowledges that he has carefully read and considered the provisions of the Restrictive Covenant and, having done so, agrees that the restrictions set forth in this Section 6.1., including without limitation the time period of restriction set forth above, are fair and reasonable and are reasonably required for the protection of the legitimate business and economic interests of the Company. The Executive further acknowledges that the Company would not have entered into this Agreement or agreed to grant the Executive the stock option pursuant to Section 4.7 herein absent Executive's agreement to the foregoing.

In the event that, notwithstanding the foregoing, any of the provisions of this Section 6.1. or any parts hereof shall be held to be invalid or unenforceable, the remaining provisions or parts hereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable portions or parts had not been included herein. In the event that any provision of this Section 6.1. relating to the time period and/or the area of restriction and/or related aspects shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems reasonable and enforceable, the time period and/or area of restriction and/or related aspects deemed reasonable and enforceable by such court shall become and thereafter be the maximum restrictions in such regard, and the provisions of the Restrictive Covenant shall remain enforceable to the fullest extent deemed reasonable by such court.

6.2 Confidentiality and Non-Disclosure. In consideration of the rights granted to the Executive hereunder, the Executive hereby agrees that during the term of this Agreement and for a period of three (3) years thereafter to hold in confidence all information concerning the Company or its business, including, but not limited to contract terms, financial information, operating data, or business plans or models, whether for existing, new or developing businesses, and any other proprietary information (hereinafter, collectively referred to as the "Proprietary Information"), whether communicated orally or in documentary or other tangible form. The parties to this Agreement recognize that the Company has invested considerable amounts of time and money in attaining and developing all of the information described above, and any unauthorized disclosure or release of such Proprietary Information in any form would irreparably harm the Company.

7. Indemnification. The Company shall indemnify the Executive to the fullest extent that would be permitted by law (including a payment of expenses in advance of final disposition of a proceeding) as in effect at the time of the subject act or omission, or by the Charter or Bylaws of the Company as in effect at such time, or by the terms of any indemnification agreement between the Company and the Executive, whichever affords greatest protection to the Executive, and the Executive shall be entitled to the protection of any insurance policies the Company may elect to maintain generally for the benefit of its officers or, during the Executive's service in such capacity, directors (and to the extent the Company maintains such an insurance policy or policies, in accordance with its or their terms to the maximum extent of the coverage available for any company officer or director); against all costs, charges and expenses whatsoever incurred or sustained by the Executive (including but not limited to any judgement entered by a court of law) at the time such costs, charges and expenses are incurred or sustained, in connection with any action, suit or proceeding to which the Executive may be made a party by reason of his being or having been an officer or employee of the Company, or serving as an officer or employee of an affiliate of the Company, at the request of the Company, other than any action, suit or proceeding brought against the Executive by or on account of his breach of the provisions of any employment agreement with a third party that has not been disclosed by the Executive to the Company. The provisions of this Section 7. shall specifically survive the expiration or earlier termination of this Agreement.

8. Tax Reimbursement Payment.

(i) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by or on behalf of the Company to or for the benefit of Executive as a result of a Change in Control, as defined herein, (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax together with any such interest and penalties are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(ii) Subject to the provisions of subsection (iii) below, all determinations required to be made under this Section 8., including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized accounting firm or law firm selected by the Executive, subject to the consent of the Company, which consent shall not be unreasonably withheld (the "Tax Firm"); provided, however, that the Tax Firm shall not determine that no Excise Tax is payable by the Executive unless it delivers to Executive a written opinion (the "Tax Opinion") that failure to pay the Excise Tax and to report the Excise Tax and the payments potentially subject thereto on or with Executive's applicable federal income tax return will not result in the imposition of an accuracy-related or other penalty on Executive. All fees and expenses of the Tax Firm shall be borne solely by the Company. Within fifteen (15) business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company, the Tax Firm shall make all determinations required under this Section 8., shall provide to the Company and Executive a written report setting forth such determinations, together with detailed supporting calculations, and, if the Tax Firm determines that no Excise Tax is payable, shall deliver the Tax Opinion to the Executive. Any Gross-Up Payment, as determined pursuant to this Section 8., shall be paid by the Company to Executive within fifteen (15) days of the receipt of the Tax Firm's determination. Subject to the other provisions of this Section 8., any determination by the Tax Firm shall be binding upon the Company and the Executive; provided, however, that the Executive shall only be bound to the extent that the determinations of the Tax Firm hereunder, including the determinations made in the Tax Opinion, are reasonable and reasonably supported by applicable law. The parties acknowledge, however, that as a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Tax Firm hereunder or as a result of a contrary determination by the Internal Revenue Service, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that it is ultimately determined in accordance with the procedures set forth in subsection (iii) below that the Executive is required to make a payment of any Excise Tax, the Tax Firm shall reasonably determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive. In determining the reasonableness of the Tax Firm's determinations hereunder and the effect thereof, the Executive shall be provided a reasonable opportunity to review such determinations with the Tax Firm and the Executive's tax counsel. The Tax Firm's determinations hereunder, and the Tax Opinion, shall not be deemed reasonable until the Executive's reasonable objections and comments thereto have been satisfactorily accommodated by the Tax Firm.

(iii) The Executive shall notify the Company in writing of any claims by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than thirty (30) calendar days after Executive actually receives notice in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid; provided however, that the failure of Executive to notify the Company of such claim (or to provide any required information with respect thereto) shall not affect any rights granted to the Executive under this Section 8. except to the extent that the Company is materially prejudiced in the defense of such claim as a direct result of such failure. The Executive shall not, unless otherwise required by the Internal Revenue Service, pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such 30-day period that it desires to contest such claim, the Executive shall:

(1) give the Company and information reasonably requested by the Company relating to such claim;

(2) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Company and reasonably acceptable to Executive;

(3) cooperate with the Company in good faith in order effectively to contest such claim; and

(4) if the Company elects not to assume and control the defense of such claim, permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this subsection (iii), the Company shall have the right, at its sole option, to assume the defense of and control all proceedings in connection with such contest, in which case it may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statue of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's right to assume the defense of and control the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(iv) If, after the receipt by the Executive of an amount advanced by the Company pursuant to this Section 8., the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of subsection (iii) above) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to subsection (iii) above, a determination is made that the Executive is not entitled to a refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall, to the extent of such denial, be forgiven and shall not be required to be repaid and the amount of forgiven advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

9. Notices. Any notice required or desired to be given under this Agreement shall be in writing and shall be delivered personally, transmitted by facsimile or mailed by registered mail, return receipt requested, or delivered by overnight courier service and shall be deemed to have been given on the date of its delivery, if delivered, and on the third (3rd) full business day following the date of the mailing, if mailed, to each of the parties thereto at the following respective addresses or such other address as may be specified in any notice delivered or mailed as above provided:

(i) If to the Executive, to:

G.A. Puryear IV
2433 Bear Road
Nashville, Tennessee 37215

(ii) If to the Company, to:

Corrections Corporation of America
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attention: Chief Executive Officer and President
Facsimile: (615) 263-3010

10. Waiver of Breach. The waiver by either party of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by the other party.

11. Assignment. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company. The Executive acknowledges that the services to be rendered by him are unique and personal, and the Executive may not assign any of his rights or delegate any of his duties or obligations under this Agreement.

12. Entire Agreement. This instrument contains the entire agreement of the parties and supercedes in full and in all respects any prior oral or written agreement between the parties with respect to Executive's employment with the Company. It may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

13. Controlling Law. This Agreement shall be governed and interpreted under the laws of the State of Tennessee.

14. Headings. The sections, subjects and headings in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

15. Enforcement. If the Executive is the prevailing party in any dispute among the parties hereto regarding the enforcement of one or more of the provisions of this Agreement, then the Company shall reimburse the Executive for any reasonable attorneys' fees and other expenses incurred by him in connection with such dispute.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written.

EXECUTIVE:

G.A. Puryear IV

/s/ G.A. Puryear IV

COMPANY:

Corrections Corporation of America

By: /s/ John D. Ferguson

Title: President

EXHIBIT 10.2

REGISTRATION RIGHTS AGREEMENT

DATED AS OF AUGUST 8, 2003

BY AND AMONG

CORRECTIONS CORPORATION OF AMERICA

AS ISSUER

CCA INTERNATIONAL, INC.
CCA OF TENNESSEE, INC.
PRISON REALTY MANAGEMENT, INC.
RONALD LEE SUTTLES TRI-COUNTY EXTRADITION, INC.
TECHNICAL AND BUSINESS INSTITUTE OF AMERICA, INC.
CCA PROPERTIES OF AMERICA, LLC
CCA PROPERTIES OF ARIZONA, LLC
CCA PROPERTIES OF TENNESSEE, LLC
TRANSCOR AMERICA, LLC
CCA PROPERTIES OF TEXAS, L.P.

AS THE GUARANTORS

AND

LEHMAN BROTHERS INC.
SG COWEN SECURITIES CORPORATION
UBS SECURITIES LLC
WACHOVIA CAPITAL MARKETS, LLC BB&T
CAPITAL MARKETS, A DIVISION OF SCOTT & STRINGFELLOW,
INC.
FIRST ANALYSIS SECURITIES CORPORATION
JEFFERIES & COMPANY, INC.
SouthTrust Securities, Inc.

as the Initial Purchasers

This Registration Rights Agreement (this "AGREEMENT") is made and entered into as of August 8, 2003, by and among Corrections Corporation of America, a Maryland corporation (the "COMPANY"), the subsidiaries listed on Schedule A hereto (the "GUARANTORS"), and Lehman Brothers Inc., SG Cowen Securities Corporation, UBS Securities LLC, Wachovia Capital Markets, LLC, BB&T Capital Markets, a division of Scott & Stringfellow, Inc., First Analysis Securities Corporation, Jefferies & Company, Inc., and SouthTrust Securities, Inc. (each an "INITIAL PURCHASER" and, collectively, the "INITIAL PURCHASERS"), each of whom has agreed to purchase the Company's 7 1/2% Senior Notes due 2011 (the "NOTES") pursuant to the Purchase Agreement (as defined below).

This Agreement is entered into pursuant to the Purchase Agreement, dated July 29, 2003 (the "PURCHASE AGREEMENT"), by and among the Company, the Guarantors and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Notes, the Company and the Guarantors have agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 7 of the Purchase Agreement. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Indenture, dated May 7, 2003, as amended by the Supplemental Indenture, dated May 7, 2003, the First Supplement, dated August 8, 2003 and the Second Supplement, dated August 8, 2003, among the Company, the Guarantors and U.S. Bank National Association, as Trustee, relating to the Notes and the Exchange Notes, and as further modified and/or supplemented from time to time (the "INDENTURE").

The parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

ACT: The Securities Act of 1933, as amended.

AFFILIATE: As defined in Rule 144 of the Act.

BROKER-DEALER: Any broker or dealer registered under the Exchange Act.

CERTIFICATED SECURITIES: Definitive Notes, as defined in the Indenture.

CLOSING DATE: The date hereof.

COMMISSION: The Securities and Exchange Commission.

CONSUMMATE: An Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of each of the following: (a) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Exchange Notes to be issued in the Exchange Offer, (b) the maintenance of such Exchange Offer Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the minimum period required pursuant to Section 3(b) hereof and (c) the delivery by the

Company to the Registrar under the Indenture of Exchange Notes in the same aggregate principal amount as the aggregate principal amount of Notes validly tendered by Holders thereof pursuant to the Exchange Offer.

CONSUMMATION DEADLINE: As defined in Section 3(b) hereof.

EXCHANGE ACT: The Securities Exchange Act of 1934, as amended.

EXCHANGE NOTES: The Company's 7 1/2% Senior Notes due 2011, registered under the Act, to be issued pursuant to the Indenture: (i) in the Exchange Offer or (ii) as contemplated by Section 4 hereof.

EXCHANGE OFFER: The exchange and issuance by the Company of a principal amount of Exchange Notes (which shall be registered pursuant to the Exchange Offer Registration Statement) equal to the outstanding principal amount of Notes that are tendered by such Holders in connection with such exchange and issuance.

EXCHANGE OFFER REGISTRATION STATEMENT: The Registration Statement relating to the Exchange Offer, including the related Prospectus which forms a part thereof.

EXEMPT RESALES: The transactions in which the Initial Purchasers propose to sell the Notes to certain "qualified institutional buyers," as such term is defined in Rule 144A under the Act, and in compliance with Regulation S under the Act.

HOLDER: As defined in Section 2 hereof.

PROSPECTUS: The prospectus included in a Registration Statement at the time such Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

RECOMMENCEMENT DATE: As defined in Section 6(e) hereof.

REGISTRATION DEFAULT: As defined in Section 5 hereof.

REGISTRATION STATEMENT: Any registration statement of the Company and the Guarantors relating to (a) an offering of Exchange Notes and related Subsidiary Guarantees pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, in each case (i) that is filed pursuant to the provisions of this Agreement and (ii) including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

REGULATION S: Regulation S promulgated under the Act.

RULE 144: Rule 144 promulgated under the Act.

SHELF REGISTRATION STATEMENT: As defined in Section 4 hereof.

SHELF EFFECTIVENESS DEADLINE: As defined in Section 4(a) hereof.

SHELF FILING DEADLINE: As defined in Section 4(a) hereof.

SUSPENSION NOTICE: As defined in Section 6(e) hereof.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture.

TRANSFER RESTRICTED SECURITIES: (i) Each Note and the related Subsidiary Guarantees, until the earliest to occur of (a) the date on which such Note is exchanged in the Exchange Offer for an Exchange Note which is entitled to be resold to the public by the Holder thereof without complying with the prospectus delivery requirements of the Act, (b) the date on which such Note has been disposed of in accordance with a Shelf Registration Statement, (c) the date on which such Note is distributed to the public pursuant to Rule 144 under the Act or (d) the date on which such Note is sold in any other manner that permits the Company to remove the legend describing the transfer restrictions and (ii) each Exchange Note and the related Subsidiary Guarantees acquired by a Broker-Dealer in exchange for a Note acquired for its own account as a result of market making activities or other trading activities until the date on which such Exchange Note is disposed of by a Broker-Dealer pursuant to the "Plan of Distribution" contemplated by the Exchange Offer Registration Statement (including the delivery of the Prospectus contained therein).

SECTION 2. HOLDERS

A Person is deemed to be a holder of Transfer Restricted Securities (each, a "HOLDER") whenever such Person owns Transfer Restricted Securities.

SECTION 3. REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permitted by applicable federal law or Commission policy (after the procedures set forth in Section 6(a)(i) below have been complied with), the Company and the Guarantors shall (i) cause the Exchange Offer Registration Statement to be filed with the Commission on or before such date as would be sufficient to Consummate the Exchange Offer by August 7, 2004 (such date being the "EXCHANGE OFFER FILING DEADLINE"), (ii) use their commercially reasonable efforts to have such Exchange Offer Registration Statement declared effective by the Commission at the earliest possible time, but in no event later than such date as would be sufficient to Consummate the Exchange Offer by August 7, 2004 (such date being the "EXCHANGE OFFER EFFECTIVENESS DEADLINE"), (iii) in connection with the foregoing, (A) file all pre-effective amendments to such Exchange Offer Registration Statement as may be necessary in order to cause it to become effective, (B) file, if applicable, a post-effective amendment to such Exchange Offer Registration Statement pursuant to Rule 430A under the Act and (C) cause all necessary filings, if any, in connection with the registration and qualification of the Exchange Notes to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer, and (iv) unless the Exchange Offer would not be permitted by applicable law or Commission policy, promptly after the effectiveness of such Exchange Offer Registration Statement, commence and use their commercially reasonable efforts to Consummate the Exchange Offer in the time set forth in

Section 3(b). The Exchange Offer shall be on the appropriate form permitting (i) registration of the Exchange Notes to be offered in exchange for the Notes that are Transfer Restricted Securities and (ii) resales of Exchange Notes by Broker-Dealers that tendered into the Exchange Offer Notes that such Broker-Dealer acquired for its own account as a result of market making activities or other trading activities (other than Notes acquired directly from the Company or any of its Affiliates) as contemplated by Section 3(c) below.

(b) The Company and the Guarantors shall use their respective commercially reasonable efforts to cause the Exchange Offer Registration Statement to be effective continuously, and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to Consummate the Exchange Offer; provided, however, that in no event shall such period be less than 20 business days. The Company and the Guarantors shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Exchange Notes shall be included in the Exchange Offer Registration Statement. The Company and the Guarantors shall use their respective commercially reasonable efforts to cause the Exchange Offer to be Consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than August 7, 2004 (the "EXCHANGE OFFER CONSUMMATION DEADLINE").

(c) The Company shall include a "Plan of Distribution" section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Broker-Dealer who holds Transfer Restricted Securities that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities (other than Notes acquired directly from the Company or any Affiliate of the Company) may exchange such Transfer Restricted Securities pursuant to the Exchange Offer. Such "Plan of Distribution" section shall also contain all other information with respect to such sales by such Broker-Dealers that the Commission may require in order to permit such sales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Transfer Restricted Securities held by any such Broker-Dealer, except to the extent required by the Commission as a result of a change in policy, rules or regulations after the date of this Agreement.

Because such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of any Exchange Notes received by such Broker-Dealer in the Exchange Offer, the Company and the Guarantors shall permit the use of the Prospectus contained in the Exchange Offer Registration Statement by such Broker-Dealer to satisfy such prospectus delivery requirement. To the extent necessary to ensure that the prospectus contained in the Exchange Offer Registration Statement is available for sales of Exchange Notes by Broker-Dealers, the Company and the Guarantors agree to use their respective commercially reasonable efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented and amended as required by and subject to the provisions of Section 6(a) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of 180 days from the date on which the Exchange Offer is Consummated or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold pursuant thereto. The Company shall provide sufficient copies of the latest version of such Prospectus to such Broker-Dealers, promptly upon request, and in no event later than two days after such request, at any time during such period.

SECTION 4. SHELF REGISTRATION

(a) Shelf Registration. If (i) the Exchange Offer is not permitted by applicable law or Commission policy (after the Company and the Guarantors have complied with the procedures set forth in Section 6(a)(i) below) or (ii) if any Holder of Transfer Restricted Securities shall notify the Company prior to the 20th day following the Consummation of the Exchange Offer that (A) such Holder was prohibited by law or Commission policy from participating in the Exchange Offer or (B) such Holder may not resell the Exchange Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) such Holder is a Broker-Dealer and holds Notes acquired directly from the Company or any of its Affiliates, then the Company and the Guarantors shall:

(x) use their commercially reasonable efforts to cause to be filed, on or prior to 30 days after the earlier of (i) the date on which the Company determines that the Exchange Offer Registration Statement cannot be filed as a result of clause (a)(i) above and (ii) the date on which the Company receives the notice specified in clause (a)(ii) above (such earlier date, the "SHELF FILING DEADLINE,") a shelf registration statement pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement (the "SHELF REGISTRATION STATEMENT")), relating to all Transfer Restricted Securities; and

(y) use their commercially reasonable efforts to cause such Shelf Registration Statement to become effective on or prior to 90 days after the Shelf Filing Deadline (such 90th day, the "SHELF EFFECTIVENESS DEADLINE").

If, after the Company has and the Guarantors have filed an Exchange Offer Registration Statement that satisfies the requirements of Section 3(a) above, the Company and the Guarantors are required to file and make effective a Shelf Registration Statement solely because the Exchange Offer is not permitted under applicable federal law or Commission policy (i.e., clause (a)(i) above), then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) above; provided that, in such event, the Company and the Guarantors shall remain obligated to meet the Shelf Effectiveness Deadline set forth in clause (y).

To the extent necessary to ensure that the Shelf Registration Statement is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a) and the other securities required to be registered therein pursuant to Section 6(b)(ii) hereof, the Company and the Guarantors shall use their commercially reasonable efforts to keep any Shelf Registration Statement required by this Section 4(a) continuously effective, supplemented and amended as required by and subject to the provisions of Sections 6(b) and (c) hereof to the extent necessary to ensure that it is available for resale of Notes by the Holders of Transfer Restricted Securities entitled to the benefits of this Section 4(a) and to ensure that it conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least two years (as extended pursuant to Section 6(c)(i)) following the Closing Date, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Shelf Registration Statement (i) have been sold pursuant thereto or (ii) are no longer restricted securities (as defined in Rule 144 under the Act, or any successor rule thereof); provided, however, that the Company and the Guarantors shall not be obligated to keep the Shelf Registration Statement continuously effective to the extent set forth above, or to keep the prospectus included therein usable for offers and sales of Transfer Restricted Securities, if (i) the Company and the Guarantors determine, in their reasonable judgment, after seeking the advice of counsel, that the continued effectiveness of the Shelf Registration Statement or usability of any prospectus included therein would (x) require the disclosure of material information, which the Company has a bona fide business reason for preserving as confidential, or (y) interfere with any financing, acquisition, corporate reorganization or other material transaction or development involving the Company or any of the Guarantors or the contemplated timing thereof, and (ii) the Company promptly thereafter complies with the requirements of Section 6(e) hereof, if applicable. The number of days of any actual suspension period shall be added on to the end of the two year period specified above. Any such period during which the Company is excused from keeping the Shelf Registration Statement effective in the prospectus included therein usable for offers and sales of Exchange Notes is referred to herein as a "suspension period". A suspension period shall commence on and include the date that the Company gives notice that the Shelf Registration Statement is no longer effective or the prospectus included therein is no longer usable for offers and sales of Exchange Notes and shall end on the earlier to occur of (1) the date on which each seller of Exchange Notes covered by the Shelf Registration Statement either receives the copies of the supplemented or amended prospectus contemplated by Section 6(e) hereof or is advised in writing by the Company that the use of the prospectus may be resumed, and (2) the occurrence of a Suspension Period Limit (as defined below). There shall be no more than two (2) Suspension Periods in any twelve month period, the aggregate number of days of such Suspension Periods shall not exceed 90 days in such twelve month period and no Suspension Period shall exceed 60 days. The Company shall be deemed not to have used their reasonable efforts to keep the Shelf Registration Statement effective during the requisite period if they voluntarily take any action (other than an action permitted by this Section 4(a)) that would result in Holders of Transfer Restricted Securities/Exchange Notes covered thereby not being able to offer and sell such securities during that period, unless such action is required by applicable law.

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 20 days after receipt of a request therefor, the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act or such other information as the Company may reasonably request for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to liquidated damages pursuant to Section 5 hereof unless and until such Holder shall have provided all such information. By its acceptance of Transfer Restricted Securities, each Holder agrees to promptly furnish all additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

SECTION 5. LIQUIDATED DAMAGES

If (i) the Shelf Registration Statement required by this Agreement is not filed with the Commission on or prior to the Shelf Filing Deadline, (ii) the Shelf Registration Statement has not been declared effective by the Commission on or prior to the Shelf Effectiveness Deadline, (iii) the Exchange Offer has not been Consummated on or prior to the Exchange Offer Consummation Deadline or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose, except as provided herein, without being succeeded within two business days by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective within five business days of filing such post-effective amendment to such Registration Statement (each such event referred to in clauses (i) through (iv), a "REGISTRATION DEFAULT"), then the Company and the Guarantors hereby jointly and severally agree to pay to each Holder of Transfer Restricted Securities affected thereby liquidated damages in an amount equal to $.05 per week per $1,000 in principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the Registration Default continues for the first 90-day period immediately following the occurrence of such Registration Default. The amount of the liquidated damages shall increase by an additional $.05 per week per $1,000 in principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of liquidated damages of $.50 per week per $1,000 in principal amount of Transfer Restricted Securities; provided that the Company and the Guarantors shall in no event be required to pay liquidated damages for more than one Registration Default at any given time. Notwithstanding anything to the contrary set forth herein, (1) upon filing of the Shelf Registration Statement, in the case of (i) above, (2) upon the effectiveness of the Shelf Registration Statement, in the case of (ii) above, (3) upon Consummation of the Exchange Offer, in the case of (iii) above, or (4) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable in the case of (iv) above, the liquidated damages payable with respect to the Transfer Restricted Securities as a result of such clause (i), (ii), (iii) or (iv), as applicable, shall cease.

All accrued liquidated damages shall be paid to the Holders entitled thereto in the manner provided for the payment of interest in the Indenture, on each Interest Payment Date, as more fully set forth in the Indenture and the Notes. Notwithstanding the fact that any securities for which liquidated damages are due cease to be Transfer Restricted Securities, all obligations of the Company and the Guarantors to pay liquidated damages with respect to securities shall survive until such time as such obligations with respect to such securities shall have been satisfied in full.

SECTION 6. REGISTRATION PROCEDURES

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Company and the Guarantors shall (x) comply with all applicable provisions of

Section 6(c) below, (y) use their respective commercially reasonable efforts to effect such exchange and to permit the resale of Exchange Notes by any Broker-Dealer that tendered Notes in the Exchange Offer that such Broker-Dealer acquired for its own account as a result of its market making activities or other trading activities (other than Notes acquired directly from the Company or any of its Affiliates) being sold in accordance with the intended method or methods of distribution thereof, and (z) comply with all of the following provisions:

(i) If, following the date hereof, there has been announced a change in applicable law or Commission policy with respect to exchange offers such as the Exchange Offer that in the reasonable opinion of counsel to the Company raises a question as to whether the Exchange Offer is permitted by applicable federal law, the Company and the Guarantors hereby agree to seek a no-action letter or other favorable decision from the Commission allowing the Company and the Guarantors to Consummate an Exchange Offer for such Transfer Restricted Securities. The Company and the Guarantors hereby agree to pursue the issuance of such a decision to the Commission staff level, but shall not be required to take commercially unreasonable action to effect a change of Commission policy. In connection with the foregoing, the Company and the Guarantors hereby agree to take all such other reasonable actions as may be requested by the Commission or otherwise required in connection with the issuance of such decision, including without limitation (A) participating in telephonic conferences with the Commission staff, (B) delivering to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) diligently pursuing a resolution (which need not be favorable) by the Commission staff.

(ii) As a condition to its participation in the Exchange Offer pursuant to the terms of this Agreement, each Holder of Transfer Restricted Securities (including, without limitation, any Holder who is a Broker Dealer) shall furnish, upon the request of the Company, prior to the Consummation of the Exchange Offer, a written representation to the Company and the Guarantors (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an Affiliate of the Company, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Exchange Notes to be issued in the Exchange Offer and (C) it is acquiring the Exchange Notes in its ordinary course of business. In addition, all such Holders of Transfer Restricted Securities shall otherwise cooperate in the Company's preparations for the Exchange Offer. Each Holder using the Exchange Offer to participate in a distribution of the Exchange Notes will be required to acknowledge and agree that, if the resales are of Exchange Notes obtained by such Holder in exchange for Notes acquired directly from the Company or an Affiliate thereof, it (1) could not, under Commission policy as in effect on the date of this Agreement, rely on the position of the Commission enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including, if applicable, any no-action letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K.

(iii) Prior to effectiveness of the Exchange Offer Registration Statement, the Company and the Guarantors shall provide a supplemental letter to the Commission (A) stating that the Company and the Guarantors are registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and, if applicable, any no-action letter obtained pursuant to clause (i) above, (B) including a representation that neither the Company nor any Guarantor has entered into any arrangement or understanding with any person to distribute the Exchange Notes to be received in the Exchange Offer and that, to the best of the Company's and each Guarantor's information and belief, each Holder participating in the Exchange Offer is acquiring the Exchange Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Exchange Notes received in the Exchange Offer and (C) any other undertaking or representation required by the Commission as set forth in any no-action letter obtained pursuant to clause (i) above, if applicable.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, the Company and the Guarantors shall:

(i) comply with all the provisions of Section 6(c) and 6(d) below and use their respective commercially reasonable efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof), and pursuant thereto the Company and the Guarantors will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof; and

(ii) issue, upon the request of any Holder or purchaser of Notes covered by any Shelf Registration Statement contemplated by this Agreement, Exchange Notes having an aggregate principal amount equal to the aggregate principal amount of Notes sold pursuant to the Shelf Registration Statement and surrendered to the Company for cancellation; the Company and the Guarantors shall register Exchange Notes and the related Subsidiary Guarantees on the Shelf Registration Statement for this purpose and issue the Exchange Notes to the purchaser(s) of securities subject to the Shelf Registration Statement in the names as such purchaser(s) shall designate.

(c) General Provisions. In connection with any Registration Statement and any related Prospectus required by this Agreement, the Company and the Guarantors shall:

(i) use their respective commercially reasonable efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable. Upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain an untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company and the Guarantors shall file promptly an appropriate amendment to such Registration Statement curing such defect, and, if Commission review is required, use their respective commercially reasonable efforts to cause such amendment to be declared effective as soon as practicable; if at any time the Commission shall issue any stop order suspending the effectiveness of any Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company and the Guarantors shall use their respective commercially reasonable efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(ii) prepare and file with the Commission such amendments and post-effective amendments to the applicable Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as the case may be, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with Rules 424, 430A and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, use commercially reasonable efforts to cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and to use commercially reasonable efforts to register such Transfer Restricted Securities in such denominations and such names as the selling Holders may request at least two business days prior to such sale of Transfer Restricted Securities;

(iv) use their respective commercially reasonable efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities; provided, however, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(v) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities and provide the Trustee under the Indenture with certificates for the Transfer Restricted Securities which are in a form eligible for deposit with The Depository Trust Company;

(vi) otherwise use their respective commercially reasonable efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders as soon as practical with regard to any applicable Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) covering a twelve-month period beginning after the effective date of the Registration Statement (as such term is defined in paragraph (c) of Rule 158 under the Act); and

(vii) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement and, in connection therewith, cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use their respective commercially reasonable efforts to cause the Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner.

(d) Additional Provisions Applicable to Shelf Registration Statements and Certain Exchange Offer Prospectuses. In connection with each Shelf Registration Statement, and each Exchange Offer Registration Statement if and to the extent that an Initial Purchaser has notified the Company that it is a holder of Exchange Notes that are Transfer Restricted Securities (for so long as such Exchange Notes are Transfer Restricted Securities or for the period provided in Section 3, whichever is shorter), the Company and the Guarantors shall:

(i) advise each Holder promptly and, if requested by such Holder, confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any applicable Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement in order to make the statements therein, in light of the circumstances under which they were made, not misleading, or that requires the making of any additions to or changes in the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) if any fact or event contemplated by Section 6(d)(i)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(iii) furnish to each Holder in connection with such exchange or sale, if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein (except the Prospectus included in the Exchange Offer Registration Statement at the time it was declared effective) or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the review and comment of such Holders in connection with such sale, if any, for a period of at least five business days, and the Company will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) to which such Holders shall reasonably object within five business days after the receipt thereof. With respect this Section 6(d)(iii), a Holder shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading or fails to comply with the applicable requirements of the Act, except, in each case, where such untrue statement or omission of a material fact is made in any proposed Registration Statement, amendment, Prospectus or supplement, as applicable, in reliance upon and in conformity with written information furnished to the Company or any Guarantor by or on behalf of such Holder specifically for inclusion therein and the Company and each Guarantor have otherwise complied with this Section 6(d)(iii) with respect to such proposed Registration Statement, amendment, Prospectus or supplement, as applicable;

(iv) promptly prior to the filing of any document that is to be incorporated by reference into an Exchange Offer Registration Statement or Prospectus contained therein, provide copies of such document to each Holder that is an Initial Purchaser in connection with such exchange or sale, if any, make the Company's and the Guarantors' representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such Holders that are Initial Purchasers may reasonably request;

(v) subject to an express agreement of confidentiality, make available, at reasonable times, for inspection by each Holder and any attorney or accountant retained by such Holders, all financial and other records, pertinent corporate documents of the Company and the Guarantors and cause the Company's and the Guarantors' officers, directors and employees to supply all information reasonably requested by any such Holder, attorney or accountant in connection with such Registration Statement or any pre-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness;

(vi) if requested by any Holders in connection with such exchange or sale, promptly incorporate in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such Holders may reasonably request to have included therein, including the "Plan of Distribution" of the Transfer Restricted Securities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(vii) furnish to each Holder in connection with such exchange or sale without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(viii) deliver to each Holder without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Company and the Guarantors hereby consent to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each selling Holder in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(ix) upon the request of any Holder, enter into such agreements (including underwriting agreements in a form customary for similar transactions) and make such representations and warranties and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any applicable Registration Statement contemplated by this Agreement as may be reasonably requested by any Holder in connection with any sale or resale pursuant to any applicable Registration Statement. In such connection, the Company and the Guarantors shall:

(A) upon request of any Holder, furnish (or in the case of paragraphs (2) and (3), use their respective commercially reasonable efforts to cause to be furnished) to each Holder, upon Consummation of the Exchange Offer or upon the effectiveness of the Shelf Registration Statement, as the case may be:

(1) a certificate, dated such date, signed on behalf of the Company and each Guarantor by (x) the President or any Vice President and (y) a principal financial or accounting officer of the Company and

such Guarantor, confirming, as of the date thereof, the matters set forth in Sections 2(h), 2(i) and 7(j) of the Purchase Agreement and such other similar matters as such Holders may reasonably request;

(2) an opinion, dated the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, of counsel for the Company and the Guarantors covering matters similar to those set forth in paragraph (c) of Section 7 of the Purchase Agreement and such other matters as such Holder may request as are commercially reasonable, and in any event including a statement to the effect that such counsel has participated in conferences with officers and other representatives of the Company and the Guarantors and has considered the matters required to be stated therein and the statements contained therein, although such counsel has not independently verified the accuracy, completeness or fairness of such statements; and that such counsel advises that, on the basis of the foregoing (relying as to materiality upon facts provided to such counsel by officers and other representatives of the Company and without independent check or verification), no facts came to such counsel's attention that caused such counsel to believe that the applicable Registration Statement, at the time such Registration Statement or any post-effective amendment thereto became effective and, in the case of the Exchange Offer Registration Statement, as of the date of Consummation of the Exchange Offer, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements, therein in light of the circumstances under which they were made, not misleading, or that the Prospectus contained in such Registration Statement as of its date and, in the case of the opinion dated the date of Consummation of the Exchange Offer, as of the date of Consummation, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Without limiting the foregoing, such counsel may state further that such counsel assumes no responsibility for, and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes and schedules and other financial and accounting data included in any Registration Statement contemplated by this Agreement or the related Prospectus; and

(3) a customary comfort letter, dated the date of Consummation of the Exchange Offer, or as of the date of effectiveness of the Shelf Registration Statement, as the case may be, from the Company's independent accountants at such time, in the customary form and covering matters of the type customarily covered in comfort letters to underwriters in connection with underwritten offerings, and affirming the matters set forth in the comfort letters delivered pursuant to Section 7(e) of the Purchase Agreement (provided, that if such a letter is unable to be

delivered by Ernst & Young, LLP or another auditing firm of national reputation, such a failure shall not result in a violation of this Agreement if financial due diligence with respect to the Company is completed in the reasonable satisfaction of such Holder); and

(B) deliver such other documents and certificates as may be reasonably requested by the selling Holders to evidence compliance with the matters covered in clause (A) above and with any customary conditions contained in any agreement entered into by the Company and the Guarantors pursuant to this clause (ix);

(x) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders that are Initial Purchasers and their counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders may reasonably request and do any and all other acts or things reasonably necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Registration Statement; provided, however, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject; and

(xi) provide promptly to each Holder, upon request, each document filed with the Commission pursuant to the requirements of Section 13 or Section 15(d) of the Exchange Act.

(e) Restrictions on Holders. Each Holder's acquisition of a Transfer Restricted Security constitutes such Holder's agreement that, upon receipt of the notice referred to in Section 6(d)(i)(C) or any notice from the Company of the existence of any fact of the kind described in Section 6(d)(i)(D) hereof (in each case, a "SUSPENSION NOTICE"), such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until (i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 6(d)(ii) hereof, or (ii) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the "RECOMMENCEMENT DATE"). Each Holder receiving a Suspension Notice shall be required to either (i) destroy any Offering Memoranda, other than permanent file copies, then in such Holder's possession which have been replaced by the Company with more recently dated Offering Memoranda or (ii) deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice. The time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by a number of days equal to the number of days in the period from and including the date of delivery of the Suspension Notice to the Recommencement Date.

SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Company's and the Guarantors' performance of or compliance with this Agreement will be borne by the Company, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including certificates for the Exchange Notes to be issued in the Exchange Offer and printing of Prospectuses, messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company, the Guarantors and as set forth in subparagraph (b) below, one counsel for the Holders of Transfer Restricted Securities which shall be Latham & Watkins LLP or such other counsel as may be selected by a majority of such Holders; (v) all application and filing fees in connection with listing the Exchange Notes on a national securities exchange or automated quotation system pursuant to the requirements hereof; and (vi) all fees and disbursements of independent certified public accountants of the Company and the Guarantors (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its and the Guarantors' internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company or the Guarantors.

(b) In connection with any Registration Statement required by this Agreement (including, without limitation, the Exchange Offer Registration Statement and the Shelf Registration Statement), the Company and the Guarantors will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities who are tendering Notes into in the Exchange Offer and/or selling or reselling Notes or Exchange Notes pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be Latham & Watkins LLP unless another firm shall be chosen by the Holders of a majority in principal amount of the Transfer Restricted Securities for whose benefit such Registration Statement is being prepared.

SECTION 8. INDEMNIFICATION

(a) The Company and the Guarantors agree, jointly and severally, to indemnify and hold harmless each Holder, its directors, officers and each Person, if any, who controls such Holder (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act), from and against any and all losses, claims, damages, liabilities, judgments, (including without limitation, any reasonable legal or other expenses incurred in connection with investigating or defending any matter, including any action that could give rise to any such losses, claims, damages, liabilities or judgments) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus or Prospectus (or any amendment or supplement thereto) provided by the Company to any Holder or any prospective purchaser of Exchange Notes or registered Notes, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, provided, however, that the Company and the Guarantors shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any such Registration Statement or any Prospectus forming part thereof or in any such amendment or supplement in reliance upon and in conformity with written information relating to any of the Holders furnished in writing to the Company or any Guarantor by or on behalf of any Holder specifically for inclusion therein.

(b) By its acquisition of Transfer Restricted Securities, each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company and the Guarantors, and their respective directors and officers, and each person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company or the Guarantors to the same extent as the foregoing indemnity from the Company and the Guarantors set forth in section (a) above, but only with reference to information relating to such Holder furnished in writing to the Company by such Holder expressly for use in any Registration Statement. In no event shall any Holder, its directors, officers or any Person who controls such Holder be liable or responsible for any amount in excess of the amount by which the total amount received by such Holder with respect to its sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds (i) the amount paid by such Holder for such Transfer Restricted Securities and (ii) the amount of any damages that such Holder, its directors, officers or any Person who controls such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

(c) In case any action shall be commenced involving any person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b) (the "INDEMNIFIED PARTY"), the indemnified party shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PERSON") in writing and the indemnifying party shall assume the defense of such action, including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all fees and expenses of such counsel, as incurred (except that in the case of any action in respect of which indemnity may be sought pursuant to both Sections 8(a) and 8(b), a Holder shall not be required to assume the defense of such action pursuant to this Section 8(c), but may employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel, except as provided below, shall be at the expense of the Holder). Any indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the indemnified party unless (i) the employment of such counsel shall have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party shall have failed to assume the defense of such action or employ counsel reasonably satisfactory to the indemnified party or (iii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party shall have been advised in writing by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the indemnified party). In any such case, the indemnifying party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties and all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by a majority of the Holders, in the case of the parties indemnified pursuant to Section 8(a), and by the Company and the Guarantors, in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall indemnify and hold harmless the indemnified party from and against any and all losses, claims, damages, liabilities and judgments by reason of any settlement of any action (i) effected with its written consent or (ii) effected without its written consent if the settlement is entered into more than 30 business days after the indemnifying party shall have received a request from the indemnified party for reimbursement for the fees and expenses of counsel (in any case where such fees and expenses are at the expense of the indemnifying party) and, prior to the date of such settlement, the indemnifying party shall have failed to comply with such reimbursement request. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened action in respect of which the indemnified party is or could have been a party and indemnity or contribution may be or could have been sought hereunder by the indemnified party, unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability on claims that are or could have been the subject matter of such action and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) To the extent that the indemnification provided for in this Section 8 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or judgments (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantors on the one hand, and the Holders, on the other hand, from their initial sale of Transfer Restricted Securities (or in the case of Exchange Notes that are Transfer Restricted Securities, the sale of the Notes for which such Exchange Notes were exchanged) or (ii) if the allocation provided by clause 8(d)(i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(d)(i) above but also the relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or such Guarantor, on the one hand, or by the Holder, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and judgments referred to above shall be deemed to include, subject to the limitations set forth in the second paragraph of Section 8(a), any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim.

The Company, the Guarantors and, by its acquisition of Transfer Restricted Securities, each Holder agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any matter, including any action that could have given rise to such losses, claims, damages, liabilities or judgments. Notwithstanding the provisions of this Section 8, no Holder, its directors, its officers or any Person, if any, who controls such Holder shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total received by such Holder with respect to the sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds (i) the amount paid by such Holder for such Transfer Restricted Securities and (ii) the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(d) are several in proportion to the respective principal amount of Transfer Restricted Securities held by each Holder hereunder and not joint.

SECTION 9. RULE 144A AND RULE 144

The Company and each Guarantor agrees with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Company or such Guarantor (i) is not subject to Section 13 or 15(d) of the Exchange Act, to make available, upon request of any Holder, to such Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A, and (ii) is subject to Section 13 or 15(d) of the Exchange Act, to use its commercially reasonable efforts to make all filings required thereby in a timely manner in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144.

SECTION 10. MISCELLANEOUS

(a) No Inconsistent Agreements. The Company and the Guarantors will not, on or after the date of this Agreement, enter into any agreement with respect to its their respective securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof The Company and the Guarantors have not previously entered into any agreement granting any registration rights with respect to their respective securities to any Person that would require such securities to be included in any Registration Statement filed hereunder. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's and the Guarantors' securities under any agreement in effect on the date hereof.

(b) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 5 hereof and this Section 10(c)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or its Affiliates). Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose Transfer Restricted Securities are being tendered pursuant to the Exchange Offer, and that does not affect directly or indirectly the rights of other Holders whose Transfer Restricted Securities are not being tendered pursuant to such Exchange Offer, may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(c) Third Party Beneficiary. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect their rights hereunder.

(d) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ii) if to the Company or any of the Guarantors:

Corrections Corporation of America
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attention: Irving E. Lingo, Jr.
Facsimile: (615) 263-3170

with a copy to

Bass, Berry & Sims PLC
315 Deaderick Street, Suite 2700
Nashville, Tennessee 37238
Attention: F. Mitchell Walker/ Howard H. Lamar III
Facsimile: (615) 742-2775/ (615) 742-2709

All such notices and communications shall be deemed to have been duly given at the time delivered by hand; when receipt acknowledged, if sent by mail; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(e) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders; provided, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Transfer Restricted Securities in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(f) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAW RULES THEREOF.

(i) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(j) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Very truly yours,

CORRECTIONS CORPORATION OF AMERICA

By /s/ John D. Ferguson

Name: John D. Ferguson
Title: Chief Executive Officer

CCA OF TENNESSEE, INC.
PRISON REALTY MANAGEMENT, INC.
TECHNICAL AND BUSINESS INSTITUTE OF AMERICA, INC.
CCA INTERNATIONAL, INC.
CCA PROPERTIES OF AMERICA, LLC
CCA PROPERTIES OF ARIZONA, LLC
CCA PROPERTIES OF TENNESSEE, LLC

By /s/ John D. Ferguson

Name: John D. Ferguson
Title: Chief Executive Officer

CCA PROPERTIES OF TEXAS, L.P.

By /s/ John D. Ferguson

Name: John D. Ferguson
Title: Chief Executive Officer, CCA Properties of America, LLC, as General Partner

TRANSCOR AMERICA LLC

By /s/ Todd J. Mullenger

Name: Todd J. Mullenger
Title: Vice President, Treasurer

RONALD LEE SUTTLES TRI-COUNTY EXTRADITION, INC.

By /s/ Todd J. Mullenger

Name: Todd J. Mullenger
Title: Vice President, Treasurer

Accepted:

LEHMAN BROTHERS INC.
SG COWEN SECURITIES CORPORATION
UBS SECURITIES LLC
WACHOVIA CAPITAL MARKETS, LLC
BB&T CAPITAL MARKETS, a division of Scott & Stringfellow, Inc.
FIRST ANALYSIS SECURITIES CORPORATION
JEFFERIES & COMPANY, INC.
SOUTHTRUST SECURITIES, INC.

By LEHMAN BROTHERS INC., as Authorized Representative

By: /s/ Stephen Sleigh

Name: Stephen Sleigh
Title: Managing Director

SCHEDULE A

GUARANTORS

CCA International, Inc.
CCA of Tennessee, Inc.
Prison Realty Management, Inc.
Ronald Lee Suttles Tri-County Extradition, Inc.
Technical and Business Institute of America, Inc.
CCA Properties of America, LLC
CCA Properties of Arizona, LLC
CCA Properties of Tennessee, LLC
TransCor America, LLC
CCA Properties of Texas, L.P.

EXHIBIT 31.1

CERTIFICATION OF THE CEO PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13A-15 AND 15D-15
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, John D. Ferguson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Corrections Corporation of America;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2003

/s/ John D. Ferguson

John D. Ferguson
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF THE CFO PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-15 AND 15d-15
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Irving E. Lingo, Jr., certify that:

1) I have reviewed this quarterly report on Form 10-Q of Corrections Corporation of America;

2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   c) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2003

/s/ Irving E. Lingo, Jr.

Irving E. Lingo, Jr.
Executive Vice President, Chief Financial Officer, Assistant Secretary and Principal Accounting Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Corrections Corporation of America (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John D. Ferguson, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ John D. Ferguson

John D. Ferguson
President and Chief Executive Officer
August 7, 2003

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Corrections Corporation of America (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Irving E. Lingo, Jr., Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Irving E. Lingo, Jr.

Irving E. Lingo, Jr.
Executive Vice President and
Chief Financial Officer
August 7, 2003