



**CORRECTIONS CORPORATION OF AMERICA**

**Supplemental Financial Information  
For the Quarter Ended June 30, 2010**

The Company's supplemental financial information and other data presented herein speaks only as of the date or period indicated (or as of the date posted, as the case may be), and the Company does not undertake any obligation, and disclaims any duty, to update any of this information. The Company's future financial performance is subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect the Company's future financial results are discussed more fully in our reports filed with the SEC. Readers are advised to refer to these reports for additional information concerning the Company. Readers are also advised that the Company's historical performance may not be indicative of future results. In addition, the information contained herein does not constitute an offer to sell or a solicitation to buy any of the Company's securities.

# CORRECTIONS CORPORATION OF AMERICA

## Supplemental Financial Information For the Quarter Ended June 30, 2010

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Damon T. Hininger, President and Chief Executive Officer  
Todd J Mullenger, Chief Financial Officer  
10 Burton Hills Boulevard  
Nashville, TN 37215  
Tel.: (615) 263-3000 Fax: (615) 263-3010

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

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<b>ASSETS</b>	<b>June 30, 2010</b>	<b>March 31, 2010</b>	<b>December 31, 2009</b>	<b>September 30, 2009</b>	<b>June 30, 2009</b>
Cash and cash equivalents	\$ 22,740	\$ 47,166	\$ 45,908	\$ 53,626	\$ 73,388
Accounts receivable, net of allowance	265,499	249,586	241,208	278,476	249,386
Deferred tax assets	9,472	10,867	11,842	15,167	11,999
Prepaid expenses and other current assets	26,396	15,566	26,297	26,667	36,035
Total current assets	<u>324,107</u>	<u>323,185</u>	<u>325,255</u>	<u>373,936</u>	<u>370,808</u>
Property and equipment, net	2,548,883	2,535,559	2,520,503	2,486,080	2,476,507
Restricted cash	6,750	6,749	6,747	6,745	6,741
Investment in direct financing lease	11,512	11,854	12,185	12,506	12,818
Goodwill	11,988	13,672	13,672	13,672	13,672
Other assets	26,442	26,380	27,381	27,709	28,295
Total assets	<u>\$ 2,929,682</u>	<u>\$ 2,917,399</u>	<u>\$ 2,905,743</u>	<u>\$ 2,920,648</u>	<u>\$ 2,908,841</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Accounts payable and accrued expenses	\$ 181,262	\$ 190,324	\$ 194,102	\$ 214,024	\$ 176,548
Income taxes payable	471	6,387	481	482	455
Total current liabilities	<u>181,733</u>	<u>196,711</u>	<u>194,583</u>	<u>214,506</u>	<u>177,003</u>
Long-term debt	1,186,571	1,149,416	1,149,099	1,198,792	1,276,357
Deferred tax liabilities	95,268	90,945	88,260	81,949	73,343
Other liabilities	32,175	32,438	31,255	32,050	39,245
Total liabilities	<u>1,495,747</u>	<u>1,469,510</u>	<u>1,463,197</u>	<u>1,527,297</u>	<u>1,565,948</u>
Commitments and contingencies					
Common stock - \$0.01 par value	1,121	1,147	1,160	1,155	1,152
Additional paid-in capital	1,403,401	1,453,947	1,483,497	1,476,798	1,471,595
Retained earnings (deficit)	29,413	(7,205)	(42,111)	(84,602)	(129,854)
Total stockholders' equity	<u>1,433,935</u>	<u>1,447,889</u>	<u>1,442,546</u>	<u>1,393,351</u>	<u>1,342,893</u>
Total liabilities and stockholders' equity	<u>\$ 2,929,682</u>	<u>\$ 2,917,399</u>	<u>\$ 2,905,743</u>	<u>\$ 2,920,648</u>	<u>\$ 2,908,841</u>

## CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
<b>REVENUE:</b>				
Management:				
Federal	\$ 177,489	\$ 162,194	\$ 349,692	\$ 322,309
State	209,092	216,810	420,306	428,571
Local	17,015	16,572	33,648	32,540
Other	13,625	15,193	27,124	29,752
Total management revenue	<u>417,221</u>	<u>410,769</u>	<u>830,770</u>	<u>813,172</u>
Transportation	1,431	1,323	1,989	2,470
Rental	692	447	1,485	1,029
Other	38	154	85	176
	<u>419,382</u>	<u>412,693</u>	<u>834,329</u>	<u>816,847</u>
<b>EXPENSES:</b>				
Operating:				
Facility fixed	218,176	213,914	444,656	427,024
Facility variable	71,386	70,817	138,959	139,215
Transportation	3,870	3,377	7,124	5,911
Other	591	1,175	703	1,930
Total operating expenses	<u>294,023</u>	<u>289,283</u>	<u>591,442</u>	<u>574,080</u>
General and administrative	19,867	23,540	38,481	43,311
Depreciation and amortization	27,165	24,948	52,363	49,592
Goodwill impairment	1,684	-	1,684	-
	<u>342,739</u>	<u>337,771</u>	<u>683,970</u>	<u>666,983</u>
<b>OPERATING INCOME</b>	<u>76,643</u>	<u>74,922</u>	<u>150,359</u>	<u>149,864</u>
<b>OTHER EXPENSE:</b>				
Interest expense, net	17,303	18,661	34,574	36,596
Expenses associated with debt refinancing transactions	-	3,838	-	3,838
Other (income) expenses	(16)	(317)	56	(291)
	<u>17,287</u>	<u>22,182</u>	<u>34,630</u>	<u>40,143</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	59,356	52,740	115,729	109,721
Income tax expense	<u>(22,738)</u>	<u>(20,126)</u>	<u>(44,205)</u>	<u>(41,721)</u>
<b>INCOME FROM CONTINUING OPERATIONS</b>	36,618	32,614	71,524	68,000
Loss from discontinued operations, net of taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>(789)</u>
<b>NET INCOME</b>	<u>\$ 36,618</u>	<u>\$ 32,614</u>	<u>\$ 71,524</u>	<u>\$ 67,211</u>
<b>BASIC EARNINGS PER SHARE</b>	<u>\$ 0.32</u>	<u>\$ 0.28</u>	<u>\$ 0.63</u>	<u>\$ 0.57</u>
<b>DILUTED EARNINGS PER SHARE</b>	<u>\$ 0.32</u>	<u>\$ 0.28</u>	<u>\$ 0.62</u>	<u>\$ 0.57</u>

## RECONCILIATION OF BASIC TO DILUTED EARNINGS PER SHARE

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

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Basic:				
Income from continuing operations	\$ 36,618	\$ 32,614	\$ 71,524	\$ 68,000
Loss from discontinued operations, net of taxes	-	-	-	(789)
Net income	\$ 36,618	\$ 32,614	\$ 71,524	\$ 67,211
Diluted:				
Income from continuing operations	\$ 36,618	\$ 32,614	\$ 71,524	\$ 68,000
Loss from discontinued operations, net of taxes	-	-	-	(789)
Diluted net income	\$ 36,618	\$ 32,614	\$ 71,524	\$ 67,211
Basic:				
Weighted average common shares outstanding	113,377	115,172	114,559	117,735
Unvested restricted common stock	(397)	(511)	(396)	(520)
Weighted average common shares outstanding-basic	112,980	114,661	114,163	117,215
Diluted:				
Weighted average common shares outstanding-basic	112,980	114,661	114,163	117,215
Effect of dilutive securities:				
Stock options and warrants	770	847	804	729
Restricted stock-based compensation	123	179	139	164
Weighted average shares and assumed conversions-diluted	113,873	115,687	115,106	118,108
Basic earnings per share:				
Income from continuing operations	\$ 0.32	\$ 0.28	\$ 0.63	\$ 0.58
Loss from discontinued operations, net of taxes	-	-	-	(0.01)
Net income	\$ 0.32	\$ 0.28	\$ 0.63	\$ 0.57
Diluted earnings per share:				
Income from continuing operations	\$ 0.32	\$ 0.28	\$ 0.62	\$ 0.58
Loss from discontinued operations, net of taxes	-	-	-	(0.01)
Net income	\$ 0.32	\$ 0.28	\$ 0.62	\$ 0.57

**CALCULATION OF ADJUSTED DILUTED EARNINGS PER SHARE**

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

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net Income	\$ 36,618	\$ 32,614	\$ 71,524	\$ 67,211
Special items:				
Goodwill impairment	1,684	-	1,684	-
Expenses associated with debt refinancing transactions	-	3,838	-	3,838
Income tax benefit for special items	-	(1,465)	-	(1,465)
Diluted adjusted net income	<u>\$ 38,302</u>	<u>\$ 34,987</u>	<u>\$ 73,208</u>	<u>\$ 69,584</u>
Weighted average common shares outstanding - basic	112,980	114,661	114,163	117,215
Effect of dilutive securities:				
Stock options and warrants	770	847	804	729
Restricted stock-based compensation	123	179	139	164
Weighted average shares and assumed conversions - diluted	<u>113,873</u>	<u>115,687</u>	<u>115,106</u>	<u>118,108</u>
<b>Adjusted Diluted Earnings Per Share</b>	<u>\$ 0.34</u>	<u>\$ 0.30</u>	<u>\$ 0.64</u>	<u>\$ 0.59</u>

**SELECTED FINANCIAL INFORMATION**  
(Unaudited and amounts in thousands, except per share amounts)

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	<u>June 30, 2010</u>	<u>March 31, 2010</u>	<u>December 31, 2009</u>	<u>September 30, 2009</u>	<u>June 30, 2009</u>
<b>BALANCE SHEET:</b>					
Property and equipment	\$ 3,299,962	\$ 3,258,903	\$ 3,218,290	\$ 3,161,080	\$ 3,126,257
Accumulated depreciation and amortization	(751,079)	(723,344)	(697,787)	(675,000)	(649,750)
Property and equipment, net	<u>\$ 2,548,883</u>	<u>\$ 2,535,559</u>	<u>\$ 2,520,503</u>	<u>\$ 2,486,080</u>	<u>\$ 2,476,507</u>
Total assets	\$ 2,929,682	\$ 2,917,399	\$ 2,905,743	\$ 2,920,648	\$ 2,908,841
Maintenance & technology capital expenditures for the quarter ended	\$ 9,177	\$ 5,401	\$ 18,010	\$ 12,667	\$ 7,877
Total debt	\$ 1,186,571	\$ 1,149,416	\$ 1,149,099	\$ 1,198,792	\$ 1,276,357
Equity book value	\$ 1,433,935	\$ 1,447,889	\$ 1,442,546	\$ 1,393,351	\$ 1,342,893
<b>LIQUIDITY:</b>					
Cash and cash equivalents	\$ 22,740	\$ 47,166	\$ 45,908	\$ 53,626	\$ 73,388
Availability under revolving credit facility	\$ 199,332	\$ 236,165	\$ 236,165	\$ 188,498	\$ 187,950
<b>CAPITALIZATION:</b>					
Common shares outstanding	112,123	114,663	115,962	115,482	115,181
Common share price at end of period	\$ 19.08	\$ 19.86	\$ 24.55	\$ 22.65	\$ 16.99
Market value of common equity at end of period	<u>\$ 2,139,307</u>	<u>\$ 2,277,207</u>	<u>\$ 2,846,867</u>	<u>\$ 2,615,667</u>	<u>\$ 1,956,925</u>
Total equity market capitalization	<u>\$ 2,139,307</u>	<u>\$ 2,277,207</u>	<u>\$ 2,846,867</u>	<u>\$ 2,615,667</u>	<u>\$ 1,956,925</u>
Total market capitalization (market value of equity plus debt)	<u><u>\$ 3,325,878</u></u>	<u><u>\$ 3,426,623</u></u>	<u><u>\$ 3,995,966</u></u>	<u><u>\$ 3,814,459</u></u>	<u><u>\$ 3,233,282</u></u>
<b>EBITDA</b>	\$ 105,508	\$ 98,842	\$ 110,334	\$ 104,824	\$ 96,349
<b>ADJUSTED EBITDA</b>	\$ 105,508	\$ 98,842	\$ 110,334	\$ 104,824	\$ 100,187
<b>FUNDS FROM OPERATIONS</b>	\$ 64,605	\$ 84,599	\$ 81,996	\$ 80,784	\$ 42,454
<b>FUNDS FROM OPERATIONS PER SHARE:</b>					
Basic funds from operations per share	<u>\$ 0.57</u>	<u>\$ 0.73</u>	<u>\$ 0.71</u>	<u>\$ 0.70</u>	<u>\$ 0.37</u>
Diluted funds from operations per share	<u><u>\$ 0.57</u></u>	<u><u>\$ 0.73</u></u>	<u><u>\$ 0.70</u></u>	<u><u>\$ 0.70</u></u>	<u><u>\$ 0.37</u></u>
<b>ADJUSTED FUNDS FROM OPERATIONS</b>	\$ 55,428	\$ 79,198	\$ 63,986	\$ 68,117	\$ 34,577
<b>ADJUSTED FUNDS FROM OPERATIONS PER SHARE:</b>					
Basic adjusted funds from operations per share	<u>\$ 0.49</u>	<u>\$ 0.69</u>	<u>\$ 0.56</u>	<u>\$ 0.59</u>	<u>\$ 0.30</u>
Diluted adjusted funds from operations per share	<u><u>\$ 0.49</u></u>	<u><u>\$ 0.68</u></u>	<u><u>\$ 0.55</u></u>	<u><u>\$ 0.59</u></u>	<u><u>\$ 0.30</u></u>

**SELECTED FINANCIAL INFORMATION**  
(Unaudited and amounts in thousands, except per share amounts)

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Number of days per period	91	91	181	181
<b>ALL FACILITIES:</b>				
Average available beds	<u>87,782</u>	<u>85,575</u>	<u>87,352</u>	<u>85,552</u>
Average compensated occupancy	<u>90.0%</u>	<u>90.5%</u>	<u>90.2%</u>	<u>89.9%</u>
Total compensated man-days	<u>7,186,723</u>	<u>7,044,159</u>	<u>14,253,795</u>	<u>13,928,180</u>
Revenue per compensated man-day	\$ 58.05	\$ 58.31	\$ 58.28	\$ 58.38
Operating expenses per compensated man-day:				
Fixed expense	30.36	30.37	31.20	30.66
Variable expense	<u>9.93</u>	<u>10.05</u>	<u>9.75</u>	<u>10.00</u>
Total	<u>40.29</u>	<u>40.42</u>	<u>40.95</u>	<u>40.66</u>
Operating margin per compensated man-day	\$ 17.76	\$ 17.89	\$ 17.33	\$ 17.72
Operating margin rate	<u>30.6%</u>	<u>30.7%</u>	<u>29.7%</u>	<u>30.4%</u>
<b>DEPRECIATION AND AMORTIZATION:</b>				
Depreciation expense on real estate	17,900	16,576	34,843	32,868
Other depreciation expense	9,935	9,052	18,860	18,407
Amortization of negative contract values	(670)	(680)	(1,340)	(1,683)
Depreciation and amortization	<u>\$ 27,165</u>	<u>\$ 24,948</u>	<u>\$ 52,363</u>	<u>\$ 49,592</u>
<b>FUNDS FROM OPERATIONS:</b>				
Net income	\$ 36,618	\$ 32,614	\$ 71,524	\$ 67,211
Income tax expense	22,738	20,126	44,205	41,721
Expenses associated with debt refinancing transactions	-	3,838	-	3,838
Income tax benefit for debt refinancing transactions	-	(1,465)	-	(1,465)
Income taxes paid	(26,935)	(40,594)	(26,987)	(40,839)
Depreciation and amortization	27,165	24,948	52,363	49,592
Depreciation and amortization for discontinued operations	-	-	-	4
Goodwill impairment	1,684	-	1,684	-
Income tax expense (benefit) for discontinued operations	-	-	-	(481)
Stock-based compensation reflected in G&A expenses	2,273	2,034	4,279	4,359
Amortization of debt costs and other non-cash interest	<u>1,062</u>	<u>953</u>	<u>2,136</u>	<u>1,847</u>
Funds from operations	\$ 64,605	\$ 42,454	\$ 149,204	\$ 125,787
Maintenance and technology capital expenditures	(9,177)	(7,877)	(14,578)	(18,189)
Adjusted funds from operations	<u>\$ 55,428</u>	<u>\$ 34,577</u>	<u>\$ 134,626</u>	<u>\$ 107,598</u>
<b>FUNDS FROM OPERATIONS PER SHARE:</b>				
Basic	<u>\$ 0.57</u>	<u>\$ 0.37</u>	<u>\$ 1.31</u>	<u>\$ 1.07</u>
Diluted	<u>\$ 0.57</u>	<u>\$ 0.37</u>	<u>\$ 1.30</u>	<u>\$ 1.07</u>
<b>ADJUSTED FUNDS FROM OPERATIONS PER SHARE:</b>				
Basic	<u>\$ 0.49</u>	<u>\$ 0.30</u>	<u>\$ 1.18</u>	<u>\$ 0.92</u>
Diluted	<u>\$ 0.49</u>	<u>\$ 0.30</u>	<u>\$ 1.17</u>	<u>\$ 0.91</u>



**SELECTED FINANCIAL INFORMATION**  
(Unaudited and amounts in thousands, except per share amounts)

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>MANAGED ONLY FACILITIES:</b>				
Management revenue	\$ 89,973	\$ 86,102	\$ 177,504	\$ 170,845
Operating expenses:				
Fixed expense	58,083	54,989	118,160	109,729
Variable expense	20,376	18,993	38,421	38,058
Total	78,459	73,982	156,581	147,787
Contribution	\$ 11,514	\$ 12,120	\$ 20,923	\$ 23,058
Average available beds	25,767	24,521	25,767	24,520
Average compensated occupancy	94.9%	98.1%	94.6%	97.9%
Total compensated man-days	2,225,803	2,189,537	4,409,866	4,347,032
Revenue per compensated man-day	\$ 40.42	\$ 39.32	\$ 40.25	\$ 39.30
Operating expenses per compensated man-day:				
Fixed expense	26.10	25.11	26.79	25.24
Variable expense	9.15	8.67	8.71	8.75
Total	35.25	33.78	35.50	33.99
Operating margin per compensated man-day	\$ 5.17	\$ 5.54	\$ 4.75	\$ 5.31
Operating margin rate	12.8%	14.1%	11.8%	13.5%
<b>OWNED AND MANAGED FACILITIES:</b>				
Management revenue	\$ 327,248	\$ 324,667	\$ 653,266	\$ 642,327
Operating expenses:				
Fixed expense	160,093	158,925	326,496	317,295
Variable expense	51,010	51,824	100,538	101,157
Total	211,103	210,749	427,034	418,452
Contribution	\$ 116,145	\$ 113,918	\$ 226,232	\$ 223,875
Average available beds	62,015	61,054	61,585	61,032
Average compensated occupancy	87.9%	87.4%	88.3%	86.7%
Total compensated man-days	4,960,920	4,854,622	9,843,929	9,581,148
Revenue per compensated man-day	\$ 65.97	\$ 66.88	\$ 66.36	\$ 67.04
Operating expenses per compensated man-day:				
Fixed	32.27	32.74	33.17	33.12
Variable	10.28	10.68	10.21	10.56
Total	42.55	43.42	43.38	43.68
Operating margin per compensated man-day	\$ 23.42	\$ 23.46	\$ 22.98	\$ 23.36
Operating margin rate	35.5%	35.1%	34.6%	34.8%

## ANALYSIS OF OUTSTANDING DEBT

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(Unaudited and amounts in thousands)

	<u>Outstanding Balance 12/31/2009</u>	<u>Outstanding Balance 6/30/2010</u>	<u>Stated Interest Rate</u>	<u>Effective Interest Rate</u> <sup>1)</sup>	<u>Maturity Date</u>	<u>Callable/ Redeemable</u>
<b>Fixed Rate:</b>						
\$375.0 Million Senior Notes	\$ 375,000	\$ 375,000	6.25%	6.50%	March 2013	On or prior to March 15, 2008, 35% redeemable at 106.25% with proceeds from equity offerings; on or after March 15, 2009, 100% redeemable at various premium prices until March 15, 2011 at par
\$150.0 Million Senior Notes	150,000	150,000	6.75%	6.99%	January 2014	On or prior to January 31, 2009, 35% redeemable at 106.75% with proceeds from equity offerings; on or after January 31, 2010, 100% redeemable at various premium prices until January 31, 2012 at par
\$465.0 Million Senior Notes	452,300	452,938	7.75%	8.65%	June 2017	On or prior to June 1, 2012, 35% redeemable at 107.75% with proceeds from equity offerings; on or after June 1, 2013, 100% redeemable at various premium prices until June 1, 2015 at par
Total Fixed Rate Debt	<u>977,300</u>	<u>977,938</u>				
<b>Floating Rate:</b>						
Revolving Credit Facility	<u>171,799</u>	<u>208,633</u>	1.62%	1.92%	December 2012	
Grand Total Debt	<u>\$ 1,149,099</u>	<u>\$ 1,186,571</u>	6.16%	6.51%	4.4	

<sup>1)</sup> Includes amortization of debt issuance costs, net of debt discounts and premiums.

<sup>2)</sup> The Company also has \$30.4 million of letters of credit outstanding under a sub-facility. Further, Lehman's current unfunded \$11.6 million commitment is no longer being funded by Lehman. Lehman's commitment has not been assumed by another party, which effectively reduces the Company's borrowing capacity under the Revolving Credit Facility to \$199.3 million. The Revolving Credit facility currently bears interest at LIBOR plus a margin of 0.75%.

<sup>3)</sup> Represents the weighted average debt maturity in years.

### *Debt Maturity Schedule:*

<u>Year</u>	<u>Total Debt Maturing</u>	<u>% of Debt Maturing</u>	<u>% of Debt Maturing</u>
<b>2010</b>	-	0.00%	0.00%
<b>2011</b>	-	0.00%	0.00%
<b>2012</b>	208,633	17.41%	17.41%
<b>2013</b>	375,000	31.29%	48.69%
<b>2014</b>	150,000	12.51%	61.21%
<b>Thereafter</b>	465,000	38.79%	100.00%
	<u>\$ 1,198,633</u>	<u>100.00%</u>	
<b>Debt Discount - \$465.0 Million Senior Notes</b>	<u>(12,062)</u>		
	<u>\$ 1,186,571</u>		

**SELECTED OPERATING RATIOS**  
(Unaudited and amounts in thousands, except per share amounts)

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
<b><u>COVERAGE RATIOS:</u></b>				
Interest coverage ratio (Adjusted EBITDA/Interest incurred) (x)	5.8	5.4	5.6	5.5
Fixed charge coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled prin pmts)) (x)	5.8	5.4	5.6	5.5
Senior debt coverage ratio (Senior debt/Annualized Adjusted EBITDA) (x)	2.8	3.2	2.9	3.2
Total debt coverage ratio (Total debt/Annualized Adjusted EBITDA) (x)	2.8	3.2	2.9	3.2
Accounts receivable turnover (Annualized revenues/Accounts receivable) (x)	6.3	6.6	6.3	6.6
<b><u>DEBT/EQUITY RATIOS:</u></b>				
Total debt/Total market capitalization	35.7%	39.5%	35.7%	39.5%
Total debt/Equity market capitalization	55.5%	65.2%	55.5%	65.2%
Total debt/Book equity capitalization	82.7%	95.0%	82.7%	95.0%
Total debt/Gross book value of real estate assets	35.8%	40.7%	35.8%	40.7%
<b><u>RETURN ON INVESTMENT RATIOS:</u></b>				
Annualized return on operating real estate investments (Annualized Adjusted EBITDA/Average operating real estate investments (undepreciated book value)*)	12.8%	12.8%	12.5%	12.8%
Annualized return on total assets (Annualized Adjusted EBITDA/Average total assets (undepreciated book value)*)	11.5%	11.4%	11.2%	11.4%
<b><u>OVERHEAD RATIOS:</u></b>				
Annualized general & administrative expenses/Average total assets (undepreciated book value)*	2.2%	2.7%	2.1%	2.5%
General & administrative expenses/Total revenues	4.7%	5.7%	4.6%	5.3%
<b><u>INTEREST EXPENSE, NET:</u></b>				
Interest income from continuing operations	\$ (534)	\$ (626)	\$ (1,147)	\$ (1,251)
Interest incurred	18,241	18,558	36,377	36,527
Amortization of debt costs and other non-cash interest	1,062	953	2,136	1,847
Capitalized interest	(1,466)	(224)	(2,792)	(527)
Interest expense, net	<u>\$ 17,303</u>	<u>\$ 18,661</u>	<u>\$ 34,574</u>	<u>\$ 36,596</u>
<b><u>EBITDA CALCULATION:</u></b>				
Net income	\$ 36,618	\$ 32,614	\$ 71,524	\$ 67,211
Interest expense, net	17,303	18,661	34,574	36,596
Depreciation and amortization	27,165	24,948	52,363	49,592
Income tax expense	22,738	20,126	44,205	41,721
Goodwill impairment	1,684	-	1,684	-
Loss from discontinued operations, net of taxes	-	-	-	789
EBITDA	<u>105,508</u>	<u>96,349</u>	<u>204,350</u>	<u>195,909</u>
Expenses associated with debt refinancing transactions	<u>-</u>	<u>3,838</u>	<u>-</u>	<u>3,838</u>
ADJUSTED EBITDA	<u>\$ 105,508</u>	<u>\$ 100,187</u>	<u>\$ 204,350</u>	<u>\$ 199,747</u>

\*Calculated as a simple average (beginning of period plus end of period divided by 2)

**FACILITY PORTFOLIO**

<b>Facility Name</b>	<b>Year Constructed (A)</b>	<b>Primary Customer</b>	<b>Design Capacity (B)</b>	<b>Security Level</b>	<b>Facility Type (C)</b>	<b>Term</b>	<b>Remaining Renewal Options (D)</b>	<b>Compensated Occupancy % for the Quarter ended 6/30/10</b>
<b>Owned and Managed Facilities:</b>								
Central Arizona Detention Center Florence, Arizona	1994, 1998	USMS	2,304	Multi	Detention	Sep-13	(3) 5 year	144.93%
Eloy Detention Center Eloy, Arizona	1995, 1996	ICE	1,500	Medium	Detention	Indefinite	-	99.63%
Florence Correctional Center Florence, Arizona	1999, 2004	State of California	1,824	Multi	Correctional	Jun-11	Indefinite	104.46%
La Palma Correctional Center Eloy, Arizona	2008	State of California	3,060	Medium	Correctional	Jun-11	Indefinite	92.68%
Red Rock Correctional Center Eloy, Arizona	2006	State of California	1,596	Medium	Correctional	Jun-11	Indefinite	76.17%
Saguaro Correctional Facility Eloy, Arizona	2007	State of Hawaii	1,896	Medium	Correctional	Jun-11	-	99.13%
California City Correctional Center (E) California City, California	1999	BOP	2,304	Medium	Correctional	Sep-10	-	105.25%
San Diego Correctional Facility (F) San Diego, California	1999, 2000	ICE	1,154	Minimum/ Medium	Detention	Jun-11	(4) 3 year	89.25%
Bent County Correctional Facility Las Animas, Colorado	1992, 1997, 2008	State of Colorado	1,420	Medium	Correctional	Jun-11	-	99.85%
Crowley County Correctional Facility Olney Springs, Colorado	1998, 2004	State of Colorado	1,794	Medium	Correctional	Jun-11	-	92.35%
Huerfano County Correctional Center (G) Walsenburg, Colorado	1997	State of Arizona	752	Medium	Correctional	-	-	0.00%
Kit Carson Correctional Center Burlington, Colorado	1998, 2008	State of Colorado	1,488	Medium	Correctional	Jun-11	-	68.13%
Coffee Correctional Facility (H) Nicholls, Georgia	1998, 1999, 2010	State of Georgia	2,312	Medium	Correctional	Jun-11	(23) 1 year	104.05%
McRae Correctional Facility McRae, Georgia	2000, 2002	BOP	1,524	Medium	Correctional	Nov-10	(2) 1 year	113.95%
Stewart Detention Center Lumpkin, Georgia	2004	ICE	1,752	Medium	Detention	Indefinite	-	96.51%
Wheeler Correctional Facility (H) Alamo, Georgia	1998, 1999, 2010	State of Georgia	2,236	Medium	Correctional	Jun-11	(23) 1 year	106.06%

**FACILITY PORTFOLIO**

<b>Facility Name</b>	<b>Year Constructed (A)</b>	<b>Primary Customer</b>	<b>Design Capacity (B)</b>	<b>Security Level</b>	<b>Facility Type (C)</b>	<b>Term</b>	<b>Remaining Renewal Options (D)</b>	<b>Compensated Occupancy % for the Quarter ended 6/30/10</b>
Leavenworth Detention Center Leavenworth, Kansas	1992, 2000, 2004, 2008	USMS	1,033	Maximum	Detention	Dec-11	(3) 5 year	73.58%
Lee Adjustment Center Beattyville, Kentucky	1990	State of Vermont	816	Minimum/ Medium	Correctional	Jun-11	-	89.19%
Marion Adjustment Center St. Mary, Kentucky	1955, 1988	Commonwealth of Kentucky	826	Minimum	Correctional	Jun-11	(1) 2 year	98.56%
Otter Creek Correctional Center (I) Wheelwright, Kentucky	1993	Commonwealth of Kentucky	656	Minimum/ Medium	Correctional	Jun-12	(4) 2 year	54.06%
Prairie Correctional Facility (J) Appleton, Minnesota	1991	-	1,600	Medium	Correctional	-	-	0.00%
Adams County Correctional Center Adams County, Mississippi	2008	BOP	2,232	Medium	Correctional	Jul-13	(3) 2 year	108.33%
Tallahatchie County Correctional Facility (K) Tutwiler, Mississippi	2000, 2007, 2008	State of California	2,672	Medium	Correctional	Jun-11	Indefinite	97.20%
Crossroads Correctional Center (L) Shelby, Montana	1999	State of Montana	664	Multi	Correctional	Aug-11	(4) 2 year	98.30%
Cibola County Corrections Center Milan, New Mexico	1994, 1999	BOP	1,129	Medium	Correctional	Sep-14	(3) 2 year	101.98%
New Mexico Women's Correctional Facility Grants, New Mexico	1989, 2000	State of New Mexico	596	Multi	Correctional	Jun-13	-	99.75%
Torrance County Detention Facility Estancia, New Mexico	1990, 1997	USMS	910	Multi	Detention	Indefinite	-	71.31%
Northeast Ohio Correctional Center Youngstown, Ohio	1997	BOP	2,016	Medium	Correctional	May-11	(2) 2 year	101.53%
Queensgate Correctional Facility (M) Cincinnati, Ohio	1906	-	850	Medium	-	-	-	0.00%
Cimarron Correctional Facility (N) Cushing, Oklahoma	1997, 2008	State of Oklahoma	1,692	Medium	Correctional	Jun-10	(4) 1 year	38.23%
Davis Correctional Facility (N) Holdenville, Oklahoma	1996, 2008	State of Oklahoma	1,670	Medium	Correctional	Jun-10	(4) 1 year	95.08%
Diamondback Correctional Facility (G) Watonga, Oklahoma	1998, 2000	State of Arizona	2,160	Medium	Correctional	-	-	46.53%
North Fork Correctional Facility Sayre, Oklahoma	1998, 2007	State of California	2,400	Medium	Correctional	Jun-11	Indefinite	76.04%

**FACILITY PORTFOLIO**

Facility Name	Year Constructed (A)	Primary Customer	Design Capacity (B)	Security Level	Facility Type (C)	Term	Remaining Renewal Options (D)	Compensated Occupancy % for the Quarter ended 6/30/10
West Tennessee Detention Facility Mason, Tennessee	1990, 1996	USMS	600	Multi	Detention	Sep-11	(9) 2 year	97.26%
Shelby Training Center Memphis, Tennessee	1986, 1995	-	200	Secure	-	-	-	0.00%
Whiteville Correctional Facility (O) Whiteville, Tennessee	1998	State of Tennessee	1,536	Medium	Correctional	Sep-10	(1) 1 year	97.19%
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	1989	State of Texas	200	Medium	Correctional	Feb-11	-	99.93%
Eden Detention Center Eden, Texas	1990	BOP	1,422	Medium	Correctional	Apr-11	(3) 2 year	108.14%
Houston Processing Center Houston, Texas	1984, 2005	ICE	1,000	Medium	Detention	Mar-11	(3) 1 year	86.56%
Laredo Processing Center Laredo, Texas	1985, 1990	ICE	258	Minimum/ Medium	Detention	Jun-10	-	104.05%
Webb County Detention Center Laredo, Texas	1998	USMS	480	Medium	Detention	Nov-12	(1) 5 year	94.91%
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	1995	State of Texas	2,103	Minimum	Correctional	Feb-11	-	99.06%
T. Don Hutto Residential Center Taylor, Texas	1997	ICE	512	Non-secure	Detention	Jan-15	-	97.79%
D.C. Correctional Treatment Facility (P) Washington D.C.	1992	District of Columbia	1,500	Medium	Detention	Mar-17	-	63.04%
Total design capacity for Owned and Managed Facilities (44 Owned and Managed Facilities)			62,649					
<b>Managed Only Facilities:</b>								
Bay Correctional Facility Panama City, Florida	N/A	State of Florida	985	Medium	Correctional	Jul-13	(2) 2 year	99.20%
Citrus County Detention Facility Lecanto, Florida	N/A	Citrus County, FL	760	Multi	Detention	Sep-15	Indefinite	72.08%
Gadsden Correctional Institution (Q) Quincy, Florida	N/A	State of Florida	1,520	Minimum/ Medium	Correctional	Jul-10	-	99.12%
Hernando County Jail (R) Brooksville, Florida	N/A	Hernando County, FL	876	Multi	Detention	-	-	64.74%

**FACILITY PORTFOLIO**

<b>Facility Name</b>	<b>Year Constructed (A)</b>	<b>Primary Customer</b>	<b>Design Capacity (B)</b>	<b>Security Level</b>	<b>Facility Type (C)</b>	<b>Term</b>	<b>Remaining Renewal Options (D)</b>	<b>Compensated Occupancy % for the Quarter ended 6/30/10</b>
Lake City Correctional Facility Lake City, Florida	N/A	State of Florida	893	Secure	Correctional	Jun-12	Indefinite	99.06%
North Georgia Detention Center Hall County, Georgia	N/A	ICE	502	Medium	Detention	May-14	Indefinite	64.69%
Idaho Correctional Center Boise, Idaho	N/A	State of Idaho	2,016	Minimum/ Medium	Correctional	Jun-14	(2) 2 year	101.00%
Marion County Jail Indianapolis, Indiana	N/A	Marion County, IN	1,030	Multi	Detention	Dec-17	(1) 10 year	99.51%
Winn Correctional Center Winnfield, Louisiana	N/A	State of Louisiana	1,538	Medium/ Maximum	Correctional	Jun-20	-	94.99%
Delta Correctional Facility Greenwood, Mississippi	N/A	State of Mississippi	1,172	Minimum/ Medium	Correctional	Jul-11	-	85.01%
Wilkinson County Correctional Facility Woodville, Mississippi	N/A	State of Mississippi	1,000	Medium	Correctional	Jun-11	(4) 1 year	95.03%
Elizabeth Detention Center Elizabeth, New Jersey	N/A	ICE	300	Minimum	Detention	Sep-11	(4) 3 year	100.00%
Silverdale Facilities Chattanooga, Tennessee	N/A	Hamilton County, TN	1,046	Multi	Detention	Dec-10	-	87.73%
South Central Correctional Center Clifton, Tennessee	N/A	State of Tennessee	1,676	Medium	Correctional	Jun-12	-	97.42%
Metro-Davidson County Detention Facility Nashville, Tennessee	N/A	Davidson County, TN	1,092	Multi	Detention	Jul-14	-	96.65%
Hardeman County Correctional Facility Whiteville, Tennessee	N/A	State of Tennessee	2,016	Medium	Correctional	May-12	(2) 3 year	97.51%
Bartlett State Jail Bartlett, Texas	N/A	State of Texas	1,049	Minimum/ Medium	Correctional	Jan-11	-	99.75%
Bradshaw State Jail Henderson, Texas	N/A	State of Texas	1,980	Minimum/ Medium	Correctional	Jan-11	-	99.50%
Dawson State Jail Dallas, Texas	N/A	State of Texas	2,216	Minimum/ Medium	Correctional	Jan-11	-	99.23%

**FACILITY PORTFOLIO**

<u>Facility Name</u>	<u>Year Constructed (A)</u>	<u>Primary Customer</u>	<u>Design Capacity (B)</u>	<u>Security Level</u>	<u>Facility Type (C)</u>	<u>Term</u>	<u>Remaining Renewal Options (D)</u>	<u>Compensated Occupancy % for the Quarter ended 6/30/10</u>
Lindsey State Jail Jacksboro, Texas	N/A	State of Texas	1,031	Minimum/ Medium	Correctional	Jan-11	-	99.68%
Willacy State Jail Raymondville, Texas	N/A	State of Texas	1,069	Minimum/ Medium	Correctional	Jan-11	-	99.89%
Total design capacity for Managed Only Facilities (21 Managed Only Facilities)			<u>25,767</u>					
Total design capacity for All Facilities as of June 30, 2010			<u>88,416</u>					

**Expansion and Development Projects and Facility Activations:**

<u>Facility Name</u>	<u>Estimated Completion</u>	<u>Potential Customer(s)</u>	<u>Design Capacity (B)</u>	<u>Project Description</u>
Nevada Southern Detention Center Pahrump, Nevada	Third quarter 2010	Office of the Federal Detention Trustee	1,072	New owned facility
Graceville Correctional Facility (Q) Graceville, Florida	Third quarter 2010	State of Florida	1,884	New managed-only facility
Moore Haven Correctional Facility (Q) Moore Haven, Florida	Third quarter 2010	State of Florida	985	New managed-only facility
<b>Projected Design Capacity For All Facilities</b>			<u>92,357</u>	

**Leased Facilities:**

Leo Chesney Correctional Center Live Oak, California	1989	Cornell Corrections	240	Minimum	Owned/Leased	Sep-15	-	N/A
Community Education Partners (S) Houston, Texas	N/A	Community Education Partners	-	Non-secure	Owned/Leased	Jun-11	(2) 1 year	N/A

(A) The year constructed represents the initial completion of the facility's construction, as well as significant additions to the facility that occurred at a later date.

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

(C) We manage numerous facilities that have more than a single function (i.e., housing both long-term sentenced adult prisoners and pre-trial detainees). The primary functional categories into which facility types are identified was determined by the relative size of prisoner populations in a particular facility on June 30, 2010. If, for example, a 1,000-bed facility housed 900 adult prisoners with sentences in excess of one year and 100 pre-trial detainees, the primary functional category to which it would be assigned would be that of correction facilities and not detention facilities. It should be understood that the primary functional category to which multi-user facilities are assigned may change from time to time.

(D) Remaining renewal options represents the number of renewal options, if applicable, and the remaining term of each option renewal.

(E) During January 2010, we were notified by the BOP of their decision not to renew the management contract at the California City Correctional Center upon its expiration on September 30, 2010.



## FACILITY PORTFOLIO

Facility Name	Year Constructed (A)	Primary Customer	Design Capacity (B)	Security Level	Facility Type (C)	Term	Remaining Renewal Options (D)	Compensated Occupancy % for the Quarter ended 6/30/10
<p>(F) The facility is subject to a ground lease with the County of San Diego whereby the initial lease term is 18 years from the commencement of the contract, as defined. Upon expiration of the lease in December 2015, ownership of the facility automatically reverts to the County of San Diego.</p> <p>(G) During the first quarter of 2010, we were notified by the state of Arizona of their decision not to renew the management contracts at the Huerfano County Correctional Center upon its expiration on March 8, 2010 and the Diamondback Correctional Facility upon its expiration on May 1, 2010.</p> <p>(H) The facility is subject to a purchase option held by the Georgia Department of Corrections, or GDOC, which grants the GDOC the right to purchase the facility for the lesser of the facility's depreciated book value or fair market value at any time during the term of the contract between us and the GDOC.</p> <p>(I) The facility is subject to a deed of conveyance with the city of Wheelwright, KY which includes provisions that would allow assumption of ownership by the city of Wheelwright under the following occurrences: (1) we cease to operate the facility for more than two years, (2) our failure to maintain at least one employee for a period of sixty consecutive days, or (3) a conversion to a maximum security facility based upon classification by the Kentucky Corrections Cabinet.</p> <p>(J) During December 2009, we announced our decision to cease operations at our Prairie Correctional Facility on or about February 1, 2010 due to low inmate populations at the facility. During 2009, the Prairie facility housed offenders from the states of Minnesota and Washington. However, due to excess capacity in the states' systems, both states removed the populations held at Prairie.</p> <p>(K) The facility is subject to a purchase option held by the Tallahatchie County Correctional Authority which grants Tallahatchie County Correctional Authority the right to purchase the facility at any time during the contract at a price generally equal to the cost of the premises less an allowance for amortization originally over a 20 year period. The amortization period was extended through 2050 in connection with an expansion completed during the fourth quarter of 2007.</p> <p>(L) The State of Montana has an option to purchase the facility generally at any time during the term of the contract with us at fair market value less the sum of a pre-determined portion of per-diem payments made to us by the state of Montana.</p> <p>(M) During December 2008, we were notified by Hamilton County, Ohio of its intent to terminate the lease for the 850-bed Queensgate Correctional Facility. We believe the County elected to terminate the lease effective January 1, 2009, due to funding issues experienced by the County.</p> <p>(N) The facility is subject to a purchase option held by the Oklahoma Department of Corrections, or ODC, which grants the ODC the right to purchase the facility at its fair market value at any time.</p> <p>(O) The state of Tennessee has the option to purchase the facility in the event of our bankruptcy, or upon an operational breach, as defined, at a price equal to the book value, as defined.</p> <p>(P) The District of Columbia has the right to purchase the facility at any time during the term of the contract at a price generally equal to the present value of the remaining lease payments for the premises. Upon expiration of the lease in 2017, ownership of the facility automatically reverts to the District of Columbia.</p> <p>(Q) In April 2010, Florida Department of Management Services ("Florida DMS") indicated its intent to award us the continued management of the 985-bed Bay Correctional Facility, in Panama City, Florida. Additionally, the Florida DMS indicated its intent to award us management of the 985-bed Moore Haven Correctional Facility in Moore Haven, Florida and the 1,884-bed Graceville Correctional Facility in Graceville, Florida. However, we were not selected for the continued management of the 1,520-bed Gadsden Correctional Facility in Quincy, Florida. We expect to commence operations of the Moore Haven and Graceville facilities and will also cease operations of the Gadsden facility during the third quarter of 2010.</p> <p>(R) During April 2010, we provided notice of our intent to terminate the management contract for the 876-bed Hernando County Jail. As required under the agreement, we provided Hernando County a 120-day notice of termination and expect to turn over operations of the facility to the new operator on or about August 26, 2010.</p> <p>(S) The alternative educational facility is currently configured to accommodate 900 at-risk juveniles and may be expanded to accommodate a total of 1,400 at-risk juveniles.</p>								

**DIVERSIFICATION OF REVENUE**

(Unaudited and amounts in thousands)

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<b>Customer</b>	<b>Management Revenue For the Six Months Ended June 30, 2010</b>	<b>Percent of Management Revenue For the Six Months Ended June 30, 2010</b>
Bureau of Prisons	\$ 131,399	15.82%
United States Marshals	123,116	14.82%
California	98,562	11.86%
United States Immigration and Customs Enforcement	95,176	11.46%
Texas	45,973	5.53%
Tennessee	39,614	4.77%
Colorado	38,636	4.65%
Florida	31,778	3.83%
Georgia	29,789	3.59%
Hawaii	21,543	2.59%
	<u>\$ 655,586</u>	<u>78.91%</u>
Total Management Revenue	<u>\$ 830,770</u>	<u>100.00%</u>

**RESEARCH / ANALYST COVERAGE**

Equity Research Coverage:

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Avondale Partners	Kevin Campbell	(615) 467-3521
First Analysis Corporation	Todd Van Fleet	(312) 258-1400
Barclays Capital	Manav Patnaik	(212) 526-2983
Macquarie Research	H. Cooley May	(212) 231-2586
Davenport & Company LLC	Clinton Fendley	(804) 780-2151
RBC Capital Markets	Jamie Sullivan	(212) 428-6465
Signal Hill	T.C. Robillard	(443) 278-8532
SunTrust Robinson Humphrey	Tobey Sommer	(615) 748-5681

Debt Research Coverage:

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Barclays Capital	Emily Shanks	(212) 526-6403
SG Cowen Securities Corporation	Brad E. Eilert	(212) 278-5290

Rating Agency Coverage:

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Moody's Investors Service	Christopher Wimmer	(212) 553-2947
Standard & Poor's	Gerald Phelan	(312) 233-7031

Credit Ratings:

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	<u>Standard &amp; Poor's</u>	<u>Moody's</u>
Corporate Credit Rating	BB	Not rated
Senior Unsecured Debt	BB	Ba2

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